



Financial Statements
December 31, 2017
City of Aberdeen

City Council

Expires

| | | |
|---------------------------------|------------------------------|------|
| Mayor..... | Mike Levsen..... | 2019 |
| NE District Council Member..... | Mark Remily..... | 2022 |
| NE District Council Member..... | Rob Ronayne..... | 2018 |
| NW District Council Member..... | Dave Lunzman..... | 2019 |
| NW District Council Member..... | Jennifer Slaight-Hansen..... | 2019 |
| SE District Council Member..... | Clint Rux..... | 2022 |
| SE District Council Member..... | Dennis “Mike” Olson..... | 2022 |
| SW District Council Member..... | David Bunsness..... | 2020 |
| SW District Council Member..... | Alan Johnson..... | 2018 |

Appointive Officers

| | |
|----------------------|-----------------|
| City Manager..... | Lynn A. Lander |
| Finance Officer..... | Karl M. Alberts |
| City Attorney..... | Ronald A. Wager |

Governing Boards

Parks and Recreation Board (5 Years)

Expires

| | |
|-------------------------------------|------|
| Matt Prehn, President..... | 2021 |
| Brenda Stapp..... | 2020 |
| Sara Christensen-Blair | 2022 |
| David Sandvig..... | 2021 |
| Doug Farrand | 2020 |
| Jerry Mills | 2018 |
| Josh Rife | 2019 |
| David Bunsness, City Council Member | |

Mike Levsen, Mayor

Airport Board (5 Years)

Expires

| | |
|-------------------------------------|------|
| Mike Erickson, Chairperson | 2020 |
| Tom Seyer..... | 2021 |
| Carl Perry | 2019 |
| Rolf Johnson | 2018 |
| Lonald Gellhaus | 2022 |
| Alan Johnson, City Council Member | |
| Doug Fjeldheim, County Commissioner | |

Library Board (3 Years)

Expires

| | |
|---------------------------------|------|
| Dr. Peter Ramey, President..... | 2019 |
| Melissa Francom..... | 2020 |
| Sandy Andera..... | 2018 |
| Troy McQuillen | 2019 |
| Sharon Bain..... | 2020 |
| 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 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, certain errors resulting in overstatement of sewer charges for services and corresponding overstatement of net position in the Sewer Fund and Business-Type Activities as of December 31, 2016, were discovered by management of the City during the current year. Accordingly, amounts reported for beginning net position have been restated in the 2017 financial statements to correct for 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, schedule of the City's share of net pension liability (asset), schedule of the City's pension contributions, and budgetary comparison information on pages 4 through 16 and 67 through 74 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 basic financial statements. The schedule of municipal officials, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 27, 2018 on our consideration of the City of Aberdeen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Aberdeen's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aberdeen's internal control over financial reporting and compliance.

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

Aberdeen, South Dakota
July 27, 2018

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, 2017. 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 \$172.518 million (reported as net position), an increase of \$9.156 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 \$21.848 million, with \$5,880,348 reported as unassigned, \$414,850 reported as assigned, \$6,801,882 reported as committed, \$8,243,895 reported as restricted, and the remaining amount of \$507,036 reported as nonspendable. At the end of the fiscal year, the fund balance for the General Fund was \$6,468,930, of which \$5,917,218 was unassigned, \$262,000 was assigned, and \$289,712 was reported as nonspendable.

Proprietary funds reported a total net position at year-end of \$46.734 million, an increase of approximately \$2.494 million during the year.

Long-Term Debt

The primary government's total long-term outstanding loans and bonded debt totaled \$55.573 million, a decrease of \$3.144 million from the previous year. Of the total outstanding loans and bonded debt, \$45.542 million is backed by the City. During 2017, the City issued tax increment revenue bonds for TIF #27 in the amount of \$1,440,000. The decrease represents principal payments of \$5,782,778 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.

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; and, interest expense. 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, Airport Fund, Park and Recreation Fund, and Library Capital Project 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.

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, the Airport 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.

Required supplementary information also includes certain pension related disclosures for the City's proportionate share of the South Dakota Retirement System's net pension asset or liability and required contributions to the plan.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental and proprietary 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, 2017 were \$231.280 million, while total liabilities and deferred inflows were \$58.762 million, resulting in combined net position (governmental and business-type activities) of \$172.518 million.

| | City of Aberdeen Net Position | | | | | |
|-----------------------------------|----------------------------------|----------------------|-----------------------------|---------------------|-----------------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | 2017 | 2016 | 2017 | 2016 Restated | 2017 | 2016 Restated |
| Current and Other Assets | \$ 27,262,464 | \$ 29,535,078 | \$ 8,982,935 | \$ 9,841,068 | \$ 36,245,399 | \$ 39,376,146 |
| Capital Assets | 127,790,329 | 123,301,093 | 59,887,826 | 59,104,020 | 187,678,155 | 182,405,113 |
| Total Assets | <u>155,052,793</u> | <u>152,836,171</u> | <u>68,870,761</u> | <u>68,945,088</u> | <u>223,923,554</u> | <u>221,781,259</u> |
| Deferred Outflows of Resources | 6,184,513 | 5,211,624 | 1,171,952 | 962,288 | 7,356,465 | 6,173,912 |
| | <u>161,237,306</u> | <u>158,047,795</u> | <u>70,042,713</u> | <u>69,907,376</u> | <u>231,280,019</u> | <u>227,955,171</u> |
| Long-Term Liabilities Outstanding | 33,078,485 | 34,194,355 | 22,494,331 | 24,522,164 | 55,572,816 | 58,716,519 |
| Other Liabilities | 1,241,218 | 4,725,826 | 583,905 | 1,145,065 | 1,825,123 | 5,870,891 |
| Total Liabilities | <u>34,319,703</u> | <u>38,920,181</u> | <u>23,078,236</u> | <u>25,667,229</u> | <u>57,397,939</u> | <u>64,587,410</u> |
| Deferred Inflows of Resources | 1,133,132 | 4,784 | 230,936 | 976 | 1,364,068 | 5,760 |
| | <u>35,452,835</u> | <u>38,924,965</u> | <u>23,309,172</u> | <u>25,668,205</u> | <u>58,762,007</u> | <u>64,593,170</u> |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 104,826,421 | 98,865,510 | 37,533,719 | 34,682,838 | 142,360,140 | 133,548,348 |
| Restricted | 13,506,925 | 14,460,996 | 2,523,630 | 2,094,821 | 16,030,555 | 16,555,817 |
| Unrestricted | 7,451,125 | 5,796,324 | 6,676,192 | 7,461,512 | 14,127,317 | 13,257,836 |
| Total Net Position | <u>\$125,784,471</u> | <u>\$119,122,830</u> | <u>\$46,733,541</u> | <u>\$44,239,171</u> | <u>\$172,518,012</u> | <u>\$163,362,001</u> |

The largest component of the City's net position, 82.5% (up from 81.7% in 2016), 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 9.3% (an decrease from 10.13% in 2016) 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, \$14.127 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 2018 appropriations in the General Fund (\$262,000).

Changes in Net Position

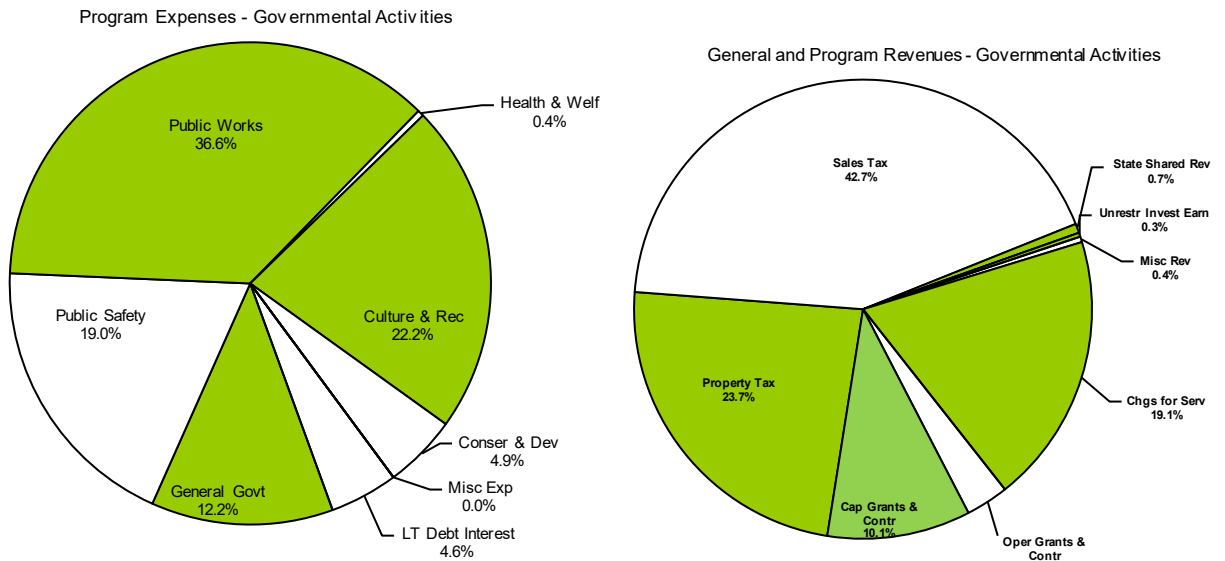
The following table summarizes financial information derived from the government-wide statement of activities and reflects how the City's net position changed during fiscal years 2017 and 2016.

| | City of Aberdeen Changes in Net Position Fiscal Year Ended December 31 | | | | | |
|--------------------------------------|--|----------------------|-----------------------------|---------------------|-----------------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | 2017 | 2016 | 2017 | 2016 Restated | 2017 | 2016 Restated |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 8,227,115 | \$ 8,209,101 | \$ 11,873,346 | \$ 11,507,692 | \$ 20,100,461 | \$ 19,716,793 |
| Operating Grants and Contributions | 1,297,164 | 637,888 | - | - | 1,297,164 | 637,888 |
| Capital Grants and Contributions | 4,360,147 | 11,923,022 | 1,234,588 | 68,610 | 5,594,735 | 11,991,632 |
| General Revenues: | | | | | | |
| Property Taxes | 10,208,271 | 10,031,692 | - | - | 10,208,271 | 10,031,692 |
| Sales Taxes | 18,412,892 | 18,280,089 | - | - | 18,412,892 | 18,280,089 |
| State Shared Revenues | 282,717 | 297,936 | - | - | 282,717 | 297,936 |
| Unrest. Grants and Contributions | - | 1,252,249 | - | - | 0 | 1,252,249 |
| Unrestricted Investment Earnings | 120,947 | 66,128 | 70,401 | 44,452 | 191,348 | 110,580 |
| Miscellaneous | 169,146 | 164,955 | 169,645 | 290,304 | 338,791 | 455,259 |
| Total Revenues | <u>43,078,399</u> | <u>50,863,060</u> | <u>13,347,980</u> | <u>11,911,058</u> | <u>56,426,379</u> | <u>62,774,118</u> |
| Program Expenses: | | | | | | |
| General Government | 4,515,389 | 5,504,859 | - | - | 4,515,389 | 5,504,859 |
| Public Safety | 7,019,458 | 8,152,797 | - | - | 7,019,458 | 8,152,797 |
| Public Works | 13,532,893 | 12,700,644 | - | - | 13,532,893 | 12,700,644 |
| Health and Welfare | 153,523 | 140,362 | - | - | 153,523 | 140,362 |
| Cultural and Recreation | 8,193,125 | 7,892,149 | - | - | 8,193,125 | 7,892,149 |
| Conservation and Development | 1,823,816 | 2,086,099 | - | - | 1,823,816 | 2,086,099 |
| Interest on Long-term Debt | 1,694,995 | 1,857,288 | - | - | 1,694,995 | 1,857,288 |
| Water | - | - | 5,065,709 | 4,871,676 | 5,065,709 | 4,871,676 |
| Sewer | - | - | 3,121,861 | 3,347,878 | 3,121,861 | 3,347,878 |
| Old Federal Building | - | - | 170,624 | 150,181 | 170,624 | 150,181 |
| Campground | - | - | 240,609 | 264,604 | 240,609 | 264,604 |
| Golf | - | - | 619,077 | 663,106 | 619,077 | 663,106 |
| Ambulance | - | - | 1,119,289 | 1,257,446 | 1,119,289 | 1,257,446 |
| Total Expenses | <u>36,933,199</u> | <u>38,334,198</u> | <u>10,337,169</u> | <u>10,554,891</u> | <u>47,270,368</u> | <u>48,889,089</u> |
| Excess (Deficiency) Before Transfers | 6,145,200 | 12,528,862 | 3,010,811 | 1,356,167 | 9,156,011 | 13,885,029 |
| Transfers | 516,441 | 278,930 | (516,441) | (278,930) | - | - |
| Change in Net Position | 6,661,641 | 12,807,792 | 2,494,370 | 1,077,237 | 9,156,011 | 13,885,029 |
| Net Position - Beginning | 119,122,830 | 106,315,038 | 44,239,171 | 43,161,934 | 163,362,001 | 149,476,972 |
| Net Position - Ending | <u>\$125,784,471</u> | <u>\$119,122,830</u> | <u>\$46,733,541</u> | <u>\$44,239,171</u> | <u>\$172,518,012</u> | <u>\$163,362,001</u> |

Governmental Activities

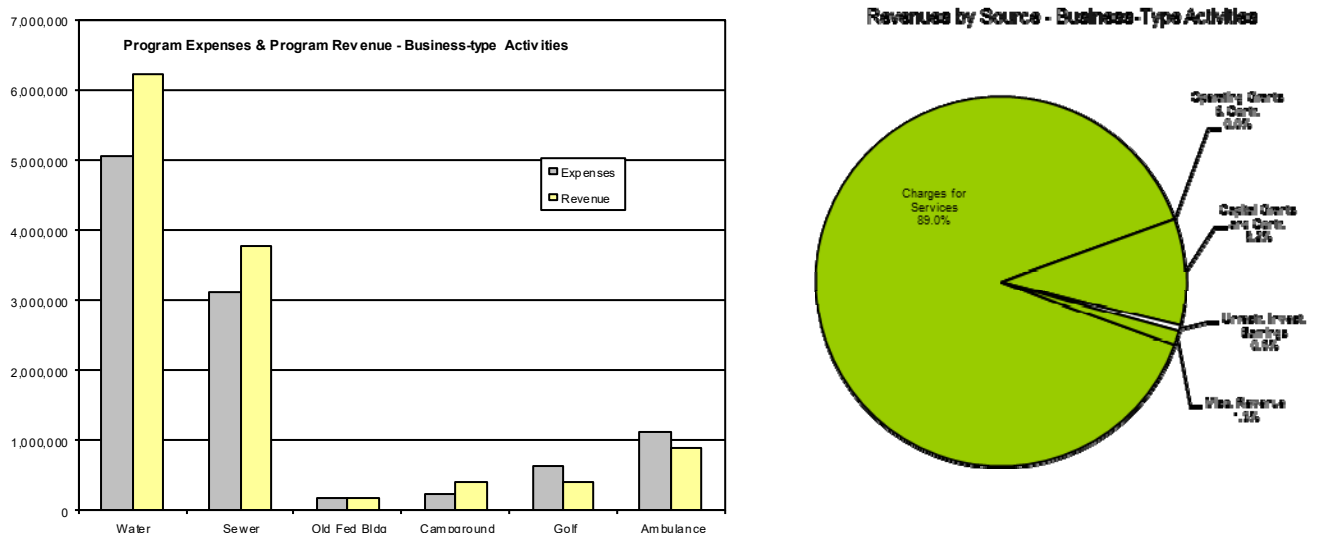
Governmental activities increased the City's net position by \$6,661,641. Factors contributing to these results include:

- Capital operating grant revenue of \$5.65 million;
- An overall reduction of governmental expenses of \$1.4 million.



Business-Type Activities

Net position of the business-type activities increased by \$2,494,370 during 2017, as compared to an increase of \$1,077,237 during 2016. Factors contributing to these results include capital grants of \$1.2 million and an overall reduction in expenses of approximately \$220,000.



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 2017, the City's governmental funds reported combined ending fund balances of \$21.848 million, an increase of approximately \$2.241 million in comparison with the prior year.

Approximately 2.3%, or \$507,036 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 37.73%, or \$8,243,895 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 31.13%, or \$6,801,882 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 1.9%, or \$414,850 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. \$262,000 of this amount is assigned to be used only for 2018 appropriations.

The remaining 26.91%, or \$5,880,348 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 2017 were the General Fund, the Special Sales Tax Fund, the Airport 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 \$6.179 million, of which \$262,000 was assigned only to be used to fund 2018 appropriations. Total fund balance at the end of the current fiscal year was \$6.469 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 35.9% (31.36% in 2016) of the total General Fund operating expenditures.

Overall, the fund balance of the City's General Fund increased by \$859,097 (From Exh. IV) during the current fiscal year. This is over a 15.3% increase from the prior year's ending fund balance. The increase primarily resulted from lower than expected spending in General Government (approximately \$613,700) and Public Works (approximately \$446,400) offset by lower than expected sales tax revenue (approximately \$291,200).

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 \$6,801,882. Total fund balance at the end of the current fiscal year was also \$6,801,882.

Overall, the fund balance of the City's Special Sales Tax Fund increased by \$958,146 during the current fiscal year. This is a 16.4% increase in fund balance from the prior year. The increase primarily resulted from higher than expected state grant revenue (approximately \$916,000) and lower than expected street project costs (approximately \$2.885 million) offset by lower than expected sales tax revenue (approximately \$257,679), lower than expected federal grant revenue (approximately \$1.8 million) and higher than expected transfers to other funds (approximately \$1 million).

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, nonspendable fund balance of the Park and Recreation Fund was \$136,485 and the unassigned fund balance was a negative \$36,870. Total fund balance at the end of the current fiscal year was \$99,615.

The Airport Fund is the fund created by the City to account for the activities associated with that department. At the end of the fiscal year, nonspendable fund balance of the Airport Fund was \$20,709 and the assigned fund balance was \$152,850. Total fund balance at the end of the current fiscal year was \$173,559.

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 2017:

Water Fund

At the end of fiscal year 2017, the Water Fund reported total net position of \$20.938 million, an increase of approximately \$735,249 (3.64%) in comparison with the prior year. During 2017, the Water Fund produced an operating income (before contributions and operating transfers) in the amount of \$1,544,186 on total operating revenue of \$6.343 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$1,206,561 on total operating revenue of \$5.788 million. The increase in total net position was largely the result of increased water consumption due to dry summer conditions and increased production at New Angus, Inc.

Sewer Fund

At the end of fiscal year 2017, the Sewer Fund reported total net position of \$21.769 million, an increase of \$1,724,038 (8.6%) in comparison with the prior year's restated net position. During 2016, the Sewer Fund produced operating income (before contributions and operating transfers) in the amount of \$1,011,422 on total operating revenue of \$3.809 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$1,006,619 on total operating revenue of \$4.009 million. The increase in total net position was largely the result of increased production at New Angus, Inc.

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 \$520,740 (or 2.85%) of increases in appropriations and can be summarized as follows:

- \$19,590 in supplemental appropriations to General Government for 1) outside legal costs and 2) pigeon control costs.
- \$230,200 in supplemental appropriations to Public Safety for 1) Fire Department HVAC improvements and water consumption, and 2) Police salaries and water consumption.
- \$60,400 in supplemental appropriations to Public Works departments for 1) personal services, 2) water consumption expenses, and 3) additional street lighting expense.
- \$8,000 in supplemental appropriations to Health and Welfare for Meals on Wheels costs.
- \$500 in supplemental appropriations to Culture and Recreation departments for water consumption at the Library.
- \$202,000 in supplemental appropriations Economic Development for a Boys and Girls Club grant.

Actual spending was less than the original budget for General Fund total operating expenditures by \$1,046,738 and was less than the final amended budget by \$1,567,478.

Overall, there was one instance of over-spending in the Health and Welfare area of \$4,790 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, 2017 is \$187.678 million (net of accumulated depreciation) as compared to \$182.405 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 | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 9,842,078 | \$ 9,522,713 | \$ 903,027 | \$ 903,027 | \$ 10,745,105 | \$ 10,425,740 |
| Buildings | 46,089,185 | 38,803,254 | 63,247,744 | 62,748,832 | 109,336,929 | 101,552,086 |
| Improvements other than Buildings | 132,332,274 | 122,686,594 | 31,455,840 | 30,127,939 | 163,788,114 | 152,814,533 |
| Equipment/Vehicles | 20,969,902 | 19,345,580 | 8,278,509 | 7,654,447 | 29,248,411 | 27,000,027 |
| Construction in Progress | 92,397 | 9,575,066 | 1,177,362 | 650,257 | 1,269,759 | 10,225,323 |
| Total Capital Assets | <u>209,325,836</u> | <u>199,933,207</u> | <u>105,062,482</u> | <u>102,084,502</u> | <u>314,388,318</u> | <u>302,017,709</u> |
| Accumulated Depreciation | <u>81,535,507</u> | <u>76,632,114</u> | <u>45,174,656</u> | <u>42,980,482</u> | <u>126,710,163</u> | <u>119,612,596</u> |
| Total Capital Assets, Net | <u>\$127,790,329</u> | <u>\$123,301,093</u> | <u>\$59,887,826</u> | <u>\$59,104,020</u> | <u>\$187,678,155</u> | <u>\$182,405,113</u> |

The City's investment in capital assets (net of accumulated depreciation) changed from fiscal year 2016 to 2017 by 2.9%. Governmental capital projects completed during 2017 include two Airport snow removal trucks at a total cost of \$1,271,998, holding ponds at a total cost of \$766,907, street improvements at a total cost of about \$1,102,478, new Library parking lot at a total cost of \$353,710, and a new Library audio/video system at a total cost of \$150,892, Storybook Land improvements at a cost of \$168,688, and storm sewer mains at a total cost of \$850,219. Business-type capital projects completed during 2017 include sanitary sewer mains at a total cost of \$1,062,733. The governmental Construction in Progress includes \$92,397 3rd Avenue bridge reconstruction. Business-type Construction in Progress includes Wastewater facility upgrades at a total cost of \$1,112,263 and new cabins at Wylie Park Campgrounds at a total cost of \$65,099.

More detailed information on the City's capital assets can be found in Note 7 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 2017, general-purpose debt limitation for the City is \$85,885,945, which is \$48,549,647 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 \$33,078,485 and business-type activities had total note and bonded debt outstanding of \$22,494,331. During the current fiscal year, the City incurred an increase of \$1,440,000 in tax incremental revenue bonds associated with TIF #27 under governmental activities. The City incurred no new bonds under business-type activities. The City retired \$4,656,576 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, Library 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 8 in the Notes to the Financial Statements.

Economic Condition and Outlook

Steady economic and property growth annually from fiscal years 2011 to 2015 helped to maintain steady revenue streams for the City; however, 2016 was the first time since 2010 that Aberdeen saw a decrease in sales tax revenue amounting to about a 0.80% decrease. Sales tax revenue for 2017 increased by 0.73% from the previous year. The general sales tax revenue increased in 2011, 2012, 2013, 2014 and 2015 by about 2.1%, 7.57%, 3.2%, 0.1%, and 3.4% respectively. The construction of the Ag Processing, Inc. soybean processing plant is expected to increase sales tax revenue slightly, with up to 50% of the sales tax related to construction to be refunded in accordance with City Ordinance Section 50. The recent Supreme Court decision allowing sales tax on internet sales is expected to increase sales tax revenue late in 2018, however estimates of the increase are hard to predict. 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 slower growth of approximately 1.36% in 2016 and 1.44% in 2017. Again, the construction of the soybean processing plant is expected to increase property tax valuation significantly in the next 5-7 years.

Future Construction Activity

During 2017, the City continued 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. The city is also undertaking a multi-year project to improve the Moccasin Creek drainage system. Improvements will be funded in a manner similar to the Kline Street project.

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, 2017

| | Primary Government | | Total | Component Unit Housing and Redevelopment Commission |
|---|----------------------------|-----------------------------|-----------------------|--|
| | Governmental Activities | Business-Type Activities | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 14,518,306 | \$ 1,882,935 | \$ 16,401,241 | \$ 1,516,611 |
| Investments | 7,615,809 | 5,500,000 | 13,115,809 | - |
| Accounts receivable, net | 4,614,134 | 1,119,430 | 5,733,564 | 625,944 |
| Funded security deposits | - | - | - | 129,803 |
| Inventories | 146,615 | 468,916 | 615,531 | - |
| Other assets | 20,709 | - | 20,709 | 344,071 |
| Restricted assets: | | | | |
| Deposits and funded reserves | 289,712 | - | 289,712 | 1,637,961 |
| Net pension asset | 57,179 | 11,654 | 68,833 | 2,746 |
| Capital assets: | | | | |
| Land, improvements, and construction in progress | 9,934,475 | 2,080,389 | 12,014,864 | 1,250,971 |
| Other capital assets, net of depreciation | 117,855,854 | 57,807,437 | 175,663,291 | 19,934,205 |
| Total assets | <u>155,052,793</u> | <u>68,870,761</u> | <u>223,923,554</u> | <u>25,442,312</u> |
| Deferred Outflows of Resources | | | | |
| Deferred charge on refunding | 434,126 | - | 434,126 | - |
| Pension related deferred outflows | 5,750,387 | 1,171,952 | 6,922,339 | 278,959 |
| Total deferred outflows of resources | <u>6,184,513</u> | <u>1,171,952</u> | <u>7,356,465</u> | <u>278,959</u> |
| | <u>\$ 161,237,306</u> | <u>\$ 70,042,713</u> | <u>\$ 231,280,019</u> | <u>\$ 25,721,271</u> |
| Liabilities | | | | |
| Accounts payable | \$ 850,192 | \$ 385,034 | \$ 1,235,226 | \$ 130,533 |
| Other current liabilities | 382,591 | 198,871 | 581,462 | 221,879 |
| Unearned revenue | 8,435 | - | 8,435 | 3,968 |
| Noncurrent liabilities: | | | | |
| Due within one year | 3,400,727 | 2,254,646 | 5,655,373 | 399,745 |
| Due in more than one year | 29,677,758 | 20,239,685 | 49,917,443 | 6,098,735 |
| Total liabilities | <u>34,319,703</u> | <u>23,078,236</u> | <u>57,397,939</u> | <u>6,854,860</u> |
| Deferred Inflows of Resources | | | | |
| Pension related deferred inflows | 1,133,132 | 230,936 | 1,364,068 | 56,362 |
| Total deferred inflows of resources | <u>1,133,132</u> | <u>230,936</u> | <u>1,364,068</u> | <u>56,362</u> |
| Net Position | | | | |
| Net investment in capital assets | 104,826,421 | 37,533,719 | 142,360,140 | 15,099,837 |
| Restricted for: | | | | |
| Capital projects purposes | 1,751,387 | - | 1,751,387 | - |
| Debt service purposes | 4,127,401 | 1,570,960 | 5,698,361 | - |
| SDRS pension | 4,674,434 | 952,670 | 5,627,104 | 225,343 |
| Permanently restricted purposes: | | | | |
| Expendable | 152,671 | - | 152,671 | - |
| Nonexpendable | 50,000 | - | 50,000 | - |
| Other purposes | 773,744 | - | 773,744 | - |
| Other purposes - Promotion Fund | 134,905 | - | 134,905 | - |
| Other purposes - Park and Recreation Fund | 100,492 | - | 100,492 | - |
| Other purposes - Park and Recreation Trust Fund | 1,025,446 | - | 1,025,446 | - |
| Other purposes - Parking District Fund | 426,733 | - | 426,733 | - |
| Other purposes - General Fund - SD Public Assurance Alliance | 289,712 | - | 289,712 | - |
| Other purposes - Component Unit | - | - | - | 1,442,551 |
| Unrestricted | 7,451,125 | 6,676,192 | 14,127,317 | 2,042,318 |
| Total net position | <u>125,784,471</u> | <u>46,733,541</u> | <u>172,518,012</u> | <u>18,810,049</u> |
| | <u>\$ 161,237,306</u> | <u>\$ 70,042,713</u> | <u>\$ 231,280,019</u> | <u>\$ 25,721,271</u> |

See Notes to Financial Statements

City of Aberdeen
Statement of Activities—Exhibit II
Year Ended December 31, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit Housing and Redevelopment Commission |
|---|----------------------|-------------------------|--|--|---|-----------------------------|-----------------------|--|
| | | 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 | \$ 4,515,389 | \$ 3,673,713 | \$ - | \$ - | \$ (841,676) | \$ - | \$ (841,676) | \$ - |
| Public safety | 7,019,458 | 128,605 | 99,878 | - | (6,790,975) | - | (6,790,975) | - |
| Public works | 13,532,893 | 2,831,889 | - | 4,087,433 | (6,613,571) | - | (6,613,571) | - |
| Health and welfare | 153,523 | 95,665 | 402,260 | - | 344,402 | - | 344,402 | - |
| Culture and recreation | 8,193,125 | 1,497,243 | 795,026 | 126,594 | (5,774,262) | - | (5,774,262) | - |
| Conservation and development | 1,823,816 | - | - | 146,120 | (1,677,696) | - | (1,677,696) | - |
| Interest and bond issuance costs on long-term debt | 1,694,995 | - | - | - | (1,694,995) | - | (1,694,995) | - |
| Total governmental activities | 36,933,199 | 8,227,115 | 1,297,164 | 4,360,147 | (23,048,773) | - | (23,048,773) | - |
| Business-type activities: | | | | | | | | |
| Water | 5,065,709 | 6,231,520 | - | 104,034 | - | 1,269,845 | 1,269,845 | - |
| Sewer | 3,121,861 | 3,779,984 | - | 1,130,554 | - | 1,788,677 | 1,788,677 | - |
| Old Federal Building | 170,624 | 174,833 | - | - | - | 4,209 | 4,209 | - |
| Campground | 240,609 | 406,983 | - | - | - | 166,374 | 166,374 | - |
| Golf | 619,077 | 404,935 | - | - | - | (214,142) | (214,142) | - |
| Ambulance | 1,119,289 | 875,091 | - | - | - | (244,198) | (244,198) | - |
| Total business-type activities | 10,337,169 | 11,873,346 | - | 1,234,588 | - | 2,770,765 | 2,770,765 | - |
| Total primary government | \$ 47,270,368 | \$ 20,100,461 | \$ 1,297,164 | \$ 5,594,735 | (23,048,773) | 2,770,765 | (20,278,008) | - |
| Component Unit | | | | | | | | |
| Housing and Redevelopment Commission | \$ 4,681,284 | \$ 2,358,557 | \$ 1,939,194 | \$ 3,927,615 | | | | 3,544,082 |
| General Revenues | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes | | | | | 10,208,271 | - | 10,208,271 | - |
| Sales taxes | | | | | 18,412,892 | - | 18,412,892 | - |
| State shared revenue | | | | | 282,717 | - | 282,717 | - |
| Unrestricted investment earnings | | | | | 120,947 | 70,401 | 191,348 | 35,003 |
| Miscellaneous revenue | | | | | 169,146 | 169,645 | 338,791 | 19,692 |
| Transfers | | | | | 516,441 | (516,441) | - | - |
| Total general revenues and transfers | | | | | 29,710,414 | (276,395) | 29,434,019 | 54,695 |
| Change in Net Position | | | | | 6,661,641 | 2,494,370 | 9,156,011 | 3,598,777 |
| Net Position - Beginning, As Previously Stated | | | | | 119,122,830 | 44,542,037 | 163,664,867 | 15,211,272 |
| Restatement (See Note 17) | | | | | - | (302,866) | (302,866) | - |
| Net Position - Beginning, Restated | | | | | 119,122,830 | 44,239,171 | 163,362,001 | 15,211,272 |
| Net Position - Ending | | | | | \$ 125,784,471 | \$ 46,733,541 | \$ 172,518,012 | \$ 18,810,049 |

City of Aberdeen
Balance Sheet—Governmental Funds—Exhibit III
December 31, 2017

| | General Fund | Park and Recreation Fund | Airport Fund | Special Sales Tax Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|---------------------|---------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 2,799,265 | \$ 133,667 | \$ 258,617 | \$ 2,588,700 | \$ 8,156,288 | \$ 13,936,537 |
| 151 Investments | 3,400,000 | - | - | 4,000,000 | 215,809 | 7,615,809 |
| 110 Taxes receivable, delinquent | 171,832 | - | 13,798 | - | 5,735 | 191,365 |
| 115 Accounts receivable, net | 73,783 | 15,485 | 26,632 | - | 43,692 | 159,592 |
| 121 Special assessments receivable, current | 24,702 | 703 | - | - | - | 25,405 |
| 122 Special assessments receivable, delinquent | 16,101 | 877 | - | - | - | 16,978 |
| 132 Due from federal government | 96,647 | - | 1,520,425 | - | 2,500 | 1,619,572 |
| 132 Due from state government | 1,277,063 | - | 84,468 | 1,072,689 | 112,268 | 2,546,488 |
| 132 Due from county government | 51,032 | - | - | - | 3,702 | 54,734 |
| 142 Inventory of stores purchased for resale | - | 136,485 | - | - | 10,130 | 146,615 |
| 154 Deposits - Public Assurance Alliance | 289,712 | - | - | - | - | 289,712 |
| 155 Prepaid expenses | - | - | 20,709 | - | - | 20,709 |
| | <u>\$ 8,200,137</u> | <u>\$ 287,217</u> | <u>\$ 1,924,649</u> | <u>\$ 7,661,389</u> | <u>\$ 8,550,124</u> | <u>\$ 26,623,516</u> |
| Liabilities | | | | | | |
| 202 Accounts payable | \$ 386,686 | \$ 144,387 | \$ 105,521 | \$ 1,824 | \$ 91,457 | \$ 729,875 |
| 216 Accrued wages payable | 226,811 | 42,338 | 10,848 | - | 7,945 | 287,942 |
| 223 Unearned revenue | - | - | - | - | 8,435 | 8,435 |
| | <u>613,497</u> | <u>186,725</u> | <u>116,369</u> | <u>1,824</u> | <u>107,837</u> | <u>1,026,252</u> |
| Deferred Inflows of Resources | | | | | | |
| 244 Unavailable revenue - sales and use taxes | 857,683 | - | - | 857,683 | 87,525 | 1,802,891 |
| 245 Unavailable revenue - property taxes | 171,832 | - | 13,798 | - | 5,735 | 191,365 |
| 246 Unavailable revenue - special assessments | 16,101 | 877 | - | - | - | 16,978 |
| 247 Unavailable revenue - other deferred inflows of resources | 72,094 | - | 1,620,923 | - | 45,002 | 1,738,019 |
| | <u>1,117,710</u> | <u>877</u> | <u>1,634,721</u> | <u>857,683</u> | <u>138,262</u> | <u>3,749,253</u> |
| Fund Balances | | | | | | |
| 263 Nonspendable | 289,712 | 136,485 | 20,709 | - | 60,130 | 507,036 |
| 264 Restricted | - | - | - | - | 8,243,895 | 8,243,895 |
| 265 Committed | - | - | - | 6,801,882 | - | 6,801,882 |
| 266 Assigned | 262,000 | - | 152,850 | - | - | 414,850 |
| 267 Unassigned | 5,917,218 | (36,870) | - | - | - | 5,880,348 |
| | <u>6,468,930</u> | <u>99,615</u> | <u>173,559</u> | <u>6,801,882</u> | <u>8,304,025</u> | <u>21,848,011</u> |
| | <u>\$ 8,200,137</u> | <u>\$ 287,217</u> | <u>\$ 1,924,649</u> | <u>\$ 7,661,389</u> | <u>\$ 8,550,124</u> | <u>\$ 26,623,516</u> |

City of Aberdeen
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended December 31, 2017

| | Total |
|---|----------------|
| Total Fund Balances - Governmental Funds | \$ 21,848,011 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because: | |
| Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. | 57,179 |
| Pension related deferred outflows are components of pension asset and therefore are not reported in the funds. | 5,750,387 |
| Assets such as taxes receivable (delinquent) and special receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds. | 3,749,253 |
| Pension related deferred inflows are components of pension asset and therefore are not reported in the funds. | (1,133,132) |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 127,790,329 |
| Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds. | (32,809,568) |
| Unamortized balance of debt premiums are not due and payable in the current period and therefore are not reported in the funds. | (268,917) |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. | (94,649) |
| 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. | 434,126 |
| 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. | 461,452 |
| Net Position - Governmental Activities | \$ 125,784,471 |

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2017

| | General Fund | Park and Recreation Fund | Airport Fund | Special Sales Tax Fund | Library Project Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------------------|-----------------|---------------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | | | |
| 310 Taxes: | | | | | | | |
| 311 General property taxes | \$ 8,598,952 | \$ - | \$ - | \$ - | \$ - | \$ 1,572,110 | \$ 10,171,062 |
| 312 Airlight property taxes | - | - | 29,159 | - | - | - | 29,159 |
| 313 General sales and use taxes | 8,818,808 | - | - | 8,492,321 | - | 1,081,282 | 18,392,411 |
| 318 Tax deed revenue | 9,472 | - | - | - | - | - | 9,472 |
| 319 Penalties and interest on delinquent taxes | 22,392 | - | - | - | - | 51,186 | 73,578 |
| 320 Licenses and permits | 396,461 | - | - | - | - | - | 396,461 |
| 330 Intergovernmental revenue: | | | | | | | |
| 331 Federal grants | 692,991 | 2,140 | 133,190 | - | - | 144,468 | 972,789 |
| 334 State grants | 121,790 | 20,000 | 7,399 | 916,032 | - | 15,000 | 1,080,221 |
| 335 State shared revenue: | | | | | | | |
| 335.01 Bank franchise tax | 105,180 | - | - | - | - | - | 105,180 |
| 335.02 Motor vehicle commercial prorated | 27,434 | - | - | - | - | - | 27,434 |
| 335.03 Liquor tax reversion | 169,741 | - | - | - | - | - | 169,741 |
| 335.04 Motor vehicle licenses (5%) | 192,960 | - | - | - | - | - | 192,960 |
| 335.06 Fire insurance premiums reversion | 79,791 | - | - | - | - | - | 79,791 |
| 335.08 Local government highway and bridge fund | 489,420 | - | - | - | - | - | 489,420 |
| 335.20 Other | 2,376 | - | - | - | - | - | 2,376 |
| 336 State payments in lieu of taxes | 7,796 | - | - | - | - | - | 7,796 |
| 338 County shared revenue: | | | | | | | |
| 338.03 County wheel tax | 90,858 | - | - | - | - | - | 90,858 |
| 340 Charges for goods and services: | | | | | | | |
| 341 General government | 45,392 | - | - | - | - | - | 45,392 |
| 342 Public safety | 103,532 | - | - | - | - | - | 103,532 |
| 343 Highways and streets | 89,005 | - | - | - | - | - | 89,005 |
| 344 Sanitation | 1,244,682 | - | - | - | - | 532,220 | 1,776,902 |
| 345 Health | 95,665 | - | - | - | - | - | 95,665 |
| 346 Culture and recreation | - | 644,786 | - | - | - | 852,457 | 1,497,243 |
| 348 Cemetery | 3,585 | 49,608 | - | - | - | 2,436 | 55,629 |
| 349 Other | 191,062 | - | 390,406 | - | - | - | 581,468 |
| 350 Fines and forfeits: | | | | | | | |
| 351 Court fines and costs | 19,683 | - | - | - | - | - | 19,683 |
| 360 Miscellaneous revenue: | | | | | | | |
| 361 Investment earnings | 38,403 | 107 | 496 | 50,992 | 22,703 | 8,246 | 120,947 |
| 362 Rentals/Franchises | 482,110 | - | - | - | - | 21,887 | 503,997 |
| 367 Contributions and donations from private sources | 16,838 | - | - | - | - | 732,355 | 749,193 |
| 369 Other | 57,480 | 2,069 | 442 | 4,096 | - | 64,053 | 128,140 |
| Total revenues | 22,213,859 | 718,710 | 561,092 | 9,463,441 | 22,703 | 5,077,700 | 38,057,505 |
| Expenditures | | | | | | | |
| 410 General government: | | | | | | | |
| 411 Legislative | 132,432 | - | - | - | - | - | 132,432 |
| 412 Executive | 224,778 | - | - | - | - | - | 224,778 |
| 414 Financial administration | 1,136,144 | - | - | - | - | - | 1,136,144 |
| 419 Other | 1,542,757 | - | - | 10,666 | - | - | 1,553,423 |
| Total general government | 3,036,111 | - | - | 10,666 | - | - | 3,046,777 |

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2017

| | General Fund | Park and Recreation Fund | Airport Fund | Special Sales Tax Fund | Library Project Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------|--------------------|------------------------|----------------------|--------------------------|--------------------------|
| 420 Public safety: | | | | | | | |
| 421 Police | 4,554,387 | - | - | - | - | - | 4,554,387 |
| 422 Fire | 2,688,913 | - | - | - | - | - | 2,688,913 |
| 423 Protective inspection | 214,035 | - | - | - | - | - | 214,035 |
| 429 Other protection | - | - | - | 206,998 | - | - | 206,998 |
| Total public safety | <u>7,457,335</u> | <u>-</u> | <u>-</u> | <u>206,998</u> | <u>-</u> | <u>-</u> | <u>7,664,333</u> |
| 430 Public works: | | | | | | | |
| 431 Highways and streets | 2,786,412 | - | - | 2,407,884 | - | 904,260 | 6,098,556 |
| 432 Sanitation | 1,181,413 | - | - | 1,652,689 | - | 805,121 | 3,639,223 |
| 435 Airport | - | - | 2,375,405 | - | - | - | 2,375,405 |
| 436 Parking facilities | - | - | - | - | - | 39,308 | 39,308 |
| 437 Cemeteries | - | 217,674 | - | - | - | 2,029 | 219,703 |
| 439 Transit | 746,684 | - | - | - | - | - | 746,684 |
| Total public works | <u>4,714,509</u> | <u>217,674</u> | <u>2,375,405</u> | <u>4,060,573</u> | <u>-</u> | <u>1,750,718</u> | <u>13,118,879</u> |
| 440 Health and welfare: | | | | | | | |
| 441 Health | 75,090 | - | - | - | - | - | 75,090 |
| 445 Drug education | 59,771 | - | - | - | - | - | 59,771 |
| 449 Other | 18,662 | - | - | - | - | - | 18,662 |
| Total health and welfare | <u>153,523</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>153,523</u> |
| 450 Culture and recreation | | | | | | | |
| 451 Recreation | 28,008 | 4,769,703 | - | - | - | - | 4,797,711 |
| 452 Parks | - | - | - | - | - | 1,840,095 | 1,840,095 |
| 455 Libraries | 1,133,488 | - | - | - | 4,530,767 | 20,941 | 5,685,196 |
| Total culture and recreation | <u>1,161,496</u> | <u>4,769,703</u> | <u>-</u> | <u>-</u> | <u>4,530,767</u> | <u>1,861,036</u> | <u>12,323,002</u> |
| 460 Conservation and development: | | | | | | | |
| 465 Economic development | 691,328 | - | - | - | - | 1,068,457 | 1,759,785 |
| 466 Economic opportunity | - | - | - | - | - | 64,031 | 64,031 |
| Total conservation and development | <u>691,328</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,132,488</u> | <u>1,823,816</u> |
| 470 Debt service | - | - | - | - | - | 4,241,138 | 4,241,138 |
| Total expenditures | <u>17,214,302</u> | <u>4,987,377</u> | <u>2,375,405</u> | <u>4,278,237</u> | <u>4,530,767</u> | <u>8,985,380</u> | <u>42,371,468</u> |
| Excess of Revenue over (under) Expenditures | <u>4,999,557</u> | <u>(4,268,667)</u> | <u>(1,814,313)</u> | <u>5,185,204</u> | <u>(4,508,064)</u> | <u>(3,907,680)</u> | <u>(4,313,963)</u> |
| Other Financing Sources (Uses) | | | | | | | |
| 391.01 Transfers in | 559,123 | 4,267,264 | 759,828 | 267,566 | 342,324 | 3,841,195 | 10,037,300 |
| 511 Transfers out | (4,808,275) | (58,670) | - | (4,494,624) | - | (159,290) | (9,520,859) |
| 391.03 Sale of municipal property | 75,203 | - | - | - | - | - | 75,203 |
| 391.04 Compensation for loss or damage to capital assets | 33,489 | 3,491 | 4,026 | - | - | - | 41,006 |
| 391.20 Long-term debt issued | - | - | - | - | - | 1,440,000 | 1,440,000 |
| Total other financing sources (uses) | <u>(4,140,460)</u> | <u>4,212,085</u> | <u>763,854</u> | <u>(4,227,058)</u> | <u>342,324</u> | <u>5,121,905</u> | <u>2,072,650</u> |
| Net Change in Fund Balances | 859,097 | (56,582) | (1,050,459) | 958,146 | (4,165,740) | 1,214,225 | (2,241,313) |
| Fund Balance - Beginning | 5,609,833 | 156,197 | 1,224,018 | 5,843,736 | 4,165,740 | 7,089,800 | 24,089,324 |
| Fund Balance - Ending | <u>\$ 6,468,930</u> | <u>\$ 99,615</u> | <u>\$ 173,559</u> | <u>\$ 6,801,882</u> | <u>\$ -</u> | <u>\$ 8,304,025</u> | <u>\$ 21,848,011</u> |

City of Aberdeen
 Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide
 Statement of Activities
 Year Ended December 31, 2017

| | Total |
|---|----------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (2,241,313) |
| 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. | 2,861,171 |
| The receipt of contributed capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements. | 1,770,576 |
| Proceeds from issuance of long-term debt is recorded as another financing source in governmental funds. | (1,440,000) |
| In the statement of activities, gains and losses on disposal of capital assets are reported; whereas, in the governmental funds the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized. | (142,511) |
| 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. | 2,571,183 |
| Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. | (33,636) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 1,086,323 |
| 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. | 10,231 |
| 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. | (53,594) |

City of Aberdeen
 Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide
 Statement of Activities
 Year Ended December 31, 2017

| | |
|---|----------------------------|
| Changes in pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds. | 2,045,924 |
| 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 current year amortization of the premium on debt. | 18,323 |
| 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. | <u>208,964</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ 6,661,641</u></u> |

City of Aberdeen
Statement of Net Position—Proprietary Funds—Exhibit V
December 31, 2017

| | <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 | \$ 1,509,969 | \$ 77,802 | \$ 295,164 | \$ 1,882,935 | \$ 581,769 |
| 151 Investments | 1,500,000 | 4,000,000 | - | 5,500,000 | - |
| 115 Accounts receivable, net | 146,933 | 51,750 | 284,699 | 483,382 | - |
| 117 Unbilled accounts receivable | 369,331 | 256,520 | - | 625,851 | - |
| 121 Special assessments receivable, current | 4,652 | - | - | 4,652 | - |
| 122 Special assessments receivable, delinquent | 4,341 | - | - | 4,341 | - |
| 132 Due from federal/state/county governments | 1,204 | - | - | 1,204 | - |
| 141 Inventory of supplies | 438,137 | 30,779 | - | 468,916 | - |
| | <u>3,974,567</u> | <u>4,416,851</u> | <u>579,863</u> | <u>8,971,281</u> | <u>581,769</u> |
| Total current assets | | | | | |
| Noncurrent Assets | | | | | |
| 189 Net pension asset | 4,364 | 3,091 | 4,199 | 11,654 | - |
| Capital assets: | | | | | |
| 160 Land | 391,808 | 59,469 | 451,750 | 903,027 | - |
| 162 Buildings | 27,775,644 | 33,528,086 | 1,944,014 | 63,247,744 | - |
| 164 Improvements other than buildings | 18,896,421 | 11,551,464 | 1,007,955 | 31,455,840 | - |
| 166 Machinery and equipment | 4,211,307 | 2,409,972 | 1,657,230 | 8,278,509 | - |
| 168 Construction work in progress | - | 1,112,263 | 65,099 | 1,177,362 | - |
| Less accumulated depreciation | (24,291,437) | (19,036,385) | (1,846,834) | (45,174,656) | - |
| | <u>26,988,107</u> | <u>29,627,960</u> | <u>3,283,413</u> | <u>59,899,480</u> | <u>-</u> |
| Total noncurrent assets | | | | | |
| Deferred Outflows of Resources | | | | | |
| 196 Pension related deferred outflows | 438,876 | 310,813 | 422,263 | 1,171,952 | - |
| | <u>438,876</u> | <u>310,813</u> | <u>422,263</u> | <u>1,171,952</u> | <u>-</u> |
| Total deferred outflows of resources | | | | | |
| | <u>\$ 31,401,550</u> | <u>\$ 34,355,624</u> | <u>\$ 4,285,539</u> | <u>\$ 70,042,713</u> | <u>\$ 581,769</u> |

City of Aberdeen
Statement of Net Position—Proprietary Funds—Exhibit V
December 31, 2017

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Nonmajor Enterprise Funds</u> | <u>Totals</u> | <u>Internal Service Funds</u> |
|---|----------------------|----------------------|--|----------------------|-----------------------------------|
| Current Liabilities | | | | | |
| 201 Claims payable | \$ 2,411 | \$ - | \$ - | \$ 2,411 | \$ 119,465 |
| 202 Accounts payable | 73,681 | 77,620 | 125,024 | 276,325 | 852 |
| 207 Contracts payable, retained percentage | - | 106,298 | - | 106,298 | - |
| 215 Accrued interest payable | 51,026 | 64,988 | - | 116,014 | - |
| 216 Accrued wages payable | 21,504 | 18,013 | 16,462 | 55,979 | - |
| 223 Unearned revenue | 26,878 | - | - | 26,878 | - |
| 226 Bonds payable current: | | | | | |
| 226.02 Revenue | 1,044,805 | 1,069,617 | - | 2,114,422 | - |
| 230 Compensated absences payable - current | 52,162 | 53,290 | 34,772 | 140,224 | - |
| Total current liabilities | <u>1,272,467</u> | <u>1,389,826</u> | <u>176,258</u> | <u>2,838,551</u> | <u>120,317</u> |
| Noncurrent Liabilities | | | | | |
| 231 Bonds payable: | | | | | |
| 231.02 Revenue | 9,104,147 | 11,135,538 | - | 20,239,685 | - |
| Total noncurrent liabilities | <u>9,104,147</u> | <u>11,135,538</u> | <u>-</u> | <u>20,239,685</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | | |
| 248 Pension related deferred inflows | 86,482 | 61,246 | 83,208 | 230,936 | - |
| Total deferred inflows of resources | <u>86,482</u> | <u>61,246</u> | <u>83,208</u> | <u>230,936</u> | <u>-</u> |
| Net Position | | | | | |
| 253.10 Net investment in capital assets | 16,834,791 | 17,419,714 | 3,279,214 | 37,533,719 | - |
| 253.20 Restricted net position, restricted for: | | | | | |
| 253.21 Revenue bond debt service | 110,284 | 1,460,676 | - | 1,570,960 | - |
| 253.29 SDRS pension purposes | 356,758 | 252,658 | 343,254 | 952,670 | - |
| 253.90 Unrestricted net position | 3,636,621 | 2,635,966 | 403,605 | 6,676,192 | 461,452 |
| Total net position | <u>20,938,454</u> | <u>21,769,014</u> | <u>4,026,073</u> | <u>46,733,541</u> | <u>461,452</u> |
| | <u>\$ 31,401,550</u> | <u>\$ 34,355,624</u> | <u>\$ 4,285,539</u> | <u>\$ 70,042,713</u> | <u>\$ 581,769</u> |

City of Aberdeen
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds—Exhibit VI
Year Ended December 31, 2017

| | Water Fund | Sewer Fund (Restated) | Nonmajor Enterprise Funds | Totals (Restated) | Internal Service Funds |
|---|----------------------|--------------------------|---------------------------------|----------------------|---------------------------|
| Operating Revenue | | | | | |
| 380 Charges for goods and services | \$ 6,125,390 | \$ 3,356,635 | \$ 1,861,842 | \$ 11,343,867 | \$ 2,122,584 |
| 380 Debt service surcharge | 106,130 | 423,349 | - | 529,479 | - |
| 369 Miscellaneous | 111,489 | 28,772 | 3,654 | 143,915 | 109 |
| Total operating revenue | <u>6,343,009</u> | <u>3,808,756</u> | <u>1,865,496</u> | <u>12,017,261</u> | <u>2,122,693</u> |
| Operating Expenses | | | | | |
| 410 Personal services | 958,713 | 916,813 | 929,926 | 2,805,452 | - |
| 420 Other current expenses | 2,737,287 | 843,737 | 1,005,090 | 4,586,114 | 1,914,025 |
| 457 Depreciation | 1,102,823 | 1,036,784 | 214,583 | 2,354,190 | - |
| Total operating expenses | <u>4,798,823</u> | <u>2,797,334</u> | <u>2,149,599</u> | <u>9,745,756</u> | <u>1,914,025</u> |
| Operating Income (Loss) | <u>1,544,186</u> | <u>1,011,422</u> | <u>(284,103)</u> | <u>2,271,505</u> | <u>208,668</u> |
| Nonoperating Revenue (Expense) | | | | | |
| 361 Investment earnings | 18,022 | 52,196 | 183 | 70,401 | 296 |
| 442 Interest expense | (266,886) | (324,527) | - | (591,413) | - |
| Total nonoperating revenue (expense) | <u>(248,864)</u> | <u>(272,331)</u> | <u>183</u> | <u>(521,012)</u> | <u>296</u> |
| Income (Loss) Before Contributions and Transfers | 1,295,322 | 739,091 | (283,920) | 1,750,493 | 208,964 |
| 391.07 Capital contributions | 104,034 | 1,130,554 | - | 1,234,588 | - |
| 391.04 Compensation for loss or damage to capital assets | 456 | 11,326 | 13,948 | 25,730 | - |
| 391.1 Transfers in | 180,000 | 14,287 | 461,205 | 655,492 | - |
| 511 Transfers out | (844,563) | (171,220) | (156,150) | (1,171,933) | - |
| Change in Net Position | <u>735,249</u> | <u>1,724,038</u> | <u>35,083</u> | <u>2,494,370</u> | <u>208,964</u> |
| Net Position - Beginning, As Previously Stated | 20,203,205 | 20,347,842 | 3,990,990 | 44,542,037 | 252,488 |
| Restatement (See Note 17) | - | (302,866) | - | (302,866) | - |
| Net Position - Beginning, Restated | <u>20,203,205</u> | <u>20,044,976</u> | <u>3,990,990</u> | <u>44,239,171</u> | <u>252,488</u> |
| Net Position - Ending | <u>\$ 20,938,454</u> | <u>\$ 21,769,014</u> | <u>\$ 4,026,073</u> | <u>\$ 46,733,541</u> | <u>\$ 461,452</u> |

See Notes to Financial Statements

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2017

| | Water Fund | Sewer Fund | Nonmajor Enterprise Funds | Totals | Internal Service Funds |
|--|---------------------|---------------------|---------------------------------|---------------------|---------------------------|
| Cash Flows from (used for) Operating Activities | | | | | |
| Receipt from customers | \$ 5,853,165 | \$ 3,555,130 | \$ 1,817,475 | \$ 11,225,770 | \$ 2,122,693 |
| Payments to suppliers | (2,767,555) | (868,910) | (901,704) | (4,538,169) | (2,135,002) |
| Payments to employees | (1,097,340) | (1,001,704) | (1,064,095) | (3,163,139) | - |
| Cash payments for interfund services used | - | (14,287) | (100,479) | (114,766) | - |
| Cash receipts for interfund services provided | 403,333 | - | - | 403,333 | - |
| Net Cash from (used for) Operating Activities | <u>2,391,603</u> | <u>1,670,229</u> | <u>(248,803)</u> | <u>3,813,029</u> | <u>(12,309)</u> |
| Cash Flows from (used for) Noncapital Financing Activities | | | | | |
| Transfers from other funds | 180,000 | 14,287 | 461,205 | 655,492 | - |
| Transfers to other funds | (844,563) | (171,220) | (156,150) | (1,171,933) | - |
| Net Cash from (used for) Noncapital Financing Activities | <u>(664,563)</u> | <u>(156,933)</u> | <u>305,055</u> | <u>(516,441)</u> | <u>-</u> |
| Cash Flows used for Capital and Related Financing Activities | | | | | |
| Purchase of capital assets | (216,161) | (1,391,992) | (376,520) | (1,984,673) | - |
| Principal paid on capital debt | (1,025,849) | (1,043,506) | - | (2,069,355) | - |
| Interest paid on capital debt | (269,937) | (328,161) | - | (598,098) | - |
| Other receipts (payments) | 456 | 11,326 | 13,948 | 25,730 | - |
| Net Cash used for Capital and Related Financing Activities | <u>(1,511,491)</u> | <u>(2,752,333)</u> | <u>(362,572)</u> | <u>(4,626,396)</u> | <u>-</u> |
| Cash Flows from Investing Activities | | | | | |
| Interest earnings | 18,022 | 52,196 | 183 | 70,401 | 296 |
| Net Cash from Investing Activities | <u>18,022</u> | <u>52,196</u> | <u>183</u> | <u>70,401</u> | <u>296</u> |
| Net Change in Cash and Cash Equivalents | 233,571 | (1,186,841) | (306,137) | (1,259,407) | (12,013) |
| Balances - Beginning | <u>2,776,398</u> | <u>5,264,643</u> | <u>601,301</u> | <u>8,642,342</u> | <u>593,782</u> |
| Balances - Ending | <u>\$ 3,009,969</u> | <u>\$ 4,077,802</u> | <u>\$ 295,164</u> | <u>\$ 7,382,935</u> | <u>\$ 581,769</u> |

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2017

| | Water Fund | Sewer Fund | Other Enterprise Funds | Totals | Internal Service Funds |
|---|---------------------|---------------------|------------------------------|---------------------|---------------------------|
| Cash and Cash Equivalents Consist of: | | | | | |
| Cash and cash equivalents | \$ 1,509,969 | \$ 77,802 | \$ 295,164 | \$ 1,882,935 | \$ 581,769 |
| Investments | 1,500,000 | 4,000,000 | - | 5,500,000 | - |
| | <u>\$ 3,009,969</u> | <u>\$ 4,077,802</u> | <u>\$ 295,164</u> | <u>\$ 7,382,935</u> | <u>\$ 581,769</u> |
| Cash from (used for) Operating Activities | | | | | |
| Operating income (loss) | \$ 1,544,186 | \$ 1,011,422 | \$ (284,103) | \$ 2,271,505 | \$ 208,668 |
| Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities: | | | | | |
| Depreciation expense | 1,102,823 | 1,036,784 | 214,583 | 2,354,190 | - |
| Change in assets and liabilities: | | | | | |
| Receivables | (88,025) | (253,626) | (48,021) | (389,672) | - |
| Inventories | 3,917 | (3,866) | - | 51 | - |
| Pension related deferred outflows | (78,515) | (55,605) | (75,544) | (209,664) | - |
| Accounts and other payables | (34,185) | (35,594) | 2,907 | (66,872) | (220,977) |
| Accrued wages payable | 8,179 | 7,618 | 4,706 | 20,503 | - |
| Accrued leave payable | 9,514 | 18,200 | 11,529 | 39,243 | - |
| Pension liability/asset | (163,922) | (116,091) | (157,716) | (437,729) | - |
| Pension related deferred inflows | 86,117 | 60,987 | 82,856 | 229,960 | - |
| Unearned revenue | 1,514 | - | - | 1,514 | - |
| Net Cash from (used for) Operating Activities | <u>\$ 2,391,603</u> | <u>\$ 1,670,229</u> | <u>\$ (248,803)</u> | <u>\$ 3,813,029</u> | <u>\$ (12,309)</u> |
| Noncash Investing, Capital and Financing Activities: | | | | | |
| Capital assets received through capital contributions | \$ 104,034 | \$ 1,130,554 | \$ - | \$ 1,234,588 | \$ - |
| Purchases of property and equipment in accounts payable | - | 106,298 | - | 106,298 | - |

City of Aberdeen
Statement of Net Position—Fiduciary Funds—Exhibit VIII
Year Ended December 31, 2017

| | <u>Agency Fund</u> |
|-------------------------------------|--------------------|
| Assets | |
| Cash and cash equivalents | <u>\$ 452,939</u> |
| | <u>\$ 452,939</u> |
| Liabilities | |
| Accounts payable and other payables | \$ 17,855 |
| Amounts held for others | <u>435,084</u> |
| | <u>\$ 452,939</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.

Airport Fund – To account for the proceeds from airport revenue sources that are legally restricted to expenditures for airport purposes. 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 Gift Fund, Cemetery Improvement Fund, Business Improvement District 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).

Library Project Fund – To account for financial resources to be used for the construction of the library. This is a major fund.

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: Parks and Recreation Project Fund, Moccasin Creek Project Fund, TIF #26 Project Fund, and TIF #27 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: Library Bonds Fund, Parks and Rec AARC Bonds Funds, Parks and Rec Aquatic Center Bonds Fund, Public Safety Bonds Fund, City Hall Remodel Bonds Fund, Wylie Park Campground Expansion Bonds Fund, Old Federal Building Bonds Fund, TIF District #2 Fund, TIF District #3 Fund, TIF District #4 Fund, TIF District #8 Fund, TIF District #10 Fund, TIF District #17 Fund, TIF District #18 Fund, TIF District #19 Fund, TIF District #20 Fund, TIF District #21 Fund, TIF District #22 Fund, TIF District #23 Fund, and TIF District #26 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 principal, 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 four agency funds in which amounts are held until funds are refunded back to the payer or remitted to party entitled to the funds.

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 on the statements of net position and fund balance sheets, cash and cash equivalents includes all demand and savings accounts, 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, and similar investments in external investment pools.

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 Law (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 \$362,718 at December 31, 2017.

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 acquisition 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, 2017 balance of governmental activities capital assets includes approximately 21.7% 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, and accrued leave payable. 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 three items that qualify for reporting in this category reported in the government-wide statement of net position. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, changes in the net pension asset/liability not included in pension expense, and the deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price, which 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 two types of items. The City's governmental funds report unavailable revenues from sales and use taxes, grants, 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. The other item is changes in the net pension asset/liability not included in pension expense reported in the government-wide statement of net position.

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 and investment resources on demand. Accordingly, each proprietary fund's equity in the cash management pool of the City is considered to be cash equivalents for the purpose of the statement of cash flows. The cash management pool of the City includes checking, savings, money market funds, and certificates of deposit.

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 |
| Airport Fund | Passenger fees, grants |

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>Airport Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-----------------------------------|---------------------|---------------------------------|-------------------------------|---------------------|---------------------------------|---------------------------------|
| Fund Balances | | | | | | |
| Nonspendable: | | | | | | |
| Public assurance alliance reserve | \$ 289,712 | \$ - | \$ - | \$ - | \$ - | \$ 289,712 |
| Inventory | - | 136,485 | - | - | 10,130 | 146,615 |
| Prepaid expenses | - | - | - | 20,709 | - | 20,709 |
| Cemetery perpetual care | - | - | - | - | 50,000 | 50,000 |
| Restricted for: | | | | | | |
| Promotion | - | - | - | - | 47,380 | 47,380 |
| Park and recreation trust | - | - | - | - | 1,025,446 | 1,025,446 |
| Business improvement district | - | - | - | - | 292 | 292 |
| Parking | - | - | - | - | 425,168 | 425,168 |
| Storm water maintenance | - | - | - | - | 630,157 | 630,157 |
| Library fines | - | - | - | - | 77,821 | 77,821 |
| Landmark commission | - | - | - | - | 9,282 | 9,282 |
| Debt service | - | - | - | - | 4,124,291 | 4,124,291 |
| Cemetery perpetual care | - | - | - | - | 152,671 | 152,671 |
| Capital projects | - | - | - | - | 1,751,387 | 1,751,387 |
| Committed to: | | | | | | |
| Special sales tax | - | - | 6,801,882 | - | - | 6,801,882 |
| Assigned to: | | | | | | |
| Applied to next year's budget | 262,000 | - | - | - | - | 262,000 |
| Airport | - | - | - | 152,850 | - | 152,850 |
| Unassigned | 5,917,218 | (36,870) | - | - | - | 5,880,348 |
| Total fund balances | <u>\$ 6,468,930</u> | <u>\$ 99,615</u> | <u>\$ 6,801,882</u> | <u>\$ 173,559</u> | <u>\$ 8,304,025</u> | <u>\$ 21,848,011</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. Pensions

For purposes of measuring the net pension asset, deferred outflows/inflows of resources, and pension expense/(revenue) information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS’s fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Deposits and Investments: Fair Value Measurement, 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 below.

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 - 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.

The actual bank balances at December 31, 2017 were as follows:

| Primary Government | Bank Balance |
|---|----------------------|
| Insured (FDIC/NCUA) | \$ 6,503,616 |
| Uninsured, collateral jointly held by State’s/City's agent in the name of the State and the pledging financial institution | 12,963,002 |
| Uninsured, uncollateralized | 500,000 |
| Total deposits | <u>\$ 19,966,618</u> |

The carrying amount of deposits on the December 31, 2017 statement of net position was \$19,551,241.

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, 2017, the City held \$500,000 cash within an investment advisory account that was not FDIC insured or otherwise collateralized relating to proceeds received on two certificates of deposit that matured on December 29, 2017 that had not yet been reinvested. Other than the aforementioned maturing CD proceeds, the City’s deposits in financial institutions were not exposed to custodial credit risk as of December 31, 2017.

Investments – Primary Government

In general, SDCL 4-5-6 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.

Fair Value Measurement – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of December 31, 2017, the City had the following investments:

| Investment | Credit Rating | Maturities | Fair Value Level | Fair Value |
|---|---------------|------------|------------------|---------------------|
| Wells Fargo Advisors - Negotiable CDs, each \$250,000 or less | Not Rated | 2018-2022 | 2 | \$ 9,750,000 |
| US Bank - U.S. Treasury Note | AAA | 5/31/2018 | 2 | 215,809 |
| Total investments | | | | <u>\$ 9,965,809</u> |

The City has the following recurring fair value measurements as of December 31, 2017:

- Negotiable Certificates of Deposit and U.S. Treasury securities classified in Level 2 of the fair value hierarchy are valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market rate assumptions.

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.

Custodial Credit Risk – The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City has no investments exposed to custodial credit risk.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer. The City has no concentration in excess of 5% of investments.

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 or its component units’ name by their financial institution.

At December 31, 2017, the actual bank balances were as follows:

| | Bank Balance |
|--|--------------|
| Insured (FDIC) | \$ 2,264,616 |
| Uninsured | 427,159 |
| Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name | 698,898 |
| Total deposits | \$ 3,390,673 |
| The Commission's carrying amount of deposits at December 31 | \$ 3,284,375 |

Funded Reserves – Component Unit

The Commission does not have a formal 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 \$1,637,961 as of December 31, 2017.

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.

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.

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.

Note 5 - Property Taxes

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the Municipality.

Note 6 - Due from Other Governments

- General Fund - \$96,647 due from federal government for grants; \$58,353 due from state government for grants; \$1,072,688 due from state government for 1% city sales tax; \$96,709 due from state government for local government highway/bridge funds; \$49,313 due from state government for liquor tax reversion funds; and \$51,032 due from county government for taxes and licenses.
- Promotion Fund - \$112,268 due from state government for 1% city sales tax.
- Airport Fund - \$1,520,425 due from federal government for grants and \$84,468 due from state government for grants.
- Special Sales Tax Fund - \$1,072,689 due from state government for 1% city sales tax.
- Park and Recreation Gift Fund - \$2,500 due from federal government for grants.

Note 7 - Changes in Capital Assets

A summary of changes in capital assets of the primary government for the year ended December 31, 2017 is as follows:

| Primary Government | Balance 1/1/17 | Increases | Decreases | Balance 12/31/17 |
|--|-------------------|---------------|----------------|---------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land, not depreciated | \$ 9,522,713 | \$ 319,365 | \$ - | \$ 9,842,078 |
| Construction work in progress | 9,575,066 | 92,397 | (9,575,066) | 92,397 |
| Total capital assets, not being depreciated | 19,097,779 | 411,762 | (9,575,066) | 9,934,475 |
| Capital assets, being depreciated: | | | | |
| Buildings | 38,803,254 | 7,423,146 | (137,215) | 46,089,185 |
| Improvements other than buildings | 122,686,594 | 9,660,920 | (15,240) | 132,332,274 |
| Machinery and equipment | 19,345,580 | 2,640,006 | (1,015,684) | 20,969,902 |
| Total | 180,835,428 | 19,724,072 | (1,168,139) | 199,391,361 |
| Less accumulated depreciation for: | | | | |
| Buildings | (11,658,568) | (885,057) | 78,451 | (12,465,174) |
| Improvements other than buildings | (52,180,403) | (3,838,660) | 15,240 | (56,003,823) |
| Machinery and equipment | (12,793,143) | (1,185,964) | 912,597 | (13,066,510) |
| Total accumulated depreciation | (76,632,114) | (5,909,681) | 1,006,288 | (81,535,507) |
| Total capital assets, being depreciated, net | 104,203,314 | 13,814,391 | (161,851) | 117,855,854 |
| Governmental activity capital assets, net | \$ 123,301,093 | \$ 14,226,153 | \$ (9,736,917) | \$ 127,790,329 |

Depreciation expense was charged to functions as follows:

| | |
|--|--------------|
| Governmental activities: | |
| General government | \$ 145,573 |
| Public safety | 413,220 |
| Public works | 4,329,983 |
| Culture and recreation | 1,020,905 |
| Total depreciation expense - governmental activities | \$ 5,909,681 |

City of Aberdeen
Notes to Financial Statements
December 31, 2017

| Primary Government | Balance 1/1/17 | Increases | Decreases | Balance 12/31/17 |
|--|-------------------|-------------|--------------|---------------------|
| Business-Type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land, not depreciated | \$ 903,027 | \$ - | \$ - | \$ 903,027 |
| Construction work in progress | 650,257 | 705,039 | (177,934) | 1,177,362 |
| Total capital assets, not being depreciated | 1,553,284 | 705,039 | (177,934) | 2,080,389 |
| Capital assets, being depreciated: | | | | |
| Buildings | 62,953,897 | 293,847 | - | 63,247,744 |
| Improvements other than buildings | 29,922,874 | 1,558,013 | (25,047) | 31,455,840 |
| Machinery and equipment | 7,654,447 | 759,031 | (134,969) | 8,278,509 |
| Total | 100,531,218 | 2,610,891 | (160,016) | 102,982,093 |
| Less accumulated depreciation for: | | | | |
| Buildings | (24,445,375) | (1,233,469) | - | (25,678,844) |
| Improvements other than buildings | (14,192,870) | (612,133) | 25,047 | (14,779,956) |
| Machinery and equipment | (4,342,237) | (508,588) | 134,969 | (4,715,856) |
| Total accumulated depreciation | (42,980,482) | (2,354,190) | 160,016 | (45,174,656) |
| Total capital assets, being depreciated, net | 57,550,736 | 256,701 | - | 57,807,437 |
| Business-type activity capital assets, net | \$ 59,104,020 | \$ 961,740 | \$ (177,934) | \$ 59,887,826 |

Depreciation expense was charged to functions as follows:

| | |
|---|--------------|
| Business-type activities: | |
| Water | \$ 1,102,823 |
| Sewer | 1,036,784 |
| Old Federal Building | 12,322 |
| Campground | 46,420 |
| Golf | 60,273 |
| Ambulance | 95,568 |
| Total depreciation expense - business-type activities | \$ 2,354,190 |

The City has active construction projects as of December 31, 2017. At year end, the City's commitments with contractors are as follows:

| Project | Spent-to-Date | Remaining Commitment |
|--|---------------|-------------------------|
| 3rd Avenue Bridge | \$ 92,397 | \$ - |
| Waste Water Treatment Plant Facility Improvement | 1,112,263 | 10,423 |
| Medium Cabin #14 | 13,339 | - |
| Medium Cabin #15 | 13,339 | - |
| Deluxe Cabin #25 | 38,421 | - |
| | \$ 1,269,759 | \$ 10,423 |

A summary of changes in capital assets of the component unit for the year ended December 31, 2017 is as follows:

| <u>Component Unit</u> | <u>Balance 1/1/17</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 12/31/17</u> |
|---|---------------------------|---------------------|-----------------------|-----------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 1,250,971 | \$ - | \$ - | \$ 1,250,971 |
| Construction in progress | <u>3,697,006</u> | <u>1,493,306</u> | <u>(5,190,312)</u> | <u>-</u> |
| Total capital assets, not being depreciated | <u>4,947,977</u> | <u>1,493,306</u> | <u>(5,190,312)</u> | <u>1,250,971</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 25,118,064 | 5,190,312 | - | 30,308,376 |
| Furniture, equipment and machinery - dwelling | 1,129,868 | 301,597 | (2,271) | 1,429,194 |
| Furniture, equipment and machinery - nondwelling | <u>311,440</u> | <u>-</u> | <u>(11,062)</u> | <u>300,378</u> |
| Total capital assets, being depreciated | <u>26,559,372</u> | <u>5,491,909</u> | <u>(13,333)</u> | <u>32,037,948</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (9,770,046) | (973,342) | - | (10,743,388) |
| Furniture, equipment and machinery - dwelling | (903,658) | (111,803) | 2,009 | (1,013,452) |
| Furniture, equipment and machinery - nondwelling | <u>(336,159)</u> | <u>(21,806)</u> | <u>11,062</u> | <u>(346,903)</u> |
| Total accumulated depreciation | <u>(11,009,863)</u> | <u>(1,106,951)</u> | <u>13,071</u> | <u>(12,103,743)</u> |
| Total capital assets being depreciated, net | <u>15,549,509</u> | <u>4,384,958</u> | <u>(262)</u> | <u>19,934,205</u> |
| Capital assets, net | <u>\$ 20,497,486</u> | <u>\$ 5,878,264</u> | <u>\$ (5,190,574)</u> | <u>\$ 21,185,176</u> |

Note 8 - Long-Term Liabilities

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

| Primary Government | January 1, 2017 | Increases | Decreases | December 31, 2017 | Due Within One Year | Interest Paid |
|--|----------------------|---------------------|-----------------------|----------------------|------------------------|---------------------|
| Governmental activities: | | | | | | |
| Tax increment revenue bonds #2 | \$ 2,145,000 | \$ - | \$ (145,000) | \$ 2,000,000 | \$ 135,000 | \$ 114,218 |
| Tax increment revenue bonds #4 | 58,214 | - | (10,224) | 47,990 | 10,889 | 3,784 |
| Tax increment revenue bonds #8 | 1,882,058 | - | (285,961) | 1,596,097 | 249,794 | 99,634 |
| Tax increment revenue bonds #17 | 1,530,000 | - | (65,000) | 1,465,000 | 70,000 | 79,550 |
| Tax increment revenue bonds #19 | 1,725,583 | - | (75,592) | 1,649,991 | 78,646 | 68,275 |
| Tax increment revenue bonds #26 | 1,901,191 | - | (69,402) | 1,831,789 | 71,853 | 65,940 |
| Tax increment revenue bonds #27 | - | 1,440,000 | - | 1,440,000 | 45,844 | - |
| Sales tax revenue bonds, ARCC | 920,000 | - | (220,000) | 700,000 | 225,000 | 27,700 |
| Sales tax revenue bonds, aquatic center | 4,540,000 | - | (465,000) | 4,075,000 | 475,000 | 98,728 |
| Sales tax revenue bonds, public safety buildings | 6,748,740 | - | (472,613) | 6,276,127 | 560,000 | 265,193 |
| Sales tax revenue bonds, campground expansion | 375,000 | - | (35,000) | 340,000 | 35,000 | 16,163 |
| Sales tax revenue bonds, City Hall Reno | 3,940,000 | - | - | 3,940,000 | - | 128,405 |
| Sales tax revenue bonds, Old Fed. Bldg. | 610,000 | - | (200,000) | 410,000 | 205,000 | 15,568 |
| Sales tax revenue bonds, Library | 7,158,500 | - | (545,710) | 6,612,790 | 545,000 | 188,225 |
| Compensated absences | 660,070 | 1,008,396 | (974,765) | 693,701 | 693,701 | - |
| Total government activities | 34,194,356 | 2,448,396 | (3,564,267) | 33,078,485 | 3,400,727 | 1,171,383 |
| Business-type activities: | | | | | | |
| Water sales tax and revenue bonds | 11,172,521 | - | (1,023,569) | 10,148,952 | 1,044,805 | 268,737 |
| Sewer revenue bonds | 13,248,660 | - | (1,043,505) | 12,205,155 | 1,069,617 | 328,160 |
| Compensated absences | 100,981 | 190,680 | (151,437) | 140,224 | 140,224 | - |
| Total business-type activities | 24,522,162 | 190,680 | (2,218,511) | 22,494,331 | 2,254,646 | 596,897 |
| Total primary government | \$ 58,716,518 | \$ 2,639,076 | \$ (5,782,778) | \$ 55,572,816 | \$ 5,655,373 | \$ 1,768,280 |
| Component Unit | | | | | | |
| Mortgages & other notes payable | \$ 8,148,122 | \$ 2,308,807 | \$ (4,416,699) | \$ 6,040,230 | \$ 377,320 | \$ 191,997 |
| Other long-term liabilities | 233,710 | 202,115 | - | 435,825 | - | - |
| Compensated absences | 25,745 | - | (3,320) | 22,425 | 22,425 | - |
| | \$ 8,407,577 | \$ 2,510,922 | \$ (4,420,019) | \$ 6,498,480 | \$ 399,745 | \$ 191,997 |

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, 2017 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 \$135,000 to \$215,000, 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. \$ 2,000,000

Tax Increment Revenue Bonds, District No. 4 totaling \$136,829 were issued in 2004. The bonds require annual payments ranging from \$10,889 to \$13,154, including interest at 6.5% from the Debt Service Fund, final payment due August 2021. 47,990

Tax Increment Revenue Bonds, District No. 8 totaling \$3,800,000 were issued in 2008. The bonds require semi-annual payments ranging from \$123,203 to \$161,599, including interest at 5.5% from the Debt Service Fund, final payment due November 2023. 1,596,097

Tax Increment Revenue Bonds, District No. 17 totaling \$1,695,000 were issued in 2013. The bonds require annual payments ranging from \$70,000 to \$140,000, including interest ranging from 1.5% to 6.0% from the Debt Service Fund, final payment due December 2032. 1,465,000

Tax Increment Revenue Bonds, District No. 19 totaling \$1,935,200 were issued in 2014. The bonds require semi-annual payments ranging from \$38,934 to \$70,523, including interest of 4.0% from the Debt Service Fund, final payment due June 2033. 1,649,991

Tax Increment Revenue Bonds, District No. 26 totaling \$1,935,000 were issued in 2016. The bonds require semi-annual payments ranging from \$35,615 to \$66,507, including interest at 4.0% from the Debt Service Fund, final payment due June 2036. 1,831,789

Tax Increment Revenue Bonds, District No. 27 totaling \$1,440,000 were issued in 2017. The bonds require semi-annual payments ranging from \$22,845 to \$51,863, including interest at 4.25% from the Debt Service Fund, final payment due June 2038. 1,440,000

Sales Tax Revenue Bonds

Sales Tax Revenue Bonds, Park and Recreation ARCC renovations, totaling \$2,835,000 were issued in 2005. In 2011, \$1,755,000 of bonds were issued to advance refund \$1,650,000 of these bonds, requiring annual payments ranging from \$225,000 to \$240,00, including interest ranging from 1.20% to 3.25%, and final payment due January 2020. 700,000

| | |
|---|-----------|
| <p>Sales Tax Revenue Bonds, Park and Recreation aquatic center, totaling \$7,505,000 were issued in 2005. In 2013, \$5,305,000 of bonds were issued to advance refund \$4,600,000 of these bonds, changing annual payments ranging from \$475,000 to \$550,000, including interest ranging from .70% to 2.70%, final payment due November 2025.</p> | 4,075,000 |
| <p>Sales Tax Revenue Bonds, Public Safety projects (police and fire), totaling \$9,865,000 were issued in 2007. In 2015, \$6,200,000 of bonds were issued to advance refund \$6,010,000 of these bonds, changing annual payments ranging from \$560,000 to \$690,000, including interest ranging from 3.75% to 5.5% from the Debt Service Fund, final payment due November 2027. Balance includes unamortized premium of \$76,127.</p> | 6,276,127 |
| <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 \$35,000 to \$50,000, including interest ranging from 2.5% to 4.25% from the Debt Service Fund, final payment due December 2025.</p> | 340,000 |
| <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 of \$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> | 410,000 |
| <p>Sales Tax Revenue Bonds, New Library Project, Tax-Exempt Series 2015 totaling \$6,045,000 were issued in 2016. The bonds require annual principal payments ranging from \$245,000 to \$395,000, plus interest ranging from 1.25% to 4.00% from the Debt Service Fund, final payment due December 2035. Balance includes unamortized premium of \$192,790.</p> | 5,707,790 |
| <p>Sales Tax Revenue Bonds, New Library Project, Taxable Series 2015 totaling \$1,500,000 were issued in 2016. The bonds require annual principal payments ranging from \$300,000 to \$305,000, plus interest ranging from 1.00% to 2.00% from the Debt Service Fund, final payment due December 2020.</p> | 905,000 |
| <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 \$880,000 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 \$18,897.</p> | 8,686,104 |

Water Sales Tax Revenue Bonds

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. 511,282

Water Sales Tax Revenue Bonds

The City passed Ordinance 12-10-05 to enter into a "Drinking Water State Revolving Fund" loan agreement for up to \$1,040,000 in October 2013. The debt on the loan agreement totaling \$1,040,000 requires quarterly payments of \$17,335, which include interest at 3.00% from the Water Fund, final payment due August 2035. 951,566

Sewer Revenue Bonds

The City passed Resolution 05-02-02R, to enter into a “Clean Water State Revolving Fund” loan agreement for up to \$13,218,859 in April 2005. 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. 7,495,752

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. 3,732,870

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. 976,533

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. 506,959

Lawson View - 6.76% Mortgage note payable with Richman Mortgage Assets Company, due in monthly installments of \$4,545, including interest, matures August 2026, secured by first position in substantially all Partnership assets net of unamortized debt issuance costs of \$17,168 based upon effective interest rate of 7.30%.. 602,350

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. 281,305

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, payable in varying annual installments through March 2035, secured by a mortgage on all property and equipment. 282,200

| | |
|--|---------|
| Sunshine Park - 6% mortgage note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, annual 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. | 190,487 |
| 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, net of unamortized debt issuance costs of \$11,370 based upon an effective interest rate of 0.11%. | 320,471 |
| Meadow Wood - 0% HOME loan from South Dakota Housing Development Authority, annual payments beginning July 2014, to the extent of available cash flow with entire balance due July 2033, secured by a mortgage on all property and equipment and an assignment of rents and leases. | 328,613 |
| 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 net of unamortized debt issuance costs of \$9,392 based upon an effective interest rate of 6.39%. | 684,192 |
| 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. | 824,059 |
| Central Villas - 4% note payable to Horizon Bank beginning May 2016 through January 10, 2018 then 6% through February 2036, due in varying monthly installments, secured by a mortgage on all property and equipment, net of unamortized debt issuance costs of \$7,179 based upon an effective interest rate of 6.05%. | 726,021 |
| Central Villas - 0% mortgage note payable with South Dakota Housing Development Authority with varying monthly payments beginning January 2018 through December 2042, secured by a mortgage on all property and equipment and an assignment of rents and leases. | 731,582 |

The debt instruments for the sales tax revenue bonds were issued for various projects, expansions, or renovations and contain provisions which pledge future sales tax revenues 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 sales tax revenue bonds, which will not be available for other purposes until varying dates from December 2019 to December 2035 as the bonds mature. Approximately 30% of sales tax revenues are considered pledged. Total principal and interest remaining on the sales tax revenue bonds is \$26,878,624, payable at varying dates through 2035. For the sales tax revenue bonds, principal and interest paid and sales tax revenues for 2017 were \$2,678,305 and \$8,492,321, respectively.

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. Total principal and interest remaining on the Water and Sewer Revenue Bonds is \$11,535,634 and \$13,998,383, respectively, payable through varying dates through 2035. For the Water Revenue Bonds, principal and interest paid and total customer revenues for 2017 were \$1,294,586 and \$6,231,520, respectively. For the Sewer Revenue Bonds, principal and interest paid and total customer revenues for 2017 were \$1,371,666 and \$3,779,984, 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, 2017, 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 \$2,728,785, payable through December 2029. For 2017, principal and interest paid and total incremental property tax revenues were \$259,218 and \$249,152, 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 \$56,035, payable through August 2021. For 2017, principal and interest paid and total incremental property tax revenues were \$14,008 and \$12,718, 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 \$2,728,785, payable through November 2023. For 2017, principal and interest paid and total incremental property tax revenues were \$385,395 and \$385,595, 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 to 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 \$2,196,950, payable through December 2032. For 2017, principal and interest paid and total incremental property tax revenues were \$144,550 and \$245,506, 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 to 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 \$2,229,941, payable through June 2033. For 2017, principal and interest paid and total incremental property tax revenues were \$143,867 and \$73,051, respectively.

In April 2016, the City passed a resolution creating Tax Incremental District No. 26. In May 2016, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 26 to provide funds not to exceed the amount of \$2,000,000 for project costs. Bonds in the amount of \$1,935,000 have been issued in July 2016, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 26. Incremental property taxes were projected to produce at least 101% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$2,503,827, payable through June 2036. For 2017, principal and interest paid and total incremental property tax revenues were \$135,342 and \$0, respectively.

In June 2017, the City passed a resolution creating Tax Incremental District No. 27. In August 2017, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 27 to provide funds not to exceed the amount of \$1,773,184 for project costs. Bonds in the amount of \$1,440,000 have been issued in December 2017, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 27. Incremental property taxes were projected to produce at least 147% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$2,173,826, payable through June 2038. For 2017, principal and interest paid and total incremental property tax revenues were \$0.

The Tax Increment Revenue Bonds, District Nos. 2, 4, 8, 17, 19, 26, and 27 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, 8, 17, 19, 26, and 27.

Maturities

The annual requirements to maturity for all debt outstanding as of December 31, 2017, 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 |
| 2018 | \$ 662,025 | \$ 471,026 | \$ 2,045,000 | \$ 587,210 | \$ 377,320 | \$ 180,712 |
| 2019 | 689,198 | 439,169 | 2,090,000 | 545,688 | 373,224 | 167,879 |
| 2020 | 727,502 | 405,925 | 2,125,000 | 503,688 | 385,027 | 150,136 |
| 2021 | 762,309 | 370,468 | 1,615,000 | 460,945 | 266,127 | 132,911 |
| 2022 | 849,199 | 332,864 | 1,650,000 | 424,310 | 127,476 | 127,611 |
| 2023-2027 | 2,861,288 | 1,147,205 | 7,680,000 | 1,465,983 | 1,139,566 | 506,714 |
| 2028-2032 | 2,465,279 | 506,916 | 3,095,000 | 674,400 | 799,990 | 237,242 |
| 2033-2037 | 984,840 | 96,941 | 1,785,000 | 131,400 | 1,203,683 | 132,457 |
| 2038-2042 | 29,227 | 628 | - | - | 1,081,085 | 22,858 |
| 2043-2047 | - | - | - | - | - | - |
| 2048-2050 | - | - | - | - | 331,841 | - |
| | <u>\$ 10,030,867</u> | <u>\$ 3,771,142</u> | <u>\$ 22,085,000</u> | <u>\$ 4,793,624</u> | <u>\$ 6,085,339</u> | <u>\$ 1,658,520</u> |

| Year Ending December 31 | Water Revenue Bonds | | Sewer Revenue Bonds | |
|----------------------------|----------------------|---------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2018 | \$ 1,044,805 | \$ 246,451 | \$ 1,069,617 | \$ 302,049 |
| 2019 | 1,068,860 | 221,916 | 1,096,401 | 275,265 |
| 2020 | 1,093,017 | 196,634 | 1,123,875 | 247,791 |
| 2021 | 1,117,278 | 170,775 | 1,152,058 | 219,608 |
| 2022 | 1,011,493 | 146,206 | 1,180,969 | 190,697 |
| 2023-2027 | 4,354,499 | 326,315 | 5,710,227 | 518,377 |
| 2028-2032 | 295,520 | 51,179 | 872,008 | 39,441 |
| 2033-2035 | 182,377 | 8,309 | - | - |
| | <u>\$ 10,167,849</u> | <u>\$ 1,367,785</u> | <u>\$ 12,205,155</u> | <u>\$ 1,793,228</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, 2017, there were two revenue bond issues of this type outstanding. The balance of one revenue bond issued after July 1, 1995, was \$3,171,996. The aggregate outstanding balance of the other remaining 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, 2017 consist of the following:

| Transfer From | Transfer To | Amount | Purpose |
|----------------------|-----------------------------------|----------------------|----------------------------------|
| Water | General | \$ 261,230 | To supplement other fund sources |
| Sewer | General | 171,220 | To supplement other fund sources |
| Campground | General | 34,750 | To supplement other fund sources |
| Golf | General | 20,470 | To supplement other fund sources |
| Ambulance | General | 44,930 | To supplement other fund sources |
| General | Park & Rec | 3,783,275 | To supplement other fund sources |
| Special Sales Tax | Park & Rec | 110,000 | To supplement other fund sources |
| General | Airport | 555,000 | To supplement other fund sources |
| Special Sales Tax | Airport | 200,000 | To supplement other fund sources |
| Water | Special Sales Tax | 180,000 | To supplement other fund sources |
| Campground | Special Sales Tax | 56,000 | To supplement other fund sources |
| Special Sales Tax | ARCC Debt Service | 250,000 | To supplement other fund sources |
| Special Sales Tax | Aquatic Center Debt Service | 570,000 | To supplement other fund sources |
| Special Sales Tax | Public Safety Debt Service | 736,000 | To supplement other fund sources |
| Special Sales Tax | TIF #19 Debt Service | 75,000 | To supplement other fund sources |
| Special Sales Tax | City Hall Debt Service | 160,000 | To supplement other fund sources |
| Special Sales Tax | Old Federal Building Debt Service | 216,000 | To supplement other fund sources |
| Special Sales Tax | Water | 180,000 | To supplement other fund sources |
| General | Golf | 150,000 | To supplement other fund sources |
| General | Ambulance | 220,000 | To supplement other fund sources |
| General | Park & Rec | 100,000 | To supplement other fund sources |
| Park & Rec Gift | Park & Rec Capital Project | 118,675 | To supplement other fund sources |
| Special Sales Tax | Moccasin Creek Capital Project | 600,000 | To supplement other fund sources |
| Special Sales Tax | Library Capital Project | 342,324 | To supplement other fund sources |
| Special Sales Tax | Park & Rec Capital Project | 43,000 | To supplement other fund sources |
| Special Sales Tax | Park & Rec Capital Project | 546,300 | To supplement other fund sources |
| Special Sales Tax | Wiley Park Debt Service | 56,000 | To supplement other fund sources |
| Special Sales Tax | Library Bonds Debt Service | 410,000 | To supplement other fund sources |
| Park & Rec | Park & Rec Capital Project | 58,670 | To supplement other fund sources |
| Cemetery Improvement | Park & Rec | 9,049 | To supplement other fund sources |
| Promotion | Special Sales Tax | 31,566 | To supplement other fund sources |
| Water | General | 26,523 | To supplement other fund sources |
| Water | Park & Rec | 264,940 | To supplement other fund sources |
| Water | Airport | 4,828 | To supplement other fund sources |
| Water | Stormwater | 1,550 | To supplement other fund sources |
| Water | Sewer | 14,287 | To supplement other fund sources |
| Water | Golf | 91,205 | To supplement other fund sources |
| | | <u>\$ 10,692,792</u> | |

Note 11 - Restricted Net Position

The following table summarizes the restricted net position as shown on the government-wide statement of net position as of December 31, 2017:

| Fund | Restricted By | Amount |
|--|-----------------------|---------------------|
| Other purposes | | |
| Business improvement district fund | State Law | \$ 1,353 |
| Storm water maintenance fund | State Law | 685,289 |
| Library fines fund | State Law | 77,821 |
| Aberdeen landmark commission | State Law | 9,281 |
| Promotion fund | State Law | 134,905 |
| Park and recreation fund | State Law | 100,492 |
| Park recreation trust fund | State Law | 1,025,446 |
| Parking district fund | State Law | 426,733 |
| General fund - SD public assurance alliance | Contractual Agreement | 289,712 |
| | | <u>2,751,032</u> |
| Total restricted net position for other purposes | | <u>\$ 2,751,032</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, 2017, 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 – Unlimited Maximum

Various rates of benefit coverages, deductibles, etc., are included in the insurance package provided for the covered employees and dependents. The City provides a “Fitness Program” to assist employees and covered spouses in addressing wellness/preventative care in advance of serious medical conditions. The benefit under this program is reimbursement to the employee 50% of the fees incurred up to a maximum of \$25 per month per covered individual as outlined in the statement of policy.

The City purchases commercial insurance for the life insurance and accidental death and dismemberment coverages provided. The City purchases stop loss insurance on their health insurance coverage which limits their risk to \$75,000 per individual with an aggregate of approximately \$2,216,160.

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 Wellmark based on actual expenses needed to pay current claims and to purchase stop loss insurance coverage of \$75,000 per individual. Net position of \$440,073 is available as of December 31, 2017 for future claims and premium increases. The amount of claim liabilities for the years ended December 31, 2017, 2016, and 2015 were \$119,465, \$340,461, and \$110,000, respectively.

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

| | <u>Balance at January 1</u> | <u>Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Balance at December 31</u> |
|------|---------------------------------|--|---------------------------|-----------------------------------|
| 2017 | \$ 340,461 | \$ 1,679,682 | \$ 1,900,678 | \$ 119,465 |
| 2016 | 110,000 | 1,801,104 | 1,570,643 | 340,461 |
| 2015 | 177,583 | 1,538,369 | 1,605,952 | 110,000 |

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 (including public officials), 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 for property coverage and \$500,000 for liability coverage to the upper limit. The City carries the following deductibles for the coverages listed below:

| <u>Coverage</u> | <u>Deductible</u> |
|--|-------------------|
| General liability (including public officials) | \$250 to 5,000 |
| 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, 2017, the City has vested balance in the cumulative reserve fund of \$289,712.

Worker's Compensation

The City participates in the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate costs of the experience to date of the fund members. Coverage limits are set by state statute. The pool pays for the first \$650,000 of any claim per individual. The pool has reinsurance that covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 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 \$21,379 as of December 31, 2017 for the payment of future unemployment benefits.

During the year ended December 31, 2017, 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, 2017, 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

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7% prior to 2008 and 1.55% thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4% for service prior to 2008 and 2.0% thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733% for service prior to 2008 and 3.333% thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more — 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
 - 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% — 2.1% COLA

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the member’s accumulated contributions are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by State statute to contribute the following percentages of their salary to the plan; Class A members, 6% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Member, 8% of salary. 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 made to the SDRS for the years ended December 31, 2017, 2016 and 2015 were \$908,311, \$869,768, and \$867,351, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2017, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS, for the City as of this measurement period and reported by the City as of December 31, 2017 are as follows:

| | |
|---|---------------|
| Proportionate share of pension liability | \$ 88,248,569 |
| Less proportionate share of net pension restricted for pension benefits | 88,317,402 |
| Proportionate share of net pension liability (asset) | \$ (68,833) |

At December 31, 2017, the City reported an asset of \$68,833 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the City’s proportion was 0.7585%, which was an increase of 0.0134% from its proportionate measure as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$631,669. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 1,102,888 | \$ - |
| Changes in assumption | 5,344,424 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,323,375 |
| Changes in proportion and difference between the contributions and proportionate share of contributions | 23,029 | 40,693 |
| Contributions subsequent to the measurement date | 451,998 | - |
| | \$ 6,922,339 | \$ 1,364,068 |

At December 31, 2017, there was \$451,998 reported as deferred outflow of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability (or increase in the net pension asset) in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

| Year Ended December 31: | Amount |
|----------------------------|--------------|
| 2018 | \$ 1,386,288 |
| 2019 | 2,330,941 |
| 2020 | 1,708,295 |
| 2021 | (319,251) |
| | \$ 5,106,273 |

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.25% |
| Salary increases | 6.50% at entry to 3.0% after 25 years of service |
| Investment rate of return | 6.50%, net of pension plan investment expense |

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------|----------------------|--|
| Global Equity | 58.0% | 4.8% |
| Fixed Income | 30.0% | 1.8% |
| Real Estate | 10.0% | 4.6% |
| Cash | 2.0% | 0.7% |
| | 100.0% | |

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of Liability (Asset) to Changes in the Discount Rate

The following presents the City’s proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---------------|--------------------------|-----------------|
| City's proportionate share of the net pension liability (asset) | \$ 12,606,680 | \$ (68,833) | \$ (10,390,822) |

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued SDRS financial report.

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 - Leases

The City leases various equipment under short and long term operating leases. The leases expire at various dates through 2021.

Future minimum lease payments by fund are as follows:

| | Governmental | Enterprise |
|------------------------------|-----------------|--------------|
| | Airport Fund | Golf Fund |
| Years Ending December 31, | | |
| 2018 | \$ 32,630 | \$ 24,000 |
| 2019 | 32,630 | 24,000 |
| 2020 | 32,630 | 24,000 |
| 2021 | 32,630 | 24,000 |
| Total minimum lease payments | \$ 130,520 | \$ 96,000 |

Total lease expense across all funds for the year ended December 31, 2017 totaled approximately \$101,498.

Note 16 - Tax Abatements

The City has ten active Tax Increment Financing (TIF) districts in which the City has entered into an agreement with the developer (sponsor) of the TIF district. Under each agreement, property tax increments received by the City are paid to the project sponsor as a grant to cover eligible project expenses approved by resolution by the Planning Commission and the City Council, as allowed by South Dakota Codified Law Section 11-9. The project sponsor bears the risk that increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall. When all approved project costs are paid or the TIF is dissolved in accordance with state statutes, all property tax revenue will be distributed to the appropriate taxing entities. Increments totaling \$564,265 were received by the City and paid to project sponsors during 2017.

The City has enacted a sales tax refund program, as allowed by SDCL 10-52-10, allowing a business to apply and obtain a refund of up to 50% of the sales tax paid on construction of certain projects defined in Aberdeen Ordinance Section 50. Ag Processing, Inc. (AGP) has applied and been approved for the sales tax refund. At December 31, 2017, \$353,589 had been reduced from the sales tax revenue (half from General sales tax and half from Special sales tax) and placed in an agency fund to be distributed as a refund to AGP upon approval of the Finance Officer at the completion of the project.

Note 17 - Restatement

During 2017, the City identified misstatements within the 2016 financial statements related to the overstatement of Sewer Fund charges for services due to the overbilling of a major customer. The City restated government-wide net position and Sewer Fund net position to appropriately reflect the January 1, 2017 balances as follows:

| | | Business-Type Activities |
|---|---------------|-------------------------------|
| Net position at December 31, 2016, as previously stated | \$ | 44,542,037 |
| Overstatement of sewer charges for services | | (302,866) |
| Net position at January 1, 2017, as restated | \$ | 44,239,171 |
| | | Total Proprietary Funds |
| Net position at December 31, 2016, as previously stated | \$ | 44,542,037 |
| Overstatement of sewer charges for services | (302,866) | (302,866) |
| Net position at January 1, 2017, as restated | \$ | 44,239,171 |
| | Sewer Fund | |
| Net position at December 31, 2016, as previously stated | \$ 20,347,842 | \$ 44,542,037 |
| Overstatement of sewer charges for services | (302,866) | (302,866) |
| Net position at January 1, 2017, as restated | \$ 20,044,976 | \$ 44,239,171 |



Required Supplementary Information
December 31, 2017

City of Aberdeen

City of Aberdeen
Schedule of City's Share of Net Pension Liability (Asset)
Year Ended December 31, 2017

| Pension Plan | Fiscal Year Ending * | City's Proportion of the Net Pension Liability (Asset) | City's Proportionate Share of the Net Pension Liability (Asset) (a) | City's Covered Payroll (b) | City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Asset |
|--------------|-------------------------|---|---|----------------------------------|--|--|
| SDRS | 6/30/2017 | 0.7585% | \$ (68,833) | \$ 13,741,281 | -0.5% | 100.10% |
| SDRS | 6/30/2016 | 0.7450% | 2,516,685 | 12,616,837 | 19.9% | 96.89% |
| SDRS | 6/30/2015 | 0.7539% | (3,197,349) | 12,266,657 | -26.1% | 104.10% |

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30.

City of Aberdeen
 Schedule of City's Pension Contributions
 Year Ended December 31, 2017

| Pension Plan | Year Ending | Statutorily Required Contribution (a) | Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (d) | Contributions as a Percentage of Covered Payroll (b/d) |
|--------------|----------------|--|---|---|------------------------|--|
| SDRS | 12/31/2017 | \$ 908,311 | \$ 908,311 | - | \$ 13,481,723 | 6.7% |
| SDRS | 12/31/2016 | 869,768 | 869,768 | - | 12,891,308 | 6.7% |
| SDRS | 12/31/2015 | 867,351 | 867,351 | - | 12,876,352 | 6.7% |

City of Aberdeen
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2017

| | Budgetary Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|---|---|
| | Original | Final | | |
| Revenues | | | | |
| 310 Taxes: | | | | |
| 311 General property taxes | \$ 8,533,000 | \$ 8,533,000 | \$ 8,598,952 | \$ 65,952 |
| 313 General sales and use taxes | 9,110,000 | 9,110,000 | 8,818,808 | (291,192) |
| 318 Tax deed revenue | - | - | 9,472 | 9,472 |
| 319 Penalties and interest on delinquent taxes | 18,000 | 18,000 | 22,392 | 4,392 |
| 320 Licenses and permits | 398,500 | 398,500 | 396,461 | (2,039) |
| 330 Intergovernmental revenue: | | | | |
| 331 Federal grants | 500,000 | 500,000 | 692,991 | 192,991 |
| 334 State grants | 61,000 | 61,000 | 121,790 | 60,790 |
| 335 State shared revenue: | | | | |
| 335.01 Bank franchise tax | 110,000 | 110,000 | 105,180 | (4,820) |
| 335.02 Motor vehicle commercial prorate | 27,000 | 27,000 | 27,434 | 434 |
| 335.03 Liquor tax reversion | 165,000 | 165,000 | 169,741 | 4,741 |
| 335.04 Motor vehicle licenses (5%) | 180,000 | 180,000 | 192,960 | 12,960 |
| 335.06 Fire insurance premiums reversion | 75,000 | 75,000 | 79,791 | 4,791 |
| 335.08 Local government highway and bridge fund | 550,000 | 550,000 | 489,420 | (60,580) |
| 335.20 Other | 3,000 | 3,000 | 2,376 | (624) |
| 336 State payments in lieu of taxes | - | - | 7,796 | 7,796 |
| 338 County shared revenue: | | | | |
| 338.03 County wheel tax | 10,000 | 10,000 | 90,858 | 80,858 |
| 340 Charge for goods and services: | | | | |
| 341 General government | 63,000 | 63,000 | 45,392 | (17,608) |
| 342 Public safety | 98,000 | 98,000 | 103,532 | 5,532 |
| 343 Highways and streets | 120,000 | 120,000 | 89,005 | (30,995) |
| 344 Sanitation | 1,237,500 | 1,237,500 | 1,244,682 | 7,182 |
| 345 Health | 17,600 | 17,600 | 95,665 | 78,065 |
| 348 Cemetery | 3,000 | 3,000 | 3,585 | 585 |
| 349 Other | 175,000 | 175,000 | 191,062 | 16,062 |
| 350 Fines and forfeits: | | | | |
| 351 Court fines and costs | 30,000 | 30,000 | 19,683 | (10,317) |
| 360 Miscellaneous revenue: | | | | |
| 361 Investment earnings | 30,000 | 30,000 | 38,403 | 8,403 |
| 362 Rentals/Franchises | 475,000 | 475,000 | 482,110 | 7,110 |
| 367 Contributions and donations from private sources | 22,500 | 22,500 | 16,838 | (5,662) |
| 369 Other | 56,500 | 56,500 | 57,480 | 980 |
| Total revenues | <u>22,068,600</u> | <u>22,068,600</u> | <u>22,213,859</u> | <u>145,259</u> |

City of Aberdeen
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2017

| | Budgetary Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---|---|
| | Original | Final | | |
| Expenditures | | | | |
| 410 General government: | | | | |
| 411 Legislative | 432,250 | 439,250 | 132,432 | 306,818 |
| 412 Executive | 231,900 | 231,900 | 224,778 | 7,122 |
| 414 Financial administration | 1,182,050 | 1,194,440 | 1,136,144 | 58,296 |
| 419 Other | 1,803,600 | 1,803,800 | 1,542,757 | 261,043 |
| Total general government | <u>3,649,800</u> | <u>3,669,390</u> | <u>3,036,111</u> | <u>633,279</u> |
| 420 Public safety: | | | | |
| 421 Police | 4,468,100 | 4,619,100 | 4,554,387 | 64,713 |
| 422 Fire | 2,835,950 | 2,915,150 | 2,688,913 | 226,237 |
| 423 Protective inspection | 233,000 | 233,000 | 214,035 | 18,965 |
| Total public safety | <u>7,537,050</u> | <u>7,767,250</u> | <u>7,457,335</u> | <u>309,915</u> |
| 430 Public works: | | | | |
| 431 Highways and streets | 3,023,250 | 3,083,450 | 2,786,412 | 297,038 |
| 432 Sanitation | 1,389,600 | 1,389,600 | 1,181,413 | 208,187 |
| 439 Transit | 748,050 | 748,300 | 746,684 | 1,616 |
| Total public works | <u>5,160,900</u> | <u>5,221,350</u> | <u>4,714,509</u> | <u>506,841</u> |
| 440 Health and welfare: | | | | |
| 441 Health | 70,300 | 70,300 | 75,090 | (4,790) |
| 445 Drug education | 63,950 | 63,950 | 59,771 | 4,179 |
| 449 Other | 21,825 | 29,825 | 18,662 | 11,163 |
| Total health and welfare | <u>156,075</u> | <u>164,075</u> | <u>153,523</u> | <u>10,552</u> |
| 450 Culture and recreation: | | | | |
| 451 Recreation | 28,165 | 28,165 | 28,008 | 157 |
| 455 Libraries | 1,206,250 | 1,206,750 | 1,133,488 | 73,262 |
| Total culture and recreation | <u>1,234,415</u> | <u>1,234,915</u> | <u>1,161,496</u> | <u>73,419</u> |
| 460 Conservation and development: | | | | |
| 466 Economic opportunity | 522,800 | 724,800 | 691,328 | 33,472 |
| Total conservation and development | <u>522,800</u> | <u>724,800</u> | <u>691,328</u> | <u>33,472</u> |
| Total expenditures | <u>18,261,040</u> | <u>18,781,780</u> | <u>17,214,302</u> | <u>1,567,478</u> |
| Excess of Revenue over Expenditures | <u>3,807,560</u> | <u>3,286,820</u> | <u>4,999,557</u> | <u>1,712,737</u> |
| Other Financing Sources (Uses) | | | | |
| 391.01 Transfers in | 532,600 | 532,600 | 559,123 | 26,523 |
| 511 Transfers out | (4,708,275) | (4,808,275) | (4,808,275) | - |
| 391.03 Sale of municipal property | 25,000 | 25,000 | 75,203 | 50,203 |
| 391.04 Compensation for loss or damage to capital assets | 40,000 | 40,000 | 33,489 | (6,511) |
| Total other financing sources (uses) | <u>(4,110,675)</u> | <u>(4,210,675)</u> | <u>(4,140,460)</u> | <u>70,215</u> |
| Net Change in Fund Balances | (303,115) | (923,855) | 859,097 | 1,782,952 |
| Fund Balance - Beginning | <u>5,609,833</u> | <u>5,609,833</u> | <u>5,609,833</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 5,306,718</u> | <u>\$ 4,685,978</u> | <u>\$ 6,468,930</u> | <u>\$ 1,782,952</u> |

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Park and Recreation Fund
 Year Ended December 31, 2017

| | 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 | \$ 2,140 | \$ (47,860) |
| 334 State grants | 40,000 | 40,000 | 20,000 | (20,000) |
| 340 Charge for goods and services: | | | | |
| 346 Culture and recreation | 654,690 | 654,690 | 644,786 | (9,904) |
| 348 Cemetery | 37,000 | 37,000 | 49,608 | 12,608 |
| 360 Miscellaneous revenue: | | | | |
| 361 Investment earnings | 50 | 50 | 107 | 57 |
| 369 Other | - | - | 2,069 | 2,069 |
| Total revenues | <u>781,740</u> | <u>781,740</u> | <u>718,710</u> | <u>(63,030)</u> |
| Expenditures | | | | |
| 430 Public works: | | | | |
| 437 Cemeteries | 205,000 | 223,750 | 217,674 | 6,076 |
| Total public works | <u>205,000</u> | <u>223,750</u> | <u>217,674</u> | <u>6,076</u> |
| 450 Culture and recreation: | | | | |
| 451 Parks and Recreation | 4,470,015 | 4,899,200 | 4,769,703 | 129,497 |
| Total culture and recreation | <u>4,470,015</u> | <u>4,899,200</u> | <u>4,769,703</u> | <u>129,497</u> |
| Total expenditures | <u>4,675,015</u> | <u>5,122,950</u> | <u>4,987,377</u> | <u>135,573</u> |
| Excess of Revenue under Expenditures | <u>(3,893,275)</u> | <u>(4,341,210)</u> | <u>(4,268,667)</u> | <u>72,543</u> |
| Other Financing Sources (Uses) | | | | |
| 391.01 Transfers in | 3,893,275 | 4,002,775 | 4,267,264 | 264,489 |
| 511 Transfers out | - | (58,670) | (58,670) | - |
| 391.04 Compensation for loss or damage to capital assets | - | - | 3,491 | 3,491 |
| Total other financing sources | <u>3,893,275</u> | <u>3,944,105</u> | <u>4,212,085</u> | <u>267,980</u> |
| Net Change in Fund Balances | - | (397,105) | (56,582) | 340,523 |
| Fund Balance - Beginning | 156,197 | 156,197 | 156,197 | - |
| Fund Balance - Ending | <u>\$ 156,197</u> | <u>\$ (240,908)</u> | <u>\$ 99,615</u> | <u>\$ 340,523</u> |

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Airport Fund
 Year Ended December 31, 2017

| | Budgetary Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|---------------------|--------------------|-------------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| 310 Taxes: | | | | |
| 312 Airflight property tax | \$ 30,000 | \$ 30,000 | \$ 29,159 | \$ (841) |
| 330 Intergovernmental revenue: | | | | |
| 331 Federal grants | 900,000 | 900,000 | 133,190 | (766,810) |
| 334 State grants | 50,000 | 50,000 | 7,399 | (42,601) |
| 340 Charge for goods and services: | | | | |
| 349 Other | 376,000 | 376,000 | 390,406 | 14,406 |
| 360 Miscellaneous revenue: | | | | |
| 361 Investment earnings | 500 | 500 | 496 | (4) |
| 369 Other | - | - | 442 | 442 |
| Total revenues | <u>1,356,500</u> | <u>1,356,500</u> | <u>561,092</u> | <u>(795,408)</u> |
| Expenditures | | | | |
| 430 Public works: | | | | |
| 435 Airport | <u>2,132,200</u> | <u>2,537,200</u> | <u>2,375,405</u> | <u>161,795</u> |
| Total public works | <u>2,132,200</u> | <u>2,537,200</u> | <u>2,375,405</u> | <u>161,795</u> |
| Total expenditures | <u>2,132,200</u> | <u>2,537,200</u> | <u>2,375,405</u> | <u>161,795</u> |
| Excess of Revenue under Expenditures | <u>(775,700)</u> | <u>(1,180,700)</u> | <u>(1,814,313)</u> | <u>(633,613)</u> |
| Other Financing Sources | | | | |
| 391.01 Transfers in | 755,000 | 755,000 | 759,828 | 4,828 |
| 391.04 Compensation for loss or damage to capital assets | - | - | 4,026 | 4,026 |
| Total other financing sources | <u>755,000</u> | <u>755,000</u> | <u>763,854</u> | <u>8,854</u> |
| Net Change in Fund Balances | (20,700) | (425,700) | (1,050,459) | (624,759) |
| Fund Balance - Beginning | <u>1,224,018</u> | <u>1,224,018</u> | <u>1,224,018</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 1,203,318</u> | <u>\$ 798,318</u> | <u>\$ 173,559</u> | <u>\$ (624,759)</u> |

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Special Sales Tax Fund
 Year Ended December 31, 2017

| | Budgetary Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---|---|
| | Original | Final | | |
| Revenues | | | | |
| 310 Taxes: | | | | |
| 313 General sales and use taxes | \$ 8,750,000 | 8,750,000 | \$ 8,492,321 | \$ (257,679) |
| 330 Intergovernmental revenue: | | | | |
| 331 Federal grants | 1,800,000 | 1,800,000 | - | (1,800,000) |
| 334 State grants | - | - | 916,032 | 916,032 |
| 360 Miscellaneous revenue: | | | | |
| 361 Investment earnings | - | - | 50,992 | 50,992 |
| 369 Other | - | - | 4,096 | 4,096 |
| Total revenues | <u>10,550,000</u> | <u>10,550,000</u> | <u>9,463,441</u> | <u>(1,086,559)</u> |
| Expenditures | | | | |
| 410 General government: | | | | |
| 419 Other | 75,000 | 75,000 | 10,666 | 64,334 |
| Total general government | <u>75,000</u> | <u>75,000</u> | <u>10,666</u> | <u>64,334</u> |
| 420 Public safety: | | | | |
| 422 Fire | 200,000 | 200,000 | - | 200,000 |
| 429 Other protection | 375,000 | 375,000 | 206,998 | 168,002 |
| Total public safety | <u>575,000</u> | <u>575,000</u> | <u>206,998</u> | <u>368,002</u> |
| 430 Public works: | | | | |
| 431 Highways and streets | 5,293,000 | 5,293,000 | 2,407,884 | 2,885,116 |
| 432 Sanitation | 1,550,000 | 2,250,000 | 1,652,689 | 597,311 |
| Total public works | <u>6,843,000</u> | <u>7,543,000</u> | <u>4,060,573</u> | <u>3,482,427</u> |
| 450 Culture and recreation: | | | | |
| 451 Parks & Recreation | 394,000 | - | - | - |
| Total culture and recreation | <u>394,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 460 Conservation and development: | | | | |
| 465 Economic development and assistance (industrial development) | 216,000 | 216,000 | - | 216,000 |
| Total conservation and development | <u>216,000</u> | <u>216,000</u> | <u>-</u> | <u>216,000</u> |
| Total expenditures | <u>8,103,000</u> | <u>8,409,000</u> | <u>4,278,237</u> | <u>4,130,763</u> |
| Excess of Revenue over Expenditures | <u>2,447,000</u> | <u>2,141,000</u> | <u>5,185,204</u> | <u>3,044,204</u> |
| Other Financing Sources (Uses) | | | | |
| 391.01 Transfers in | 236,000 | 267,566 | 267,566 | - |
| 511 Transfers out | (3,488,000) | (4,502,300) | (4,494,624) | 7,676 |
| Total other financing sources (uses) | <u>(3,252,000)</u> | <u>(4,234,734)</u> | <u>(4,227,058)</u> | <u>7,676</u> |
| Net Change in Fund Balances | (805,000) | (2,093,734) | 958,146 | 3,051,880 |
| Fund Balance - Beginning | 5,843,736 | 5,843,736 | 5,843,736 | - |
| Fund Balance - Ending | <u>\$ 5,038,736</u> | <u>\$ 3,750,002</u> | <u>\$ 6,801,882</u> | <u>\$ 3,051,880</u> |

Note 1 - Budgets and Budgetary Accounting

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

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue funds and capital projects funds.

The City did not encumber any amounts at either December 31, 2016 or December 31, 2017.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue 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.

Note 3 - Pension Schedules

There are no factors that affect trends in the amounts reported, such as change of benefit terms and assumptions. With only three years reported in the RSI, there is no additional information to include in notes. Details, if necessary, can be obtained from the SDRS audited financial statements.



Supplementary Information
December 31, 2017
City of Aberdeen

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2017

| | Promotion Fund | Park and Recreation Gift Fund | Cemetery Improvement Fund | Business Improvement District Fund | Parking District Fund | Storm Water Maintenance Fund | Parks and Recreation Project Fund |
|---|-------------------|-------------------------------------|---------------------------------|---|-----------------------------|------------------------------------|---|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 55,849 | \$ 1,083,836 | \$ - | \$ - | \$ 424,883 | \$ 639,549 | \$ 113,082 |
| 151 Investments | - | - | - | - | - | - | - |
| 110 Taxes receivable, delinquent | - | - | - | 1,060 | 1,565 | - | - |
| 115 Accounts receivable, net | - | - | - | - | - | 43,692 | - |
| 132 Due from federal government | - | 2,500 | - | - | - | - | - |
| 132 Due from state government | 112,268 | - | - | - | - | - | - |
| 132 Due from county government | - | - | - | 292 | 389 | - | - |
| 142 Inventory of stores purchased for resale | - | - | - | - | - | 10,130 | - |
| Total assets | 168,117 | 1,086,336 | - | 1,352 | 426,837 | 693,371 | 113,082 |
| | <u>\$ 168,117</u> | <u>\$ 1,086,336</u> | <u>\$ -</u> | <u>\$ 1,352</u> | <u>\$ 426,837</u> | <u>\$ 693,371</u> | <u>\$ 113,082</u> |
| Liabilities | | | | | | | |
| 202 Accounts payable | \$ 33,212 | \$ 48,593 | \$ - | \$ - | \$ 104 | \$ 3,999 | \$ 5,549 |
| 216 Accrued wages payable | - | 3,862 | - | - | - | 4,083 | - |
| 223 Unearned revenue | - | 8,435 | - | - | - | - | - |
| Total liabilities | 33,212 | 60,890 | - | - | 104 | 8,082 | 5,549 |
| | <u>33,212</u> | <u>60,890</u> | <u>-</u> | <u>-</u> | <u>104</u> | <u>8,082</u> | <u>5,549</u> |
| Deferred Inflows of Resources | | | | | | | |
| 244 - Unavailable revenue - sales and use taxes | 87,525 | - | - | - | - | - | - |
| 245 - Unavailable revenue - property taxes | - | - | - | 1,060 | 1,565 | - | - |
| 247 - Other deferred inflows of resources | - | - | - | - | - | 45,002 | - |
| Total deferred inflows of resources | 87,525 | - | - | 1,060 | 1,565 | 45,002 | - |
| | <u>87,525</u> | <u>-</u> | <u>-</u> | <u>1,060</u> | <u>1,565</u> | <u>45,002</u> | <u>-</u> |
| Fund Balances | | | | | | | |
| 263 Nonspendable | - | - | - | - | - | 10,130 | - |
| 264 Restricted | 47,380 | 1,025,446 | - | 292 | 425,168 | 630,157 | 107,533 |
| Total fund balances | 47,380 | 1,025,446 | - | 292 | 425,168 | 640,287 | 107,533 |
| | <u>\$ 47,380</u> | <u>\$ 1,025,446</u> | <u>\$ -</u> | <u>\$ 292</u> | <u>\$ 425,168</u> | <u>\$ 640,287</u> | <u>\$ 107,533</u> |
| | <u>\$ 168,117</u> | <u>\$ 1,086,336</u> | <u>\$ -</u> | <u>\$ 1,352</u> | <u>\$ 426,837</u> | <u>\$ 693,371</u> | <u>\$ 113,082</u> |

City of Aberdeen
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2017

| | Library Fines Fund | Library Bonds 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 | Park and Rec Aquatic Center Bonds Funds |
|---|-----------------------|-----------------------|--------------------------------|--|--|------------------------------------|---|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 77,821 | \$ 572,720 | \$ 9,282 | \$ 153,067 | \$ 13,681 | \$ 267,021 | \$ 613,255 |
| 151 Investments | - | - | - | 215,809 | - | - | - |
| 110 Taxes receivable, delinquent | - | - | - | - | - | - | - |
| 115 Accounts receivable, net | - | - | - | - | - | - | - |
| 132 Due from federal government | - | - | - | - | - | - | - |
| 132 Due from state government | - | - | - | - | - | - | - |
| 132 Due from county government | - | - | - | - | - | - | - |
| 142 Inventory of stores purchased for resale | - | - | - | - | - | - | - |
| Total assets | <u>77,821</u> | <u>572,720</u> | <u>9,282</u> | <u>368,876</u> | <u>13,681</u> | <u>267,021</u> | <u>613,255</u> |
| | <u>\$ 77,821</u> | <u>\$ 572,720</u> | <u>\$ 9,282</u> | <u>\$ 368,876</u> | <u>\$ 13,681</u> | <u>\$ 267,021</u> | <u>\$ 613,255</u> |
| Liabilities | | | | | | | |
| 202 Accounts 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 | | | | | | | |
| 244 - Unavailable revenue - sales and use taxes | - | - | - | - | - | - | - |
| 245 - Unavailable revenue - property taxes | - | - | - | - | - | - | - |
| 247 - Other deferred inflows of resources | - | - | - | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | | | | |
| 263 Nonspendable | - | - | - | - | - | - | - |
| 264 Restricted | 77,821 | 572,720 | 9,282 | 368,876 | 13,681 | 267,021 | 613,255 |
| Total fund balances | <u>77,821</u> | <u>572,720</u> | <u>9,282</u> | <u>368,876</u> | <u>13,681</u> | <u>267,021</u> | <u>613,255</u> |
| | <u>\$ 77,821</u> | <u>\$ 572,720</u> | <u>\$ 9,282</u> | <u>\$ 368,876</u> | <u>\$ 13,681</u> | <u>\$ 267,021</u> | <u>\$ 613,255</u> |

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2017

| | Tax Increment Financing District No. 26 Bonds Fund | Tax Increment Financing District No. 17 Bonds Fund | Public Safety Building Bonds Fund | City Hall Remodel Bonds Fund | Wylie Park Campground Expansion Bonds Fund | Tax Increment Financing District No. 3 Bonds Fund | Tax Increment Financing District No. 19 Bonds Fund |
|---|---|---|---|------------------------------------|---|--|---|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 273,512 | \$ 578,378 | \$ 770,191 | \$ 450,532 | \$ 78,404 | \$ 13,582 | \$ 5,305 |
| 151 Investments | - | - | - | - | - | - | - |
| 110 Taxes receivable, delinquent | - | 488 | - | - | - | 2,622 | - |
| 115 Accounts receivable, net | - | - | - | - | - | - | - |
| 132 Due from federal government | - | - | - | - | - | - | - |
| 132 Due from state government | - | - | - | - | - | - | - |
| 132 Due from county government | - | - | - | - | - | 1,111 | 554 |
| 142 Inventory of stores purchased for resale | - | - | - | - | - | - | - |
| Total assets | <u>273,512</u> | <u>578,866</u> | <u>770,191</u> | <u>450,532</u> | <u>78,404</u> | <u>17,315</u> | <u>5,859</u> |
| | <u>\$ 273,512</u> | <u>\$ 578,866</u> | <u>\$ 770,191</u> | <u>\$ 450,532</u> | <u>\$ 78,404</u> | <u>\$ 17,315</u> | <u>\$ 5,859</u> |
| Liabilities | | | | | | | |
| 202 Accounts 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 | | | | | | | |
| 244 - Unavailable revenue - sales and use taxes | - | - | - | - | - | - | - |
| 245 - Unavailable revenue - property taxes | - | 488 | - | - | - | 2,622 | - |
| 247 - Other deferred inflows of resources | - | - | - | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>488</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,622</u> | <u>-</u> |
| Fund Balances | | | | | | | |
| 263 Nonspendable | - | - | - | - | - | - | - |
| 264 Restricted | 273,512 | 578,378 | 770,191 | 450,532 | 78,404 | 14,693 | 5,859 |
| Total fund balances | <u>273,512</u> | <u>578,378</u> | <u>770,191</u> | <u>450,532</u> | <u>78,404</u> | <u>14,693</u> | <u>5,859</u> |
| | <u>\$ 273,512</u> | <u>\$ 578,866</u> | <u>\$ 770,191</u> | <u>\$ 450,532</u> | <u>\$ 78,404</u> | <u>\$ 17,315</u> | <u>\$ 5,859</u> |

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2017

| | Old Federal Building Bonds Fund | Tax Increment Financing District No. 21 Bonds Fund | Cemetery Perpetual Care Fund | Moccasin Creek Proj. Fund | Tax Increment Financing District No. 26 Proj. Fund | Tax Increment Financing District No. 27 Proj. Fund | Total Nonmajor Governmental Funds |
|---|---------------------------------------|---|------------------------------------|---------------------------------|---|---|--|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 115,813 | \$ - | \$ 202,671 | \$ 779,986 | \$ 320,291 | \$ 543,577 | \$ 8,156,288 |
| 151 Investments | - | - | - | - | - | - | 215,809 |
| 110 Taxes receivable, delinquent | - | - | - | - | - | - | 5,735 |
| 115 Accounts receivable, net | - | - | - | - | - | - | 43,692 |
| 132 Due from federal government | - | - | - | - | - | - | 2,500 |
| 132 Due from state government | - | - | - | - | - | - | 112,268 |
| 132 Due from county government | - | 1,356 | - | - | - | - | 3,702 |
| 142 Inventory of stores purchased for resale | - | - | - | - | - | - | 10,130 |
| Total assets | <u>115,813</u> | <u>1,356</u> | <u>202,671</u> | <u>779,986</u> | <u>320,291</u> | <u>543,577</u> | <u>8,550,124</u> |
| | <u>\$ 115,813</u> | <u>\$ 1,356</u> | <u>\$ 202,671</u> | <u>\$ 779,986</u> | <u>\$ 320,291</u> | <u>\$ 543,577</u> | <u>\$ 8,550,124</u> |
| Liabilities | | | | | | | |
| 202 Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 91,457 |
| 216 Accrued wages payable | - | - | - | - | - | - | 7,945 |
| 223 Unearned revenue | - | - | - | - | - | - | 8,435 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>107,837</u> |
| Deferred Inflows of Resources | | | | | | | |
| 244 - Unavailable revenue - sales and use taxes | - | - | - | - | - | - | 87,525 |
| 245 - Unavailable revenue - property taxes | - | - | - | - | - | - | 5,735 |
| 247 - Other deferred inflows of resources | - | - | - | - | - | - | 45,002 |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>138,262</u> |
| Fund Balances | | | | | | | |
| 263 Nonspendable | - | - | 50,000 | - | - | - | 60,130 |
| 264 Restricted | 115,813 | 1,356 | 152,671 | 779,986 | 320,291 | 543,577 | 8,243,895 |
| Total fund balances | <u>115,813</u> | <u>1,356</u> | <u>202,671</u> | <u>779,986</u> | <u>320,291</u> | <u>543,577</u> | <u>8,304,025</u> |
| | <u>\$ 115,813</u> | <u>\$ 1,356</u> | <u>\$ 202,671</u> | <u>\$ 779,986</u> | <u>\$ 320,291</u> | <u>\$ 543,577</u> | <u>\$ 8,550,124</u> |

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2017

| | Promotion Fund | Park and Recreation Gift Fund | Cemetery Improvement Fund | Business Improvement District Fund | Parking District Fund | Storm Water Maintenance Fund |
|--|-------------------|-------------------------------------|---------------------------------|---|-----------------------------|------------------------------------|
| Revenues | | | | | | |
| 310 Taxes: | | | | | | |
| 311 General property taxes | \$ - | \$ - | \$ - | \$ 63,576 | \$ 97,617 | \$ - |
| 313 General sales and use taxes | 1,081,282 | - | - | - | - | - |
| 319 Penalties and interest on delinquent taxes | - | - | - | 326 | 372 | - |
| 330 Intergovernmental revenue: | | | | | | |
| 331 Federal grants | - | 32,093 | - | - | - | - |
| 334 State grants | - | 15,000 | - | - | - | - |
| 340 Charges for goods and services: | | | | | | |
| 344 Sanitation | - | - | - | - | - | 532,220 |
| 346 Culture and recreation | - | 852,457 | - | - | - | - |
| 348 Cemetery | - | - | 2,436 | - | - | - |
| 360 Miscellaneous revenue: | | | | | | |
| 361 Investment earnings | 10 | 560 | - | - | 207 | 301 |
| 362 Rentals | - | - | - | - | 21,887 | - |
| 367 Contributions and donations from private sources | - | 400,235 | - | - | - | - |
| 369 Other | 2,167 | 44,275 | - | - | - | - |
| Total revenues | 1,083,459 | 1,344,620 | 2,436 | 63,902 | 120,083 | 532,521 |
| Expenditures | | | | | | |
| 430 Public works: | | | | | | |
| 431 Highways and streets | - | - | - | - | - | - |
| 432 Sanitation | - | - | - | - | - | 442,182 |
| 436 Parking facilities | - | - | - | - | 39,308 | - |
| 437 Cemeteries | - | - | 2,029 | - | - | - |
| Total public works | - | - | 2,029 | - | 39,308 | 442,182 |
| 450 Culture and recreation: | | | | | | |
| 452 Parks | - | 1,068,608 | - | - | - | - |
| 455 Libraries | - | - | - | - | - | - |
| Total culture and recreation | - | 1,068,608 | - | - | - | - |
| 460 Conservation and development: | | | | | | |
| 465 Economic development and assistance (industrial development) | 1,068,457 | - | - | - | - | - |
| 466 Economic opportunity | - | - | - | 64,031 | - | - |
| Total conservation and development | 1,068,457 | - | - | 64,031 | - | - |
| 470 Debt service | - | - | - | - | - | - |
| Total expenditures | 1,068,457 | 1,068,608 | 2,029 | 64,031 | 39,308 | 442,182 |
| Excess of revenue over (under) expenditures | 15,002 | 276,012 | 407 | (129) | 80,775 | 90,339 |
| Other Financing Sources (Uses) | | | | | | |
| 391.01 Transfers in | - | - | - | - | - | 1,550 |
| 511 Transfers out | (31,566) | (118,675) | (9,049) | - | - | - |
| 391.20 Long-term debt issued | - | - | - | - | - | - |
| Total other financing sources (uses) | (31,566) | (118,675) | (9,049) | - | - | 1,550 |
| Net Change in Fund Balances | (16,564) | 157,337 | (8,642) | (129) | 80,775 | 91,889 |
| Fund Balance - Beginning | 63,944 | 868,109 | 8,642 | 421 | 344,393 | 548,398 |
| Fund Balance - Ending | \$ 47,380 | \$ 1,025,446 | \$ - | \$ 292 | \$ 425,168 | \$ 640,287 |

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2017

| | Library Fines 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 | \$ - | \$ - | \$ 249,152 | \$ 12,718 | \$ - | \$ 72,625 | \$ - |
| 313 General sales and use taxes | - | - | - | - | - | - | - |
| 319 Penalties and interest on delinquent taxes | - | - | 14 | - | - | 50,025 | - |
| 330 Intergovernmental revenue: | | | | | | | |
| 331 Federal grants | - | - | - | - | - | - | - |
| 334 State grants | - | - | - | - | - | - | - |
| 340 Charges for goods and services: | | | | | | | |
| 344 Sanitation | - | - | - | - | - | - | - |
| 346 Culture and recreation | - | - | - | - | - | - | - |
| 348 Cemetery | - | - | - | - | - | - | - |
| 360 Miscellaneous revenue: | | | | | | | |
| 361 Investment earnings | - | 5 | 5,661 | 4 | 133 | - | 266 |
| 362 Rentals | - | - | - | - | - | - | - |
| 367 Contributions and donations from private sources | - | - | - | - | - | - | - |
| 369 Other | 17,611 | - | - | - | - | - | - |
| Total revenues | 17,611 | 5 | 254,827 | 12,722 | 133 | 122,650 | 266 |
| Expenditures | | | | | | | |
| 430 Public works: | | | | | | | |
| 431 Highways and streets | - | - | - | - | - | - | - |
| 432 Sanitation | - | - | - | - | - | - | - |
| 436 Parking facilities | - | - | - | - | - | - | - |
| 437 Cemeteries | - | - | - | - | - | - | - |
| Total public works | - | - | - | - | - | - | - |
| 450 Culture and recreation: | | | | | | | |
| 452 Parks | - | - | - | - | - | - | - |
| 455 Libraries | 20,941 | - | - | - | - | - | - |
| Total culture and recreation | 20,941 | - | - | - | - | - | - |
| 460 Conservation and development: | | | | | | | |
| 465 Economic development and assistance (industrial development) | - | - | - | - | - | - | - |
| 466 Economic opportunity | - | - | - | - | - | - | - |
| Total conservation and development | - | - | - | - | - | - | - |
| 470 Debt service | - | - | 259,815 | 14,008 | 247,700 | 122,650 | 563,728 |
| Total expenditures | 20,941 | - | 259,815 | 14,008 | 247,700 | 122,650 | 563,728 |
| Excess of revenue over (under) expenditures | (3,330) | 5 | (4,988) | (1,286) | (247,567) | - | (563,462) |
| Other Financing Sources (Uses) | | | | | | | |
| 391.01 Transfers in | - | - | - | - | 250,000 | - | 570,000 |
| 511 Transfers out | - | - | - | - | - | - | - |
| 391.20 Long-term debt issued | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | 250,000 | - | 570,000 |
| Net Change in Fund Balances | (3,330) | 5 | (4,988) | (1,286) | 2,433 | - | 6,538 |
| Fund Balance - Beginning | 81,151 | 9,277 | 373,864 | 14,967 | 264,588 | - | 606,717 |
| Fund Balance - Ending | \$ 77,821 | \$ 9,282 | \$ 368,876 | \$ 13,681 | \$ 267,021 | \$ - | \$ 613,255 |

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2017

| | Library Bonds Fund | Tax Increment Financing District No. 17 Bonds Fund | Public Safety Building Bonds Fund | Tax Increment Financing District No. 8 Bonds Fund | City Hall Remodel Bonds Fund | Tax Increment Financing District No. 18 Bonds Fund | Wylie Park Campground Expansion Bonds Fund |
|--|-----------------------|---|---|--|------------------------------------|---|---|
| Revenues | | | | | | | |
| 310 Taxes: | | | | | | | |
| 311 General property taxes | \$ - | \$ 245,506 | \$ - | \$ 385,595 | \$ - | \$ 68,811 | \$ - |
| 313 General sales and use taxes | - | - | - | - | - | - | - |
| 319 Penalties and interest on delinquent taxes | - | 33 | - | - | - | - | - |
| 330 Intergovernmental revenue: | | | | | | | |
| 331 Federal grants | - | - | - | - | - | - | - |
| 334 State grants | - | - | - | - | - | - | - |
| 340 Charges for goods and services: | | | | | | | |
| 344 Sanitation | - | - | - | - | - | - | - |
| 346 Culture and recreation | - | - | - | - | - | - | - |
| 348 Cemetery | - | - | - | - | - | - | - |
| 360 Miscellaneous revenue: | | | | | | | |
| 361 Investment earnings | - | 277 | 317 | - | 182 | - | 33 |
| 362 Rentals | - | - | - | - | - | - | - |
| 367 Contributions and donations from private sources | 325,429 | - | - | - | - | - | - |
| 369 Other | - | - | - | - | - | - | - |
| Total revenues | 325,429 | 245,816 | 317 | 385,595 | 182 | 68,811 | 33 |
| Expenditures | | | | | | | |
| 430 Public works: | | | | | | | |
| 431 Highways and streets | - | - | - | - | - | - | - |
| 432 Sanitation | - | - | - | - | - | - | - |
| 436 Parking facilities | - | - | - | - | - | - | - |
| 437 Cemeteries | - | - | - | - | - | - | - |
| Total public works | - | - | - | - | - | - | - |
| 450 Culture and recreation: | | | | | | | |
| 452 Parks | - | - | - | - | - | - | - |
| 455 Libraries | - | - | - | - | - | - | - |
| Total culture and recreation | - | - | - | - | - | - | - |
| 460 Conservation and development: | | | | | | | |
| 465 Economic development and assistance (industrial development) | - | - | - | - | - | - | - |
| 466 Economic opportunity | - | - | - | - | - | - | - |
| Total conservation and development | - | - | - | - | - | - | - |
| 470 Debt service | 723,225 | 144,550 | 730,193 | 385,595 | 128,405 | 68,811 | 51,163 |
| Total expenditures | 723,225 | 144,550 | 730,193 | 385,595 | 128,405 | 68,811 | 51,163 |
| Excess of revenue over (under) expenditures | (397,796) | 101,266 | (729,876) | - | (128,223) | - | (51,130) |
| Other Financing Sources (Uses) | | | | | | | |
| 391.01 Transfers in | 410,000 | - | 736,000 | - | 160,000 | - | 56,000 |
| 511 Transfers out | - | - | - | - | - | - | - |
| 391.20 Long-term debt issued | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 410,000 | - | 736,000 | - | 160,000 | - | 56,000 |
| Net Change in Fund Balances | 12,204 | 101,266 | 6,124 | - | 31,777 | - | 4,870 |
| Fund Balance - Beginning | 560,516 | 477,112 | 764,067 | - | 418,755 | - | 73,534 |
| Fund Balance - Ending | \$ 572,720 | \$ 578,378 | \$ 770,191 | \$ - | \$ 450,532 | \$ - | \$ 78,404 |

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds
Year Ended December 31, 2017

| | Tax Increment Financing District No. 20 Bonds Fund | Tax Increment Financing District No. 21 Bonds Fund | Tax Increment Financing District No. 22 Project Fund | Tax Increment Financing District No. 19 Bonds Fund | Old Federal Building Bonds Fund | Cemetery Perpetual Care Fund | Tax Increment Financing District No. 23 Project Fund |
|--|---|---|---|---|---------------------------------------|------------------------------------|---|
| Revenues | | | | | | | |
| 310 Taxes: | | | | | | | |
| 311 General property taxes | \$ 26,323 | \$ 23,974 | \$ 64,700 | \$ 73,051 | \$ - | \$ - | \$ 12,781 |
| 313 General sales and use taxes | - | - | - | - | - | - | - |
| 319 Penalties and interest on delinquent taxes | - | 54 | 9 | 44 | - | - | - |
| 330 Intergovernmental revenue: | | | | | | | |
| 331 Federal grants | - | - | - | - | - | - | - |
| 334 State grants | - | - | - | - | - | - | - |
| 340 Charges for goods and services: | | | | | | | |
| 344 Sanitation | - | - | - | - | - | - | - |
| 346 Culture and recreation | - | - | - | - | - | - | - |
| 348 Cemetery | - | - | - | - | - | - | - |
| 360 Miscellaneous revenue: | | | | | | | |
| 361 Investment earnings | - | - | - | - | 57 | - | - |
| 362 Rentals | - | - | - | - | - | - | - |
| 367 Contributions and donations from private sources | - | - | - | - | - | 6,691 | - |
| 369 Other | - | - | - | - | - | - | - |
| Total revenues | 26,323 | 24,028 | 64,709 | 73,095 | 57 | 6,691 | 12,781 |
| Expenditures | | | | | | | |
| 430 Public works: | | | | | | | |
| 431 Highways and streets | - | - | - | - | - | - | - |
| 432 Sanitation | - | - | - | - | - | - | - |
| 436 Parking facilities | - | - | - | - | - | - | - |
| 437 Cemeteries | - | - | - | - | - | - | - |
| Total public works | - | - | - | - | - | - | - |
| 450 Culture and recreation: | | | | | | | |
| 452 Parks | - | - | - | - | - | - | - |
| 455 Libraries | - | - | - | - | - | - | - |
| Total culture and recreation | - | - | - | - | - | - | - |
| 460 Conservation and development: | | | | | | | |
| 465 Economic development and assistance (industrial development) | - | - | - | - | - | - | - |
| 466 Economic opportunity | - | - | - | - | - | - | - |
| Total conservation and development | - | - | - | - | - | - | - |
| 470 Debt service | 26,323 | 22,672 | 64,709 | 143,867 | 215,568 | - | 12,781 |
| Total expenditures | 26,323 | 22,672 | 64,709 | 143,867 | 215,568 | - | 12,781 |
| Excess of revenue over (under) expenditures | - | 1,356 | - | (70,772) | (215,511) | 6,691 | - |
| Other Financing Sources (Uses) | | | | | | | |
| 391.01 Transfers in | - | - | - | 75,000 | 216,000 | - | - |
| 511 Transfers out | - | - | - | - | - | - | - |
| 391.20 Long-term debt issued | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | 75,000 | 216,000 | - | - |
| Net Change in Fund Balances | - | 1,356 | - | 4,228 | 489 | 6,691 | - |
| Fund Balance - Beginning | - | - | - | 1,631 | 115,324 | 195,980 | - |
| Fund Balance - Ending | \$ - | \$ 1,356 | \$ - | \$ 5,859 | \$ 115,813 | \$ 202,671 | \$ - |

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2017

| | Tax Increment Financing District No. 3 Bonds Fund | Tax Increment Financing District No. 26 Bonds Fund | Moccasin Creek Project Fund | Tax Increment Financing District No. 26 Project Fund | Tax Increment Financing District No. 27 Project Fund | Parks and Recreation Project Fund | Total Nonmajor Governmental Funds |
|--|--|---|-----------------------------------|---|---|---|--|
| Revenues | | | | | | | |
| 310 Taxes: | | | | | | | |
| 311 General property taxes | \$ 175,681 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,572,110 |
| 313 General sales and use taxes | - | - | - | - | - | - | 1,081,282 |
| 319 Penalties and interest on delinquent taxes | 309 | - | - | - | - | - | 51,186 |
| 330 Intergovernmental revenue: | | | | | | | |
| 331 Federal grants | - | - | - | - | - | 112,375 | 144,468 |
| 334 State grants | - | - | - | - | - | - | 15,000 |
| 340 Charges for goods and services: | | | | | | | |
| 344 Sanitation | - | - | - | - | - | - | 532,220 |
| 346 Culture and recreation | - | - | - | - | - | - | 852,457 |
| 348 Cemetery | - | - | - | - | - | - | 2,436 |
| 360 Miscellaneous revenue: | | | | | | | |
| 361 Investment earnings | 32 | - | 201 | - | - | - | 8,246 |
| 362 Rentals | - | - | - | - | - | - | 21,887 |
| 367 Contributions and donations from private sources | - | - | - | - | - | - | 732,355 |
| 369 Other | - | - | - | - | - | - | 64,053 |
| Total revenues | <u>176,022</u> | <u>-</u> | <u>201</u> | <u>-</u> | <u>-</u> | <u>112,375</u> | <u>5,077,700</u> |
| Expenditures | | | | | | | |
| 430 Public works: | | | | | | | |
| 431 Highways and streets | - | - | - | 7,837 | 896,423 | - | 904,260 |
| 432 Sanitation | - | - | 362,939 | - | - | - | 805,121 |
| 436 Parking facilities | - | - | - | - | - | - | 39,308 |
| 437 Cemeteries | - | - | - | - | - | - | 2,029 |
| Total public works | <u>-</u> | <u>-</u> | <u>362,939</u> | <u>7,837</u> | <u>896,423</u> | <u>-</u> | <u>1,750,718</u> |
| 450 Culture and recreation: | | | | | | | |
| 452 Parks | - | - | - | - | - | 771,487 | 1,840,095 |
| 455 Libraries | - | - | - | - | - | - | 20,941 |
| Total culture and recreation | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>771,487</u> | <u>1,861,036</u> |
| 460 Conservation and development: | | | | | | | |
| 465 Economic development and assistance (industrial development) | - | - | - | - | - | - | 1,068,457 |
| 466 Economic opportunity | - | - | - | - | - | - | 64,031 |
| Total conservation and development | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,132,488</u> |
| 470 Debt service | 180,033 | 135,342 | - | - | - | - | 4,241,138 |
| Total expenditures | <u>180,033</u> | <u>135,342</u> | <u>362,939</u> | <u>7,837</u> | <u>896,423</u> | <u>771,487</u> | <u>8,985,380</u> |
| Excess of revenue over (under) expenditures | <u>(4,011)</u> | <u>(135,342)</u> | <u>(362,738)</u> | <u>(7,837)</u> | <u>(896,423)</u> | <u>(659,112)</u> | <u>(3,907,680)</u> |
| Other Financing Sources (Uses) | | | | | | | |
| 391.01 Transfers in | - | - | 600,000 | - | - | 766,645 | 3,841,195 |
| 511 Transfers out | - | - | - | - | - | - | (159,290) |
| 391.20 Long-term debt issued | - | - | - | - | 1,440,000 | - | 1,440,000 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>600,000</u> | <u>-</u> | <u>1,440,000</u> | <u>766,645</u> | <u>5,121,905</u> |
| Net Change in Fund Balances | (4,011) | (135,342) | 237,262 | (7,837) | 543,577 | 107,533 | 1,214,225 |
| Fund Balance - Beginning | 18,704 | 408,854 | 542,724 | 328,128 | - | - | 7,089,800 |
| Fund Balance - Ending | <u>\$ 14,693</u> | <u>\$ 273,512</u> | <u>\$ 779,986</u> | <u>\$ 320,291</u> | <u>\$ 543,577</u> | <u>\$ 107,533</u> | <u>\$ 8,304,025</u> |

City of Aberdeen
Combining Statement of Net Position—Nonmajor Enterprise Funds
December 31, 2017

| | Enterprise Funds | | | | Total Nonmajor Enterprise Funds |
|--|---------------------------------|----------------------------------|----------------------------|---------------------------------|--|
| | Old Federal Building Fund | Campground Enterprise Fund | Golf Enterprise Fund | Ambulance Enterprise Fund | |
| Current Assets | | | | | |
| Cash and cash equivalents | \$ 115,980 | \$ 51,832 | \$ 40,045 | \$ 87,307 | \$ 295,164 |
| 115 Accounts receivable, net | 14,435 | - | - | 270,264 | 284,699 |
| Total current assets | <u>130,415</u> | <u>51,832</u> | <u>40,045</u> | <u>357,571</u> | <u>579,863</u> |
| Noncurrent Assets | | | | | |
| 189 Net pension asset | - | - | 427 | 3,772 | 4,199 |
| Capital assets: | | | | | |
| 160 Land | 101,250 | - | 350,500 | - | 451,750 |
| 162 Buildings | 607,559 | 1,123,607 | 212,848 | - | 1,944,014 |
| 164 Improvements other than buildings | - | 750,707 | 257,248 | - | 1,007,955 |
| 166 Machinery and equipment | - | 28,369 | 566,525 | 1,062,336 | 1,657,230 |
| 168 Construction work in process | - | 65,099 | - | - | 65,099 |
| Less accumulated depreciation | <u>(40,744)</u> | <u>(441,873)</u> | <u>(745,293)</u> | <u>(618,924)</u> | <u>(1,846,834)</u> |
| Total noncurrent assets | <u>668,065</u> | <u>1,525,909</u> | <u>642,255</u> | <u>447,184</u> | <u>3,283,413</u> |
| Total Assets | <u>798,480</u> | <u>1,577,741</u> | <u>682,300</u> | <u>804,755</u> | <u>3,863,276</u> |
| Deferred Outflows of Resources | | | | | |
| 196 Pension related deferred outflows | - | - | 42,919 | 379,344 | 422,263 |
| Total deferred outflows of resources | <u>-</u> | <u>-</u> | <u>42,919</u> | <u>379,344</u> | <u>422,263</u> |
| | <u>\$ 798,480</u> | <u>\$ 1,577,741</u> | <u>\$ 725,219</u> | <u>\$ 1,184,099</u> | <u>\$ 4,285,539</u> |
| Current Liabilities | | | | | |
| 202 Accounts payable | \$ 17,057 | \$ 58,784 | \$ 6,813 | \$ 42,370 | \$ 125,024 |
| 216 Accrued wages payable | 1,095 | - | 2,572 | 12,795 | 16,462 |
| 230 Compensated absences payable - current | - | - | 1,971 | 32,801 | 34,772 |
| Total current liabilities | <u>18,152</u> | <u>58,784</u> | <u>11,356</u> | <u>87,966</u> | <u>176,258</u> |
| Total Liabilities | <u>18,152</u> | <u>58,784</u> | <u>11,356</u> | <u>87,966</u> | <u>176,258</u> |
| Deferred Inflows of Resources | | | | | |
| 248 Pension related deferred inflows | - | - | 8,457 | 74,751 | 83,208 |
| Net Position | | | | | |
| 253.10 Net investment in capital assets | 668,065 | 1,525,909 | 641,828 | 443,412 | 3,279,214 |
| 253.20 Restricted for: | | | | | |
| 253.29 SDRS pension purposes | - | - | 34,889 | 308,365 | 343,254 |
| 253.90 Unrestricted net position | <u>112,263</u> | <u>(6,952)</u> | <u>28,689</u> | <u>269,605</u> | <u>403,605</u> |
| Total net position | <u>780,328</u> | <u>1,518,957</u> | <u>705,406</u> | <u>1,021,382</u> | <u>4,026,073</u> |
| | <u>\$ 798,480</u> | <u>\$ 1,577,741</u> | <u>\$ 725,219</u> | <u>\$ 1,184,099</u> | <u>\$ 4,285,539</u> |

City of Aberdeen

Combining Statement of Revenues, Expenses and Changes in Net Position—Nonmajor Enterprise Funds
Year Ended December 31, 2017

| | Enterprise Funds | | | | Total Nonmajor Enterprise Funds |
|---|---------------------------------|----------------------------------|----------------------------|---------------------------------|--|
| | Old Federal Building Fund | Campground Enterprise Fund | Golf Enterprise Fund | Ambulance Enterprise Fund | |
| Operating Revenue | | | | | |
| 370/380 Charges for goods and services | \$ 174,833 | \$ 406,983 | \$ 404,935 | \$ 875,091 | \$ 1,861,842 |
| 369 Miscellaneous | - | - | - | 3,654 | 3,654 |
| Total operating revenue | <u>174,833</u> | <u>406,983</u> | <u>404,935</u> | <u>878,745</u> | <u>1,865,496</u> |
| Operating Expenses | | | | | |
| 410 Personal services | 47,017 | 45,531 | 184,410 | 652,968 | 929,926 |
| 420 Other current expenses | 111,285 | 148,658 | 374,394 | 370,753 | 1,005,090 |
| 457 Depreciation | 12,322 | 46,420 | 60,273 | 95,568 | 214,583 |
| Total operating expenses | <u>170,624</u> | <u>240,609</u> | <u>619,077</u> | <u>1,119,289</u> | <u>2,149,599</u> |
| Operating Income (Loss) | <u>4,209</u> | <u>166,374</u> | <u>(214,142)</u> | <u>(240,544)</u> | <u>(284,103)</u> |
| Nonoperating Revenue | | | | | |
| 361 Investment earnings | 51 | 101 | 6 | 25 | 183 |
| Total nonoperating revenue | <u>51</u> | <u>101</u> | <u>6</u> | <u>25</u> | <u>183</u> |
| Income (Loss) Before Contributions and Transfers | 4,260 | 166,475 | (214,136) | (240,519) | (283,920) |
| 391.1 Transfers in | - | - | 241,205 | 220,000 | 461,205 |
| 391.04 Compensation for loss or damage to capital assets | - | - | - | 13,948 | 13,948 |
| 511 Transfers out | - | (90,750) | (20,470) | (44,930) | (156,150) |
| Change in Net Position | <u>4,260</u> | <u>75,725</u> | <u>6,599</u> | <u>(51,501)</u> | <u>35,083</u> |
| Net Position - Beginning | <u>776,068</u> | <u>1,443,232</u> | <u>698,807</u> | <u>1,072,883</u> | <u>3,990,990</u> |
| Net Position - Ending | <u>\$ 780,328</u> | <u>\$ 1,518,957</u> | <u>\$ 705,406</u> | <u>\$ 1,021,382</u> | <u>\$ 4,026,073</u> |

City of Aberdeen
Combining Statement of Cash Flows–Nonmajor Enterprise Funds
Year Ended December 31, 2017

| | Enterprise Funds | | | | |
|--|---------------------------------|----------------------------------|----------------------------|---------------------------------|--|
| | Old Federal Building Fund | Campground Enterprise Fund | Golf Enterprise Fund | Ambulance Enterprise Fund | Total Nonmajor Enterprise Funds |
| Cash Flows from (used for) Operating Activities | | | | | |
| Receipt from customers | \$ 174,740 | \$ 406,983 | \$ 404,935 | \$ 830,817 | \$ 1,817,475 |
| Payments to suppliers | (90,760) | (127,328) | (332,379) | (351,237) | (901,704) |
| Payments to employees | (46,821) | (45,531) | (197,849) | (773,894) | (1,064,095) |
| Cash payments for interfund services used | (9,274) | - | (91,205) | - | (100,479) |
| Net Cash from (used for) Operating Activities | <u>27,885</u> | <u>234,124</u> | <u>(216,498)</u> | <u>(294,314)</u> | <u>(248,803)</u> |
| Cash Flows from (used for) Noncapital Financing Activities | | | | | |
| Transfers from other funds | - | - | 241,205 | 220,000 | 461,205 |
| Transfers to other funds | - | (90,750) | (20,470) | (44,930) | (156,150) |
| Net Cash from (used for) Noncapital Financing Activities | <u>-</u> | <u>(90,750)</u> | <u>220,735</u> | <u>175,070</u> | <u>305,055</u> |
| Cash Flows used for Capital and Related Financing Activities | | | | | |
| Purchase of capital assets | - | (266,670) | (87,781) | (22,069) | (376,520) |
| Insurance proceeds from damaged assets | - | - | - | 13,948 | 13,948 |
| Net Cash used for Capital and Related Financing Activities | <u>-</u> | <u>(266,670)</u> | <u>(87,781)</u> | <u>(8,121)</u> | <u>(362,572)</u> |
| Cash Flows from Investing Activities | | | | | |
| Interest earnings | 51 | 101 | 6 | 25 | 183 |
| Net Cash from Investing Activities | <u>51</u> | <u>101</u> | <u>6</u> | <u>25</u> | <u>183</u> |
| Net Change in Cash and Cash Equivalents | 27,936 | (123,195) | (83,538) | (127,340) | (306,137) |
| Balance - Beginning | 88,044 | 175,027 | 123,583 | 214,647 | 601,301 |
| Balance - Ending | <u>\$ 115,980</u> | <u>\$ 51,832</u> | <u>\$ 40,045</u> | <u>\$ 87,307</u> | <u>\$ 295,164</u> |
| Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities: | | | | | |
| Operating income (loss) | \$ 4,209 | \$ 166,374 | \$ (214,142) | \$ (240,544) | \$ (284,103) |
| Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities: | | | | | |
| Depreciation expense | 12,322 | 46,420 | 60,273 | 95,568 | 214,583 |
| Changes in assets and liabilities: | | | | | |
| Receivables | (93) | - | - | (47,928) | (48,021) |
| Accounts and other payables | 11,251 | 21,330 | (49,190) | 19,516 | 2,907 |
| Accrued wages payable | 196 | - | 1,107 | 3,403 | 4,706 |
| Accrued leave payable | - | - | 742 | 10,787 | 11,529 |
| Pension related deferred outflows | - | - | (7,679) | (67,865) | (75,544) |
| Pension liability/asset | - | - | (16,030) | (141,686) | (157,716) |
| Pension related deferred inflows | - | - | 8,421 | 74,435 | 82,856 |
| Net Cash from (used for) Operating Activities | <u>\$ 27,885</u> | <u>\$ 234,124</u> | <u>\$ (216,498)</u> | <u>\$ (294,314)</u> | <u>\$ (248,803)</u> |

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2017

| | Housing and Redevelopment Commission |
|--|--|
| Operating Activities | |
| Receipts from tenant payments | \$ 1,793,288 |
| Receipts for management fees and other | 383,976 |
| Receipts from HUD subsidies | 1,939,194 |
| Payments to employees | (600,696) |
| Housing assistance payments | (1,609,875) |
| Payments to suppliers and others | (1,641,530) |
| Net Cash from Operating Activities | 264,357 |
| Noncapital Financing Activities | |
| HUD capital contributions | 96,449 |
| Net Cash from Noncapital Financing Activities | 96,449 |
| Capital and Related Financing Activities | |
| Purchase of property and equipment | (1,584,117) |
| Payment on other liabilities | (8,670) |
| Payments for interest | (167,813) |
| Payment of tax credit fees | (47,432) |
| Principal payments on long-term debt | (4,419,443) |
| Net advances from construction note note payable | 1,942,670 |
| Proceeds from long-term debt | 365,792 |
| Equity contributions | 3,834,166 |
| Equity distributions | (3,000) |
| Net Cash used for Capital and Related Financing Activities | (87,847) |
| Investing Activities | |
| Payments received on notes receivable | 15,842 |
| Interest received | 35,975 |
| Net Cash from Investing Activities | 51,817 |
| Net Change in Cash | 324,776 |
| Cash Beginning of Year | 2,959,599 |
| Cash End of Year | \$ 3,284,375 |
| Cash Consists of: | |
| Cash | \$ 1,516,611 |
| Funded security deposits | 129,803 |
| Restricted deposits | 1,637,961 |
| | \$ 3,284,375 |

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2017

| | <u>Housing and Redevelopment Commission</u> |
|--|---|
| Reconciliation of Operating Loss to Net Cash from | |
| Operating Activities: | |
| Operating loss | \$ (193,547) |
| Adjustments to reconcile operating loss to net cash from | |
| operating activities: | |
| Depreciation and amortization | 1,118,703 |
| Change in assets and liabilities: | |
| Rental accounts receivable | (7,399) |
| Other receivables | (41,462) |
| Prepaid expenses | 3,293 |
| Accounts payable and other accrued liabilities | (386,629) |
| Tenant security deposits | 23,460 |
| Pension asset/liability, deferred inflows and outflows | (98,610) |
| Unearned revenues | (153,452) |
| Net Cash from Operating Activities | <u>\$ 264,357</u> |



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 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, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated July 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (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 have not been 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.

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 deficiencies 2017-A, 2017-B, and 2017-C as described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free 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 an immaterial instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-D.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota
July 27, 2018



Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the City Council
City of Aberdeen
Aberdeen, South Dakota

Report on Compliance for the Major Federal Program

We have audited the City of Aberdeen’s (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City’s major federal program for the year ended December 31, 2017. The City’s major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for the City’s major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2017.

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 the Uniform Guidance, 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 and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Aberdeen's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. 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
July 27, 2018

City of Aberdeen
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

| Federal Grantor/Pass-Through Grantor Program Title | CFDA Number | Pass-Through Entity Identifying Number For Indirect Programs | Expenditures | Amounts Passed- Through to Subrecipients |
|---|------------------|--|----------------------|--|
| Department of Housing and Urban Development Indirect Federal Funding: SD Governor's Office of Economic Development, Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 1414-105 | \$ 201,371 | \$ 201,371 |
| Department of Interior Direct Federal Funding: National Park Service (LWCF), Outdoor Recreation - Acquisition, Development and Planning | 15.916 | 46-01479 | 34,818 | - |
| Department of Transportation Direct Federal Funding: Airport Improvement Program (3-46-0001-036-2016) Airport Improvement Program (3-46-0001-037-2017) | 20.106 20.106 | N/A N/A | 1,144,798 196,840 | - - |
| Total for program | | | 1,341,638 | |
| Indirect Federal Funding: SD Department of Public Safety: Interagency Hazardous Materials Public Sector Training and Planning Grants | 20.703 | HM-HMP-0526-16 | 20,433 | - |
| SD Department of Transportation: Highway and Planning Construction Cluster Highway Planning and Construction Recreational Trails Program | 20.205 20.219 | ***** ***** | 31,420 54,909 | - - |
| Subtotal Highway and Planning Construction Cluster | | | 86,329 | - |
| Federal Transit Cluster Bus and Bus Facilities Formula Program | 20.526 | UM3416013751P, UM341501, UM3414293682P | 25,334 | - |
| Formula Grants for Rural Areas | 20.509 | UM18173794P, UM1817013792P, UM1817013766P | 293,271 | - |
| Transit Services Programs Cluster Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | UM1616013755P | 49,622 | - |
| Total Department of Transportation | | | 1,816,627 | - |
| Department of Health and Human Services: Indirect Federal Funding: SD Department of Transportation: Aging Cluster Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | ***** | 22,390 | - |
| National Endowment for the Arts: Indirect Federal Funding: SD Arts Council: Promotion of the Arts - Partnership Agreements | 45.025 | ***** | 32,093 | - |
| Department of Agriculture: Indirect Federal Funding: SD Department of Agriculture: Cooperative Forestry Assistance Grant | 10.664 | 2016-UCF-010 | 2,140 | - |
| Department of Homeland Security: Indirect Federal Funding: SD Department of Public Safety: Law Enforcement Officer Reimbursement Agreement Program Homeland Security Grant Program | 97.090 97.067 | ***** HLS-2016-AFR | 17,652 53,314 | - - |
| Total Department of Homeland Security | | | 70,966 | - |
| Department of Justice: Direct Federal Funding: Bulletproof Vest Partnership Program | 16.607 | 187481, 186252 | 10,757 | - |
| Total Expenditures of Federal Awards ***** "No" Pass-Through Entity Identifying Number Given | | | \$ 2,191,162 | \$ 201,371 |

See Notes to Schedule of Expenditures of Federal Awards.

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2017. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position and fund balance, or cash flows of the City.

Note B – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C — Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

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 | None Reported |
| 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 | Yes |
| Type of auditor's report issued on compliance for the major program: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: | Yes |

Identification of the major program:

| <u>Name of Federal Program</u> | <u>CFDA Number</u> |
|--|--------------------|
| Airport Improvement Program | 20.106 |
| Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
| Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings

Finding 2017-A - Financial Statements and Footnotes are Prepared with Assistance by the Auditor, Propensity for Audit Adjustments, Including a Restatement for Correction of Error

Material Weakness

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

Condition: During the course of our engagement, we assisted with drafting the financial statements and accompanying notes to those financial statements. In addition, we proposed audit adjustments, both material and non-material, to the City’s recorded account balances, including a restatement of beginning net position related to sewer billings, which if not recorded, would have resulted in a material misstatement of the City’s financial statements.

Cause: The City does not have an internal control system designed to provide for the complete preparation of the financial statements, footnotes and disclosures, including a system to identify all relevant and material adjustments necessary to ensure that financial statements are in accordance with generally accepted accounting principles. In addition, there was a lack of effective communication between departments regarding the unique sewer billing process for one major customer.

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 and correction of beginning net position 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: We recommend continued training specific to governmental accounting principles so that staff is able ensure financial statements are materially correct. In addition, a thorough review of the transactions and balances in each fund should take place prior to the beginning of the audit to ensure that generally accepted accounting principles have been followed for each fund type, especially for transaction types that are infrequent in occurrence. We also recommend increased communication between departments when circumstances require specialized billing practices for customers. However, ultimately 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.

Views of Responsible Officials: Management agrees with the finding.

Finding 2017-B – General Review Controls Over Reconciliations and Financial Reporting

Material Weakness

Criteria: An organization's internal control structure should provide for the timely and thorough review of all reconciliations of general ledger account balances and detailed review of all journal entries posted as part of the reconciliation and financial statement reporting process. Additionally, the internal control structure should provide for thorough review of the detailed financial statements.

Condition: During the course of our engagement, we identified various reconciliations and journal entries being performed or posted where there was no direct evidence of a independent review for accuracy and reasonableness. In relation to this we as auditors proposed various adjusting journal entries, both material and non-material, in part as a result of inadequate detailed review of reconciliations and journal entries prepared and posted.

Cause: The internal control system over review of reconciliations and journal entries posted of significant account balances is not designed properly to ensure thorough detailed review that would identify all instances of errors or irregularities in journal entries posted.

Effect: The lack of thorough review of reconciliations and journal entries posted over significant general ledger accounts may result in general ledger account balances being potentially materially misstated that would potentially not be identified by management.

Recommendation: We recommend implementing a consistent process of documenting this thorough review of reconciliations and journal entries posted for significant general ledger account balances.

Views of Responsible Officials: Management agrees with the finding.

Finding 2017-C – Reconciliation and Correction of Errors Specific to Capital Assets

Material Weakness

Criteria: An organization's internal control structure should provide for the proper accounting of transactions related to capital assets, and the proper reconciliation of capital assets which includes the preparation of supporting schedules for capital asset activity that agree to the overall reconciliation of capital assets.

Condition: During the course of our engagement, we identified errors and inconsistencies in supporting documentation utilized to reconcile capital asset activity and as a result of our procedures, proposed adjusting journal entries related to capital asset accounts.

Cause: The procedures and internal control system over recording of capital asset transactions, summarizing capital asset activity information, and ultimate proper reconciliation of capital assets is not designed to operate effectively as currently implemented.

Effect: The deficiencies in these procedures and controls increase the likelihood of misstatements within the financial statements regarding capital assets and related accounts, which could increase time and cost to the audit process.

Recommendation: We recommend reviewing procedures and controls regarding processing and recording of capital asset transactions and the preparation of supporting schedules of capital asset activity that ultimately facilitate the proper reconciliation of capital asset accounts.

Views of Responsible Officials: Management agrees with the finding.

Finding 2017-D – Compliance with South Dakota Codified Law (SDCL)

Immaterial Instance of Noncompliance

Criteria: SDCL 9-22-6 and 4-5-6.1 require that municipal deposits must generally be in banks within South Dakota. In addition, 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 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA.

Condition: During the course of our engagement, it was noted that the City holds negotiable certificates of deposits (CDs) that are FDIC insured, however are not held in banks within South Dakota. In addition, due to the maturity of CDs on December 29, 2017, the City held cash funds that were not FDIC insured or collateralized.

Cause: The City is aware that the negotiable CDs held were not in compliance with the technical requirements of SDCL, despite being FDIC insured. To be prudent with taxpayer funds and avoid penalties for early withdrawals, as these CDs mature they are being re-invested into accounts that are in compliance with the above SDCL's. In addition, due to the maturity of the CDs on Friday, December 29, 2017, the City was not able to reinvest the proceeds by year end.

Effect: Noncompliance with SDCL 9-22-6, 4-5-6.1 and 4-6A-3 could create additional risk for the City, specifically in the event of financial institution failure, however this risk is partially mitigated by the City having 100% FDIC coverage on each CD.

Recommendation: We recommend the City continue to transition these deposit accounts to deposits acceptable by SDCL and ensure future investments are allowable under SDCL prior to investment.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

**2017-001 U.S. Department of Transportation
CFDA # 20.106, AIP Project No. 3-46-0001-036-2016
Airport Improvement Program (AIP)**

**Allowable Costs
Significant Deficiency In Internal Control Over Compliance**

Criteria: 49 USC 47110 defines eligible construction to be limited to items of work and to the quantities listed in the grant description and/or special conditions. Additionally, 49 USC 47110(b)(2)(C) defines certain costs for which Federal funds cannot be expended.

Condition: As part of our procedures over the major program, we identified certain costs to be submitted with the final closeout and included as current year federal expenditures relating to costs incurred on various other projects that did not appear to be listed in the grant description or application for AIP 36. These costs were verbally discussed between the City and the FAA throughout the grant process to be included under this AIP project, but no physical documentation of approval from the FAA was maintained in the AIP files to support this at the time of audit procedures being performed. Approval documentation was obtained after the audit as a result of our testing.

Cause: Physical documentation did not exist at the time of testing to substantiate that these costs being included as federal expenditures in the current year were allowable under the grant as they were not explicitly stated or covered in the grant description or application.

Effect: Lack of physical documentation for allowability approval of costs to be reimbursed under federal grants approval for unique or special conditions increases the risk that federal expenditures are misstated or misreported due to costs being included that are ultimately deemed unallowable.

Questioned Costs: None reported

Context/Sampling: A nonstatistical sample of 9 transactions out of 21 were selected for testing, which accounted for \$1,322,917 of \$1,341,638 of federal program expenditures.

Repeat Finding from Prior Year(s): No

Recommendation: We recommend that management obtain written documentation of FAA approval of unique/special project costs and maintain this documentation within the project files to ensure support exists to substantiate the allowability for all costs to be submitted for reimbursement under federal awards.

Views of Responsible Officials: Management agrees with the finding.

**2017-002 U.S. Department of Transportation
CFDA # 20.106, all AIP Projects
Airport Improvement Program**

**Allowable Costs and Cash Management
Significant Deficiency In Internal Control Over Compliance**

Criteria: 2 CFR 200.303 states that the entity must establish and maintain effective internal control over the federal award that provides reasonable assurance the entity is managing the federal award in compliance with federal statutes, regulations and terms and conditions of the federal award. In addition, 2 CFR 200.302(b)(6) states that the financial management system of the entity must provide written procedures to implement the requirements of 2 CFR 200.305 Payment and 2 CFR 200.302(b)(7) states that the entity must have written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles.

Condition: The City did not have formally documented internal controls over compliance with federal programs to meet the requirements as noted above.

Cause: The City was not aware of the written procedures requirement under 2 CFR 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.

Effect: Inadequate documentation of controls over these compliance areas may result in a reasonable possibility that the City would not be able to detect and correct noncompliance in a timely manner.

Questioned Costs: None reported

Context/Sampling: Not applicable

Repeat Finding from Prior Year(s): No

Recommendation: We recommend that internal controls over each applicable compliance requirement be reviewed for each federal award. Internal controls over compliance should be designed, implemented and formally documented in the City's procedures.

Views of Responsible Officials: Management agrees with the finding.



CITY OF ABERDEEN

123 South Lincoln
Aberdeen, South Dakota 57401-4215

AUDITOR
(605) 626-7012
FAX (605) 626-3527

TREASURER
(605) 626-7026
FAX (605) 626-3518

COMPUTER
(605) 626-7044

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

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2017

Prepared by Management of
City of Aberdeen

2016-A – Material Weakness in Internal Control

Financial Statements and Footnotes are Prepared by the Auditor, Which at Times Includes Material Proposed Adjustments to the Financial Statements

Initial Fiscal Year Finding Occurred: 2013

Finding Summary: 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 the audit engagement, the auditors were requested to draft the financial statements and accompanying notes to those financial statements and they proposed material audit adjustments to the City's recorded account balances.

Status: This finding has not been resolved as of December 31, 2017. The reason for the finding's recurrence is that the City's staffing model does not allow for a cost-effective solution. Planned actions include management annually reviewing the draft financial statements and footnotes prepared by the auditor and reviewing all recommended adjusting entries proposed by the auditor.

2016-B – Material Weakness in Internal Control

General Review Controls Over Reconciliations and Financial Reporting

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: Eide Bailly LLP identified general ledger account balances that did not reconcile to subsidiary records resulting in an audit adjustment of our financial statements.

Status: This finding has not been resolved as of December 31, 2017. Management will continue to implement a consistent process of reconciliation between general ledger account balances and subsidiary records to ensure proper presentation of the financial statements.

2016-C – Immaterial Instance of Noncompliance

Compliance with South Dakota Codified Law (SDCL)

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: Eide Bailly LLP noted that the City holds negotiable certificates of deposit that are not held in banks within South Dakota as required by SDCL 9-22-6 and do not meet all requirements of SDCL 4-5-6.1, which allows certain deposits to be held in banks outside of South Dakota. However, all these certificates of deposit are fully insured by FDIC coverage.

Status: This finding has not been resolved as of December 31, 2017. Management will continue to transition these certificates of deposit to investments that follow all the statutory requirements of SDCL's 9-22-6 and 4-5-6.1 as they mature to avoid realized losses due to market conditions.

City of Aberdeen – Corrective Action Plan

Finding 2017-A

Finding Summary: Eide Bailly LLP assisted in the preparation and presentation of our draft financial statements and accompanying notes to the financial statements and they proposed material audit adjustments to the City's recorded account balances.

Corrective Action Plan: It is not cost effective now to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepare the financial statements and the accompanying notes to the financial statements as a part of their annual audit.

Anticipated Completion Date: Ongoing

Finding 2017-B

Finding Summary: Eide Bailly LLP identified general ledger account balances that did not reconcile to subsidiary records and a lack of documented independent review of reconciliations and journal entries, which could result in a material misstatement of our financial statements.

Corrective Action Plan: Management will implement a consistent process of reconciliation between general ledger account balances and subsidiary records, including independent review, to ensure proper presentation of the financial statements.

Anticipated Completion Date: Ongoing

Finding 2017-C

Finding Summary: Eide Bailly LLP identified errors and inconsistencies in supporting documentation utilized to reconcile capital asset activity and as a result of procedures, proposed adjusting journal entries related to capital asset accounts.

Corrective Action Plan: Management will review procedures and controls regarding processing and recording of capital asset transactions and the preparation of supporting schedules of capital asset activity to facilitate the proper reconciliation of capital asset accounts.

Anticipated Completion Date: Ongoing

Finding 2017-D

Finding Summary: Eide Bailly LLP noted that the City holds negotiable certificates of deposit that are not held in banks within South Dakota as required by SDCL 9-22-6 and do not meet all requirements of SDCL 4-5-6.1, which allows certain deposits to be held in banks outside of South Dakota. However, all these certificates of deposit are fully insured by FDIC coverage. In addition, due to the maturity of CD's on December 29, 2017, the City held cash funds that were not FDIC insured or collateralized as required by SDCL 4-6A-3.

Corrective Action Plan: Management will transition these cash balances and certificates of deposit to investments that follow all the statutory requirements of SDCL's 4-6A-3, 9-22-6 and 4-5-6.1.

Anticipated Completion Date: Ongoing