



Financial Statements
December 31, 2013
City of Aberdeen

City Council

Expires

Mayor	Mike Levsen	2014
NE District Council Member	Mark Remily	2017
NE District Council Member	Rob Ronayne	2018
NW District Council Member	Todd Campbell	2017
NW District Council Member	Jennifer Slight-Hansen	2014
SE District Council Member	Clint Rux	2017
SE District Council Member	Laure Swanson	2015
SW District Council Member	David Bunsness	2015
SW District Council Member	Alan Johnson	2018

Appointive Officers

City Manager	Lynn A. Lander
Finance Officer	Karl M. Alberts
Deputy Finance Officer	Jordan McQuillen
Human Resource Director	Alan D. Ruhlman
City Attorney	Adam H. Altman
City Engineer/Public Works Director	Robin J. Bobzien
Public Works Assistant Director	Clarence J. Fjeldheim
Assistant City Engineer	Stuart A. Nelson
Transportation Director	Michael Wilson
Police Chief	Donald E. Lanpher, Jr.
Police Captain	Neil E. Bittner
Police Captain	David M. McNeil
Fire Chief	Kevin VanMeter
Battalion Chief	J.R. Huebner
Battalion Chief	Randy D. Meister
Battalion Chief	Stacy Vrchota
Fire Marshal	Michael J. Thompson
Planning & Zoning Director	Brett E. Bill
Wastewater Treatment Superintendent	Peter S. Hesla
Wastewater Pretreatment Coordinator	Peggi L. Badten
Water Treatment Superintendent	Janel R. Ellingson
Water Treatment Chemist	Timothy J. Murray
Park/Recreation/Forestry Director	Douglas W. Johnson
Park Superintendent	Mark D. Hoven
Recreation Superintendent	Gene A. Morsching
Forester	Aaron J. Kiesz
Golf Course Superintendent	Charles Kornman
Cemetery Sexton	Kathie A. Allstot
Library Director	Shirley M. Arment
Mayor/City Manager/City Attorney's Secretary	Marie DeGroot

Governing Boards

Parks and Recreation Board (5 Years)

Expires

Susan Bostian, President.....	2017
Matt Prehn	2016
Brenda Stapp.....	2015
Paul Fauth.....	2015
Art Russo	2014
Jerry Mills.....	2018
Sheryl Erickson.....	2016
Todd Campbell, City Council Member	

Mike Levsen, Mayor

Airport Board (5 Years)

Expires

Mike Erickson, Chairperson	2015
Dr. Kennon Broadhurst.....	2016
Steve Kaiser	2014
Rolf Johnson	2018
Lonald Gellhause.....	2017
Alan Johnson, City Council Member	
Mike Wiese, County Commissioner	

Library Board (3 Years)

Expires

Maeve King, President	2014
Peter Ramey	2016
Tom Guhin.....	2016
Troy McQuillen.....	2014
Sandy Andera.....	2015
Clint Rux, City Council Member	

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Independent Auditor's Report

The City Council
City of Aberdeen
Aberdeen, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota, as of December 31, 2013, 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.

Adoption of New Accounting Standard

As described in Note 16 to the financial statements, the City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As discussed in Note 16 to the financial statements, the City has retroactively restated the previously reported net position to account for bond issuance costs in accordance with this Statement. Our opinions are not modified with respect to this matter.

Correction of Error

As described in Note 17 to the financial statements, a certain error resulting in understatement of amounts previously reported for deferred inflows of resources related to delinquent property taxes and an overstatement of property tax revenue in prior periods, was discovered by management of the City during the current year. Accordingly, an adjustment has been made to the beginning fund balance of the general fund as of January 1, 2013, to correct the error. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise the City of Aberdeen, South Dakota's financial statements. The combining and individual nonmajor fund financial statements and discretely presented component unit's statement of cash flows are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 76 and 77 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2014 on our consideration of City of Aberdeen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

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

Aberdeen, South Dakota
August 25, 2014

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, 2013. 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 \$127.622 million (reported as net position), a decrease of \$1.375 million from the previous year of which \$252,980 was related to a change in reporting (GASB 65) described in Note 16 of the notes to the financial statements.

Fund Level

As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$6.982 million, with \$762,932 reported as unassigned, \$1.356 million reported as assigned, \$139,145 reported as committed, \$4.370 million reported as restricted, and the remaining amount of \$353,312 reported as nonspendable. At the end of the fiscal year, the fund balance for the General Fund was \$2.035 million, of which \$1.470 million was unassigned, \$275,160 was assigned only to be used to fund fiscal year 2014 appropriations, and \$289,712 was reported as nonspendable.

Proprietary funds reported a total net position at year-end of \$42.691 million, an increase of \$1.572 million during the year.

Long-Term Debt

The primary government's total long-term outstanding loans and bonded debt totaled \$53.536 million, an increase of \$554 thousand from 2012 (as restated). Of the total outstanding loans and bonded debt, \$45.743 million is backed by the City. During 2013, the City issued Tax Increment Financing (TIF) bonds for the TIF #17 (Roosevelt Building) project in the amount of \$1,695,000 and Series 2013 Sales Tax Revenue Refunding Bonds to replace Series 2005 Sales Tax Revenue Bonds which resulted in a net increase in debt principal of \$705,000. The rest of the debt increase was for a state revolving loan from the South Dakota Department of Environment and Natural Resources for the Kline Street storm and sanitary sewer project in the amount of \$1,500,000. The decrease represents principal payments of \$3,444,275 of previous outstanding debt. Although unpledged, water charges are assumed to be responsible for repayment of the State Revolving Loan for water treatment improvements. Conversely, sewer charges have been pledged and will make the repayment of the State Revolving Loan for sewer treatment improvement. Sales tax revenues have been pledged for the repayment of the State Revolving Loan for automated water meter upgrades.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements and component unit financial statements; and, 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements. The City adopted GASB 65 and has retroactively restated the previously reported net position to account for bond issuance costs. Also, the City discovered an error affecting deferred inflows of resources and property tax revenue in prior periods and has adjusted beginning fund balance of the general fund as of January 1, 2013, to correct the error.

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

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

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

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

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

- ✓ Housing and Redevelopment Commission

Fund Financial Statements and Component Unit Financial Statements

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

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Component Unit

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

Notes to the Financial Statements

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

Required Supplementary Information

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

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Net Position

As presented in the following table, total assets of the City on December 31, 2013 were \$184.572 million, while total liabilities were \$56.949 million, resulting in combined net position (governmental and business-type activities) of \$127.623 million.

	City of Aberdeen Net Position					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)
Current and Other Assets	\$ 11,698,174	\$ 11,031,428	\$ 13,963,368	\$ 11,740,921	\$ 25,661,542	\$ 22,772,349
Capital Assets	99,715,464	102,153,297	58,614,952	59,535,583	158,330,416	161,688,880
Total Assets	111,413,638	113,184,725	72,578,320	71,276,504	183,991,958	184,461,229
Deferred Outflows of Resources	580,049	-	-	-	580,049	0
	111,993,687	113,184,725	72,578,320	71,276,504	184,572,007	184,461,229
Long-Term Liabilities Outstanding	24,182,459	23,351,459	29,354,389	29,634,038	53,536,848	52,985,497
Other Liabilities	2,879,429	2,208,418	532,906	522,661	3,412,335	2,731,079
Total Liabilities	27,061,888	25,559,878	29,887,295	30,156,699	56,949,183	55,716,577
Deferred Inflows of Resources	-	-	-	-	-	-
	27,061,888	25,559,878	29,887,295	30,156,699	56,949,183	55,716,577
Net Position:						
Net Investment in Capital Assets	85,374,335	87,394,181	29,360,655	29,991,973	114,734,990	117,386,154
Restricted	4,811,537	4,164,050	1,417,522	1,400,580	6,229,059	5,564,630
Unrestricted	(5,254,073)	(3,933,384)	11,912,848	9,727,252	6,658,776	5,793,868
Total Net Position	\$84,931,799	\$87,624,847	\$42,691,025	\$41,119,805	\$127,622,824	\$128,744,652

The largest component of the City's net position, 90% (down from 91% in 2012), is investments in capital assets (land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress), less depreciation and all outstanding debt that was issued to buy or build those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets comprise 4.8% (an increase from 4.3% in 2012) 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, \$6.659 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 2014 appropriations in the General Fund (\$275,160).

Changes in Net Position

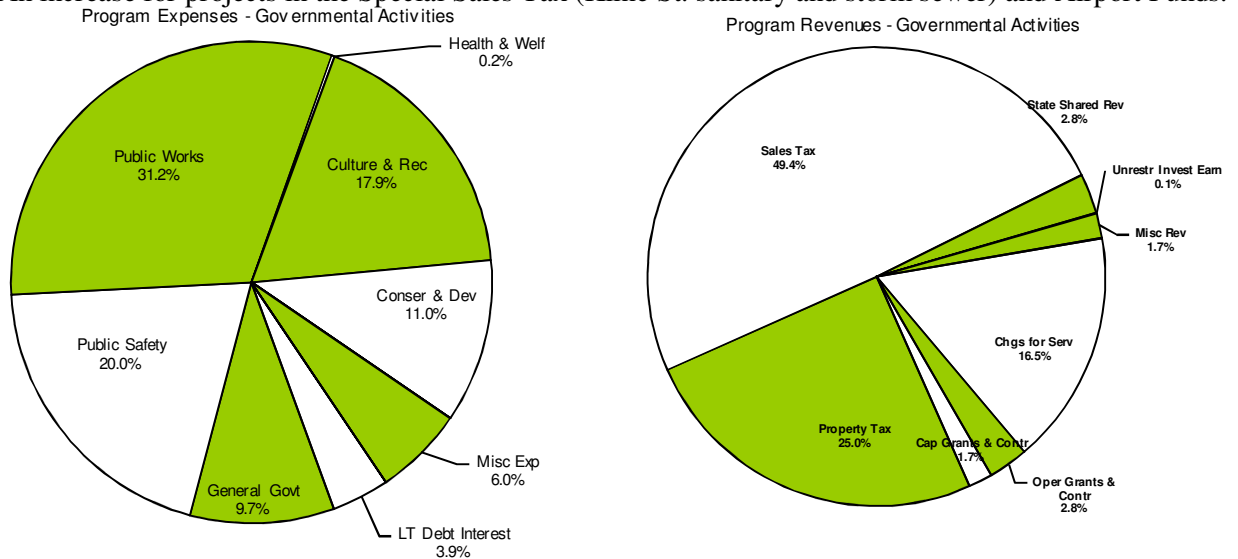
The following table summarizes financial information derived from the government-wide statement of activities and reflects how the City's net position changed during fiscal years 2013 and 2012 (as restated).

	City of Aberdeen Changes in Net Position Fiscal Year Ended December 31					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,907,649	\$ 5,773,515	\$ 10,306,948	\$ 9,936,666	\$ 16,214,597	\$ 15,710,181
Operating Grants and Contributions	1,001,413	795,868	24,023	20,328	1,025,436	816,196
Capital Grants and Contributions	609,087	2,176,074	302,885	247,456	911,972	2,423,530
General Revenues:						
Property Taxes	8,942,280	8,306,681	-	-	8,942,280	8,306,681
Sales Taxes	17,653,763	17,179,715	-	-	17,653,763	17,179,715
State Shared Revenues	993,884	1,157,663	-	-	993,884	1,157,663
Unrestricted Investment Earnings	28,476	22,932	11,464	17,728	39,940	40,660
Miscellaneous	621,927	372,515	8,990	13,225	630,917	385,740
Total Revenues	<u>35,758,479</u>	<u>35,784,963</u>	<u>10,654,310</u>	<u>10,235,403</u>	<u>46,412,789</u>	<u>46,020,366</u>
Program Expenses:						
General Government	3,689,592	2,698,508	-	-	3,689,592	2,698,508
Public Safety	7,628,648	6,927,480	-	-	7,628,648	6,927,480
Public Works	11,885,704	11,071,272	-	-	11,885,704	11,071,272
Health and Welfare	71,146	81,959	-	-	71,146	81,959
Cultural and Recreation	6,823,851	6,803,839	-	-	6,823,851	6,803,839
Conservation and Development	4,186,492	4,040,481	-	-	4,186,492	4,040,481
Miscellaneous Expenditures	2,295,393	1,699,860	-	-	2,295,393	1,699,860
Interest on Long-term Debt	1,479,016	1,529,337	-	-	1,479,016	1,529,337
Water	-	-	4,303,788	4,413,436	4,303,788	4,413,436
Sewer	-	-	3,248,812	2,850,271	3,248,812	2,850,271
	-	-	12,529	-	12,529	-
Campground	-	-	335,014	229,081	335,014	229,081
Golf	-	-	553,398	575,834	553,398	575,834
Ambulance	-	-	1,021,234	988,625	1,021,234	988,625
Total Expenses	<u>38,059,842</u>	<u>34,852,736</u>	<u>9,474,775</u>	<u>9,057,247</u>	<u>47,534,617</u>	<u>43,909,983</u>
Excess (Deficiency) Before Transfers	(2,301,363)	932,227	1,179,535	1,178,156	(1,121,828)	2,110,383
Transfers	(391,685)	460,813	391,685	(460,813)	-	-
Change in Net Position	(2,693,048)	1,393,040	1,571,220	717,343	(1,121,828)	2,110,383
Net Position – Beginning	87,624,847	86,231,807	41,119,805	40,402,462	128,744,652	126,634,269
Net Position – Ending	<u>\$84,931,799</u>	<u>\$87,624,847</u>	<u>\$42,691,025</u>	<u>\$41,119,805</u>	<u>\$127,622,824</u>	<u>\$128,744,652</u>

Governmental Activities

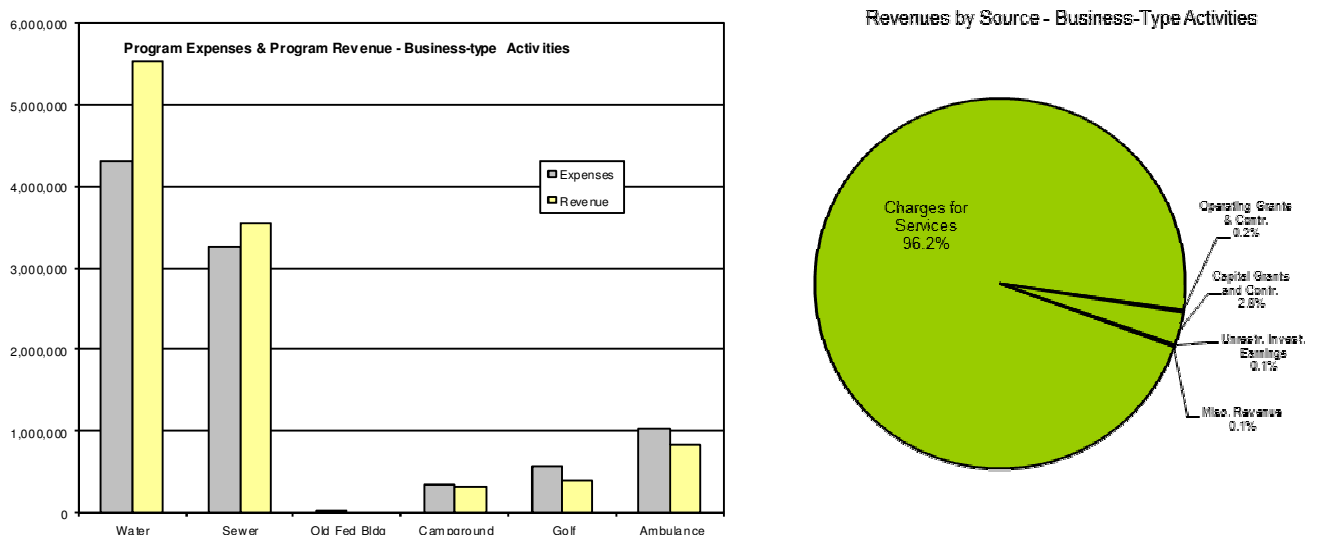
Governmental activities decreased the City's net position by \$2,693,048. Factors contributing to these results include:

- Completion of Tax Increment Financing District #17 at a cost of \$1,500,000, and
- An increase for projects in the Special Sales Tax (Kline St. sanitary and storm sewer) and Airport Funds.



Business-Type Activities

Net position of the business-type activities increased by \$1,571,220 during 2013, as compared to a \$717,343 increase in 2012 (as restated). Factors contributing to these results include higher water sales due to dry summer conditions (approximately \$850,000), water and wastewater charges to Northern Beef Packers (approximately \$500,000), and incremental increases to charges for services (approximately \$80,000).



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 2013, the City's governmental funds reported combined ending fund balances of \$6.982 million, an increase of approximately \$517,000 in comparison with the prior year (as restated).

Approximately 5.06%, or \$353,312 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 62.59%, or \$4,370,000 of the combined ending fund balances, is reported as restricted to indicate that it is constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Approximately 1.99%, or \$139,145 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 19.43%, or \$1,356,568 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. \$275,160 of this amount is assigned to be used only for 2014 appropriations.

The remaining 10.93%, or \$762,932 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 2013 were the General Fund, the Special Sales Tax Fund, and the Park and Recreation Fund. The General Fund is the chief operating fund of the City. At the end of the fiscal year, the assigned and unassigned fund balance of the General Fund was \$1.746 million, of which \$275,160 was assigned only to be used to fund 2014 appropriations. Total fund balance at the end of the current fiscal year was \$2.035 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 10.1% (6.12% in 2012) of the total General Fund operating expenditures.

Overall, the fund balance of the City's General Fund increased by \$952,554 (From Exh. IV) during the current fiscal year. This is over an 88% increase from the prior year's ending fund balance. The increase primarily resulted from higher than expected general sales tax collections (approximately \$407,000), grants (approximately \$134,000), highway/bridge funds (approximately \$110,000) and higher than expected transfers from other departments (approximately \$108,000).

The Special Sales Tax Fund is the fund maintained by the City to account for the proceeds from the second penny sales tax. The City has adopted ordinances to designate the use of these proceeds to capital improvements, land acquisition, and certain public safety uses. At the end of the fiscal year, committed fund balance of the Special Sales Tax Fund was \$139,145. Total fund balance at the end of the current fiscal year was also \$139,145.

Overall, the fund balance of the City's Special Sales Tax Fund decreased by \$580,067 during the current fiscal year. This is an 80.65% decrease in fund balance from the prior year. The decrease primarily resulted from less than anticipated federal grants (\$1,000,000), offset by higher than anticipated sales tax revenue (approximately \$440,000).

The Park and Recreation Fund is the fund created by the City to account for the activities associated with those departments. At the end of the fiscal year, restricted fund balance of the Park and Recreation Fund was \$284,802. Total fund balance at the end of the current fiscal year was also \$284,802.

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 2013:

Water Fund

At the end of fiscal year 2013, the Water Fund reported total net position of \$19.625 million (after an adjustment for change in reporting due to GASB 65, a decrease of \$132,432), an increase of \$724,647 (3.83%) in comparison with the prior year. During 2013, the Water Fund produced an operating income (before contributions and operating transfers) in the amount of \$1,368,122 on total operating revenue of \$5.372 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$1,389,843 on total operating revenue of \$5.283 million. The increase in total net position was largely the result of increased water consumption due to unusually dry summer conditions.

Sewer Fund

At the end of fiscal year 2013, the Sewer Fund reported total net position of \$19.544 million, an increase of \$202,016 (1.0%) in comparison with the prior year. During 2013, the Sewer Fund produced operating income (before contributions and operating transfers) in the amount of \$546,913 on total operating revenue of \$3.408 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$705,519 on total operating revenue of \$3.152 million. The increase in total net position was largely the result of higher sewer usage.

Budgetary Highlights – General Fund

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

General Fund

The difference between the original budget and the final amended budget was \$2,895,000 (or 17.9%) of increases in appropriations and can be summarized as follows:

- \$52,000 in supplemental appropriations to General Government for 1) insurance costs, 2) cost associated the Mayors Committee for People with Disabilities, 3) water consumption costs, 4) Retail Model consultant costs, and costs associated with the purchase of the Old Federal Building.
- \$589,000 in supplemental appropriations to Public Safety for 1) Fire Department training and equipment reimbursed by grants, clothing, water consumption and a new fire truck, 2) Police water consumption.
- \$577,000 in supplemental appropriations to Public Works departments for 1) personal services, 2) water consumption expenses, 3) additional mill and overlay, 4) additional street lighting expense, 5) snow removal, and 6) motor supplies.
- \$5,000 in supplemental appropriations to Culture and Recreation departments for water consumption at the Library.
- \$30,000 in supplemental appropriations to Economic Development relating to TIF #14 project costs.
- \$50,000 in supplemental appropriations to Economic Development relating to TIF #15 project costs.
- \$1,600,000 in supplemental appropriations to Economic Development relating to TIF #17 project costs.
- \$50,000 in supplemental appropriations for transfer to Promotion Fund.

Actual spending was more than the original budget for General Fund total operating expenditures by \$1,112,714 and was less than the final amended budget by over \$1.78 million.

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

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2013 is \$158.330 million (net of accumulated depreciation) as compared to \$161.689 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 9,443,303	\$ 9,150,160	\$ 822,646	\$ 721,396	\$ 10,265,949	\$ 9,871,556
Buildings	35,293,269	35,266,903	61,554,112	61,151,618	96,847,381	96,418,521
Improvements other than Buildings	103,710,619	102,103,585	26,172,753	25,842,348	129,883,372	127,945,933
Equipment/Vehicles	15,996,310	15,577,773	7,089,787	6,874,706	23,086,097	22,452,479
Construction in Progress	101,204	415,734	-	-	101,204	415,734
Total Capital Assets	<u>164,544,705</u>	<u>162,514,155</u>	<u>95,639,298</u>	<u>94,590,068</u>	<u>260,184,003</u>	<u>257,104,223</u>
Accumulated Depreciation	<u>64,829,241</u>	<u>60,360,858</u>	<u>37,024,346</u>	<u>35,054,485</u>	<u>101,853,587</u>	<u>95,415,343</u>
Total Capital Assets, Net	<u>\$99,715,464</u>	<u>\$102,153,297</u>	<u>\$58,614,952</u>	<u>\$59,535,583</u>	<u>\$158,330,416</u>	<u>\$161,688,880</u>

The City's investment in capital assets (net of accumulated depreciation) changed from fiscal year 2013 to 2012 by -2.1%. Governmental construction projects completed during 2013 include street improvements at a total cost of about \$667,223, a new street sweeper at a total cost of \$180,000, and storm sewer mains at a total cost of \$890,501. The governmental Construction in Progress includes \$101,204 for City Hall renovations. Business-type construction projects completed during 2013 include water mains at a total cost of about \$214,000, acquisition of the Old Federal Building at a total cost of about \$402,500, and a new ambulance at a total cost of about \$159,250.

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

Debt Administration

The authority of the City to incur debt is described in South Dakota Codified Law Section 9-25-1. Generally, the State Constitution prohibits the City from having general obligation indebtedness in excess of 5% of the assessed valuation of the taxable property within the City for the year preceding that in which the indebtedness is incurred. Currently, all of the City's debt is classified as general-purpose debt. The 2013 general-purpose debt limitation for the City is \$75,225,018, which is \$40,800,048 in excess of the City's outstanding bonded debt classified as general-purpose debt.

At the end of the current fiscal year, primary government - governmental activities had total note and bonded debt outstanding of \$24,182,459 and business-type activities had total note and bonded debt outstanding of \$29,354,387. During the current fiscal year, the City incurred an increase of \$1,695,000 associated with Tax Increment Financing district #17 and a net increase of \$265,000 in new long-term general indebtedness related to a refunding of Sales Tax Revenue Bond Series 2005 (Aquatics Center) under governmental activities. The City also incurred an increase of \$1,500,000 associated with a State Revolving Loan for Kline Street improvements under business-type activities. The City retired \$3,520,914 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, mower and striper installment contracts, and State Revolving Loan associated with the Water and Wastewater Treatment Plants improvements.

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

Economic Condition and Outlook

Steady economic and property growth annually from calendar years 1998 to 2009 helped to maintain steady revenue streams for the City; however, 2010 was the first time since the early 1990's that Aberdeen saw a decrease in sales tax revenue amounting to about a 1.0% decrease. The sales tax revenue increased in 2011, 2012 and 2013 by about 2.1%, 7.57%, and 2.76%, respectively. Aberdeen's growth in property tax valuation due to new construction and changes to existing property has consistently averaged between 2.5 - 3% annually (over 4.1% in 2013.).

Future Construction Activity

During 2013, the City continues work on re-constructing the Kline Street storm sewer system. This portion of the storm water sewer system is decades old and appears to be one source of inflow and infiltration (I&I) with the City sanitary system. This I&I problem caused extreme volumes of storm water entering the City's sanitary system during flooding in 2007, 2009, 2010 and 2011, resulting in emergency releases of highly diluted raw sewage into Moccasin Creek. These releases constituted a violation of the City's surface water discharge permit, as outlined in a Notice of Violation and Order (Notice) from the South Dakota Department of Environment and Natural Resources (DENR). Included in the Notice are Orders by DENR outlining a corrective action plan, of which the Kline Street storm water sewer system reconstruction is a major component. The Kline Street project is an aggressive multi-year project with several funding sources, including City funds and state and federal grants and loans. Each segment of the project will be bid separately. As the project is completed, it may require additional reconstruction that may be time sensitive. The City has alternative funding sources (including issuance of sales tax revenue bonds) to address these additional project costs if and when they may occur.

Requests for Information

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

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

City of Aberdeen
Statement of Net Position—Exhibit I
December 31, 2013

	Primary Government		Total	Component Unit Housing and Redevelopment Commission
	Governmental Activities	Business-Type Activities		
Assets				
Cash and cash equivalents	\$ 8,304,764	\$ 11,733,885	\$ 20,038,649	\$ 992,352
Investments	617,198	1,000,000	1,617,198	-
Accounts receivable, net	2,472,900	812,876	3,285,776	644,552
Inventories	13,600	416,607	430,207	-
Other assets	-	-	-	158,954
Restricted assets:				
Deposits	289,712	-	289,712	1,992,424
Capital assets:				
Land, improvements, and construction in progress	9,544,507	822,646	10,367,153	2,381,126
Other capital assets, net of depreciation	90,170,957	57,792,306	147,963,263	12,785,540
	<u>111,413,638</u>	<u>72,578,320</u>	<u>183,991,958</u>	<u>18,954,948</u>
Deferred Outflows of Resources				
Other deferred outflows of resources	580,049	-	580,049	-
	<u>\$ 111,993,687</u>	<u>\$ 72,578,320</u>	<u>\$ 184,572,007</u>	<u>\$ 18,954,948</u>
Liabilities				
Accounts payable	\$ 1,779,479	\$ 253,359	\$ 2,032,838	\$ 646,135
Other current liabilities	1,087,361	279,547	1,366,908	147,531
Unearned revenue	12,589	-	12,589	6,610
Noncurrent liabilities:				
Due within one year	2,222,379	1,900,532	4,122,911	166,018
Due in more than one year	21,960,080	27,453,857	49,413,937	5,134,730
	<u>27,061,888</u>	<u>29,887,295</u>	<u>56,949,183</u>	<u>6,101,024</u>
Deferred Inflows of Resources				
Other deferred inflows of resources	-	-	-	-
Net Position				
Net investment in capital assets	85,374,335	29,360,655	114,734,990	9,572,669
Restricted for:				
Debt service	2,559,607	1,417,522	3,977,129	-
Perpetual care:				
Expendable	136,425	-	136,425	-
Permanently nonexpendable	50,000	-	50,000	-
Other purposes	390,141	-	390,141	-
Other purposes - Promotion Fund	98,010	-	98,010	-
Other purposes - Park and Recreation Fund	284,802	-	284,802	-
Other purposes - Park and Recreation Trust Fund	773,547	-	773,547	-
Other purposes - Parking District Fund	229,293	-	229,293	-
Other purposes - General Fund - SD Public Assurance Alliance	289,712	-	289,712	-
Other purposes - component unit	-	-	-	1,792,424
Unrestricted	(5,254,073)	11,912,848	6,658,775	1,488,831
	<u>84,931,799</u>	<u>42,691,025</u>	<u>127,622,824</u>	<u>12,853,924</u>
	<u>\$ 111,993,687</u>	<u>\$ 72,578,320</u>	<u>\$ 184,572,007</u>	<u>\$ 18,954,948</u>

City of Aberdeen
Statement of Activities—Exhibit II
Year Ended December 31, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Housing and Redevelopment Commission
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government								
Governmental activities:								
General government	\$ 3,689,592	\$ 499,925	\$ 29,702	\$ -	\$ (3,159,965)	\$ -	\$ (3,159,965)	\$ -
Public safety	7,628,648	109,445	178,604	-	(7,340,599)	-	(7,340,599)	-
Public works	11,885,704	1,921,734	353,943	609,087	(9,000,940)	-	(9,000,940)	-
Health and welfare	71,146	29,200	-	-	(41,946)	-	(41,946)	-
Culture and recreation	6,823,851	1,318,186	438,852	-	(5,066,813)	-	(5,066,813)	-
Conservation and development	4,186,492	-	312	-	(4,186,180)	-	(4,186,180)	-
Miscellaneous expenditures	2,295,393	2,029,159	-	-	(266,234)	-	(266,234)	-
Interest and bond issuance costs on long-term debt	1,479,016	-	-	-	(1,479,016)	-	(1,479,016)	-
Total governmental activities	38,059,842	5,907,649	1,001,413	609,087	(30,541,693)	-	(30,541,693)	-
Business-type activities:								
Water	4,303,788	5,372,791	24,023	144,502	-	1,237,528	1,237,528	-
Sewer	3,248,812	3,408,305	-	158,383	-	317,876	317,876	-
Old Federal building	12,529	-	-	-	-	(12,529)	(12,529)	-
Campground	335,014	309,099	-	-	-	(25,915)	(25,915)	-
Golf	553,398	391,590	-	-	-	(161,808)	(161,808)	-
Ambulance	1,021,234	825,163	-	-	-	(196,071)	(196,071)	-
Total business-type activities	9,474,775	10,306,948	24,023	302,885	-	1,159,081	1,159,081	-
Total primary government	\$ 47,534,617	\$ 16,214,597	\$ 1,025,436	\$ 911,972	(30,541,693)	1,159,081	(29,382,612)	-
Component Unit								
Housing and Redevelopment Commission	\$ 4,003,439	\$ 1,238,239	\$ 2,275,704	\$ 2,089,328				1,599,832
General Revenues								
Taxes:								
Property taxes					8,942,280	-	8,942,280	-
Sales taxes					17,653,763	-	17,653,763	-
State shared revenue					993,884	-	993,884	-
Unrestricted investment earnings					28,476	11,464	39,940	-
Miscellaneous revenue					621,927	8,990	630,917	85,495
Transfers					(391,685)	391,685	-	-
Total general revenues and transfers					27,848,645	412,139	28,260,784	85,495
Change in Net Position					(2,693,048)	1,571,220	(1,121,828)	1,685,327
Net Position - Beginning, as previously stated					87,745,395	41,252,237	128,997,632	11,168,597
Adjustments								
Change in reporting, GASB 65 (see Note 16)					(120,548)	(132,432)	(252,980)	-
Net Position - Beginning, as restated					87,624,847	41,119,805	128,744,652	11,168,597
Net Position - Ending					\$ 84,931,799	\$ 42,691,025	\$ 127,622,824	\$ 12,853,924

City of Aberdeen
Balance Sheet—Governmental Funds—Exhibit III
December 31, 2013

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,176,342	\$ 525,967	\$ 497,414	\$ 4,994,683	\$ 8,194,406
151 Investments	-	-	-	217,198	217,198
110 Taxes receivable, delinquent	148,632	-	-	41,057	189,689
115 Accounts receivable, net	40,786	-	-	66,244	107,030
121 Special assessments receivable, current	14,130	901	-	-	15,031
122 Special assessments receivable, delinquent	72,499	-	-	-	72,499
132 Due from federal/state/county governments	1,085,038	-	860,557	143,055	2,088,650
141 Inventory of supplies	-	-	-	13,600	13,600
154 Deposits	289,712	-	-	-	289,712
	<u>3,827,139</u>	<u>526,868</u>	<u>1,357,971</u>	<u>5,475,837</u>	<u>11,187,815</u>
Deferred Outflows of Resources					
198 Other deferred outflows of resources	-	-	-	-	-
	<u>\$ 3,827,139</u>	<u>\$ 526,868</u>	<u>\$ 1,357,971</u>	<u>\$ 5,475,837</u>	<u>\$ 11,187,815</u>
Liabilities					
202 Accounts payable	\$ 538,115	\$ 189,123	\$ 246,149	\$ 803,744	\$ 1,777,131
207 Contracts payable, retained percentage	-	-	212,637	-	212,637
216 Accrued wages payable	272,361	52,943	-	23,454	348,758
223 Unearned revenue	-	-	-	12,589	12,589
	<u>810,476</u>	<u>242,066</u>	<u>458,786</u>	<u>839,787</u>	<u>2,351,115</u>
Deferred Inflows of Resources					
247 Other deferred inflows of resources	981,171	-	760,040	113,567	1,854,778
Fund Balances					
263 Nonspendable	289,712	-	-	63,600	353,312
264 Restricted	-	284,802	-	4,085,163	4,369,965
265 Committed	-	-	139,145	-	139,145
266 Assigned	275,160	-	-	1,081,408	1,356,568
267 Unassigned	1,470,620	-	-	(707,688)	762,932
	<u>2,035,492</u>	<u>284,802</u>	<u>139,145</u>	<u>4,522,483</u>	<u>6,981,922</u>
Total fund balances	<u>\$ 3,827,139</u>	<u>\$ 526,868</u>	<u>\$ 1,357,971</u>	<u>\$ 5,475,837</u>	<u>\$ 11,187,815</u>

City of Aberdeen
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended December 31, 2013

	Total
Total Fund Balances - Governmental Funds	\$ 6,981,922
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	99,715,464
Long-term liabilities, including bonds payable and accrued leave payable are not due and payables in the current period and; therefore, are not reported in the funds.	(24,031,385)
Unamortized balance of debt premiums are not due and payable in the current period and; therefore, are not reported in the funds.	(151,074)
Taxes collected after year-end, but not available soon enough to pay for current period expenditures.	1,854,778
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(113,126)
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.	580,049
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.	95,171
Net Position - Governmental Funds	\$ 84,931,799

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2013

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
310 Taxes:					
311 General property taxes	\$ 7,199,850	\$ -	\$ -	\$ 1,690,335	\$ 8,890,185
312 Airflight property taxes	-	-	-	6,778	6,778
313 General sales and use taxes	8,492,400	-	8,166,684	956,671	17,615,755
319 Penalties and interest on delinquent taxes	21,401	-	-	1,215	22,616
320 Licenses and permits	436,668	-	-	-	436,668
330 Intergovernmental revenue:					
331 Federal grants	462,069	86,258	-	594,486	1,142,813
334 State grants	66,929	-	-	43,663	110,592
335 State shared revenue:					
335.01 Bank franchise tax	89,348	-	-	-	89,348
335.02 Motor vehicle commercial prorated	25,624	-	-	-	25,624
335.03 Liquor tax reversion	172,505	-	-	-	172,505
335.04 Motor vehicle licenses (5%)	140,700	-	-	-	140,700
335.06 Fire insurance premiums reversion	66,003	-	-	-	66,003
335.08 Local government highway and bridge fund	491,113	-	-	-	491,113
335.09 911 Remittances	2,808	-	-	-	2,808
336 State payments in lieu of taxes	5,783	-	-	-	5,783
338 County shared revenue:					
338.01 County road tax (25%)	20,440	-	-	-	20,440
338.03 County wheel tax	8,746	-	-	-	8,746
338.99 Other	114,522	-	-	-	114,522
340 Charges for goods and services:					
341 General government	63,257	-	-	-	63,257
342 Public safety	80,235	-	-	-	80,235
343 Highways and streets	139,869	-	-	-	139,869
344 Sanitation	1,213,942	-	-	521,475	1,735,417
345 Health	29,200	-	-	-	29,200
346 Culture and recreation	3,088	561,011	-	738,614	1,302,713
348 Cemetery	-	44,318	-	2,130	46,448
349 Other	194,521	-	-	296,812	491,333
350 Fines and forfeits:					
351 Court fines and costs	29,210	-	-	-	29,210
354 Library	-	-	-	15,474	15,474
359 Other	586	-	-	1,365	1,951
360 Miscellaneous revenue:					
361 Investment earnings	11,410	25	694	16,349	28,478
362 Rentals	251,254	-	-	13,109	264,363
367 Contributions and donations from private sources	29,702	-	-	327,395	357,097
369 Other	66,092	-	11,135	12,566	89,793
Total revenues	<u>19,929,275</u>	<u>691,612</u>	<u>8,178,513</u>	<u>5,238,437</u>	<u>34,037,837</u>
Expenditures					
410 General government:					
412 Executive	385,216	-	-	-	385,216
414 Financial administration	992,620	-	-	-	992,620
419 Other	1,316,662	-	1,026,968	-	2,343,630
Total general government	<u>2,694,498</u>	<u>-</u>	<u>1,026,968</u>	<u>-</u>	<u>3,721,466</u>

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2013

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
420 Public safety:					
421 Police	3,795,800	-	-	-	3,795,800
422 Fire	2,906,622	-	-	-	2,906,622
423 Protective inspection	181,473	-	-	-	181,473
429 Other protection	-	-	356,692	-	356,692
Total public safety	<u>6,883,895</u>	<u>-</u>	<u>356,692</u>	<u>-</u>	<u>7,240,587</u>
430 Public works:					
431 Highways and streets	2,750,612	-	3,967,744	-	6,718,356
432 Sanitation	1,206,988	-	36,099	376,540	1,619,627
433 Water	-	-	2,959	-	2,959
435 Airport	-	-	-	1,382,356	1,382,356
436 Parking facilities	-	-	-	59,208	59,208
437 Cemeteries	-	-	-	3,270	3,270
439 Transit	597,061	-	-	-	597,061
Total public works	<u>4,554,661</u>	<u>-</u>	<u>4,006,802</u>	<u>1,821,374</u>	<u>10,382,837</u>
440 Health and welfare:					
445 Drug education	51,537	-	-	-	51,537
449 Other	19,609	-	-	-	19,609
Total health and welfare	<u>71,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,146</u>
450 Culture and recreation					
451 Recreation	27,909	2,607,926	166,608	387,417	3,189,860
452 Parks	-	1,515,691	320,306	490,571	2,326,568
455 Libraries	950,676	-	9,979	10,931	971,586
457 Historical preservation	-	-	-	943	943
Total culture and recreation	<u>978,585</u>	<u>4,123,617</u>	<u>496,893</u>	<u>889,862</u>	<u>6,488,957</u>
460 Conservation and development:					
465 Economic development and assistance (industrial development)	2,054,479	-	405,000	1,727,013	4,186,492
Total conservation and development	<u>2,054,479</u>	<u>-</u>	<u>405,000</u>	<u>1,727,013</u>	<u>4,186,492</u>
470 Debt service					
Principal and interest	51,085	27,356	-	2,979,628	3,058,069
Bond issuance costs	-	-	-	111,645	111,645
Total debt service	<u>51,085</u>	<u>27,356</u>	<u>-</u>	<u>3,091,273</u>	<u>3,169,714</u>
490 Miscellaneous					
492 Other expenditures	-	-	-	9,654	9,654
Total miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,654</u>	<u>9,654</u>
Total expenditures	<u>17,288,349</u>	<u>4,150,973</u>	<u>6,292,355</u>	<u>7,539,176</u>	<u>35,270,853</u>
Excess of Revenue over (under) Expenditures	<u>2,640,926</u>	<u>(3,459,361)</u>	<u>1,886,158</u>	<u>(2,300,739)</u>	<u>(1,233,016)</u>
Other Financing Sources (Uses)					
391.01 Transfers in	641,020	3,430,114	221,000	2,369,139	6,661,273
511 Transfers out	(3,884,755)	-	(2,996,925)	(171,278)	(7,052,958)
513 Payments to refunded debt escrow agent	-	-	-	(5,224,668)	(5,224,668)
391.03 Sale of municipal property	27,431	-	309,700	-	337,131
391.04 Compensation for loss or damage to capital assets	27,932	600	-	700	29,232
391.20 Long-term debt issued	1,500,000	-	-	195,000	1,695,000
391.21 Refunding bonds	-	-	-	5,305,000	5,305,000
Total other financing sources (uses)	<u>(1,688,372)</u>	<u>3,430,714</u>	<u>(2,466,225)</u>	<u>2,473,893</u>	<u>1,750,010</u>
Net Change in Fund Balances	952,554	(28,647)	(580,067)	173,154	516,994
Net Position - Beginning, as previously stated	1,315,107	313,449	719,212	4,349,329	6,697,097
Adjustments:					
Correction of Error (Note 17)	(232,169)	-	-	-	(232,169)
Fund Balance - Beginning, as restated	<u>1,082,938</u>	<u>313,449</u>	<u>719,212</u>	<u>4,349,329</u>	<u>6,464,928</u>
Fund Balance - Ending	<u>\$ 2,035,492</u>	<u>\$ 284,802</u>	<u>\$ 139,145</u>	<u>\$ 4,522,483</u>	<u>\$ 6,981,922</u>

City of Aberdeen

Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide Statement of
Activities

Year Ended December 31, 2013

	Total
Net Change in Fund Balances - Total Governmental Funds	\$ 516,994
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 depreciation exceeded capital outlays/contributions in the current period.	(2,129,224)
In the statement of activities, the loss on disposal of assets is reported, whereas in the governmental funds, the disposal of fixed assets is not reflected.	(308,609)
Repayment of other long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,723,023
Amounts deposited to escrow in an advance refunding of debt are recorded as other financing uses in the governmental funds, but are shown as a defeasance of debt and reduction in long-term liabilities in the statement of net position.	5,224,668
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(2,950)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	60,711
Accrued interest reported in the statement of activities does not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds.	5,969
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.	(44,619)
Proceeds from issuance of long-term debt recorded as an other financing source in governmental funds.	(7,000,000)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are reported as part of debt and amortized in the statement of activities. This is the amount amortized in the current period.	10,855
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(749,866)
Change in Net Position of Governmental Activities	\$ (2,693,048)

City of Aberdeen
Statement of Net Position—Proprietary Funds—Exhibit V
December 31, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Current Assets					
Cash and cash equivalents	\$ 4,305,539	\$ 6,993,530	\$ 434,816	\$ 11,733,885	\$ 110,359
151 Investments	551,865	448,135	-	1,000,000	400,000
115 Accounts receivable, net	95,605	62,807	148,283	306,695	-
117 Unbilled accounts receivable	254,053	243,089	-	497,142	-
121 Special assessments receivable, current	4,274	-	-	4,274	-
122 Special assessments receivable, delinquent	4,746	-	-	4,746	-
132 Due from federal/state/county governments	19	-	-	19	-
141 Inventory of supplies	377,162	39,445	-	416,607	-
Total current assets	<u>5,593,263</u>	<u>7,787,006</u>	<u>583,099</u>	<u>13,963,368</u>	<u>510,359</u>
Noncurrent Assets					
Capital assets:					
160 Land	311,427	59,469	451,750	822,646	-
162 Buildings	27,775,644	32,363,857	1,414,611	61,554,112	-
164 Improvements other than buildings	15,561,244	9,656,804	954,705	26,172,753	-
166 Machinery and equipment	4,045,913	1,601,859	1,442,015	7,089,787	-
Less accumulated depreciation	<u>(20,297,652)</u>	<u>(15,504,800)</u>	<u>(1,221,894)</u>	<u>(37,024,346)</u>	<u>-</u>
Total noncurrent assets	<u>27,396,576</u>	<u>28,177,189</u>	<u>3,041,187</u>	<u>58,614,952</u>	<u>-</u>
	<u>\$ 32,989,839</u>	<u>\$ 35,964,195</u>	<u>\$ 3,624,286</u>	<u>\$ 72,578,320</u>	<u>\$ 510,359</u>

City of Aberdeen
Statement of Net Position—Proprietary Funds—Exhibit V
December 31, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Current Liabilities					
201 Claims payable	\$ 11,712	\$ -	\$ -	\$ 11,712	\$ 345,361
202 Accounts payable	106,216	82,771	52,660	241,647	2,348
213 Incurred but not reported claims	-	-	-	-	67,479
215 Accrued interest payable	62,091	79,650	-	141,741	-
216 Accrued wages payable	28,556	20,973	22,088	71,617	-
223 Unearned revenue	66,189	-	-	66,189	-
226 Bonds payable current:					
226.02 Revenue	937,946	834,479	-	1,772,425	-
233 Accrued leave payable	59,457	40,562	28,088	128,107	-
Total current liabilities	<u>1,272,167</u>	<u>1,058,435</u>	<u>102,836</u>	<u>2,433,438</u>	<u>415,188</u>
Noncurrent Liabilities					
231 Bonds payable:					
231.02 Revenue	<u>12,092,715</u>	<u>15,361,142</u>	<u>-</u>	<u>27,453,857</u>	<u>-</u>
Total noncurrent liabilities	<u>12,092,715</u>	<u>15,361,142</u>	<u>-</u>	<u>27,453,857</u>	<u>-</u>
Net Position					
253.10 Net investment in capital assets	14,337,900	11,981,568	3,041,187	29,360,655	-
253.20 Restricted net position, restricted for:					
253.21 Revenue bond debt service	-	1,417,522	-	1,417,522	-
253.90 Unrestricted net position	<u>5,287,057</u>	<u>6,145,528</u>	<u>480,263</u>	<u>11,912,848</u>	<u>95,171</u>
Total net position	<u>19,624,957</u>	<u>19,544,618</u>	<u>3,521,450</u>	<u>42,691,025</u>	<u>95,171</u>
	<u>\$ 32,989,839</u>	<u>\$ 35,964,195</u>	<u>\$ 3,624,286</u>	<u>\$ 72,578,320</u>	<u>\$ 510,359</u>

City of Aberdeen
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds—Exhibit VI
Year Ended December 31, 2013

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
Operating Revenue					
380 Charges for goods and services	\$ 5,195,466	\$ 1,961,158	\$ 1,525,852	\$ 8,682,476	\$ 1,528,501
380 Debt service surcharge	-	1,417,522	-	1,417,522	-
369 Miscellaneous	177,325	29,625	-	206,950	685
Total operating revenue	<u>5,372,791</u>	<u>3,408,305</u>	<u>1,525,852</u>	<u>10,306,948</u>	<u>1,529,186</u>
Operating Expenses					
410 Personal services	1,030,296	824,352	905,545	2,760,193	-
420 Other current expenses	1,914,050	1,095,020	840,520	3,849,590	2,285,740
426.2 Materials (cost of goods sold)	46,532	5,755	-	52,287	-
457 Depreciation	1,013,791	936,265	176,110	2,126,166	-
Total operating expenses	<u>4,004,669</u>	<u>2,861,392</u>	<u>1,922,175</u>	<u>8,788,236</u>	<u>2,285,740</u>
Operating Income (Loss)	<u>1,368,122</u>	<u>546,913</u>	<u>(396,323)</u>	<u>1,518,712</u>	<u>(756,554)</u>
Nonoperating Revenue (Expense)					
330 Operating grants	24,023	-	-	24,023	-
361 Investment earnings	4,738	6,635	91	11,464	6,687
470 Interest expense and fiscal charges	(299,120)	(387,420)	-	(686,540)	-
(492) 366 Gain (loss) on disposition of assets	(2,936)	-	10,776	7,840	-
(429) 369.01 Other	1,150	-	-	1,150	-
Total nonoperating revenue (expense)	<u>(272,145)</u>	<u>(380,785)</u>	<u>10,867</u>	<u>(642,063)</u>	<u>6,687</u>
Income (Loss) Before Contributions and Transfers	1,095,977	166,128	(385,456)	876,649	(749,867)
391.07 Capital contributions	144,502	158,383	-	302,885	-
391.1 Transfers in	165,000	22,925	1,171,922	1,359,847	-
511 Transfers out	(680,832)	(145,420)	(141,910)	(968,162)	-
Change in Net Position	<u>724,647</u>	<u>202,016</u>	<u>644,556</u>	<u>1,571,219</u>	<u>(749,867)</u>
Net Position - Beginning, as previously stated	19,032,742	19,342,602	2,876,894	41,252,238	845,038
Adjustments:					
Change in reporting, GASB 65 (see Note 16)	(132,432)	-	-	(132,432)	-
Net Position - Beginning, as restated	<u>18,900,310</u>	<u>19,342,602</u>	<u>2,876,894</u>	<u>41,119,806</u>	<u>845,038</u>
Net Position - Ending	<u>\$ 19,624,957</u>	<u>\$ 19,544,618</u>	<u>\$ 3,521,450</u>	<u>\$ 42,691,025</u>	<u>\$ 95,171</u>

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2013

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ 4,845,421	\$ 3,269,390	\$ 1,553,229	\$ 9,668,040	\$ 1,529,186
Payments to suppliers	(1,902,322)	(972,780)	(769,164)	(3,644,266)	-
Payments to employees	(1,025,868)	(820,527)	(898,437)	(2,744,832)	-
Cash payments for interfund services used	-	(22,925)	(71,922)	(94,847)	-
Claims paid	-	-	-	-	(2,028,077)
Cash receipts for interfund services provided	303,122	-	-	303,122	-
Other receipts	180,468	29,625	-	210,093	-
Net Cash from (used for) Operating Activities	<u>2,400,821</u>	<u>1,482,783</u>	<u>(186,294)</u>	<u>3,697,310</u>	<u>(498,891)</u>
Cash Flows from (used for) Noncapital Financing Activities					
Transfers from other funds	165,000	22,925	1,171,922	1,359,847	-
Transfers to other funds	(680,832)	(145,420)	(141,910)	(968,162)	-
Operating grants	24,023	-	-	24,023	-
Net Cash from (used for) Noncapital Financing Activities	<u>(491,809)</u>	<u>(122,495)</u>	<u>1,030,012</u>	<u>415,708</u>	<u>-</u>
Cash Flows from (used for) Capital and Related Financing Activities					
Proceeds from capital debt	-	1,500,000	-	1,500,000	-
Capital contributions	144,502	158,365	-	302,867	-
Purchase of capital assets	(287,312)	(165,383)	(760,000)	(1,212,695)	-
Proceeds from sale of capital assets	-	-	15,000	15,000	-
Principal paid on capital debt	(975,440)	(813,874)	-	(1,789,314)	-
Interest paid on capital debt	(301,494)	(390,803)	-	(692,297)	-
Other receipts (payments)	3,431	-	-	3,431	-
Net Cash from (used for) Capital and Related Financing Activities	<u>(1,416,313)</u>	<u>288,305</u>	<u>(745,000)</u>	<u>(1,873,008)</u>	<u>-</u>
Cash Flows from Investing Activities					
Interest earnings	4,736	6,635	91	11,462	6,687
Net Cash from Investing Activities	<u>4,736</u>	<u>6,635</u>	<u>91</u>	<u>11,462</u>	<u>6,687</u>

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2013

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
Net Change in Cash and Cash Equivalents	497,435	1,655,228	98,809	2,251,472	(492,204)
Balances - Beginning	4,359,969	5,786,437	336,007	10,482,413	1,002,563
Balances - Ending	<u>\$ 4,857,404</u>	<u>\$ 7,441,665</u>	<u>\$ 434,816</u>	<u>\$ 12,733,885</u>	<u>\$ 510,359</u>
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 4,305,539	\$ 6,993,530	\$ 434,816	\$ 11,733,885	\$ 110,359
Investments	551,865	448,135	-	1,000,000	400,000
	<u>\$ 4,857,404</u>	<u>\$ 7,441,665</u>	<u>\$ 434,816</u>	<u>\$ 12,733,885</u>	<u>\$ 510,359</u>
Cash from (used for) Operating Activities					
Operating income (loss)	\$ 1,368,122	\$ 546,913	\$ (396,323)	\$ 1,518,712	\$ (756,554)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:					
Depreciation expense	1,013,791	936,265	176,112	2,126,168	-
Change in assets and liabilities:					
Receivables	24,756	29,201	27,376	81,333	-
Inventories	(46,531)	(5,755)	-	(52,286)	-
Accounts and other payables	(11,019)	(27,665)	(567)	(39,251)	257,663
Accrued wages payable	2,880	2,502	2,593	7,975	-
Accrued leave payable	1,548	1,322	4,515	7,385	-
Revenue collected in advance	47,274	-	-	47,274	-
Net Cash from (used for) Operating Activities	<u>\$ 2,400,821</u>	<u>\$ 1,482,783</u>	<u>\$ (186,294)</u>	<u>\$ 3,697,310</u>	<u>\$ (498,891)</u>

City of Aberdeen
Statement of Net Position—Fiduciary Funds—Exhibit VIII
Year Ended December 31, 2013

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 164,787</u>
	<u>\$ 164,787</u>
Liabilities	
Amounts held for others	<u>\$ 164,787</u>
	<u>\$ 164,787</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:

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

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

The financial statements of the component unit were restated for the year ended December 31, 2013 to include three discretely presented component units that had not been previously included in the financial statements of the Commission. As such, the beginning balances of the Commission presented in this report have been restated to include these component units. 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 funds operations.

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

Park and Recreation Fund – To account for the proceeds from park and recreation revenue sources that are legally restricted to expenditures for park and recreation purposes. This is a major fund.

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

The remaining Special Revenue Funds are reported in the aggregate in the Other Governmental Funds Column on the fund financial statements: Promotion Fund, Park and Recreation Trust Fund, Cemetery Improvement Fund, Business Improvement District Fund, Airport Fund, Parking District Fund, Storm Water Maintenance Fund, Library Fines Fund, and Aberdeen Landmark Commission Fund. These are not major funds.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments). The City has the following capital project fund which is reported in the aggregate in the Other Governmental Funds Column on the fund financial statements: City Hall Remodel Project Fund. This is not a major fund.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. In addition, the City also uses these funds to account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has the following debt service funds which are reported in the aggregate in the Other Governmental Funds Column on the fund financial statements: Parks and Rec AARC Bonds Funds, Parks and Rec Aquatic Center Bonds Fund, Public Safety Bonds Fund, Wylie Park Expansion Bonds Fund, TIF District #2 Fund, TIF District #3 Fund, TIF District #4 Fund, TIF District #6 Fund, TIF District #8 Fund, TIF District #10 Fund, TIF District #11 Fund, TIF District #12 Fund, TIF District #17 Fund, and TIF District #19 Fund. These are not major funds.

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

Proprietary Funds

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise Funds

The City reports the following major enterprise funds:

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

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

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

Fiduciary Funds

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The City considers significant revenues reported in the governmental funds to be available if the revenues are collected within twenty-five days after year end. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City’s policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

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

D. Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

Fund Financial Statements

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

E. Deposits and Investments

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

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

F. Receivables

Business-type activities receivables are composed of amounts owed the City by municipal residents for water, sewer and other services rendered. All trade receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles on trade accounts receivables totals \$347,311 at December 31, 2013.

G. Capital Assets

Primary Government

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

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

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

The total December 31, 2013 balance of governmental activities capital assets includes approximately 22.3% 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:

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

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

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

Component Unit

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

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

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

H. Long-Term Liabilities

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

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

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. In addition, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

I. Program Revenues

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

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

J. Deferred Inflows and Deferred Outflows of Recourses

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

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

K. Proprietary Funds Revenue and Expense Classifications

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

L. Cash and Cash Equivalents

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

M. Equity Classifications

Government-Wide Statements

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

- Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

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

N. Application of Net Position

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

O. Fund Balance Classification Policies and Procedures

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

- Nonspendable Fund Balance - Amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. Restricted assets of the City consist of the vested balance in the reserve fund of the South Dakota Public Assurance Alliance (see Note 12). In addition the component unit, Housing and Redevelopment Commission has escrow deposits restricted by their mortgage lender and other cash deposits restricted by HUD.
- Committed Fund Balance - Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned Fund Balance - Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

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

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

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

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

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

	<u>General Fund</u>	<u>Park and Recreation Fund</u>	<u>Special Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances					
Nonspendable:					
Public assurance alliance reserve	\$ 289,712	\$ -	\$ -	\$ -	\$ 289,712
Inventory	-	-	-	13,600	13,600
Cemetery perpetual care	-	-	-	50,000	50,000
Restricted for:					
Promotion	-	-	-	18,184	18,184
Park and recreation	-	284,802	-	-	284,802
Park and recreation trust	-	-	-	773,547	773,547
Business improvement district	-	-	-	6,167	6,167
Parking	-	-	-	229,293	229,293
Storm water maintenance	-	-	-	272,854	272,854
Library fines	-	-	-	83,758	83,758
Landmark commission	-	-	-	13,762	13,762
Debt service reserve	-	-	-	2,251,173	2,251,173
Cemetery perpetual care	-	-	-	136,425	136,425
Capital projects	-	-	-	300,000	300,000
Committed to:					
Special sales tax	-	-	139,145	-	139,145
Assigned to:					
Applied to next year's budget	275,160	-	-	-	275,160
Cemetery improvement	-	-	-	5,312	5,312
Airport	-	-	-	1,076,096	1,076,096
Unassigned	1,470,620	-	-	(707,688)	762,932
Total fund balances	<u>\$ 2,035,492</u>	<u>\$ 284,802</u>	<u>\$ 139,145</u>	<u>\$ 4,522,483</u>	<u>\$ 6,981,922</u>

P. Rounding

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

Q. Recent Accounting Pronouncements

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

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

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

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

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

Deposits - Primary Government

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

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

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

The actual bank balances at December 31, 2013 were as follows:

Primary Government	Bank Balance
Insured (FDIC/NCUA)	\$ 1,334,280
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	20,189,823
Total deposits	\$ 21,524,103

The carrying amount of deposits on the December 31, 2013 statement of net position was \$21,581,563.

Investments – Primary Government

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

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City's deposit policy follows state statute which requires deposits in excess of the Depository Insurance maximums must be collateralized 100%. As of December 31, 2013, the City's deposits in financial institutions were not exposed to any custodial credit risk. As of December 31, 2013, the City's total deposits of \$21,524,103 (carrying value of \$21,581,563) were covered by insurance or collateral in accordance with the City's deposit policy.

Investments – As of December 31, 2013, the City had the following investments:

Investment	Credit Rating	Maturities	Fair Value
US Bank - First American Treasury Class D Money Market	Not Rated	\$ 1,070	\$ 1,070
US Bank - U.S. Treasury Note (matures on 05/31/14)	AAA	216,127	216,127
Total investments			\$ 217,197

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

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

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

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

Deposits - Component Unit

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

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

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

At December 31, 2013, the actual bank balances were as follows:

	Bank Balance
Insured (FDIC)	\$ 1,207,406
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	650,281
Total deposits	\$ 1,857,687
The Commission's carrying amount of deposits at December 31	\$ 1,819,446

Investments – Component Unit

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

The Commission, through Sherman Apartments, is required under the regulatory agreement with South Dakota Housing Development Authority (SDHDA) to maintain various mortgage escrows and reserve deposits for mortgage payments, payments in lieu of taxes (PILOT-property taxes), hazard insurance, property and equipment replacements, and residual receipts. SDHDA invests these restricted deposits in securities limited to direct general obligations of the U.S. Government, U.S. Government Agencies, direct and general obligations of any state within the United States rated in the two highest categories by a national rating agency, mutual funds invested in securities mentioned above and investment agreements secured by securities mentioned above. Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have a credit risk. In addition to SDHDA requirements, restricted deposits also includes other amounts restricted by lenders or other agreements. The Commission's restricted deposits totaled \$1,992,424 as of December 31, 2013.

Note 3 - Receivables and Payables

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

Note 4 - Inventory

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

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

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

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

Note 5 - Property Taxes

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

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

General Fund	\$5.705
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Note 6 - Due from Other Governments

- General Fund - \$22,168 due from federal government for grants; \$860,557 due from state government for 1% city sales tax; \$106,913 due from state government for local government highway/bridge funds; \$50,870 due from state government for liquor tax reversion funds; and \$44,530 due from county government for taxes and licenses.
- Promotion Fund - \$88,661 due from state government for 1% city sales tax.
- Airport Fund - \$49,335 due from federal government for grant; \$4,193 due from state government for grants.
- Special Sales Tax Fund - \$860,557 due from state government for 1% city sales tax.
- TIF District No. 11 Bond Fund - \$845 due from county government for taxes.
- Water Fund - \$19 due from county government for special assessments.

Note 7 - Changes in Capital Assets

A summary of changes in capital assets of the primary government for the year ended December 31, 2013 is as follows:

Primary Government	Balance 01/01/13	Increases	Decreases	Balance 12/31/13
Governmental Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 9,150,160	\$ 318,424	\$ (25,281)	\$ 9,443,303
Construction work in progress	415,734	101,204	(415,734)	101,204
Total capital assets, not being depreciated	9,565,894	419,628	(441,015)	9,544,507
Capital assets, being depreciated:				
Buildings	35,266,903	93,394	(67,028)	35,293,269
Improvements other than buildings	102,103,585	1,900,661	(293,627)	103,710,619
Machinery and equipment	15,577,773	785,396	(366,859)	15,996,310
Total	152,948,261	2,779,451	(727,514)	155,000,198
Less accumulated depreciation for:				
Buildings	(9,641,208)	(708,401)	9,929	(10,339,680)
Improvements other than buildings	(39,695,537)	(3,245,429)	91,841	(42,849,125)
Machinery and equipment	(11,024,113)	(952,880)	336,557	(11,640,436)
Total accumulated depreciation	(60,360,858)	(4,906,710)	438,327	(64,829,241)
Total capital assets, being depreciated, net	92,587,403	(2,127,259)	(289,187)	90,170,957
Governmental activity capital assets, net	\$ 102,153,297	\$ (1,707,631)	\$ (730,202)	\$ 99,715,464

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 94,927
Public safety	404,646
Public works	3,616,286
Culture and recreation	790,851
Total depreciation expense - governmental activities	\$ 4,906,710

City of Aberdeen
Notes to Financial Statements
December 31, 2013

Primary Government	Balance 01/01/13	Increases	Decreases	Balance 12/31/13
Business-Type Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 721,396	\$ 101,250	\$ -	\$ 822,646
Total capital assets, not being depreciated	721,396	101,250	-	822,646
Capital assets, being depreciated:				
Buildings	61,151,618	402,494	-	61,554,112
Improvements other than buildings	25,842,348	375,581	(45,176)	26,172,753
Machinery and equipment	6,874,706	333,370	(118,289)	7,089,787
Total	93,868,672	1,111,445	(163,465)	94,816,652
Less accumulated depreciation for:				
Buildings	(19,284,028)	(1,187,690)	-	(20,471,718)
Improvements other than buildings	(12,289,512)	(502,861)	42,656	(12,749,717)
Machinery and equipment	(3,480,945)	(435,615)	113,649	(3,802,911)
Total accumulated depreciation	(35,054,485)	(2,126,166)	156,305	(37,024,346)
Total capital assets, being depreciated, net	58,814,187	(1,014,721)	(7,160)	57,792,306
Business-type activity capital assets, net	\$ 59,535,583	\$ (913,471)	\$ (7,160)	\$ 58,614,952
Depreciation expense was charged to functions as follows:				
Business-type activities:				
Water				\$ 1,013,791
Sewer				936,265
Campground				42,867
Golf				54,480
Ambulance				78,763
Total depreciation expense - business-type activities				\$ 2,126,166

The City has active construction projects as of December 31, 2013. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
City Hall Renovations	\$ 101,204	\$ 2,776,298

A summary of changes in capital assets of the component unit for the year ended December 31, 2013 is as follows:

<u>Component Unit</u>	<u>Balance 1/1/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/13</u>
Capital assets, not being depreciated				
Land	\$ 805,229	\$ -	\$ -	\$ 805,229
Capital assets, being depreciated:				
Buildings and improvements	18,067,086	2,027,403	(149,405)	19,945,084
Furniture, equipment and machinery - dwelling	843,129	11,319	(18,050)	836,398
Furniture, equipment and machinery - nondwelling	273,345	57,597	(9,164)	321,778
Construction in progress	215,808	3,369,888	(2,009,799)	1,575,897
Total capital assets, being depreciated	<u>19,399,368</u>	<u>5,466,207</u>	<u>(2,186,418)</u>	<u>22,679,157</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,848,611)	(742,299)	148,650	(7,442,260)
Furniture, equipment and machinery - dwelling	(480,734)	(128,417)	18,040	(591,111)
Furniture, equipment and machinery - nondwelling	(280,389)	(13,122)	9,162	(284,349)
Total accumulated depreciation	<u>(7,609,734)</u>	<u>(883,838)</u>	<u>175,852</u>	<u>(8,317,720)</u>
Total capital assets being depreciated, net	<u>11,789,634</u>	<u>4,582,369</u>	<u>(2,010,566)</u>	<u>14,361,437</u>
Capital assets, net	<u>\$ 12,594,863</u>	<u>\$ 4,582,369</u>	<u>\$ (2,010,566)</u>	<u>\$ 15,166,666</u>

Note 8 - Long-Term Liabilities

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

Primary Government	January 1, 2013	Increases	Decreases	December 31, 2013	Due Within One Year	Interest Paid
Governmental activities:						
Tax increment revenue bonds #2	\$ 2,655,000	\$ -	\$ (105,000)	\$ 2,550,000	\$ 110,000	\$ 140,990
Tax increment revenue bonds #4	93,241	-	(7,949)	85,292	8,465	6,061
Tax increment revenue bonds #6	907,477	-	(205,239)	702,238	219,031	60,982
Tax increment revenue bonds #8	3,018,841	-	(258,197)	2,760,644	191,673	162,534
Tax increment revenue bonds #17	-	1,695,000	-	1,695,000	45,000	-
Sales tax revenue bonds, ARCC	1,755,000	-	(205,000)	1,550,000	205,000	41,038
Sales tax revenue bonds, aquatic center	5,615,000	5,305,000	(5,040,000)	5,880,000	435,000	127,478
Sales tax revenue bonds, public safety buildings	8,321,930	-	(405,856)	7,916,074	410,000	338,968
Sales tax revenue bonds, campground expansion	510,000	-	(30,000)	480,000	35,000	19,463
Compensated absences	560,261	792,820	(789,870)	563,211	563,211	-
Installment purchase contract, mower	25,554	-	(25,554)	-	-	1,802
Installment purchase contract, striper	51,085	-	(51,085)	-	-	-
Total government activities	<u>23,513,389</u>	<u>7,792,820</u>	<u>(7,123,750)</u>	<u>24,182,459</u>	<u>2,222,380</u>	<u>899,316</u>
Business-type activities:						
Water sales tax and revenue bonds	14,003,821	-	(973,160)	13,030,661	937,946	306,494
Sewer revenue bonds	15,509,494	1,500,000	(813,874)	16,195,620	834,479	389,865
Compensated absences	120,721	118,927	(111,542)	128,106	128,106	-
Total business-type activities	<u>29,634,036</u>	<u>1,618,927</u>	<u>(1,898,576)</u>	<u>29,354,387</u>	<u>1,900,531</u>	<u>696,359</u>
Total primary government	<u>\$ 53,147,425</u>	<u>\$ 9,411,747</u>	<u>\$ (9,022,326)</u>	<u>\$ 53,536,846</u>	<u>\$ 4,122,911</u>	<u>\$ 1,595,675</u>
<u>Component Unit</u>						
Mortgages & other note payable	\$ 4,720,849	\$ 1,024,352	\$ (468,109)	\$ 5,277,092	\$ 142,362	\$ 179,516
Compensated absences	21,113	2,543	-	23,656	23,656	-
Total component unit	<u>\$ 4,741,962</u>	<u>\$ 1,026,895</u>	<u>\$ (468,109)</u>	<u>\$ 5,300,748</u>	<u>\$ 166,018</u>	<u>\$ 179,516</u>

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

Advance Refunding

In January 2013, the City issued \$5,305,000 of Sales Tax Revenue Refunding Bonds with a \$47,745 underwriter discount, issuance costs of \$32,600, with interest rates .70% to 2.70%, and a maturity in November 2025. The proceeds of this issue were used to advance refund the Series 2005 Aquatic Park Project Bonds in the amount of \$4,600,000, with interest rates of 4.0% to 5.125%, and a maturity in November 2025. The intent of this refunding was to accommodate the lower interest rates. The new issue will have an economic gain (difference between the present value of the debt service on the old and the new bonds) of approximately \$307,808 for the City.

Liabilities payable at December 31, 2013 is comprised of the following (excluding compensated absences):

Primary Government

Tax Increment Revenue Bonds

Tax Increment Revenue Bonds, District No. 2 totaling \$3,195,000 were issued in 2003. Additional Tax Increment Revenue Bonds, District No. 2 totaling \$510,000 were issued in 2006. The bonds require annual payments ranging from \$105,000 to \$305,000, including interest ranging from 5.10% to 5.5% from the Debt Service Fund, final payment due December 2012. 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. \$ 2,550,000

Tax Increment Revenue Bonds, District No. 4 totaling \$136,829 were issued in 2004. The bonds require annual payments ranging from \$5,114 to \$13,154, including interest at 6.5% from the Debt Service Fund, final payment due August 2021. 85,292

Tax Increment Revenue Bonds, District No. 6 totaling \$1,448,856 were issued in 2008. The bonds require annual payments ranging from \$168,858 to \$249,458, including interest at 6.72% from the Debt Service Fund, final payment due December 2016. 702,238

Tax Increment Revenue Bonds, District No. 8 totaling \$3,800,000 were issued in 2008. The bonds require annual payments ranging from \$65,954 to \$162,644, including interest at 5.5% from the Debt Service Fund, final payment due November 2024. 2,760,644

Tax Increment Revenue Bonds, District No. 17 totaling \$1,695,000 were issued in 2013. The bonds require annual payments ranging from \$45,000 to \$140,000, including interest ranging from 1.5% to 6.0% from the Debt Service Fund, final payment due December 2032. 1,695,000

Sales Tax Revenue Bonds

Sales Tax Revenue Bonds, Park and Recreation ARCC renovations, totaling \$2,835,000 were issued in 2005. The bonds require annual payments ranging from \$160,000 to \$245,000, including interest ranging from 2.7% to 5.25% from the Debt Service Fund, final payment due January 2021. In 2011, \$1,755,000 of bonds were issued to advance refund \$1,650,000 of these bonds, changing the final payment to \$240,000 and interest rates ranging from 1.20% to 3.25%, and final payment due January 2020. 1,550,000

Sales Tax Revenue Bonds, Park and Recreation aquatic center, totaling \$7,505,000 were issued in 2005. The bonds require annual payments ranging from \$195,000 to \$565,000, including interest ranging from 4% to 5.13% from the Debt Service Fund. In 2013, \$5,305,000 of bonds were issued to advance refund \$4,600,000 of these bonds, changing annual payments ranging from \$435,000 to \$550,000, including interest ranging from .70% to 2.70%, final payment due November 2025. 5,880,000

<p>Sales Tax Revenue Bonds, Public Safety projects (police and fire), totaling \$9,865,000 were issued in 2007. The bonds require annual payments ranging from \$275,000 to \$730,000, including interest ranging from 3.75% to 5.5% from the Debt Service Fund, final payment due November 2027. Balance includes unamortized premium of \$151,074.</p>	7,916,074
<p>Sales Tax Revenue Bonds, Parks and Recreation Wylie Park campground expansion, totaling \$580,000, were issued in 2010. The bonds require annual payments ranging from \$10,000 to \$50,000, including interest ranging from 2.5% to 4.25% from the Debt Service Fund, final payment due December 2025.</p>	480,000
<p>Water Revenue Bonds</p>	
<p>The City passed Resolution 03-05-04R, amended in January 2004, to enter into a "Drinking" Water State Revolving Fund" loan agreement for up to \$16,760,000 in July 2003. In 2012, \$12,945,000 of bonds were issued to refund \$12,696,325 of the loan agreement balance remaining. The bonds require annual payments ranging from \$865,000 to \$1,065,000, including interest ranging from 1.00% to 2.90% from the Water Fund, final payment due April 2026. Balance is net of unamortized discount of \$28,015.</p>	12,051,985
<p>Water Sales Tax Revenue Bonds</p>	
<p>The City passed Ordinance 09-08-04, to enter into a "Drinking Water State Revolving Fund" loan agreement for up to \$1,750,000 in September 2009. The debt on the loan agreement totaling \$1,197,106, requires quarterly payments ranging from \$26,771 to \$33,317, including interest at 2.25% from the Water Fund, final payment due October 2021.</p>	978,676
<p>Sewer Revenue Bonds</p>	
<p>The City passed Resolution 05-02-02R, to enter into a "Clean Water State Revolving Fund" loan agreement for up to \$13,218,859 in April 2005. The debt requires quarterly payments ranging from \$92,976 to \$208,617, including interest at 2.25% from the Sewer Fund, final payment due October 2027.</p>	10,053,751
<p>The City passed Resolution 07-04-04R, to enter into a "Clean Water State Revolving Fund" loan agreement for up to \$6,000,000 in April 2007. The debt requires quarterly payments ranging from \$50,898 to \$90,410, including interest at 3.25% from the Sewer Fund, final payment due April 2030.</p>	4,641,869
<p>The City passed Ordinance 13-03-04, to enter into a "Clean Water State Revolving Fund" loan agreement for up to \$1,500,000 in March 2013. The debt requires quarterly payments ranging from \$33,544 to \$41,747, including interest at 2.25% from the Sewer Fund, final payment due January 2024.</p>	1,500,000

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.	\$ 941,269
Lawson View - 6.76% Mortgage note payable with Richman Mortgage Assets Company, due in monthly installments of \$4,545, matures August 2026, secured by first position in substantially all Partnership assets.	663,776
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.	392,433
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% \$500,000 HOME loan from South Dakota Housing Development Authority, \$3,100 monthly payments starting July 2011, due March 2035, secured by a mortgage on all property and equipment.	407,000
Sunshine Park - 6% \$242,000 mortgage note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, yearly payments beginning April 2011, to the extent of available cash flow with entire balance due December 2039, secured by a mortgage and assignment of rents and leases.	214,465
Sunshine Park - 0% \$361,991 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% \$331,841 TCAP mortgage note payable from South Dakota Housing Development Authority, principal due March 2050, secured by a mortgage and assignment of rents and leases.	331,841
Meadow Wood - 0% \$653,300 HOME loan from South Dakota Housing Development Authority, yearly 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 including principal and interest, through May 2021.	653,300
Jackson Heights - 5.8% \$4,000,000 First Dakota National Bank construction note payable, monthly interest only payments due through maturity of this note in February 2015, at that time it will be partially paid off from equity investment of tax credit limited partners and partially converted into a \$796,000 term mortgage note from First Dakota National Bank.	1,024,352

The debt instruments for both the Water Revenue Bonds and Sewer Revenue Bonds, which were issued for the purpose of improving each system, contain provisions which pledge the future revenues of the respective drinking water and wastewater systems as security for the principal and interest payments on the related debt. The amount of the revenue pledged approximates the remaining principal and interest payments on the Water Revenue and Sewer Revenue Bonds, which will not be available for other purposes until approximately 2026 and 2030, respectively. Approximately 100% of each system's usage and service revenues are considered pledged. For the Water Revenue Bonds, principal and interest paid and total customer revenues for 2013 were \$1,281,934 and \$5,178,595, respectively. For the Sewer Revenue Bonds, principal and interest paid and total customer revenues for 2013 were \$1,203,739 and \$3,375,868, respectively.

The loan agreements for both the Water Revenue Bonds and Sewer Revenue Bonds contain requirements for the City to comply with certain covenants relating to net revenues available for debt service. As of December 31, 2013, the City was in compliance with the net revenues available for debt service on both the Water Revenue Bonds and Sewer Revenue Bonds.

Tax Incremental Revenue Bonds

In July 2002, the City passed a resolution creating Tax Increment District No. 2. In September 2003, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$3,195,000. In June 2006, a resolution was passed authorizing an additional issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$510,000. Bonds in the amount \$3,705,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 2. Incremental property taxes were projected to produce 106% of the debt service requirements over the life of the bonds. In 2011 the Series 2003B and 2006C bonds of \$1,250,000 were refunded by Series 2011 Bonds of \$1,250,000 to change the final payment of \$80,000 plus interest due to December 2029. Total principal and interest remaining on the bonds is \$3,796,845, payable through December 2029. For 2013, principal and interest paid and total incremental property tax revenues were \$245,773 and \$290,058, 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 \$112,066, payable through August 2021. For 2013, principal and interest paid and total incremental property tax revenues were \$14,009 and \$12,968, respectively.

In April 2007, the City passed a resolution creating Tax Increment District No. 6. In August 2008, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 6 not to exceed \$1,600,000. In October 2008, an ordinance was passed to amend the amount of the authorized issuance of Tax Increment Revenue Bonds for District No. 6 to \$1,448,856. Bonds in the amount \$1,448,856 have been issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 6. Incremental property taxes were projected to produce 116% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$798,664, payable through December 2016. For 2013, principal and interest paid and total incremental property tax revenues were \$266,221 and \$376,260, respectively.

In November 2007, the City passed a resolution creating Tax Increment District No. 8. In December 2007, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 8 in the amount of \$3,500,000. In January 2008, a resolution was passed to amend the project plan and an ordinance was then passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 8 in the amount of \$4,500,000. Bonds in the amount of \$3,800,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 8. Incremental property taxes were projected to produce 105% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$3,704,267, payable through May 2025. For 2013, principal and interest paid and total incremental property tax revenues were \$420,731 and \$420,730, respectively.

In October 2012, the City passed a resolution creating Tax Incremental District No. 17. In January 2013, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 17 to provide funds not exceed the amount of \$1,500,000 for project costs. Bonds in the amount of \$1,695,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 17. Incremental property taxes were projected to produce 180% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$2,743,338, payable through December 2034. For 2013, no principal or interest payments were made.

In August 2013, the City passed a resolution creating Tax Incremental District No. 19. In September 2013, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 19 to provide funds not exceed the amount of \$2,500,000 for project costs. Bonds in the amount of \$1,935,200 have been issued in January 2014, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 19. Incremental property taxes were projected to produce at least 105% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$2,799,175, payable through June 2033. For 2013, no principal or interest payments were made.

In addition, the City has also authorized the issuance of Series 2014A and 2014B sales tax revenue bonds in the total amounts of \$3,940,000 and \$1,135,000 for city hall renovations and acquisition of the Old Federal Building. Interest rates for the Series 2014A bonds were 2.65% - 4.50% and are tax exempt bonds for City Hall renovations. Interest rates for the Series 2014B bonds were 1.5% - 4.0% and are taxable bonds.

The Tax Increment Revenue Bonds, District Nos. 2, 4, 6, 8, 17, and 19 do not pledge the general credit or taxing powers of the City of Aberdeen. The bonds are payable solely from the tax increment payments received and other revenues derived by the City from the Tax Increment Revenue Bonds, District Nos. 2, 4, 6, 8, 17, and 19.

Subsequent to year-end, the City has authorized a loan from State Revolving Loan Funds in the amount of \$1,500,000 for financing of the Kline Street project. The payments for this loan will be paid from regular operating revenues from the wastewater fund, and a transfer will be made to reimburse the Special Sales Tax Fund for costs incurred for the project. Interest rate for this loan is 2.25%.

The annual requirements to maturity for all debt outstanding as of December 31, 2013, 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
2014	\$ 574,168	\$ 413,069	\$ 1,085,000	\$ 515,513	\$ 142,362	\$ 131,220
2015	615,124	387,439	1,120,000	479,858	1,171,023	122,111
2016	657,701	353,172	1,160,000	441,055	151,773	112,209
2017	430,779	316,128	1,185,000	404,533	162,536	101,446
2018	454,020	294,632	1,220,000	365,315	174,235	89,747
2019-2023	2,742,356	1,084,165	5,985,000	1,280,895	564,696	284,857
2024-2028	1,734,028	430,699	3,920,000	329,503	598,172	141,675
2029-2033	584,998	82,700	-	-	713,900	51,500
2034-2038	-	-	-	-	403,433	51,500
2039-2043	-	-	-	-	776,456	10,300
2044-2048	-	-	-	-	-	-
2049-2050	-	-	-	-	331,841	-
	<u>\$ 7,793,174</u>	<u>\$ 3,362,004</u>	<u>\$ 15,675,000</u>	<u>\$ 3,816,672</u>	<u>\$ 5,190,427</u>	<u>\$ 1,096,565</u>

Year Ending December 31	Water Revenue Bonds		Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 937,946	\$ 288,507	\$ 935,679	\$ 394,006
2015	950,509	274,525	993,232	378,434
2016	968,129	258,204	1,018,050	353,616
2017	985,810	239,436	1,043,506	328,160
2018	1,003,551	218,365	1,069,617	302,049
2019-2023	5,097,731	736,375	5,763,929	1,094,402
2024-2028	3,115,000	134,528	4,839,960	381,557
2029-2032	-	-	531,647	15,221
	<u>\$ 13,058,676</u>	<u>\$ 2,149,940</u>	<u>\$ 16,195,620</u>	<u>\$ 3,247,445</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. The City of Aberdeen, the State of South Dakota, or any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2013, there were four revenue bond issues of this type outstanding. The balance of the three revenue bonds issued after July 1, 1995, was \$4,746,668. The aggregate outstanding balance of the remaining one revenue bond issued before July 1, 1995, could not be practically determined; however, the original issue totaled \$500,000.

Note 10 - Interfund Balances and Activity

Transfers to/from other funds during the year ended December 31, 2013 consist of the following:

From the general fund to parks and recreation fund to supplement other funds sources	\$ 3,122,490
From the general fund to the airport fund to supplement other funds sources	502,265
From the general fund to the golf fund to supplement other funds sources	120,000
From the general fund to the ambulance fund to supplement other funds sources	140,000
From the special sales tax fund to the parks and recreation fund to supplement other funds sources	130,000
From the special sales tax fund to the airport fund to supplement other funds sources	175,925
From the special sales tax fund to the debt service funds to supplement other funds sources	1,386,000
From the special sales tax fund to the water fund to supplement other fund sources	165,000
From the special sales tax fund to the ambulance fund to supplement other fund sources	140,000
From the special sales tax fund to the old federal building fund to supplement other fund sources	700,000
From the special sales tax fund to the city hall project fund to supplement other fund sources	300,000
From the park and rec trust fund to the special sales tax fund to supplement other funds sources	32,337
From the debt service funds to the general fund to supplement other funds sources	138,941
From the water fund to the general fund to supplement other funds sources	238,412
From the water fund to the parks and recreation fund to supplement other funds sources	177,624
From the water fund to the special sales tax fund to supplement other funds sources	165,000
From the water fund to the airport fund to supplement other funds sources	3,474
From the water fund to the storm water maintenance fund to supplement other funds sources	1,475
From the water fund to the sewer fund to supplement other funds sources	22,925
From the water fund to the golf fund to supplement other funds sources	71,922
From the sewer fund to the general fund to supplement other funds sources	145,420
From the campground fund to the general fund to supplement other funds sources	31,640
From the campground fund to the special sales tax fund to supplement other funds sources	56,000
From the golf fund to the general fund to supplement other funds sources	11,990
From the ambulance fund to the general fund to supplement other funds sources	42,280
	\$ 8,021,120

Note 11 - Restricted Net Position

The following table shows the net position restricted for other purposes as shown on the government-wide statement of net position as of December 31, 2013:

Fund	Restricted By	Amount
Promotion fund	State Law	\$ 98,010
Park and recreation fund	State Law	284,802
Park recreation trust fund	State Law	773,547
Business improvement district fund	State Law	6,167
Parking fund	State Law	229,293
Storm water maintenance fund	State Law	286,454
Library fines fund	State Law	83,758
Aberdeen landmark commission	State Law	13,762
General fund - SD public assurance alliance	Contractual Agreement	289,712
		\$ 2,065,505

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, 2013, the City managed its risks as follows:

Employee Health Insurance

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

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

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

The City purchases commercial insurance for the life insurance and accidental death and dismemberment coverages provided. The City purchases stop loss insurance on their health insurance coverage which limits their risk to \$75,000 per individual and \$400,000 on one identified individual with an aggregate of approximately \$1,908,908.

All funds of the City which pay employee wages participate in the program and make payments to the Self-Funded Insurance Fund. The Self-Funded Insurance Fund makes payments to Dakotacare Administrative Services (DAS) based on actual expenses needed to pay current claims and to purchase stop loss insurance coverage of \$75,000 per individual and \$400,000 on one identified individual. Net position of \$82,177 is available as of December 31, 2013 for future claims and premium increases. The amount of claim liabilities for the years ended December 31, 2013, 2012, and 2011 were \$412,840, \$51,595, and \$51,110, respectively.

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

	Balance at January 1	Claims and Changes in Estimates	Claim Payments	Balance at December 31
2013	\$ 51,595	\$ 1,849,059	\$ 1,487,814	\$ 412,840
2012	51,110	1,311,339	1,310,854	51,595
2011	46,920	1,256,211	1,252,021	51,110

Liability Insurance

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

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

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

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

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

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

As of December 31, 2013, the City has vested balance in the cumulative reserve fund of \$289,712.

Worker's Compensation

The City participates in the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate costs of the experience to date of the fund members. Coverage limits are set by state statute. The pool pays for the first \$750,000 of any claim per individual. The pool has reinsurance that covers the statutory benefit per individual per incident.

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

Unemployment Benefits

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

The City has net position in the Unemployment Compensation Fund in the amount of \$12,994 as of December 31, 2013 for the payment of future unemployment benefits.

During the year ended December 31, 2013, 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, 2013, the Commission managed its risks by purchasing liability insurance from a commercial carrier for risks related to torts, theft or damage of property, and errors and omissions; and liability insurance for workmen's compensation. The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 13 - Retirement Plan

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

Class A, general employees are required by state statute to contribute 6% of their salary to the plan, while Class B, public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal year ended December 31, 2013, 2012, and 2011 were \$779,610, \$764,034, and \$755,539, respectively, equal to the required contributions each year.

Note 14 - Litigation

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

Note 15 - Commitments

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

- a. Northeast Regional Health and Fitness Center - \$250,000 annually for 2014 through 2016; for a total of \$750,000
- b. Clark Swisher Athletic Complex: \$155,200 annually through 2014; for a total of \$155,200

Note 16 - Implementation of New Accounting Standards

In March, 2012 GASB issued Statement No. 65 "Item Previously Reported as Assets and Liabilities." Statement 65 is effective for financial statements for periods beginning after December 15, 2012. The City has adopted GASB 65 starting with the year ended December 31, 2013. The provisions were applied retroactively to the beginning January 1, 2013 net position. GASB 65 requires the debt issuance costs to be recognized as an expense in the period incurred, not deferred and amortized over the life of the debt, as was previously done. GASB 65 also required the term "deferred" to be used only in conjunction with deferred outflows and deferred inflows of resources that are specified by GASB. To date, the only deferred inflows of resources that are applicable to the City are specified in GASB Statement No. 65.

The retroactive application of the standard has resulted in a cumulative adjustment to the opening balances as of January 1, 2013 consisting of a decrease in net position of \$120,548 for the governmental activities on the government-wide financial statements, a decrease in net position of \$132,432 for the business-type activities on the government-wide financial statements, and a decrease in net position of \$132,432 for the water fund on the proprietary financial statements to account for deferred debt issuance costs which are now expensed.

Note 17 - Correction of Error

During the current year, it was determined that certain delinquent property taxes and special assessments receivables of \$232,169 were incorrectly classified as revenue instead of deferred inflows in prior periods, since these delinquent amounts do not meet the criteria of being "available" for revenue recognition as defined in Note 1 to the financial statements above. To correct this error, beginning fund balance as of January 1, 2013 for the general fund of \$1,315,107, as originally reported, has been decreased by \$232,169 to \$1,082,938.



Required Supplementary Information
December 31, 2013

City of Aberdeen

City of Aberdeen
 Budgetary Comparison Schedule—General Fund
 Year Ended December 31, 2013

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
311 General property taxes	\$ 7,311,000	\$ 7,311,000	\$ 7,199,850	\$ (111,150)
313 General sales and use taxes	8,085,000	8,085,000	8,492,400	407,400
319 Penalties and interest on delinquent taxes	10,000	10,000	21,401	11,401
320 Licenses and permits	416,250	416,250	436,668	20,418
330 Intergovernmental revenue:				
331 Federal grants	330,000	330,000	462,069	132,069
334 State grants	65,000	65,000	66,929	1,929
335 State shared revenue:				
335.01 Bank franchise tax	65,000	65,000	89,348	24,348
335.02 Motor vehicle commercial prorated	25,000	25,000	25,624	624
335.03 Liquor tax reversion	150,000	150,000	172,505	22,505
335.04 Motor vehicle licenses (5%)	95,000	95,000	140,700	45,700
335.06 Fire insurance premiums reversion	60,000	60,000	66,003	6,003
335.08 Local government highway and bridge fund	380,000	380,000	491,113	111,113
335.20 Other	118,500	118,500	117,330	(1,170)
336 State payments in lieu of taxes	-	-	5,783	5,783
338 County shared revenue:				
338.02 County HBR tax	20,500	20,500	20,440	(60)
338.03 County wheel tax	8,500	8,500	8,746	246
340 Charge for goods and services:				
341 General government	56,000	56,000	63,257	7,257
342 Public safety	84,500	84,500	80,235	(4,265)
343 Highways and streets	110,000	110,000	139,869	29,869
344 Sanitation	1,245,500	1,245,500	1,213,942	(31,558)
345 Health	5,000	5,000	29,200	24,200
346 Culture and recreation	2,500	2,500	3,088	588
349 Other	180,000	180,000	194,521	14,521
350 Fines and forfeits:				
351 Court fines and costs	35,000	35,000	29,210	(5,790)
359 Other	-	-	586	586
360 Miscellaneous revenue:				
361 Investment earnings	40,000	40,000	11,410	(28,590)
362 Rentals	195,000	195,000	251,254	56,254
367 Contributions and donations from private sources	21,500	21,500	29,702	8,202
369 Other	36,500	36,500	66,092	29,592
Total revenues	<u>19,151,250</u>	<u>19,151,250</u>	<u>19,929,275</u>	<u>778,025</u>

City of Aberdeen
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2013

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government:				
411 Legislative				
411.5 Contingency	300,000	292,000		
Amount transferred				292,000
412 Executive	380,350	412,350	385,216	27,134
414 Financial administration	1,023,800	1,040,800	992,620	48,180
419 Other	1,517,600	1,520,600	1,316,662	203,938
Total general government	<u>3,221,750</u>	<u>3,265,750</u>	<u>2,694,498</u>	<u>571,252</u>
420 Public safety:				
421 Police	3,906,750	3,912,750	3,795,800	116,950
422 Fire	2,396,150	2,979,150	2,906,622	72,528
423 Protective inspection	191,700	191,700	181,473	10,227
Total public safety	<u>6,494,600</u>	<u>7,083,600</u>	<u>6,883,895</u>	<u>199,705</u>
430 Public works:				
431 Highways and streets	2,724,140	3,267,140	2,750,612	516,528
432 Sanitation	1,363,100	1,363,100	1,206,988	156,112
439 Transit	618,700	652,700	597,061	55,639
Total public works	<u>4,705,940</u>	<u>5,282,940</u>	<u>4,554,661</u>	<u>728,279</u>
440 Health and welfare:				
445 Drug education	63,950	63,950	51,537	12,413
449 Other	23,620	23,620	19,609	4,011
Total health and welfare	<u>87,570</u>	<u>87,570</u>	<u>71,146</u>	<u>16,424</u>
450 Culture and recreation:				
451 Recreation	28,040	28,040	27,909	131
455 Libraries	1,063,850	1,068,850	950,676	118,174
Total culture and recreation	<u>1,091,890</u>	<u>1,096,890</u>	<u>978,585</u>	<u>118,305</u>
460 Conservation and development:				
465 Economic development and assistance (industrial development)	522,800	2,202,800	2,054,479	148,321
Total conservation and development	<u>522,800</u>	<u>2,202,800</u>	<u>2,054,479</u>	<u>148,321</u>
470 Debt service	51,085	51,085	51,085	-
Total expenditures	<u>16,175,635</u>	<u>19,070,635</u>	<u>17,288,349</u>	<u>1,782,286</u>
Excess of Revenue over (under) Expenditures	<u>2,975,615</u>	<u>80,615</u>	<u>2,640,926</u>	<u>2,560,311</u>
Other Financing Sources (Uses)				
391.01 Transfers in	444,040	532,540	641,020	108,480
511 Transfers out	(3,884,755)	(3,934,755)	(3,884,755)	50,000
391.02 Proceeds of general long-term debt issued	-	-	1,500,000	1,500,000
391.03 Sale of municipal property	20,000	20,000	27,431	7,431
391.04 Compensation for loss or damage to capital assets	20,000	20,000	27,932	7,932
Total other financing sources (uses)	<u>(3,400,715)</u>	<u>(3,362,215)</u>	<u>(1,688,372)</u>	<u>1,673,843</u>
Net Change in Fund Balances	(425,100)	(3,281,600)	952,554	4,234,154
Fund Balance - Beginning, as restated	<u>1,082,938</u>	<u>1,082,938</u>	<u>1,082,938</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 657,838</u>	<u>\$ (2,198,662)</u>	<u>\$ 2,035,492</u>	<u>\$ 4,234,154</u>

City of Aberdeen
 Budgetary Comparison Schedule—Park and Recreation Fund
 Year Ended December 31, 2013

	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	\$ 86,258	\$ 36,258
334 State grants	10,000	10,000	-	(10,000)
340 Charge for goods and services:				
346 Culture and recreation	584,740	584,740	561,011	(23,729)
348 Cemetery	25,000	25,000	44,318	19,318
360 Miscellaneous revenue:				
361 Investment earnings	50	50	25	(25)
Total revenues	<u>669,790</u>	<u>669,790</u>	<u>691,612</u>	<u>21,822</u>
Expenditures				
450 Culture and recreation:				
451 Recreation	2,537,295	2,737,995	2,607,926	130,069
452 Parks	1,432,635	1,568,435	1,515,691	52,744
Total culture and recreation	<u>3,969,930</u>	<u>4,306,430</u>	<u>4,123,617</u>	<u>182,813</u>
470 Debt service	27,350	27,350	27,356	(6)
Total expenditures	<u>3,997,280</u>	<u>4,333,780</u>	<u>4,150,973</u>	<u>182,807</u>
Excess of Revenue over (under) Expenditures	<u>(3,327,490)</u>	<u>(3,663,990)</u>	<u>(3,459,361)</u>	<u>204,629</u>
Other Financing Sources (Uses)				
391.01 Transfers in	3,252,490	3,492,490	3,430,114	(62,376)
391.04 Compensation for loss or damage to capital assets	-	-	600	600
Total other financing sources (uses)	<u>3,252,490</u>	<u>3,492,490</u>	<u>3,430,714</u>	<u>(61,776)</u>
Net Change in Fund Balances	(75,000)	(171,500)	(28,647)	142,853
Fund Balance - Beginning	<u>313,449</u>	<u>313,449</u>	<u>313,449</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 238,449</u>	<u>\$ 141,949</u>	<u>\$ 284,802</u>	<u>\$ 142,853</u>

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Special Sales Tax Fund
 Year Ended December 31, 2013

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
313 General sales and use taxes	\$ 7,725,000	\$ 7,725,000	\$ 8,166,684	\$ 441,684
330 Intergovernmental revenue:				
331 Federal grants	1,000,000	1,000,000	-	(1,000,000)
360 Miscellaneous revenue:				
361 Investment earnings	5,000	5,000	694	(4,306)
363 Special assessments	200,000	200,000	-	(200,000)
369 Other	-	-	11,135	11,135
Total revenues	<u>8,930,000</u>	<u>8,930,000</u>	<u>8,178,513</u>	<u>(751,487)</u>
Expenditures				
410 General government:				
419 Other	516,000	1,076,500	1,026,968	49,532
Total general government	<u>516,000</u>	<u>1,076,500</u>	<u>1,026,968</u>	<u>49,532</u>
420 Public safety:				
422 Fire	130,000	130,000	-	130,000
429 Other protection	283,875	283,875	356,692	(72,817)
Total public safety	<u>413,875</u>	<u>413,875</u>	<u>356,692</u>	<u>57,183</u>
430 Public works:				
431 Highways and streets	5,184,000	5,184,000	3,967,744	1,216,256
432 Sanitation	225,000	225,000	36,099	188,901
433 Water	190,000	190,000	2,959	187,041
Total public works	<u>5,599,000</u>	<u>5,599,000</u>	<u>4,006,802</u>	<u>1,592,198</u>
450 Culture and recreation:				
451 Recreation	50,000	171,000	166,608	4,392
452 Parks	282,000	363,000	320,306	42,694
455 Libraries	100,000	100,000	9,979	90,021
Total culture and recreation	<u>432,000</u>	<u>634,000</u>	<u>496,893</u>	<u>137,107</u>
460 Conservation and development:				
465 Economic development and assistance (industrial development)	405,200	405,200	405,000	200
Total conservation and development	<u>405,200</u>	<u>405,200</u>	<u>405,000</u>	<u>200</u>
Total expenditures	<u>7,366,075</u>	<u>8,128,575</u>	<u>6,292,355</u>	<u>1,836,220</u>
Excess of Revenue over (under) Expenditures	<u>1,563,925</u>	<u>801,425</u>	<u>1,886,158</u>	<u>1,084,733</u>
Other Financing Sources (Uses)				
391.01 Transfers in	221,000	221,000	221,000	-
511 Transfers out	(2,233,925)	(3,233,925)	(2,996,925)	237,000
391.03 Sale of municipal property	-	-	309,700	309,700
Total other financing sources (uses)	<u>(2,012,925)</u>	<u>(3,012,925)</u>	<u>(2,466,225)</u>	<u>546,700</u>
Net Change in Fund Balances	(449,000)	(2,211,500)	(580,067)	1,631,433
Fund Balance - Beginning	719,212	719,212	719,212	-
Fund Balance - Ending	<u>\$ 270,212</u>	<u>\$ (1,492,288)</u>	<u>\$ 139,145</u>	<u>\$ 1,631,433</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, 2012 or December 31, 2013.

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

Note 2 - Budget Reconciliation

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



Supplementary Information
December 31, 2013
City of Aberdeen

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	Promotion Fund	Park and Recreation Trust Fund	Cemetery Improvement Fund	Business Improvement District Fund	Airport Fund	Parking District Fund	Storm Water Maintenance Fund	Library Fines Fund	Aberdeen Landmark Commission Fund	Tax Increment Financing District No. 2 Bonds Fund
Assets										
Cash and cash equivalents	\$ 9,798	\$ 830,281	\$ 5,312	\$ 5,265	\$ 1,062,586	\$ 228,607	\$ 240,839	\$ 83,758	\$ 14,307	\$ 99,943
151 Investments	-	-	-	-	-	-	-	-	-	217,198
110 Taxes receivable, delinquent	-	-	-	902	25,306	788	-	-	-	-
115 Accounts receivable, net	-	-	-	-	21,297	-	44,947	-	-	-
132 Due from federal/state/county government	88,661	-	-	-	53,549	-	-	-	-	-
141 Inventory of supplies	-	-	-	-	-	-	13,600	-	-	-
Total assets	98,459	830,281	5,312	6,167	1,162,738	229,395	299,386	83,758	14,307	317,141
Deferred Outflows of Resources										
198 Other deferred outflows of resources	-	-	-	-	-	-	-	-	-	-
	\$ 98,459	\$ 830,281	\$ 5,312	\$ 6,167	\$ 1,162,738	\$ 229,395	\$ 299,386	\$ 83,758	\$ 14,307	\$ 317,141
Liabilities										
202 Accounts payable	\$ 450	\$ 36,309	\$ -	\$ -	\$ 50,745	\$ 102	\$ 7,905	\$ -	\$ 545	\$ -
216 Accrued wages payable	-	7,836	-	-	10,591	-	5,027	-	-	-
224 Unearned revenue	-	12,589	-	-	-	-	-	-	-	-
Total liabilities	450	56,734	-	-	61,336	102	12,932	-	545	-
Deferred Inflows of Resources										
247 Other deferred inflows of resources	79,826	-	-	-	25,306	-	-	-	-	-
Fund Balances										
263 Nonspendable	-	-	-	-	-	-	13,600	-	-	-
264 Restricted	18,183	773,547	-	6,167	-	229,293	272,854	83,758	13,762	317,141
266 Assigned	-	-	5,312	-	1,076,096	-	-	-	-	-
267 Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	18,183	773,547	5,312	6,167	1,076,096	229,293	286,454	83,758	13,762	317,141
	\$ 98,459	\$ 830,281	\$ 5,312	\$ 6,167	\$ 1,162,738	\$ 229,395	\$ 299,386	\$ 83,758	\$ 14,307	\$ 317,141

City of Aberdeen
 Combining Balance Sheet–Nonmajor Governmental Funds
 December 31, 2013

Tax Increment Financing District No. 4 Bonds Fund	Park and Rec ARCC Bonds Fund	Tax Increment Financing District No. 10 Bonds Fund	Park and Rec Aquatic Center Bonds Funds	Tax Increment Financing District No.6 Bonds Fund	Public Safety Bonds Fund	Tax Increment Financing District No. 12 Bonds Fund	Tax Increment Financing District No.11 Bonds Fund	Wylie Park Campground Expansion Bonds Fund	Tax Increment Financing District No. 3 Bonds Fund	Cemetery Perpetual Care Fund	Tax Increment Financing District No. 17 Bonds Fund	Tax Increment Financing District No. 19 Bonds Fund	City Hall Remodel Project Fund	Total Nonmajor Governmental Funds
\$ 14,111	\$ 251,811	\$ 13	\$ 597,638	\$ 49,717	\$ 766,290	\$ 164	\$ 20	\$ 65,505	\$ 21,193	\$ 186,425	\$ 161,100	\$ -	\$ 300,000	\$ 4,994,683
-	-	-	-	5,180	-	-	8,435	-	446	-	-	-	-	217,198
-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,057
-	-	-	-	-	-	-	845	-	-	-	-	-	-	66,244
-	-	-	-	-	-	-	-	-	-	-	-	-	-	143,055
-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,600
<u>14,111</u>	<u>251,811</u>	<u>13</u>	<u>597,638</u>	<u>54,897</u>	<u>766,290</u>	<u>164</u>	<u>9,300</u>	<u>65,505</u>	<u>21,639</u>	<u>186,425</u>	<u>161,100</u>	<u>-</u>	<u>300,000</u>	<u>5,475,837</u>
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>\$ 14,111</u>	<u>\$ 251,811</u>	<u>\$ 13</u>	<u>\$ 597,638</u>	<u>\$ 54,897</u>	<u>\$ 766,290</u>	<u>\$ 164</u>	<u>\$ 9,300</u>	<u>\$ 65,505</u>	<u>\$ 21,639</u>	<u>\$ 186,425</u>	<u>\$ 161,100</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 5,475,837</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 707,688	\$ -	\$ 803,744
-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,454
-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,589
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	707,688	-	839,787
-	-	-	-	-	-	-	8,435	-	-	-	-	-	-	113,567
-	-	-	-	-	-	-	-	-	-	50,000	-	-	-	63,600
14,111	251,811	13	597,638	54,897	766,290	164	865	65,505	21,639	136,425	161,100	-	300,000	4,085,163
-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,081,408
-	-	-	-	-	-	-	-	-	-	-	-	-	-	(707,688)
<u>14,111</u>	<u>251,811</u>	<u>13</u>	<u>597,638</u>	<u>54,897</u>	<u>766,290</u>	<u>164</u>	<u>865</u>	<u>65,505</u>	<u>21,639</u>	<u>186,425</u>	<u>161,100</u>	<u>(707,688)</u>	<u>300,000</u>	<u>4,522,483</u>
<u>\$ 14,111</u>	<u>\$ 251,811</u>	<u>\$ 13</u>	<u>\$ 597,638</u>	<u>\$ 54,897</u>	<u>\$ 766,290</u>	<u>\$ 164</u>	<u>\$ 9,300</u>	<u>\$ 65,505</u>	<u>\$ 21,639</u>	<u>\$ 186,425</u>	<u>\$ 161,100</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 5,475,837</u>

	Promotion Fund	Park and Recreation Trust	Cemetery Improvement Fund	Business Improvement District Fund	Airport Fund	Parking District Fund	Storm Water Maintenance Fund	Library Fines Fund	Aberdeen Landmark Commission Fund	Tax Increment Financing District No. 2 Bonds Fund	Tax Increment Financing District No. 4 Bonds Fund
Revenues											
310 Taxes:											
311 General property taxes	\$ -	\$ -	\$ -	\$ 61,360	\$ -	\$ 82,318	\$ -	\$ -	\$ -	\$ 290,058	\$ 12,968
312 Airlight property tax	-	-	-	-	6,778	-	-	-	-	-	-
313 General sales and use taxes	956,671	-	-	-	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	143	-	150	-	-	-	-	-
330 Intergovernmental revenue:											
331 Federal grants	-	28,750	-	-	565,424	-	-	-	312	-	-
334 State grants	-	-	-	-	43,663	-	-	-	-	-	-
340 Charges for goods and services:											
344 Sanitation	-	-	-	-	-	-	521,475	-	-	-	-
346 Culture and recreation	-	738,614	-	-	-	-	-	-	-	-	-
348 Cemetery	-	-	2,130	-	-	-	-	-	-	-	-
349 Other	-	-	-	-	296,812	-	-	-	-	-	-
350 Fines and forfeits:											
354 Library	-	-	-	-	-	-	-	15,474	-	-	-
359 Other	-	-	-	-	1,365	-	-	-	-	-	-
360 Miscellaneous revenue:											
361 Investment earnings	8	289	38	-	219	83	89	-	5	6,397	5
362 Rentals	-	-	-	-	-	13,109	-	-	-	-	-
367 Contributions and donations from private sources	-	323,844	188	-	-	-	-	-	-	-	-
369 Other	-	-	-	-	3,441	-	-	-	-	-	-
Total revenues	956,679	1,091,497	2,356	61,503	917,702	95,660	521,564	15,474	317	296,455	12,973
Expenditures											
430 Public works:											
432 Sanitation	-	-	-	-	-	-	376,540	-	-	-	-
435 Airport	-	-	-	-	1,382,356	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	59,208	-	-	-	-	-
437 Cemeteries	-	-	3,270	-	-	-	-	-	-	-	-
Total public works	-	-	3,270	-	1,382,356	59,208	376,540	-	-	-	-
450 Culture and recreation:											
451 Recreation	-	387,417	-	-	-	-	-	-	-	-	-
452 Parks	-	490,571	-	-	-	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-	-	10,931	-	-	-
457 Historical preservation	-	-	-	-	-	-	-	-	943	-	-
Total culture and recreation	-	877,988	-	-	-	-	-	10,931	943	-	-
460 Conservation and development:											
465 Economic development and assistance (industrial development)	962,199	-	-	57,126	-	-	-	-	-	-	-
Total conservation and development	962,199	-	-	57,126	-	-	-	-	-	-	-
470 Debt service:											
Principal and interest	-	-	-	-	-	-	-	-	-	245,733	14,009
Bond issuance costs	-	-	-	-	-	-	-	-	-	-	-
Total debt service	-	-	-	-	-	-	-	-	-	245,733	14,009
490 Miscellaneous:											
492 Other expenditures	-	-	-	-	-	-	-	-	-	-	-
Total miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	962,199	877,988	3,270	57,126	1,382,356	59,208	376,540	10,931	943	245,733	14,009
Excess of revenue over (under) expenditures	(5,520)	213,509	(914)	4,377	(464,654)	36,452	145,024	4,543	(626)	50,722	(1,036)
Other Financing Sources (Uses)											
391.01 Transfers in:											
511 Transfers out	-	(32,337)	-	-	681,664	-	1,475	-	-	-	-
513 Payments to refunded debt escrow agent	-	-	-	-	-	-	-	-	-	-	-
391.04 Compensation for loss or damage to capital assets	-	-	-	-	700	-	-	-	-	-	-
391.20 Long-term debt issued	-	-	-	-	-	-	-	-	-	-	-
391.21 Refunding bonds	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(32,337)	-	-	682,364	-	1,475	-	-	-	-
Net Change in Fund Balances	(5,520)	181,172	(914)	4,377	217,710	36,452	146,499	4,543	(626)	50,722	(1,036)
Fund Balance - Beginning	23,703	592,375	6,226	1,790	858,386	192,841	139,955	79,215	14,388	266,419	15,147
Fund Balance - Ending	\$ 18,183	\$ 773,547	\$ 5,312	\$ 6,167	\$ 1,076,096	\$ 229,293	\$ 286,454	\$ 83,758	\$ 13,762	\$ 317,141	\$ 14,111

City of Aberdeen
Combining Statement of Net Position–Nonmajor Enterprise Funds
December 31, 2013

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Old Federal Building Fund	Campground Fund	Golf Fund	Ambulance Fund	
Current Assets					
Cash and cash equivalents	\$ 192,071	\$ 20,307	\$ 103,011	\$ 119,427	\$ 434,816
115 Accounts receivable, net	-	-	-	148,283	148,283
Total current assets	<u>192,071</u>	<u>20,307</u>	<u>103,011</u>	<u>267,710</u>	<u>583,099</u>
Noncurrent Assets					
Capital assets:					
160 Land	101,250	-	350,500	-	451,750
162 Buildings	402,494	826,419	185,698	-	1,414,611
164 Improvements other than buildings	-	730,927	223,778	-	954,705
166 Machinery and equipment	-	19,750	486,175	936,090	1,442,015
Less accumulated depreciation (credit)	-	(268,286)	(610,363)	(343,245)	(1,221,894)
Total noncurrent assets	<u>503,744</u>	<u>1,308,810</u>	<u>635,788</u>	<u>592,845</u>	<u>3,041,187</u>
	<u>\$ 695,815</u>	<u>\$ 1,329,117</u>	<u>\$ 738,799</u>	<u>\$ 860,555</u>	<u>\$ 3,624,286</u>
Current Liabilities					
202 Accounts payable	\$ 8,344	\$ 2,175	\$ 18,719	\$ 23,422	\$ 52,660
216 Accrued wages payable	-	124	2,877	19,087	22,088
233 Accrued leave payable	-	-	1,715	26,373	28,088
Total current liabilities	<u>8,344</u>	<u>2,299</u>	<u>23,311</u>	<u>68,882</u>	<u>102,836</u>
Noncurrent Liabilities					
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position					
253.10 Net investment in capital assets	503,744	1,308,810	635,788	592,845	3,041,187
253.90 Unrestricted net position	183,727	18,008	79,700	198,828	480,263
Total net position	<u>687,471</u>	<u>1,326,818</u>	<u>715,488</u>	<u>791,673</u>	<u>3,521,450</u>
	<u>\$ 695,815</u>	<u>\$ 1,329,117</u>	<u>\$ 738,799</u>	<u>\$ 860,555</u>	<u>\$ 3,624,286</u>

City of Aberdeen

Combining Statement of Revenues, Expenses and Changes in Net Position–Nonmajor Enterprise Funds
Year Ended December 31, 2013

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Old Federal Building Fund	Campground Fund	Golf Fund	Ambulance Fund	
Operating Revenue					
380 Charges for goods and services	\$ -	\$ 309,099	\$ 391,590	\$ 825,163	\$ 1,525,852
Total operating revenue	<u>-</u>	<u>309,099</u>	<u>391,590</u>	<u>825,163</u>	<u>1,525,852</u>
Operating Expenses					
410 Personal services	-	70,659	152,319	682,567	905,545
420 Other current expenses	12,529	221,488	346,599	259,904	840,520
457 Depreciation	-	42,867	54,480	78,763	176,110
Total operating expenses	<u>12,529</u>	<u>335,014</u>	<u>553,398</u>	<u>1,021,234</u>	<u>1,922,175</u>
Operating Loss	<u>(12,529)</u>	<u>(25,915)</u>	<u>(161,808)</u>	<u>(196,071)</u>	<u>(396,323)</u>
Nonoperating Revenue					
361 Investment earnings	-	50	15	26	91
(492) 366 Gain (loss) on disposition of assets	-	-	2,686	8,090	10,776
Total nonoperating revenue (expense)	<u>-</u>	<u>50</u>	<u>2,701</u>	<u>8,116</u>	<u>10,867</u>
Loss Before Contributions, Special Items and Extraordinary Items	(12,529)	(25,865)	(159,107)	(187,955)	(385,456)
391.1 Transfers in	700,000	-	191,922	280,000	1,171,922
511 Transfers out	-	(87,640)	(11,990)	(42,280)	(141,910)
Change in Net Position	687,471	(113,505)	20,825	49,765	644,556
Net Position - Beginning	<u>-</u>	<u>1,440,323</u>	<u>694,663</u>	<u>741,908</u>	<u>2,876,894</u>
Net Position - Ending	<u>\$ 687,471</u>	<u>\$ 1,326,818</u>	<u>\$ 715,488</u>	<u>\$ 791,673</u>	<u>\$ 3,521,450</u>

City of Aberdeen
Combining Statement of Cash Flows–Nonmajor Enterprise Funds
Year Ended December 31, 2013

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Old Federal Building Fund	Campground Fund	Golf Fund	Ambulance Fund	
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ -	\$ 309,099	\$ 391,590	\$ 852,540	\$ 1,553,229
Payments to suppliers	(4,185)	(222,967)	(265,733)	(276,279)	(769,164)
Payments to employees	-	(70,621)	(151,396)	(676,420)	(898,437)
Internal activity - payments to other funds	-	-	(71,922)	-	(71,922)
Net Cash from (used for) Operating Activities	<u>(4,185)</u>	<u>15,511</u>	<u>(97,461)</u>	<u>(100,159)</u>	<u>(186,294)</u>
Cash Flows from (used for) Noncapital Financing Activities					
Transfers from other funds	700,000	-	191,922	280,000	1,171,922
Transfers to other funds	-	(87,640)	(11,990)	(42,280)	(141,910)
Net Cash from (used for) Noncapital Financing Activities	<u>700,000</u>	<u>(87,640)</u>	<u>179,932</u>	<u>237,720</u>	<u>1,030,012</u>
Cash Flows from (used for) Capital and Related Financing Activities					
Purchase of capital assets	(503,744)	-	(40,526)	(215,730)	(760,000)
Proceeds from the sale of capital assets	-	-	-	15,000	15,000
Net Cash from (used for) Capital and Related Financing Activities	<u>(503,744)</u>	<u>-</u>	<u>(40,526)</u>	<u>(200,730)</u>	<u>(745,000)</u>
Cash Flows from Investing Activities					
Interest earnings	-	50	15	26	91
Net Cash from Investing Activities	<u>-</u>	<u>50</u>	<u>15</u>	<u>26</u>	<u>91</u>
Net Change in Cash and Cash Equivalents	192,071	(72,079)	41,960	(63,143)	98,809
Balance - Beginning	<u>-</u>	<u>92,386</u>	<u>61,051</u>	<u>182,570</u>	<u>336,007</u>
Balance - Ending	<u>\$ 192,071</u>	<u>\$ 20,307</u>	<u>\$ 103,011</u>	<u>\$ 119,427</u>	<u>\$ 434,816</u>
Reconciliation of Operating Loss to Net Cash from (used for) Operating Activities:					
Operating loss	\$ (12,529)	\$ (25,915)	\$ (161,808)	\$ (196,071)	\$ (396,323)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:					
Depreciation expense	-	42,867	54,480	78,765	176,112
Changes in assets and liabilities:					
Receivables	-	-	-	27,376	27,376
Accounts and other payables	8,344	(1,479)	8,944	(16,376)	(567)
Accrued wages payable	-	38	615	1,940	2,593
Accrued leave payable	-	-	308	4,207	4,515
Net Cash from (used for) Operating Activities	<u>\$ (4,185)</u>	<u>\$ 15,511</u>	<u>\$ (97,461)</u>	<u>\$ (100,159)</u>	<u>\$ (186,294)</u>

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2013

	Housing and Redevelopment Commission
Operating Activities	
Receipts from tenant payments	\$ 975,536
Receipts for management fees and other	488,666
Payments to employees	(586,283)
Housing assistance payments	(1,502,131)
Payments to suppliers and others	(1,323,907)
	(1,948,119)
Net Cash used for Operating Activities	
Noncapital Financing Activities	
HUD grants received	2,275,704
	2,275,704
Net Cash from Noncapital Financing Activities	
Capital and Related Financing Activities	
Purchase of property and equipment	(1,887,411)
Payments for interest	(179,516)
Principal payments on long-term debt	(459,442)
Net advances from (payments on) construction note payable	(1,449,738)
Equity Contributions	2,089,308
Equity Distributions	(3,000)
	(1,889,799)
Net Cash used for Capital and Related Financing Activities	
Investing Activities	
Payments received on notes receivable	256,863
Payment of investment in limited partnership	(10)
Payment of advance to limited partnership	(394)
Interest received	128,772
	385,231
Net Cash from Investing Activities	
Net Change in Cash	(1,176,983)
Cash Beginning of Year	4,238,076
Cash End of Year	\$ 3,061,093
Cash Consists of:	
Cash	\$ 992,352
Funded security deposits	76,317
Restricted deposits	1,992,424
	\$ 3,061,093

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2013

	<u>Housing and Redevelopment Commission</u>
Reconciliation of Operating Loss to Net Cash used for	
Operating Activities:	
Operating loss	\$ (2,583,307)
Adjustments to reconcile operating loss to net cash used for	
operating activities:	
Depreciation	893,694
Amortization	9,222
Change in assets and liabilities:	
Rental accounts receivable	(2,150)
Other receivables	231,635
Prepaid expenses	720
Accounts payable and other accrued liabilities	(494,411)
Tenant security deposits	(2,414)
Deferred revenues	<u>(1,108)</u>
Net Cash used for Operating Activities	<u>\$ (1,948,119)</u>
Non Cash Investing and Financing Activities	
Purchase of property and equipment with notes	
payable and accounts payable	\$ 1,621,410
Capital contributions in receivables	20



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

The City Council
City of Aberdeen
Aberdeen, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Aberdeen as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 25, 2014.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 2013-A in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as items 2013-B and 2013-C in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota
August 25, 2014



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

The City Council
City of Aberdeen
Aberdeen, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Aberdeen's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs for the year ended December 31, 2013.

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Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

The City of Aberdeen's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Aberdeen, South Dakota
August 25, 2014

City of Aberdeen
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number For Indirect Programs	Expenditures
Environmental Protection Agency			
Indirect Federal Funding:			
SD Department of Environment and Natural Resources:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS46000112	\$ 950,000
Nonpoint Source Implementation Grants	66.460	*****	24,023
			<u>974,023</u>
Total Environmental Protection Agency			
Department of Interior			
Indirect Federal Funding:			
SD Department of Tourism and State Development, Historic Preservation Fund Grants-in-Aid	15.904	*****	312
			<u>312</u>
Total Department of Interior			
Department of Transportation			
Direct Federal Funding:			
Airport Improvement Program (3-46-0001-32)	20.106	N/A	367,509
Airport Improvement Program (3-46-0001-33)	20.106	N/A	197,916
			<u>565,425</u>
Indirect Federal Funding:			
SD Department of Public Safety:			
Highway Safety Cluster			
State and Community Highway Safety	20.600	*****	4,690
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	*****	206
			<u>4,896</u>
Subtotal Highway Safety Cluster			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	*****	32,899
SD Department of Game, Fish, and Parks:			
Highway Planning and Construction Cluster			
Recreational Trails Program	20.219	*****	84,258
SD Department of Transportation:			
Federal Transit Cluster			
Federal Transit - Capital Investment Grants (Section 5309)	20.500	811156	13,760
Nonurbanized Area Formula Program			
Formula Grants for Other Than Urbanized Areas (Section 5311 & RTAP)	20.509	811251,811232,811194,RTAP	253,973
			<u>384,890</u>
Total Department of Transportation			<u>955,211</u>
Department of Health and Human Services:			
Indirect Federal Funding:			
SD Department of Transportation:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	811251-811194	15,731
National Endowment for the Arts:			
Indirect Federal Funding:			
SD Arts Council:			
Promotion of the Arts - Partnership Agreements	45.025	*****	28,750
Department of Agriculture:			
Indirect Federal Funding:			
SD Department of Agriculture:			
Cooperative Forestry Assistance	10.664	2012-UCF-011	2,000

City of Aberdeen
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Department of Homeland Security:			
Direct Federal Funding:			
Law Enforcement Officer Reimbursement Agreement Program	97.090	N/A	14,600
Indirect Federal Funding:			
SD Department of Public Safety:			
Homeland Security Grant Program	97.067	*****	39,808
Total Department of Homeland Security			54,408
Department of Justice:			
Direct Federal Funding:			
Bulletproof Vest Partnership Program	16.607	N/A	3,129
ARRA - Public Safety Partnership and Community Policing Grants	16.710	209-RK-WX-0782	83,271
Total Department of Justice			86,400
Total Expenditures of Federal Awards			\$ 2,116,835
***** "No" Pass-Through Entity Identifying Number Given			

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Aberdeen, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. City of Aberdeen received federal awards both directly from federal agencies and indirectly through pass-through entities. If federal financial assistance is provided to a subrecipient, it is treated as an expenditure when it is paid to the subrecipient.

Note B – Significant Accounting Policies

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

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 §.510(a):	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Airport Improvement Program	20.106
Capitalization Grants for Clean Water State Revolving Funds	66.458
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

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

Material Weakness

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

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

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

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

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

Management Response and Corrective Action Plan

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

Explanation of Disagreement: No disagreement noted

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

Planned Completion for Correction Action: Ongoing

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

Finding 2013-B – Reconciliation of Fixed Assets and Accumulated Depreciation

Significant Deficiency

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

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

Cause: The City does not have staff with the specific training needed to properly record and reconcile fixed asset activity to depreciation schedules and general ledger accounts.

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

Recommendation: It is the responsibility of management to ensure that staff is adequately trained and supervised to facilitate the proper recording and reconciling of fixed asset activity to depreciation schedules and ensure accurate recording to the respective general ledger accounts.

Management Response and Corrective Action Plan

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

Explanation of Disagreement: No disagreement noted

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

Planned Completion for Correction Action: December 31, 2014

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

Finding 2013-C – Information Technology Controls

Significant Deficiency

Criteria: An organization's internal control structure in regards to information technology should provide for the safeguarding of financial statement information and test and review the vulnerability of the information technology system, restrict and review authorized access to financial information software to proper authorized users, and perform annual reviews of this access.

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

Cause: The City has not implemented controls to perform vulnerability testing over network resources. The City also has not implemented controls to review the audit log system for the accounting software, formalize procedures to ensure changes in the information systems are properly documented and authorized, or perform annual reviews of access to the information system.

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

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

- Scheduling independent external penetration / internal vulnerability testing over network resources.
- Establishing procedures to review the InCode audit log for the System Admin user account activity to verify such activities are properly authorized.
- Formalizing procedures to ensure requests for additions, changes, or deletions to information systems are documented and authorized.
- Managers that authorized user access should annually review the access assigned for their employees, and verify such access permitted through information systems matches the employee job role.

Management Response and Corrective Action Plan

Actions Planned in Response to Finding: Management will consider establishing policies and procedures to address the missing controls described above related to testing for internal vulnerability and external penetration over network resources, review of account activity, ensuring access changes to the information systems are documented and authorized, annual review by management to ensure access to the information system is permitted based on job roles.

Explanation of Disagreement: No disagreement noted

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

Planned Completion for Correction Action: September 30, 2014

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

Section III – Federal Award Findings and Questioned Costs

Finding 2013-001

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

Compliance Requirement: Suspension/Debarment

Material Weakness in Internal Control over Compliance

Criteria: 2 CFR Part 180 sets for the requirements for non-federal entities to ensure that contracts over \$25,000 are not paid to any contractor considered suspended or debarred by the federal government.

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

Questioned Costs: None

Effect: Failure to perform this search or obtain a contractor certification could lead to the City awarding a contract on a federal award to a contractor ineligible to receive federal grant funds.

Cause: The City did not establish internal controls over including this information in the bid documents prepared by the project engineer and performing a search for suspended or debarred contractors.

Recommendation: We recommend the City implement internal controls to ensure compliance with grant requirements regarding suspended or debarred contractors.

Management Response and Corrective Action Plan

Actions Planned in Response to Finding: The City will implement controls to ensure compliance with grant requirements regarding suspended or debarred contractors.

Explanation of disagreement: None

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

Planned Completion for Corrective Action: September 30, 2014

Plan to Monitor Completion of Corrective Action: Whenever advertisements for bids are being prepared for federal projects, the bid file will include a checklist to ensure that bid documents either include a self-certification clause for any contractors submitting a bid to certify they are not a suspended or debarred contractor or a search will be performed to ensure the vendor is not a suspended or debarred party.

Financial Statement Findings

None

Federal Award Program Findings

None