



Financial Statements
December 31, 2015
City of Aberdeen

City Council

Expires

Mayor.....	Mike Levens.....	2019
NE District Council Member.....	Mark Remily.....	2017
NE District Council Member.....	Rob Ronayne.....	2018
NW District Council Member.....	Todd Campbell.....	2017
NW District Council Member.....	Jennifer Slight-Hansen.....	2019
SE District Council Member.....	Clint Rux.....	2017
SE District Council Member.....	Laure Swanson.....	2020
SW District Council Member.....	David Bunsness.....	2020
SW District Council Member.....	Alan Johnson.....	2018

Appointive Officers

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

Governing Boards

Parks and Recreation Board (5 Years)

Expires

Susan Bostian, President	2017
Matt Prehn	2016
Brenda Stapp	2020
Paul Fauth	2020
Art Russo	2019
Jerry Mills	2018
Sheryl Erickson	2016
Todd Campbell, City Council Member	

Mike Levsen, Mayor

Airport Board (5 Years)

Expires

Mike Erickson, Chairperson	2020
Tom Black	2016
Carl Perry	2019
Rolf Johnson	2018
Lonald Gellhause	2017
Alan Johnson, City Council Member	
Doug Fjeldheim, County Commissioner	

Library Board (3 Years)

Expires

Maeve King, President	2017
Dr. Peter Ramey	2016
Tom Guhin	2016
Troy McQuillen	2017
Sandy Andera	2018
Clint Rux, City Council Member	

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	4
Financial Statements	
Statement of Net Position–Exhibit I	17
Statement of Activities–Exhibit II	18
Balance Sheet–Governmental Funds–Exhibit III.....	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances–Exhibit IV.....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide Statement of Activities.....	23
Statement of Net Position–Proprietary Funds–Exhibit V	25
Statement of Revenues, Expenses and Changes in Net Position–Proprietary Funds–Exhibit VI.....	27
Statement of Cash Flows–Proprietary Funds–Exhibit VII.....	28
Statement of Net Position–Fiduciary Funds–Exhibit VIII.....	30
Notes to Financial Statements	31
Required Supplementary Information	
Schedule of City’s Share of Net Pension Liability (Asset).....	68
Schedule of City’s Pension Contributions	69
Budgetary Comparison Schedule–General Fund	70
Budgetary Comparison Schedule–Park and Recreation Fund	72
Budgetary Comparison Schedule–Special Revenue Fund–Airport Fund	73
Budgetary Comparison Schedule–Special Revenue Fund–Special Sales Tax Fund	74
Notes to Required Supplementary Information	75
Supplementary Information	
Combining Balance Sheet–Nonmajor Governmental Funds	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds.....	80
Combining Statement of Net Position–Nonmajor Enterprise Funds	84
Combining Statement of Revenues, Expenses and Changes in Net Position–Nonmajor Enterprise Funds	85
Combining Statement of Cash Flows–Nonmajor Enterprise Funds	86
Statement of Cash Flows–Discretely Presented Component Unit	87
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 <i>Government Auditing Standards</i>	89
Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance.....	91
Schedule of Expenditures of Federal Awards.....	93
Schedule of Findings and Questioned Costs.....	95
Summary Schedule of Prior Audit Findings	98



Independent Auditor's Report

The City Council
City of Aberdeen
Aberdeen, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota as of December 31, 2015, 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 discussed in Notes 1 and 16 to the financial statements, the City of Aberdeen has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of net position as of January 1, 2015. Our opinion was not modified with respect to this matter.

Restatement

As discussed in Note 17 to the financial statements, certain errors resulting in understatement of payroll accruals in the Park and Recreation Fund and understatement of prepaid expenses in the Airport fund as of December 31, 2014, were discovered by management of the City during the current year. Accordingly, amounts reported for beginning fund balance and beginning net position have been restated in the 2015 financial statements to correct the error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of City's share of net pension liability (asset), schedule of City's pension contributions, and budgetary comparison information on pages 4 through 16 and 68 through 75 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 comprise the City of Aberdeen, South Dakota's financial statements. The combining nonmajor fund financial statements and discretely presented component unit's statement of cash flows are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 27, 2016 on our consideration of City of Aberdeen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Aberdeen's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned in the lower-left area of the page.

Aberdeen, South Dakota
September 27, 2016

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, 2015. 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 \$149.476 million (reported as net position), an increase of \$10.135 million from the previous year.

Fund Level

As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$15.525 million, with \$4,906,521 reported as unassigned, \$558,875 reported as assigned, \$4,203,292 reported as committed, \$5,087,332 reported as restricted, and the remaining amount of \$769,297 reported as nonspendable. At the end of the fiscal year, the fund balance for the General Fund was \$5,538,398, of which \$4,982,411 was unassigned, \$266,275 was assigned only to be used to fund fiscal year 2016 appropriations, and \$289,712 was reported as nonspendable.

Proprietary funds reported a total net position at year-end of \$43.162 million, an increase of \$860,066 during the year.

Long-Term Debt

The primary government's total long-term outstanding loans and bonded debt totaled \$53.626 million, a decrease of \$3.129 million from the previous year. Of the total outstanding loans and bonded debt, \$45.686 million is backed by the City. During 2015, the City issued sales tax refunding bonds for the Public Safety bonds in the amount of \$6,200,000 while escrowing \$6,010,000 of the original Public Safety bonds and state revolving loan bonds for the water treatment plant intake project in the amount of \$1,040,000. The decrease represents principal payments of \$4,447,439 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. During 2015, the City adopted GASB Statements 68 and 71 to account for pensions for employees through the South Dakota Retirement System and has adjusted beginning fund balance of the affected funds as of January 1, 2015 (see Note 16). The City discovered misstatements affecting payroll liabilities in the Parks and Recreation Fund and prepaid expenses in the Airport Fund and has adjusted beginning fund balances of the funds as of January 1, 2015, to correct the error (see Note 17).

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, Airport Fund, Special Sales Tax Fund and Park and Recreation Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for some non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Component Unit

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

Notes to the Financial Statements

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

Required Supplementary Information

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

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

GASB Statements 68 and 71 related to certain pension disclosures for the City's proportionate share of the South Dakota Retirement System's net pension asset and required contributions to the plan.

Other Supplementary Information

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

Government-Wide Financial Analysis

Net Position

As presented in the following table, total assets and deferred outflows of the City on December 31, 2015 were \$210.691 million, while total liabilities and deferred inflows were \$61.214 million, resulting in combined net position (governmental and business-type activities) of \$149.477 million.

	City of Aberdeen Net Position					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
Current and Other Assets	\$ 23,668,783	\$ 23,762,622	\$ 9,774,471	\$ 12,504,480	\$ 33,443,254	\$ 36,267,102
Capital Assets	110,844,660	106,968,439	60,267,423	58,173,668	171,112,083	165,142,107
Total Assets	<u>134,513,443</u>	<u>130,731,061</u>	<u>70,041,894</u>	<u>70,678,148</u>	<u>204,555,337</u>	<u>201,409,209</u>
Deferred Outflows of Resources	5,188,635	4,185,312	946,684	744,687	6,135,319	4,929,999
	<u>139,702,078</u>	<u>134,916,373</u>	<u>70,988,578</u>	<u>71,422,835</u>	<u>210,690,656</u>	<u>206,339,208</u>
Long-Term Liabilities Outstanding	27,046,227	29,265,323	26,579,820	27,490,052	53,626,047	56,755,375
Other Liabilities	2,415,034	3,403,426	446,735	569,508	2,861,769	3,972,934
Total Liabilities	<u>29,461,261</u>	<u>32,668,749</u>	<u>27,026,555</u>	<u>28,059,560</u>	<u>56,487,816</u>	<u>60,728,309</u>
Deferred Inflows of Resources	3,925,778	5,207,971	800,089	1,061,407	4,725,867	6,269,378
	<u>33,387,039</u>	<u>37,876,720</u>	<u>27,826,644</u>	<u>29,120,967</u>	<u>61,213,683</u>	<u>66,997,687</u>
Net Position:						
Net Investment in Capital Assets	92,034,277	86,877,156	34,865,761	32,681,278	126,900,038	119,558,434
Restricted	8,990,749	8,372,280	2,237,188	2,138,415	11,227,937	10,510,695
Unrestricted	5,290,013	1,790,217	6,058,985	7,482,175	11,348,999	9,272,392
Total Net Position	<u>\$106,315,039</u>	<u>\$97,039,653</u>	<u>\$43,161,934</u>	<u>\$42,301,868</u>	<u>\$149,476,973</u>	<u>\$139,341,521</u>

The largest component of the City's net position, 84.9% (down from 85.8% in 2014), 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 7.5% (similar to 7.5% in 2014) 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, \$11.349 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 2016 appropriations in the General Fund (\$266,275).

Changes in Net Position

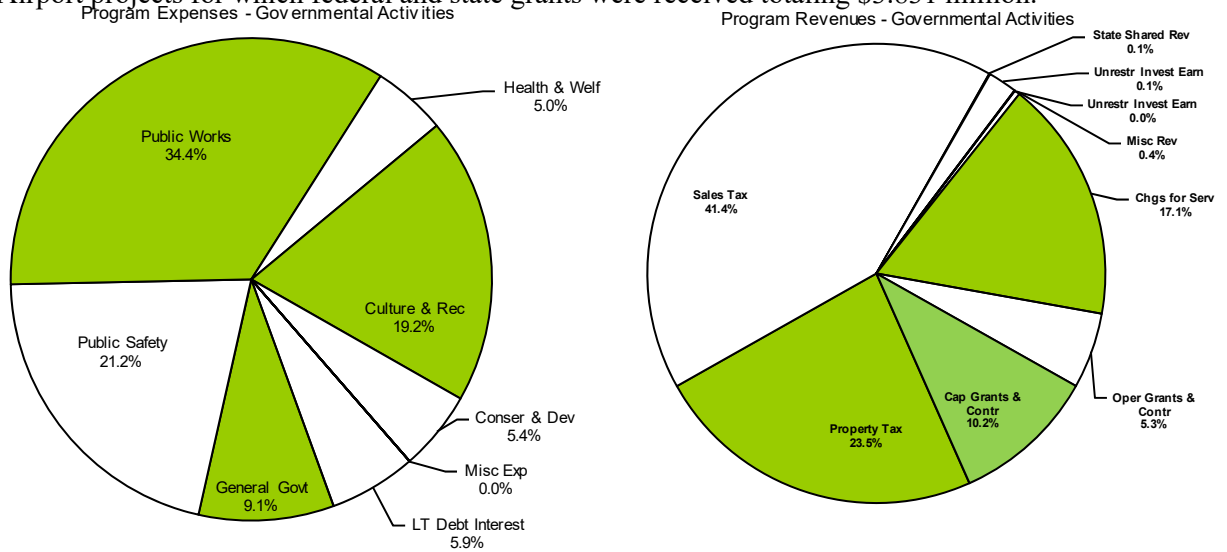
The following table summarizes financial information derived from the government-wide statement of activities and reflects how the City's net position changed during fiscal years 2015 and 2014.

	City of Aberdeen Changes in Net Position Fiscal Year Ended December 31					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,560,043	\$ 6,143,198	\$ 10,102,615	\$ 9,512,531	\$ 17,662,658	\$ 15,655,729
Operating Grants and Contributions	2,365,939	1,179,833	-	-	2,365,939	1,179,833
Capital Grants and Contributions	4,504,044	6,757,943	1,006,531	164,650	5,510,575	6,922,593
General Revenues:						
Property Taxes	10,399,671	9,827,934	-	-	10,399,671	9,827,934
Sales Taxes	18,311,417	17,742,266	-	-	18,311,417	17,742,266
State Shared Revenues	30,541	1,217,474	-	-	30,541	1,217,474
Unrest. Grants and Contributions	904,102	-	-	-	904,102	-
Unrestricted Investment Earnings	14,710	13,022	25,301	20,774	40,011	33,796
Miscellaneous	169,667	807,213	258,433	171,573	428,100	978,786
Total Revenues	<u>44,260,134</u>	<u>43,688,883</u>	<u>11,392,880</u>	<u>9,869,528</u>	<u>55,653,014</u>	<u>53,558,411</u>
Program Expenses:						
General Government	3,214,147	3,401,614	-	-	3,214,147	3,401,614
Public Safety	7,487,556	6,704,365	-	-	7,487,556	6,704,365
Public Works	12,160,223	13,660,334	-	-	12,160,223	13,660,334
Health and Welfare	1,758,594	85,408	-	-	1,758,594	85,408
Cultural and Recreation	6,806,724	7,045,044	-	-	6,806,724	7,045,044
Conservation and Development	1,894,294	1,959,385	-	-	1,894,294	1,959,385
Miscellaneous Expenditures	-	1,719,744	-	-	-	1,719,744
Interest on Long-term Debt	2,074,878	1,922,431	-	-	2,074,878	1,922,431
Water	-	-	5,115,790	4,490,014	5,115,790	4,490,014
Sewer	-	-	2,965,549	3,048,003	2,965,549	3,048,003
Old Federal Building	-	-	162,269	150,197	162,269	150,197
Campground	-	-	250,973	244,834	250,973	244,834
Golf	-	-	601,341	556,374	601,341	556,374
Ambulance	-	-	1,025,224	1,064,807	1,025,224	1,064,807
Total Expenses	<u>35,396,416</u>	<u>36,498,325</u>	<u>10,121,146</u>	<u>9,554,229</u>	<u>45,517,562</u>	<u>46,052,554</u>
Excess (Deficiency) Before Transfers	8,863,718	7,190,558	1,271,734	315,299	10,135,452	7,505,857
Transfers	411,668	2,048,027	(411,668)	(2,048,027)	-	-
Change in Net Position	<u>9,275,386</u>	<u>9,238,585</u>	<u>860,066</u>	<u>(1,732,728)</u>	<u>10,135,452</u>	<u>7,505,857</u>
Net Position – Beg. As Prev. Stated	97,039,653	87,801,068	42,301,868	44,034,596	139,341,521	131,835,664
Net Position – Ending	<u>\$106,315,039</u>	<u>\$97,039,653</u>	<u>\$43,161,934</u>	<u>\$42,301,868</u>	<u>\$149,476,973</u>	<u>\$139,341,521</u>

Governmental Activities

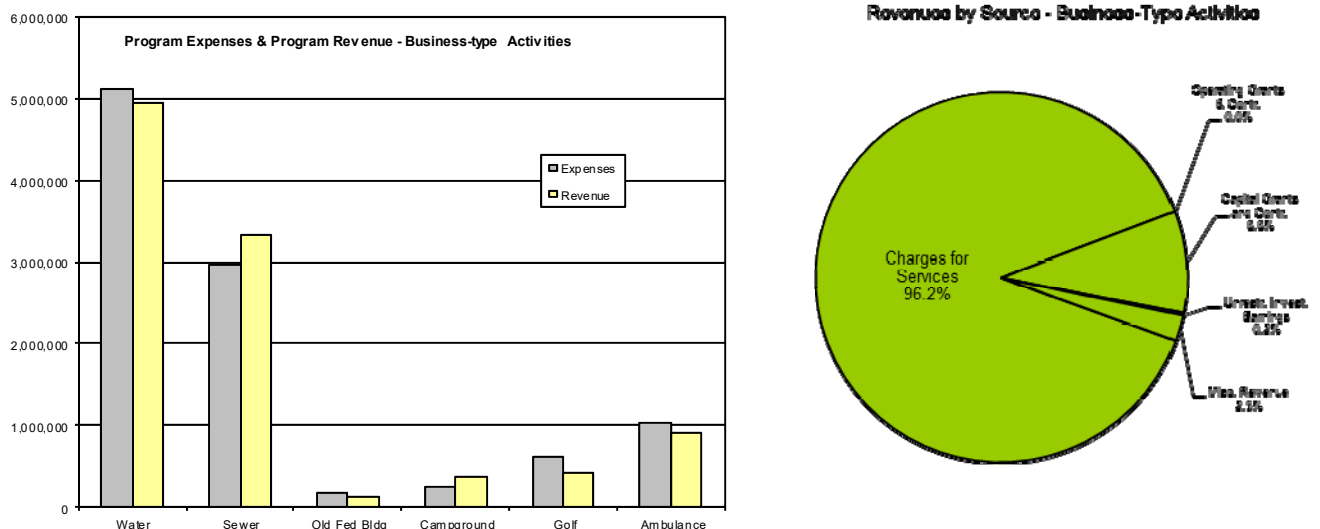
Governmental activities increased the City's net position by \$9,275,386. Factors contributing to these results include:

- Airport projects for which federal and state grants were received totaling \$3.831 million.



Business-Type Activities

Net position of the business-type activities increased by \$860,066 during 2015, as compared to a \$1,732,728 decrease in 2014. Factors contributing to these results include higher water and wastewater charges due to the re-opening of New Angus Beef (approximately \$50,000), capital contributions (approximately \$400,000) and increased water consumption due to dry conditions for most of the summer (approximately \$200,000).



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 2015, the City's governmental funds reported combined ending fund balances of \$15.525 million, an increase of approximately \$2.728 million in comparison with the prior year.

Approximately 4.96%, or \$769,297 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 32.77%, or \$5,087,332 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 27.07%, or \$4,203,292 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 3.60%, or \$558,875 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. \$266,275 of this amount is assigned to be used only for 2016 appropriations.

The remaining 31.60%, or \$4,906,521 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 2015 were the General Fund, the Airport 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 \$5.2487 million, of which \$266,275 was assigned only to be used to fund 2016 appropriations. Total fund balance at the end of the current fiscal year was \$5.5384 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 32.25% (22.06% in 2014) of the total General Fund operating expenditures.

Overall, the fund balance of the City's General Fund increased by \$1,802,742 (From Exh. IV) during the current fiscal year. This is over an 48.26% increase from the prior year's ending fund balance. The increase primarily resulted from higher than expected federal and state grants and payments (approximately \$951,000) and lower than expected spending in General Government (approximately \$480,000), Public Works (approximately \$480,000) and Culture/Recreation (approximately \$107,000).

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 \$4,203,292. Total fund balance at the end of the current fiscal year was also \$4,203,292.

Overall, the fund balance of the City's Special Sales Tax Fund increased by \$4,055,103 during the current fiscal year. This is a 2,736% increase in fund balance from the prior year. The increase primarily resulted from higher than anticipated federal grants (approximately \$207,000), sale of municipal property (approximately \$474,900) and transfers from other funds (approximately \$3.6 million).

The Park and Recreation Fund is the fund created by the City to account for the activities associated with those departments. At the end of the fiscal year, nonspendable fund balance of the Park and Recreation Fund was \$150,650 and the unassigned fund balance was (\$75,890). Total fund balance at the end of the current fiscal year was \$74,760.

The Airport Fund is the fund created by the City to account for the activities associated with that department. At the end of the fiscal year, nonspendable fund balance of the Airport Fund was \$260,734 and the assigned fund balance was \$286,080. Total fund balance at the end of the current fiscal year was \$546,814.

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 2015:

Water Fund

At the end of fiscal year 2015, the Water Fund reported total net position of \$19.798 million (after an adjustment for reporting changes, an increase of \$224,590 - see Note 16), a decrease of \$80,682 (0.4%) in comparison with the prior year. During 2015, the Water Fund produced an operating income (before contributions and operating transfers) in the amount of \$336,966 on total operating revenue of \$5.167 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$446,909 on total operating revenue of \$4.952 million. The increase in total net position was largely the result of increased water consumption due to dry summer conditions and a \$0.10 per thousand gallon increase in usage rates.

Sewer Fund

At the end of fiscal year 2015, the Sewer Fund reported total net position of \$19.489 million (after an adjustment for reporting changes, an increase of \$159,055 - see Note 16), an increase of \$850,477 (4.5%) in comparison with the prior year. During 2015, the Sewer Fund produced operating income (before contributions and operating transfers) in the amount of \$807,470 on total operating revenue of \$3.398 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$97,560 on total operating revenue of \$3.153 million. The increase in total net position was largely the result of capital contributions (\$547,579) from the Special Sales Tax Fund and outside developers.

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 \$924,500 (or 4.26%) of increases in appropriations and can be summarized as follows:

- \$177,500 in supplemental appropriations to General Government for 1) insurance costs, 2) salaries in City Attorney Department, 3) water consumption costs, and 4) HVAC repair costs.
- \$405,000 in supplemental appropriations to Public Safety for 1) Fire Department training and equipment reimbursed by grants and water consumption, and 2) Police salaries and water consumption.
- \$307,000 in supplemental appropriations to Public Works departments for 1) personal services, 2) water consumption expenses, 3) additional street lighting expense, and 4) Rideline van grant.
- \$5,000 in supplemental appropriations to Culture and Recreation departments for water consumption at the Library.
- \$30,000 in supplemental appropriations for a transfer out to Unemployment Insurance Fund.

Actual spending was less than the original budget for General Fund total operating expenditures by \$1,048,083 and was less than the final amended budget by \$1,942,583.

Overall, there were no over-expenditures by City departments in the General Fund.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2015 is \$171.112 million (net of accumulated depreciation) as compared to \$165.142 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 9,341,735	\$ 9,643,985	\$ 903,027	\$ 822,646	\$ 10,244,762	\$ 10,466,631
Buildings	37,799,472	38,287,254	62,660,200	62,645,452	100,459,672	100,932,706
Improvements other than Buildings	111,178,262	107,884,053	30,046,644	26,390,577	141,224,906	134,274,630
Equipment/Vehicles	18,132,902	17,537,696	7,566,215	7,612,133	25,699,117	25,149,829
Construction in Progress	6,761,138	2,425,969	-	-	6,761,138	2,425,969
Total Capital Assets	<u>183,213,509</u>	<u>175,778,957</u>	<u>101,176,086</u>	<u>97,470,808</u>	<u>284,389,595</u>	<u>273,249,765</u>
Accumulated Depreciation	<u>72,368,849</u>	<u>68,810,518</u>	<u>40,908,663</u>	<u>39,297,140</u>	<u>113,277,512</u>	<u>108,107,658</u>
Total Capital Assets, Net	<u>\$110,844,660</u>	<u>\$106,968,439</u>	<u>\$60,267,423</u>	<u>\$58,173,668</u>	<u>\$171,112,083</u>	<u>\$165,142,107</u>

The City's investment in capital assets (net of accumulated depreciation) changed from fiscal year 2015 to 2014 by 3.615%. Governmental capital projects completed during 2015 include Public Works machinery at a total cost of \$350,055, street improvements at a total cost of about \$1,847,787, a roller coaster at Wylie Park at a cost of \$788,111, new park trails at a cost of \$177,357, and storm sewer mains at a total cost of \$806,923. The governmental Construction in Progress includes \$6,397,099 for Airport Projects. Business-type capital projects completed during 2015 include water intake improvements at a total cost of about \$2,494,200, water mains at a total cost of about \$329,762 and machinery in the Wastewater Fund at a total cost of \$448,224.

More detailed information on the City's capital assets can be found in Note 7 in the Notes to the Financial Statements.

Debt Administration

The authority of the City to incur debt is described in South Dakota Codified Law Section 9-25-1. Generally, the State Constitution prohibits the City from having general obligation indebtedness in excess of 5% of the assessed valuation of the taxable property within the City for the year preceding that in which the indebtedness is incurred. Currently, all of the City's debt is classified as general-purpose debt. The 2015, general-purpose debt limitation for the City is \$81,752,798, which is \$45,966,951 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 \$27,046,227 and business-type activities had total note and bonded debt outstanding of \$26,579,820. During the current fiscal year, the City incurred an increase of \$190,000 in sales tax revenue bonds associated with the refunding of the Public Safety Bonds under governmental activities. The City incurred an increase of \$1,040,000 in state revolving fund bonds associated with the water intake project under business-type activities. The City retired \$4,324,292 of general obligation debt which included the annual principal payments associated with TIF revenue bonds, the ARCC Renovations bonds, Aquatics Center bonds, Public Safety Improvements bonds, campground expansion bonds, Old Federal Building bonds, and State Revolving Loan associated with the Water and Wastewater Treatment Plants improvements.

Additional information on the City's long-term debt obligations is located in Note 8 in the Notes to the Financial Statements.

Economic Condition and Outlook

Steady economic and property growth annually from calendar years 1998 to 2009 helped to maintain steady revenue streams for the City; however, 2010 was the first time since the early 1990's that Aberdeen saw a decrease in sales tax revenue amounting to about a 1.0% decrease. The general sales tax revenue increased in 2011, 2012, 2013, 2014 and 2015 by about 2.1%, 7.57%, 3.2%, 0.1% and 3.4% respectively. Aberdeen's growth in property tax valuation due to new construction and changes to existing property has consistently averaged between 2.5 - 3% annually, with growth of 1.99% in 2014 and 4.72% in 2015.

Future Construction Activity

During 2015, 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. The city is also undertaking a multi-year project to improve the Moccasin Creek drainage system. Improvements will be funded in a manner similar to the Kline Street project.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact the Finance Office, 123 South Lincoln Street, Aberdeen, South Dakota 57401, (605) 626-7027.

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

City of Aberdeen
Statement of Net Position—Exhibit I
December 31, 2015

	Primary Government		Total	Component Unit Housing and Redevelopment Commission
	Governmental Activities	Business-Type Activities		
Assets				
Cash and cash equivalents	\$ 10,559,205	\$ 5,011,886	\$ 15,571,091	\$ 1,289,777
Investments	4,715,916	2,900,000	7,615,916	-
Accounts receivable, net	5,018,328	860,172	5,878,500	669,142
Inventories	168,851	461,101	629,952	-
Other assets	260,734	-	260,734	220,906
Restricted assets:				
Deposits	289,712	-	289,712	1,401,994
Net pension asset	2,656,037	541,312	3,197,349	125,027
Capital assets:				
Land, improvements, and construction in progress	16,102,873	903,027	17,005,900	1,099,935
Other capital assets, net of depreciation	94,741,787	59,364,396	154,106,183	16,438,703
	<u>134,513,443</u>	<u>70,041,894</u>	<u>204,555,337</u>	<u>21,245,484</u>
Deferred Outflows of Resources				
Deferred charge on refunding	541,298	-	541,298	-
Pension related deferred outflows	4,647,337	946,684	5,594,021	223,025
	<u>5,188,635</u>	<u>946,684</u>	<u>6,135,319</u>	<u>223,025</u>
Total deferred outflows of resources	<u>5,188,635</u>	<u>946,684</u>	<u>6,135,319</u>	<u>223,025</u>
	<u>\$ 139,702,078</u>	<u>\$ 70,988,578</u>	<u>\$ 210,690,656</u>	<u>\$ 21,468,509</u>
Liabilities				
Accounts payable	\$ 1,741,855	\$ 258,771	\$ 2,000,626	\$ 50,847
Other current liabilities	657,313	187,964	845,277	197,103
Unearned revenue	15,866	-	15,866	6,638
Noncurrent liabilities:				
Due within one year	2,456,239	2,160,918	4,617,157	233,955
Due in more than one year	24,589,988	24,418,902	49,008,890	5,310,529
	<u>29,461,261</u>	<u>27,026,555</u>	<u>56,487,816</u>	<u>5,799,072</u>
Deferred Inflows of Resources				
Pension related deferred inflows	3,925,778	800,089	4,725,867	184,481
	<u>3,925,778</u>	<u>800,089</u>	<u>4,725,867</u>	<u>184,481</u>
Net Position				
Net investment in capital assets	92,034,277	33,823,483	125,857,760	12,263,709
Restricted for:				
Debt service	3,249,912	1,549,282	4,799,194	-
SDRS pension	3,377,596	687,906	4,065,502	163,571
Permanently restricted purposes:				
Expendable	141,323	-	141,323	-
Nonexpendable	50,000	-	50,000	-
Other purposes	607,056	-	607,056	-
Other purposes - Promotion Fund	130,017	-	130,017	-
Other purposes - Park and Recreation Fund	74,760	-	74,760	-
Other purposes - Park and Recreation Trust Fund	804,230	-	804,230	-
Other purposes - Parking District Fund	266,143	-	266,143	-
Other purposes - General Fund - SD Public Assurance Alliance	289,712	-	289,712	-
Other purposes - component unit	-	-	-	1,202,699
Unrestricted	5,290,013	7,101,263	12,391,276	1,854,977
	<u>106,315,039</u>	<u>43,161,934</u>	<u>149,476,973</u>	<u>15,484,956</u>
Total net position	<u>106,315,039</u>	<u>43,161,934</u>	<u>149,476,973</u>	<u>15,484,956</u>
	<u>\$ 139,702,078</u>	<u>\$ 70,988,578</u>	<u>\$ 210,690,656</u>	<u>\$ 21,468,509</u>

City of Aberdeen
Statement of Activities—Exhibit II
Year Ended December 31, 2015

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	\$ 3,214,147	\$ 435,195	\$ -	\$ -	\$ (2,778,952)	\$ -	\$ (2,778,952)	\$ -
Public safety	7,487,556	675,170	105,813	121,600	(6,584,973)	-	(6,584,973)	-
Public works	12,160,223	2,597,199	2,105,386	4,382,444	(3,075,194)	-	(3,075,194)	-
Health and welfare	1,758,594	7,630	-	-	(1,750,964)	-	(1,750,964)	-
Culture and recreation	6,806,724	1,432,579	154,740	-	(5,219,405)	-	(5,219,405)	-
Conservation and development	1,894,294	-	-	-	(1,894,294)	-	(1,894,294)	-
Intergovernmental expenditures	-	2,412,270	-	-	2,412,270	-	2,412,270	-
Miscellaneous expenditures	-	-	-	-	-	-	-	-
Depreciation expense - unallocated	-	-	-	-	-	-	-	-
Interest and bond issuance costs on long-term debt	2,074,878	-	-	-	(2,074,878)	-	(2,074,878)	-
Total governmental activities	35,396,416	7,560,043	2,365,939	4,504,044	(20,966,390)	-	(20,966,390)	-
Business-type activities:								
Water	5,115,790	4,964,780	-	443,101	-	292,091	292,091	-
Sewer	2,965,549	3,342,172	-	547,580	-	924,203	924,203	-
Old Federal Building	162,269	112,538	-	-	-	(49,731)	(49,731)	-
Campground	250,973	374,888	-	15,850	-	139,765	139,765	-
Golf	601,341	409,578	-	-	-	(191,763)	(191,763)	-
Ambulance	1,025,224	898,659	-	-	-	(126,565)	(126,565)	-
Total business-type activities	10,121,146	10,102,615	-	1,006,531	-	988,000	988,000	-
Total primary government	\$ 45,517,562	\$ 17,662,658	\$ 2,365,939	\$ 5,510,575	(20,966,390)	988,000	(19,978,390)	-
Component Unit								
Housing and Redevelopment Commission	\$ 4,425,669	\$ 1,615,397	\$ 2,376,059	\$ 188,509				(245,704)
General Revenues								
Taxes:								
Property taxes					10,399,671	-	10,399,671	-
Sales taxes					18,311,417	-	18,311,417	-
State shared revenue					30,541	-	30,541	-
Grants and contributions not restricted to specific programs					904,102	-	904,102	-
Unrestricted investment earnings					14,710	25,301	40,011	37,467
Miscellaneous revenue					169,667	258,433	428,100	-
Transfers					411,668	(411,668)	-	-
Total general revenues and transfers					30,241,776	(127,934)	30,113,842	37,467
Change in Net Position					9,275,386	860,066	10,135,452	(208,237)
Net Position - Beginning, as previously stated					93,854,293	41,702,136	135,556,429	15,548,522
Adjustments:								
Change in reporting, GASB 68, see Note 16					2,942,697	599,732	3,542,429	144,671
Restatement, see Note 17					242,663	-	242,663	-
Net Position - Beginning, as restated					97,039,653	42,301,868	139,341,521	15,693,193
Net Position - Ending					\$ 106,315,039	\$ 43,161,934	\$ 149,476,973	\$ 15,484,956

City of Aberdeen
Balance Sheet—Governmental Funds—Exhibit III
December 31, 2015

	General Fund	Park and Recreation Fund	Airport Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 2,869,034	\$ 116,505	\$ 44,718	\$ 2,150,662	\$ 4,952,790	\$ 10,133,709
151 Investments	2,500,000	-	-	2,000,000	215,916	4,715,916
110 Taxes receivable, delinquent	149,827	-	-	-	8,270	158,097
115 Accounts receivable, net	47,272	16,898	25,461	-	31,364	120,995
121 Special assessments receivable, current	12,221	2,463	-	-	-	14,684
122 Special assessments receivable, delinquent	55,486	-	-	-	-	55,486
132 Due from federal/state/county governments	1,500,948	-	1,930,621	1,106,482	131,017	4,669,068
141 Inventory of supplies	-	150,650	-	-	18,201	168,851
154 Deposits - Public Assurance Alliance	289,712	-	-	-	-	289,712
155 Prepaid expenses	-	-	260,734	-	-	260,734
	<u>\$ 7,424,500</u>	<u>\$ 286,516</u>	<u>\$ 2,261,534</u>	<u>\$ 5,257,144</u>	<u>\$ 5,357,558</u>	<u>\$ 20,587,252</u>
Liabilities						
202 Accounts payable	\$ 624,045	\$ 191,603	\$ 654,480	\$ 93,435	\$ 78,293	\$ 1,641,856
207 Contracts payable, retained percentage	10,787	-	231,882	159,408	-	402,077
216 Accrued wages payable	101,784	20,153	4,834	-	3,354	130,125
223 Unearned revenue	-	-	-	-	15,866	15,866
Total liabilities	<u>736,616</u>	<u>211,756</u>	<u>891,196</u>	<u>252,843</u>	<u>97,513</u>	<u>2,189,924</u>
Deferred Inflows of Resources						
244 Unavailable revenue - sales and use taxes	801,009	-	-	801,009	89,722	1,691,740
245 Unavailable revenue - property taxes	207,804	-	-	-	8,270	216,074
247 Unavailable revenue - grants	140,673	-	823,524	-	-	964,197
Total deferred inflows of resources	<u>1,149,486</u>	<u>-</u>	<u>823,524</u>	<u>801,009</u>	<u>97,992</u>	<u>2,872,011</u>
Fund Balances						
263 Nonspendable	289,712	150,650	260,734	-	68,201	769,297
264 Restricted	-	-	-	-	5,087,332	5,087,332
265 Committed	-	-	-	4,203,292	-	4,203,292
266 Assigned	266,275	-	286,080	-	6,520	558,875
267 Unassigned	4,982,411	(75,890)	-	-	-	4,906,521
Total fund balances	<u>5,538,398</u>	<u>74,760</u>	<u>546,814</u>	<u>4,203,292</u>	<u>5,162,053</u>	<u>15,525,317</u>
	<u>\$ 7,424,500</u>	<u>\$ 286,516</u>	<u>\$ 2,261,534</u>	<u>\$ 5,257,144</u>	<u>\$ 5,357,558</u>	<u>\$ 20,587,252</u>

City of Aberdeen
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended December 31, 2015

	Total
Total Fund Balances - Governmental Funds	\$ 15,525,317
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Net pension asset reported in governmental activities is not an available financial resource and; therefore, is not reported in the funds.	2,656,037
Pension related deferred outflows are components of pension liability (asset) and; therefore, are not reported in the funds.	4,647,337
Assets such as taxes receivable (delinquent) and special receivables (current, delinquent and deferred) are not available to pay for current period expenditures and; therefore, are deferred in the funds.	2,872,009
Pension related deferred inflows are components of pension liability (asset) and; therefore, are not reported in the funds.	(3,925,778)
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	110,844,660
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.	(26,954,873)
Unamortized balance of debt premiums are not due and payable in the current period and; therefore, are not reported in the funds.	(91,354)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(115,111)
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.	541,298
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.	315,497
Net Position - Governmental Funds	\$ 106,315,039

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2015

	General Fund	Park and Recreation Fund	Airport Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
310 Taxes:						
311 General property taxes	\$ 7,974,619	\$ -	\$ -	\$ -	\$ 2,429,506	\$ 10,404,125
312 Airflight property taxes	-	-	27,573	-	-	27,573
313 General sales and use taxes	8,785,418	-	-	8,452,561	1,048,696	18,286,675
319 Penalties and interest on delinquent taxes	21,997	-	-	-	9,130	31,127
320 Licenses and permits	395,015	-	-	-	-	395,015
330 Intergovernmental revenue:						
331 Federal grants	644,959	15,540	3,619,248	206,650	4,000	4,490,397
334 State grants	464,169	34,200	201,347	614	10,000	710,330
335 State shared revenue:						
335.01 Bank franchise tax	109,237	-	-	-	-	109,237
335.02 Motor vehicle commercial prorate	27,577	-	-	-	-	27,577
335.03 Liquor tax reversion	162,738	-	-	-	-	162,738
335.04 Motor vehicle licenses (5%)	171,171	-	-	-	-	171,171
335.06 Fire insurance premiums reversion	73,388	-	-	-	-	73,388
335.08 Local government highway and bridge fund	551,272	-	-	-	-	551,272
335.20 Other	2,964	-	-	-	-	2,964
336 State payments in lieu of taxes	167,873	-	-	-	-	167,873
338 County shared revenue:						
338.03 County wheel tax	8,796	-	-	-	-	8,796
340 Charges for goods and services:						
341 General government	40,180	-	-	-	-	40,180
342 Public safety	93,561	-	-	-	-	93,561
343 Highways and streets	99,000	-	-	-	-	99,000
344 Sanitation	1,211,795	-	-	-	536,450	1,748,245
345 Health	7,630	-	-	-	-	7,630
346 Culture and recreation	3,731	621,083	-	-	807,765	1,432,579
348 Cemetery	-	36,628	-	-	1,349	37,977
349 Other	175,277	-	377,627	-	-	552,904
350 Fines and forfeits:						
351 Court fines and costs	30,338	-	-	-	-	30,338
359 Other	62	-	-	-	-	62
360 Miscellaneous revenue:						
361 Investment earnings	7,722	2	230	5,416	1,340	14,710
362 Rentals/Franchises	468,299	-	-	-	19,401	487,700
367 Contributions and donations from private sources	16,580	-	-	-	783,486	800,066
369 Other	51,836	698	1,545	3,001	25,802	82,882
Total revenues	<u>21,767,204</u>	<u>708,151</u>	<u>4,227,570</u>	<u>8,668,242</u>	<u>5,676,925</u>	<u>41,048,092</u>
Expenditures						
410 General government:						
411 Legislative	143,904	-	-	-	-	143,904
412 Executive	206,201	-	-	-	-	206,201
414 Financial administration	1,061,636	-	-	-	-	1,061,636
419 Other	1,639,836	-	-	84,268	-	1,724,104
Total general government	<u>3,051,577</u>	<u>-</u>	<u>-</u>	<u>84,268</u>	<u>-</u>	<u>3,135,845</u>

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2015

	General Fund	Park and Recreation Fund	Airport Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
420 Public safety:						
421 Police	4,297,744	-	-	-	-	4,297,744
422 Fire	2,601,959	-	-	-	-	2,601,959
423 Protective inspection	192,944	-	-	-	-	192,944
429 Other protection	-	-	-	254,209	-	254,209
Total public safety	<u>7,092,647</u>	<u>-</u>	<u>-</u>	<u>254,209</u>	<u>-</u>	<u>7,346,856</u>
430 Public works:						
431 Highways and streets	2,585,410	-	-	4,397,439	-	6,982,849
432 Sanitation	1,145,403	-	-	48,811	426,106	1,620,320
433 Water	-	-	-	34,678	-	34,678
435 Airport	-	-	5,099,655	-	-	5,099,655
436 Parking facilities	-	-	-	-	106,039	106,039
437 Cemeteries	-	183,371	-	-	960	184,331
439 Transit	751,604	-	-	-	-	751,604
Total public works	<u>4,482,417</u>	<u>183,371</u>	<u>5,099,655</u>	<u>4,480,928</u>	<u>533,105</u>	<u>14,779,476</u>
440 Health and welfare:						
445 Drug education	61,333	-	-	-	-	61,333
449 Other	23,150	-	-	-	-	23,150
Total health and welfare	<u>84,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,483</u>
450 Culture and recreation						
451 Recreation	27,801	2,994,707	-	-	448,607	3,471,115
452 Parks	-	1,462,137	-	423,571	1,258,143	3,143,851
455 Libraries	1,039,217	-	-	277,541	15,347	1,332,105
457 Historical preservation	-	-	-	-	2,279	2,279
Total culture and recreation	<u>1,067,018</u>	<u>4,456,844</u>	<u>-</u>	<u>701,112</u>	<u>1,724,376</u>	<u>7,949,350</u>
460 Conservation and development:						
465 Economic development	-	-	-	-	135,000	135,000
466 Economic opportunity	496,200	-	-	253,400	1,009,694	1,759,294
Total conservation and development	<u>496,200</u>	<u>-</u>	<u>-</u>	<u>253,400</u>	<u>1,144,694</u>	<u>1,894,294</u>
470 Debt service	-	-	-	-	4,409,739	4,409,739
Total expenditures	<u>16,274,342</u>	<u>4,640,215</u>	<u>5,099,655</u>	<u>5,773,917</u>	<u>7,811,914</u>	<u>39,600,043</u>
Excess of Revenue over (under) Expenditures	<u>5,492,862</u>	<u>(3,932,064)</u>	<u>(872,085)</u>	<u>2,894,325</u>	<u>(2,134,989)</u>	<u>1,448,049</u>
Other Financing Sources (Uses)						
391.01 Transfers in	634,235	3,849,985	1,120,983	3,848,450	2,319,903	11,773,556
511 Transfers out	(4,402,035)	-	(1,000,000)	(3,162,566)	(2,827,287)	(11,391,888)
391.03 Sale of municipal property	25,928	-	7,000	474,894	-	507,822
391.04 Compensation for loss or damage to capital assets	51,752	2,579	-	-	-	54,331
391.21 Refunding bonds	-	-	-	-	6,274,277	6,274,277
513 Payments to refunded debt escrow agent	-	-	-	-	(6,180,888)	(6,180,888)
Total other financing sources (uses)	<u>(3,690,120)</u>	<u>3,852,564</u>	<u>127,983</u>	<u>1,160,778</u>	<u>(413,995)</u>	<u>1,037,210</u>
Net Change in Fund Balances	1,802,742	(79,500)	(744,102)	4,055,103	(2,548,984)	2,485,259
Fund Balance - Beginning, as previously stated	3,735,656	176,293	1,026,220	148,189	7,711,037	12,797,395
Adjustments:						
Restatement (Note 17)	-	(22,033)	264,696	-	-	242,663
Fund Balance - Beginning, as restated	<u>3,735,656</u>	<u>154,260</u>	<u>1,290,916</u>	<u>148,189</u>	<u>7,711,037</u>	<u>13,040,058</u>
Fund Balance - Ending	<u>\$ 5,538,398</u>	<u>\$ 74,760</u>	<u>\$ 546,814</u>	<u>\$ 4,203,292</u>	<u>\$ 5,162,053</u>	<u>\$ 15,525,317</u>

City of Aberdeen
 Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide
 Statement of Activities
 Year Ended December 31, 2015

	Total
Net Change in Fund Balances - Total Governmental Funds	\$ 2,485,259
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays/contributions exceeded depreciation in the current period.	3,225,083
The receipt of contributed capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements	1,633,918
Proceeds from issuance of long-term debt recorded as an other financing source in governmental funds.	(6,274,277)
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(982,780)
Repayment of other long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,373,305
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.	6,180,888
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(13,075)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	24,500
Accrued interest reported in the statement of activities does not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds.	10,231
Governmental funds do not report a deferred outflow in connection with a refunding transaction, therefore an adjustment is necessary to recognize the amortization of these costs in the government wide financial statements	(48,676)

City of Aberdeen
Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide
Statement of Activities
Year Ended December 31, 2015

Changes in pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	434,898
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.	10,857
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>215,255</u>
Change in Net Position of Governmental Activities	<u>\$ 9,275,386</u>

City of Aberdeen
Statement of Net Position—Proprietary Funds—Exhibit V
December 31, 2015

	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Current Assets					
Cash and cash equivalents	\$ 463,309	\$ 4,111,304	\$ 437,273	\$ 5,011,886	\$ 425,497
151 Investments	2,000,000	900,000	-	2,900,000	-
115 Accounts receivable, net	64,182	43,130	168,531	275,843	-
117 Unbilled accounts receivable	297,083	276,082	-	573,165	-
121 Special assessments receivable, current	8,326	-	-	8,326	-
122 Special assessments receivable, delinquent	2,838	-	-	2,838	-
141 Inventory of supplies	429,858	31,243	-	461,101	-
Total current assets	<u>3,265,596</u>	<u>5,361,759</u>	<u>605,804</u>	<u>9,233,159</u>	<u>425,497</u>
Noncurrent Assets					
189 Net pension asset	202,712	143,561	195,039	541,312	-
Capital assets:					
160 Land	391,808	59,469	451,750	903,027	-
162 Buildings	27,775,644	33,354,549	1,530,007	62,660,200	-
164 Improvements other than buildings	18,617,468	10,269,406	1,159,770	30,046,644	-
166 Machinery and equipment	4,130,753	1,859,539	1,575,923	7,566,215	-
Less accumulated depreciation	<u>(22,184,925)</u>	<u>(17,106,599)</u>	<u>(1,617,139)</u>	<u>(40,908,663)</u>	<u>-</u>
Total noncurrent assets	<u>28,933,460</u>	<u>28,579,925</u>	<u>3,295,350</u>	<u>60,808,735</u>	<u>-</u>
Deferred Outflows of Resources					
196 Pension related deferred outflows	<u>354,517</u>	<u>251,070</u>	<u>341,097</u>	<u>946,684</u>	<u>-</u>
Total deferred outflows of resources	<u>354,517</u>	<u>251,070</u>	<u>341,097</u>	<u>946,684</u>	<u>-</u>
	<u>\$ 32,553,573</u>	<u>\$ 34,192,754</u>	<u>\$ 4,242,251</u>	<u>\$ 70,988,578</u>	<u>\$ 425,497</u>

City of Aberdeen
Statement of Net Position—Proprietary Funds—Exhibit V
December 31, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Current Liabilities					
201 Claims payable	\$ 2,408	\$ -	\$ -	\$ 2,408	\$ 100,000
202 Accounts payable	123,069	92,370	40,924	256,363	-
213 Incurred but not reported claims	-	-	-	-	10,000
215 Accrued interest payable	58,367	77,040	-	135,407	-
216 Accrued wages payable	10,039	7,728	9,064	26,831	-
223 Unearned revenue	25,726	-	-	25,726	-
226 Bonds payable current:					
226.02 Revenue	1,006,990	1,018,050	-	2,025,040	-
233 Accrued leave payable	59,005	47,069	29,804	135,878	-
Total current liabilities	<u>1,285,604</u>	<u>1,242,257</u>	<u>79,792</u>	<u>2,607,653</u>	<u>110,000</u>
Noncurrent Liabilities					
231 Bonds payable:					
231.02 Revenue	11,170,242	13,248,660	-	24,418,902	-
Total noncurrent liabilities	<u>11,170,242</u>	<u>13,248,660</u>	<u>-</u>	<u>24,418,902</u>	<u>-</u>
Deferred Inflows of Resources					
248 Pension related deferred inflows	299,620	212,191	288,278	800,089	-
Total deferred inflows of resources	<u>299,620</u>	<u>212,191</u>	<u>288,278</u>	<u>800,089</u>	<u>-</u>
Net Position					
253.10 Net investment in capital assets	16,553,518	14,169,654	3,100,311	33,823,483	-
253.20 Restricted net position, restricted for:					
253.21 Revenue bond debt service	108,762	1,440,520	-	1,549,282	-
253.29 SDRS pension purposes	257,609	182,439	247,857	687,905	-
253.90 Unrestricted net position	2,878,218	3,697,033	526,013	7,101,264	315,497
Total net position	<u>19,798,107</u>	<u>19,489,646</u>	<u>3,874,181</u>	<u>43,161,934</u>	<u>315,497</u>
	<u>\$ 32,553,573</u>	<u>\$ 34,192,754</u>	<u>\$ 4,242,251</u>	<u>\$ 70,988,578</u>	<u>\$ 425,497</u>

City of Aberdeen
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds—Exhibit VI
Year Ended December 31, 2015

	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating Revenue					
380 Charges for goods and services	\$ 4,856,018	\$ 1,901,652	\$ 1,795,363	\$ 8,553,033	\$ 1,859,253
380 Debt service surcharge	108,762	1,440,520	-	1,549,282	-
369 Miscellaneous	202,488	55,945	-	258,433	-
Total operating revenue	<u>5,167,268</u>	<u>3,398,117</u>	<u>1,795,363</u>	<u>10,360,748</u>	<u>1,859,253</u>
Operating Expenses					
410 Personal services	1,039,450	829,133	919,484	2,788,067	-
420 Other current expenses	2,773,446	786,099	920,687	4,480,232	1,674,110
426.2 Materials (cost of goods sold)	(4,803)	(4,075)	-	(8,878)	-
457 Depreciation	1,022,209	979,490	199,636	2,201,335	-
Total operating expenses	<u>4,830,302</u>	<u>2,590,647</u>	<u>2,039,807</u>	<u>9,460,756</u>	<u>1,674,110</u>
Operating Income (Loss)	<u>336,966</u>	<u>807,470</u>	<u>(244,444)</u>	<u>899,992</u>	<u>185,143</u>
Nonoperating Revenue (Expense)					
361 Investment earnings	10,275	14,889	137	25,301	112
442 Interest expense	(285,488)	(374,902)	-	(660,390)	-
(492) 366 Gain (loss) on disposition of assets	-	-	-	-	-
(429) 369.01 Other	-	-	300	300	-
Total nonoperating revenue (expense)	<u>(275,213)</u>	<u>(360,013)</u>	<u>437</u>	<u>(634,789)</u>	<u>112</u>
Income (Loss) Before Contributions and Transfers	61,753	447,457	(244,007)	265,203	185,255
391.07 Capital contributions	443,102	547,579	15,850	1,006,531	-
391.1 Transfers in	180,000	26,191	541,728	747,919	30,000
511 Transfers out	(765,537)	(170,750)	(223,300)	(1,159,587)	-
Change in Net Position	<u>(80,682)</u>	<u>850,477</u>	<u>90,271</u>	<u>860,066</u>	<u>215,255</u>
Net Position - Beginning, as Previously Stated	19,654,199	18,480,114	3,567,823	41,702,136	100,242
Adjustments:					
Change in reporting, GASB 68 (Note 16)	<u>224,590</u>	<u>159,055</u>	<u>216,087</u>	<u>599,732</u>	<u>-</u>
Net Position - Beginning, as Restated	<u>19,878,789</u>	<u>18,639,169</u>	<u>3,783,910</u>	<u>42,301,868</u>	<u>100,242</u>
Net Position - Ending	<u>\$ 19,798,107</u>	<u>\$ 19,489,646</u>	<u>\$ 3,874,181</u>	<u>\$ 43,161,934</u>	<u>\$ 315,497</u>

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2015

	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ 4,785,435	\$ 3,362,042	\$ 1,729,573	\$ 9,877,050	\$ 1,859,253
Payments to suppliers	(2,777,827)	(776,932)	(892,187)	(4,446,946)	(1,744,018)
Payments to employees	(1,100,301)	(858,382)	(964,768)	(2,923,451)	-
Cash payments for interfund services used	-	(26,191)	(67,728)	(93,919)	-
Cash receipts for interfund services provided	316,657	-	-	316,657	-
Net Cash from (used for) Operating Activities	<u>1,223,964</u>	<u>1,700,537</u>	<u>(195,110)</u>	<u>2,729,391</u>	<u>115,235</u>
Cash Flows from (used for) Noncapital Financing Activities					
Transfers from other funds	180,000	26,191	541,728	747,919	30,000
Transfers to other funds	(765,537)	(170,750)	(223,300)	(1,159,587)	-
Net Cash from (used for) Noncapital Financing Activities	<u>(585,537)</u>	<u>(144,559)</u>	<u>318,428</u>	<u>(411,668)</u>	<u>30,000</u>
Cash Flows from (used for) Capital and Related Financing Activities					
Proceeds from capital debt	1,040,000	-	-	1,040,000	-
Purchase of capital assets	(2,662,869)	(356,605)	(257,682)	(3,277,156)	-
Principal paid on capital debt	(960,044)	(993,232)	-	(1,953,276)	-
Interest paid on capital debt	(283,208)	(374,903)	-	(658,111)	-
Other receipts (payments)	888	-	-	888	-
Net Cash from (used for) Capital and Related Financing Activities	<u>(2,865,233)</u>	<u>(1,724,740)</u>	<u>(257,682)</u>	<u>(4,847,655)</u>	<u>-</u>
Cash Flows from Investing Activities					
Interest earnings	10,275	14,889	137	25,301	112
Net Cash from Investing Activities	<u>10,275</u>	<u>14,889</u>	<u>137</u>	<u>25,301</u>	<u>112</u>
Net Change in Cash and Cash Equivalents	(2,216,531)	(153,873)	(134,227)	(2,504,631)	145,347
Balances - Beginning	<u>4,679,840</u>	<u>5,165,177</u>	<u>571,500</u>	<u>10,416,517</u>	<u>280,150</u>
Balances - Ending	<u>\$ 2,463,309</u>	<u>\$ 5,011,304</u>	<u>\$ 437,273</u>	<u>\$ 7,911,886</u>	<u>\$ 425,497</u>

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2015

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 463,309	\$ 4,111,304	\$ 437,273	\$ 5,011,886	\$ 425,497
Investments	2,000,000	900,000	-	2,900,000	-
	<u>\$ 2,463,309</u>	<u>\$ 5,011,304</u>	<u>\$ 437,273</u>	<u>\$ 7,911,886</u>	<u>\$ 425,497</u>
Cash from (used for) Operating Activities					
Operating income (loss)	\$ 336,966	\$ 807,470	\$ (244,444)	\$ 899,992	\$ 185,143
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:					
Depreciation expense	1,022,209	979,490	199,636	2,201,335	-
Change in assets and liabilities:					
Receivables	(56,775)	(36,075)	(65,790)	(158,640)	-
Inventories	4,803	4,075	-	8,878	-
Accounts and other payables	(13,988)	(25,173)	(39,229)	(78,390)	(69,908)
Accrued wages payable	(20,405)	(12,265)	(15,303)	(47,973)	-
Accrued leave payable	(7,426)	6,399	1,789	762	-
Net pension related asset, deferred inflows and outflows	(33,019)	(23,384)	(31,769)	(88,172)	-
Revenue collected in advance	(8,401)	-	-	(8,401)	-
Net Cash from (used for) Operating Activities	<u>\$ 1,223,964</u>	<u>\$ 1,700,537</u>	<u>\$ (195,110)</u>	<u>\$ 2,729,391</u>	<u>\$ 115,235</u>
Noncash Investing, Capital and Financing Activities:					
Capital assets received through capital contributions	\$ 443,102	\$ 547,579	\$ 15,850	\$ 1,006,531	\$ -

City of Aberdeen
Statement of Net Position—Fiduciary Funds—Exhibit VIII
Year Ended December 31, 2015

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 47,897</u>
	<u>\$ 47,897</u>
Liabilities	
Amounts held for others	<u>\$ 47,897</u>
	<u>\$ 47,897</u>

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

The following table describes the City’s component unit:

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

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

The financial statements are available upon request from the City or The Housing and Redevelopment Commission at 310 South Roosevelt, Aberdeen, SD 57401.

B. Basis of Presentation

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. In order to minimize the grossing-up effect on asset and liabilities within the governmental and business-type funds activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities which are presented as Internal Balances. These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.A above and may be classified as either governmental or business-type activities.

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

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

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

Airport Fund – To account for the proceeds from airport revenue sources that are legally restricted to expenditures for airport purposes. This is a major fund.

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

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments). The City has the following capital project funds which are reported in the aggregate in the other governmental funds column on the fund financial statements: City Hall Remodel Project Fund and TIF #19 Project Fund. These are not major funds.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. In addition, the City also uses these funds to account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has the following debt service funds which are reported in the aggregate in the other governmental funds column on the fund financial statements: Parks and Rec AARC Bonds Funds, Parks and Rec Aquatic Center Bonds Fund, Public Safety Bonds Fund, Wylie Park Expansion Bonds Fund, City Hall Remodel Bonds Fund, Old Federal Building Bonds Fund, TIF District #2 Fund, TIF District #3 Fund, TIF District #4 Fund, TIF District #6 Fund, TIF District #8 Fund, TIF District #10 Fund, TIF District #11 Fund, TIF District #12 Fund, TIF District #17 Fund, TIF District #18 Fund, and TIF District #19 Fund. These are not major funds.

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

Proprietary Funds

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

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

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

Enterprise Funds

The City reports the following major enterprise funds:

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

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

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

Fiduciary Funds

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

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

Fund Financial Statements

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

E. Deposits and Investments

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

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

F. Receivables

Business-type activities receivables are composed of amounts owed the City by municipal residents for water, sewer and other services rendered. All trade receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles on trade accounts receivables totals \$154,738 at December 31, 2015.

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, 2015 balance of governmental activities capital assets includes approximately 27.4% of capital assets that are valued at estimated historical cost. These estimated original costs were primarily established by deflated current replacement costs.

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

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

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

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

Component Unit

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

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

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

H. Long-Term Liabilities

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

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

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

I. Program Revenues

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

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

J. Deferred Inflows and Deferred Outflows of Recourses

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has three items that qualify for reporting in this category reported in the government-wide statement of net position. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, changes in the net pension asset/liability not included in pension expense, and the deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of item. The City's governmental funds report unavailable revenues from sales taxes, grants, delinquent property taxes and delinquent special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension asset (liability) not included in pension expense reported in the government-wide statement of net position.

K. Proprietary Funds Revenue and Expense Classifications

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

L. Cash and Cash Equivalents

The City pools the cash resources of its funds for cash management purpose. The proprietary funds essentially have access to the entire amount of their cash 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 places on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

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 places on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements

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

N. Application of Net Position

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

O. Fund Balance Classification Policies and Procedures

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

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

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

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

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

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

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

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

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances						
Nonspendable:						
Public assurance alliance reserve	\$ 289,712	\$ -	\$ -	\$ -	\$ -	\$ 289,712
Inventory	-	150,650	-	-	18,201	168,851
Prepaid expenses	-	-	-	260,734	-	260,734
Cemetery perpetual care	-	-	-	-	50,000	50,000
Restricted for:						
Promotion	-	-	-	-	40,295	40,295
Park and recreation	-	-	-	-	-	-
Park and recreation trust	-	-	-	-	804,230	804,230
Business improvement district	-	-	-	-	-	-
Parking	-	-	-	-	264,449	264,449
Storm water maintenance	-	-	-	-	489,572	489,572
Library fines	-	-	-	-	88,622	88,622
Landmark commission	-	-	-	-	8,927	8,927
Debt service	-	-	-	-	3,249,914	3,249,914
Cemetery perpetual care	-	-	-	-	141,323	141,323
Capital projects	-	-	-	-	-	-
Committed to:						
Special sales tax	-	-	4,203,292	-	-	4,203,292
Assigned to:						
Applied to next year's budget	266,275	-	-	-	-	266,275
Cemetery improvement	-	-	-	-	6,520	6,520
Airport	-	-	-	286,080	-	286,080
Unassigned	4,982,411	(75,890)	-	-	-	4,906,521
Total fund balances	\$ 5,538,398	\$ 74,760	\$ 4,203,292	\$ 546,814	\$ 5,162,053	\$ 15,525,317

P. Rounding

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

Q. Pensions

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

R. Adoption of New Accounting Standard – GASB Statement No. 68 and GASB Statement No. 71

As of January 1, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension asset/liability, deferred outflows of resources, deferred inflows of resources, and pension revenue/expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 16 and the additional disclosures required by these standards are included in Note 13.

S. Recent Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The statement supercedes various previous Statements as they related to measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The objective of Statement No. 72 is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements.

GASB 72 will be effective for fiscal years beginning after June 15, 2015, with earlier application encouraged. The City is currently evaluating the impact this statement will have on financial reporting.

T. Subsequent Events

Subsequent to year-end, the City has entered into contracts in the amount of approximately \$15.6 million for various contracted projects which includes \$6.4 million for the construction of a new library for which the related debt is discussed in Note 8 of the financial statements.

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, 2015 were as follows:

Primary Government	Bank Balance
Insured (FDIC/NCUA)	\$ 4,507,177
Uninsured, collateral jointly held by State’s/City’s agent in the name of the State and the pledging financial institution	15,485,354
Total deposits	\$ 19,992,531

The carrying amount of deposits on the December 31, 2015 statement of net position was \$22,970,174.

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, 2015, the City’s deposits in financial institutions were not exposed to any custodial credit risk. As of December 31, 2015, the City’s total deposits of \$19,992,531 (carrying value of \$22,970,174) were covered by insurance or collateral in accordance with the City’s deposit policy.

Investments – As of December 31, 2015, the City had the following investments:

Investment	Credit Rating	Maturities	Fair Value
US Bank - First American Treasury Class D Money Market	Not Rated	N/A	\$ 917
US Bank - U.S. Treasury Note	AAA	5/31/2016	215,916
Total investments			<u>\$ 216,833</u>

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

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

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

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

Deposits - Component Unit

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

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

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

At December 31, 2015, the actual bank balances were as follows:

	Bank Balance
Insured (FDIC)	\$ 500,000
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	587,280
Total deposits	\$ 1,087,280
The Commission's carrying amount of deposits at December 31	\$ 1,060,063

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 \$1,401,994 as of December 31, 2015.

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	\$5.891
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Note 6 - Due from Other Governments

- General Fund - \$145,377 due from federal government for grants; \$64,364 due from state government for grant; \$1,106,482 due from state government for 1% city sales tax; \$110,454 due from state government for local government highway/bridge funds; \$41,837 due from state government for liquor tax reversion funds; and \$32,434 due from county government for taxes and licenses.
- Promotion Fund - \$130,017 due from state government for 1% city sales tax.
- Airport Fund - \$1,829,008 due from federal government for grants and \$101,612 due from state government for grants.
- Special Sales Tax Fund - \$1,106,482 due from state government for 1% city sales tax.
- Park and Recreation Trust Fund - \$1,000 due from federal government for grants.

Note 7 - Changes in Capital Assets

A summary of changes in capital assets of the primary government for the year ended December 31, 2015 is as follows:

Primary Government	Balance 01/01/15	Increases	Decreases	Balance 12/31/15
Governmental Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 9,643,985	\$ 57,546	\$ (359,796)	\$ 9,341,735
Construction work in progress	2,425,969	4,335,169	-	6,761,138
Total capital assets, not being depreciated	12,069,954	4,392,715	(359,796)	16,102,873
Capital assets, being depreciated:				
Buildings	38,287,254	1,074,678	(1,562,460)	37,799,472
Improvements other than buildings	107,884,053	3,513,295	(219,086)	111,178,262
Machinery and equipment	17,537,696	1,131,728	(536,522)	18,132,902
Total	163,709,003	5,719,701	(2,318,068)	167,110,636
Less accumulated depreciation for:				
Buildings	(10,990,238)	(804,679)	963,926	(10,830,991)
Improvements other than buildings	(45,892,959)	(3,370,863)	219,086	(49,044,736)
Machinery and equipment	(11,927,321)	(1,077,872)	512,071	(12,493,122)
Total accumulated depreciation	(68,810,518)	(5,253,414)	1,695,083	(72,368,849)
Total capital assets, being depreciated, net	94,898,485	466,287	(622,985)	94,741,787
Governmental activity capital assets, net	\$ 106,968,439	\$ 4,859,002	\$ (982,781)	\$ 110,844,660
Depreciation expense was charged to functions as follows:				
Governmental activities:				
General government				\$ 214,139
Public safety				435,636
Public works				3,767,966
Culture and recreation				835,673
Total depreciation expense - governmental activities				\$ 5,253,414

City of Aberdeen
Notes to Financial Statements
December 31, 2015

<u>Primary Government</u>	<u>Balance 01/01/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/15</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 822,646	\$ 80,381	\$ -	\$ 903,027
Total capital assets, not being depreciated	<u>822,646</u>	<u>80,381</u>	<u>-</u>	<u>903,027</u>
Capital assets, being depreciated:				
Buildings	62,645,452	14,748	-	62,660,200
Improvements other than buildings	26,390,577	3,689,952	(33,885)	30,046,644
Machinery and equipment	7,612,133	526,095	(572,013)	7,566,215
Total	<u>96,648,162</u>	<u>4,230,795</u>	<u>(605,898)</u>	<u>100,273,059</u>
Less accumulated depreciation for:				
Buildings	(22,010,517)	(1,218,069)	-	(23,228,586)
Improvements other than buildings	(13,233,721)	(482,929)	33,884	(13,682,766)
Machinery and equipment	(4,052,902)	(500,337)	555,928	(3,997,311)
Total accumulated depreciation	<u>(39,297,140)</u>	<u>(2,201,335)</u>	<u>589,812</u>	<u>(40,908,663)</u>
Total capital assets, being depreciated, net	<u>57,351,022</u>	<u>2,029,460</u>	<u>(16,086)</u>	<u>59,364,396</u>
Business-type activity capital assets, net	<u>\$ 58,173,668</u>	<u>\$ 2,109,841</u>	<u>\$ (16,086)</u>	<u>\$ 60,267,423</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water	\$ 1,022,209
Sewer	979,490
Old Federal Building	8,050
Campground	47,678
Golf	56,445
Ambulance	87,463
Total depreciation expense - business-type activities	<u>\$ 2,201,335</u>

The City has active construction projects as of December 31, 2015. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Airport Stormwater Project	\$ 1,903,582	\$ 332,766
Airport Wasteland Project	4,493,517	223,356
Boyd Street	59,415	-
Library	277,541	74,701
HVAC System	24,083	-
Eagle Sculpture	3,000	-
	<u>\$ 6,761,138</u>	<u>\$ 630,823</u>

A summary of changes in capital assets of the component unit for the year ended December 31, 2015 is as follows:

<u>Component Unit</u>	<u>Balance 1/1/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/15</u>
Capital assets, not being depreciated				
Land	\$ 1,097,729	\$ 2,206	\$ -	\$ 1,099,935
Capital assets, being depreciated:				
Buildings and improvements	24,984,996	94,288	(32,889)	25,046,395
Furniture, equipment and machinery - dwelling	1,057,955	49,332	(1,289)	1,105,998
Furniture, equipment and machinery - nondwelling	325,877	1,939	(18,419)	309,397
Total capital assets, being depreciated	<u>26,368,828</u>	<u>145,559</u>	<u>(52,597)</u>	<u>26,461,790</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,994,442)	(915,792)	31,712	(8,878,522)
Furniture, equipment and machinery - dwelling	(680,262)	(125,886)	1,272	(804,876)
Furniture, equipment and machinery - nondwelling	(340,494)	(17,615)	18,420	(339,689)
Total accumulated depreciation	<u>(9,015,198)</u>	<u>(1,059,293)</u>	<u>51,404</u>	<u>(10,023,087)</u>
Total capital assets being depreciated, net	<u>17,353,630</u>	<u>(913,734)</u>	<u>(1,193)</u>	<u>16,438,703</u>
Capital assets, net	<u>\$ 18,451,359</u>	<u>\$ (913,734)</u>	<u>\$ (1,193)</u>	<u>\$ 17,538,638</u>

Note 8 - Long-Term Liabilities

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

Primary Government	January 1, 2015	Increases	Decreases	December 31, 2015	Due Within One Year	Interest Paid
Governmental activities:						
Tax increment revenue bonds #2	\$ 2,440,000	\$ -	\$ (140,000)	\$ 2,300,000	\$ 120,000	\$ 129,260
Tax increment revenue bonds #4	76,828	-	(9,014)	67,814	9,600	4,994
Tax increment revenue bonds #6	483,207	-	(483,207)	-	-	30,387
Tax increment revenue bonds #8	2,480,193	-	(301,247)	2,178,946	224,107	132,325
Tax increment revenue bonds #17	1,650,000	-	(55,000)	1,595,000	65,000	81,400
Tax increment revenue bonds #19	1,868,076	-	(69,836)	1,798,240	72,658	74,032
Sales tax revenue bonds, ARCC	1,345,000	-	(210,000)	1,135,000	215,000	35,503
Sales tax revenue bonds, aquatic center	5,445,000	-	(445,000)	5,000,000	460,000	119,750
Sales tax revenue bonds, public safety buildings	7,495,219	6,274,277	(6,563,143)	7,206,353	450,000	306,768
Sales tax revenue bonds, campground expansion	445,000	-	(35,000)	410,000	35,000	17,838
Sales tax revenue bonds, City Hall Reno	3,940,000	-	-	3,940,000	-	127,805
Sales tax revenue bonds, Old Fed. Bldg.	1,000,000	-	(195,000)	805,000	195,000	20,623
Compensated absences	596,800	878,470	(865,396)	609,874	609,874	-
Total government activities	<u>29,265,323</u>	<u>7,152,747</u>	<u>(9,371,843)</u>	<u>27,046,227</u>	<u>2,456,239</u>	<u>1,080,685</u>
Business-type activities:						
Water sales tax and revenue bonds	12,094,993	1,040,000	(957,761)	12,177,232	1,006,990	283,192
Sewer revenue bonds	15,259,941	-	(993,231)	14,266,710	1,018,049	378,434
Compensated absences	135,114	195,348	(194,584)	135,878	135,878	-
Total business-type activities	<u>27,490,048</u>	<u>1,235,348</u>	<u>(2,145,576)</u>	<u>26,579,820</u>	<u>2,160,917</u>	<u>661,626</u>
Total primary government	<u>\$ 56,755,371</u>	<u>\$ 8,388,095</u>	<u>\$ (11,517,419)</u>	<u>\$ 53,626,047</u>	<u>\$ 4,617,156</u>	<u>\$ 1,742,311</u>
Component Unit						
Mortgages & other notes payable	\$ 5,565,035	\$ -	\$ (290,106)	\$ 5,274,929	\$ 206,774	\$ 181,262
Other long-term liabilities	451,217	-	(208,843)	242,374	-	-
Compensated absences	27,444	-	(263)	27,181	27,181	-
Total component unit	<u>\$ 6,043,696</u>	<u>\$ -</u>	<u>\$ (499,212)</u>	<u>\$ 5,544,484</u>	<u>\$ 233,955</u>	<u>\$ 181,262</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.

Liabilities payable at December 31, 2015 is comprised of the following (excluding compensated absences):

Primary Government

Tax Increment Revenue Bonds

Tax Increment Revenue Bonds, District No. 2 totaling \$3,195,000 were issued in 2003. Additional Tax Increment Revenue Bonds, District No. 2 totaling \$510,000 were issued in 2006. The bonds require annual payments ranging from \$105,000 to \$305,000, including interest ranging from 5.10% to 5.5% from the Debt Service Fund, final payment due December 2022. In 2011 the Series 2003B and 2006C bonds of \$1,250,000 were refunded by Series 2011 Bonds of \$1,250,000 to change the final payment of \$80,000 plus interest to December 2029. \$ 2,300,000

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. 67,814

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. 2,178,946

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. 1,595,000

Tax Increment Revenue Bonds, District No. 19 totaling \$1,935,200 were issued in 2014. The bonds require annual payments ranging from \$47,956 to \$143,867, including interest of 4.0% from the Debt Service Fund, final payment due June 2033. 1,798,240

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. 1,135,000

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. 5,000,000

<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 \$91,353. In 2015, \$6,200,000 of bonds were issued to advance refund \$6,010,000 of these bonds, changing annual payments ranging from \$560,000 to \$690,000.</p>	7,206,353
<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>	410,000
<p>Sales Tax Revenue Bonds, City Hall Renovation, totaling \$3,940,000, were issued in 2014. The bonds require annual principal payments ranging from \$215,000 to \$330,000, beginning December 2020. The bonds also require semi-annual interest payments, interest ranging from 1.7% to 4.00% from the Debt Service Fund, final payment due December 2034.</p>	3,940,000
<p>Sales Tax Revenue Bonds, Old Federal Building, totaling \$1,140,000, were issued in 2014. The bonds require annual principal payments ranging from \$140,000 to \$205,000. The bonds also require semi-annual interest payments, interest ranging from 1.00% to 2.90% from the Debt Service Fund, final payment due December 2019.</p>	805,000
<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 \$23,457.</p>	10,396,546
<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>	750,221
<p>Water Sales Tax Revenue Bonds</p>	
<p>The City passed Ordinance 12-10-05 to enter into a "Drinking Water State Revolving Fund" loan agreement for up to \$1,040,000 in October 2013. The debt on the loan agreement totaling \$1,040,000 requires quarterly payments of \$17,335, which include interest at 3.00% from the Water Fund, final payment due August 2035.</p>	1,030,465
<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>	8,803,443
<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>	4,202,076
<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>	1,261,191

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.	\$ 742,480
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.	643,136
Lawson View - 0% Mortgage note payable with South Dakota Housing Development Authority, due in annual installments of varying amounts, matures July 2039, secured by second position in substantially all Partnership assets.	321,635
Lawson View - 5.15% Note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, interest and principal to be paid from net operating income, with the entire balance due December 2037, secured by third position in substantially all Partnership assets.	200,000
Sunshine Park - 0% HOME loan from South Dakota Housing Development Authority, \$3,100 monthly payments starting July 2011, due March 2035, secured by a mortgage on all property and equipment.	337,400
Sunshine Park - 6% mortgage note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, yearly payments beginning April 2011, to the extent of available cash flow with entire balance due December 2039, secured by a mortgage and assignment of rents and leases.	211,761
Sunshine Park - 0% NSP loan from South Dakota Housing Development Authority, principal due July 2040, secured by a mortgage and assignment of rents and leases.	361,991
Sunshine Park - 0% TCAP mortgage note payable from South Dakota Housing Development Authority, principal due March 2050, secured by a mortgage and assignment of rents and leases.	331,841
Meadow Wood - 0% HOME loan from South Dakota Housing Development Authority, yearly payments beginning July 2014, to the 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.	499,549
Jackson Heights - 5.8% mortgage note payable to First Dakota National Bank, due in varying monthly installments, including interest, beginning March 2015 through February 2031, secured by a mortgage on all property and equipment.	767,477
Jackson Heights - 0% note payable to South Dakota Housing Development Authority, due in varying annual installments, beginning January 2015 through August 2038, secured by a mortgage on all property and equipment.	857,659

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 2015 were \$1,240,960 and \$4,964,780, respectively. For the Sewer Revenue Bonds, principal and interest paid and total customer revenues for 2015 were \$1,371,666 and \$3,342,172, respectively.

The loan agreements for the Sewer Revenue Bonds contain requirements for the City to comply with certain covenants relating to net revenues available for debt service. As of December 31, 2015, the City was in compliance with the net revenues available for debt service on the Sewer Revenue Bonds.

Tax Incremental Revenue Bonds

In July 2002, the City passed a resolution creating Tax Increment District No. 2. In September 2003, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$3,195,000. In June 2006, a resolution was passed authorizing an additional issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$510,000. Bonds in the amount \$3,705,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 2. Incremental property taxes were projected to produce 106% of the debt service requirements over the life of the bonds. In 2011, the Series 2003B and 2006C bonds of \$1,250,000 were refunded by Series 2011 Bonds of \$1,250,000 to change the final payment of \$80,000 plus interest due to December 2029. Total principal and interest remaining on the bonds is \$3,266,905, payable through December 2029. For 2015, principal and interest paid and total incremental property tax revenues were \$269,260 and \$279,540, 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 \$84,257, payable through August 2021. For 2015, principal and interest paid and total incremental property tax revenues were \$14,008 and \$14,300, 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. Tax Increment District No. 6 was paid in full during 2015. For 2015, principal and interest paid and total incremental property tax revenues were \$512,526 and \$465,203, respectively.

In November 2007, the City passed a resolution creating Tax Increment District No. 8. In December 2007, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 8 in the amount of \$3,500,000. In January 2008, a resolution was passed to amend the project plan and an ordinance was then passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 8 in the amount of \$4,500,000. Bonds in the amount of \$3,800,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 8. Incremental property taxes were projected to produce 105% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$2,861,634, payable through November 2023. For 2015, principal and interest paid and total incremental property tax revenues were \$433,573 and \$433,565, 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 \$2,486,475, payable through December 2032. For 2015, principal and interest paid and total incremental property tax revenues were \$136,400 and \$260,480, respectively.

In August 2013, the City passed a resolution creating Tax Incremental District No. 19. In September 2013, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 19 to provide funds not exceed the amount of \$2,500,000 for project costs. Bonds in the amount of \$1,935,200 have been issued in January 2014, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 19. Incremental property taxes were projected to produce at least 105% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$2,517,675, payable through June 2033. For 2015, principal and interest paid and total incremental property tax revenues were \$143,867 and \$32,785, respectively.

In April 2016, the City passed a resolution creating Tax Incremental District No. 26. In May 2016, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 26 to provide funds not exceed the amount of \$2,000,000 for project costs. Bonds in the amount of \$1,935,000 have been issued in July 2016, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 26. Incremental property taxes were projected to produce at least 101% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$2,699,315, payable through June 2036.

The Tax Increment Revenue Bonds, District Nos. 2, 4, 6, 8, 17, 19, and 26 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, 19, and 26.

Other Bonds

In December 2015, the City issued \$6,200,000 of Sales Tax Revenue Refunding Bonds with \$13,517 net premium, issuance costs of \$32,600, with interest rates 1.4% to 3.00%, and a maturity in November, 2027. The proceeds of this issue were used to advance refund the Series 2007 Public Safety Project Bonds, with interest rates 3.75% to 4%, and maturity in November, 2027. The intent of this refunding was to accommodate the lower interest rates. The new issue will have a difference in cash flow requirements between old and new debt and an economic gain (difference between the present value of the debt service on the old and new bonds) of approximately \$349,293 and \$289,796, respectively, for the City.

Subsequent to year end, the City has issued and drawn \$7,545,000 in sales tax revenue bonds for the construction of a new municipal library. \$6,045,000 of the issuance is tax exempt debt with interest rates from 1.25% to 4.00% with a maturity of December 1, 2035. The tax exempt portion will be paid with sales tax dollars. \$1,500,000 of the issuance is taxable debt with interest rates from 1.00% to 2.00% with a maturity of December 1, 2020. The taxable portion will be paid with pledged commitments from the Alexander Mitchell Library Foundation.

The annual requirements to maturity for all debt outstanding as of December 31, 2015, 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
2016	\$ 491,364	\$ 395,321	\$ 1,355,000	\$ 712,631	\$ 206,774	\$ 169,214
2017	517,418	371,316	1,385,000	690,483	215,028	156,160
2018	544,329	346,150	1,500,000	408,473	223,028	142,159
2019	567,142	318,653	1,540,000	376,350	232,187	127,001
2020	600,906	289,949	1,565,000	344,600	248,498	110,690
2021-2025	2,794,547	1,111,997	7,125,000	1,210,623	521,668	436,779
2026-2030	1,815,238	398,348	2,690,000	440,400	913,478	196,020
2031-2035	609,054	45,212	1,245,000	125,915	1,122,981	115,260
2036-2040	-	-	-	-	1,259,446	71,423
2041-2045	-	-	-	-	-	-
2046-2050	-	-	-	-	331,841	-
	<u>\$ 7,939,998</u>	<u>\$ 3,276,946</u>	<u>\$ 18,405,000</u>	<u>\$ 4,309,475</u>	<u>\$ 5,274,929</u>	<u>\$ 1,524,706</u>

Year Ending December 31	Water Revenue Bonds		Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 1,006,990	\$ 288,684	\$ 1,018,050	\$ 353,616
2017	1,025,849	268,737	1,043,506	328,160
2018	1,044,805	246,451	1,069,617	302,049
2019	1,068,860	221,916	1,096,401	275,265
2020	1,093,017	196,634	1,123,875	247,791
2021-2025	5,311,886	595,558	5,758,090	806,368
2026-2030	1,343,373	83,769	3,157,171	161,755
2031-2035	305,909	23,457	-	-
	<u>\$ 12,200,689</u>	<u>\$ 1,925,206</u>	<u>\$ 14,266,710</u>	<u>\$ 2,475,004</u>

Note 9 - Conduit Debt

In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property of the private-sector entity being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City of Aberdeen, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2015, there were three revenue bond issues of this type outstanding. The balance of the two revenue bonds issued after July 1, 1995, was \$3,789,437. 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, 2015 consist of the following:

Transfer From	Transfer To	Amount	Purpose
Airport	Special Sales Tax	\$ 1,000,000	To supplement other fund sources
Campground	Park & Rec	25,000	To supplement other fund sources
Ambulance	General	50,000	To supplement other fund sources
City Hall Remodal Project	Special Sales Tax	2,612,450	To supplement other fund sources
Special Sales Tax	Park & Rec Gift	80,000	To supplement other fund sources
Special Sales Tax	Old Federal Building Debt Service	10,000	To supplement other fund sources
TIF 19 Project	TIF 19 Debt Service	214,837	To supplement other fund sources
Sewer	General	170,750	To supplement other fund sources
Golf	General	19,580	To supplement other fund sources
Ambulance	General	41,260	To supplement other fund sources
Campground	General	31,460	To supplement other fund sources
Campground	Special Sales Tax	56,000	To supplement other fund sources
Water	General	268,880	To supplement other fund sources
Special Sales Tax	ARCC Debt Service	250,000	To supplement other fund sources
Special Sales Tax	Aquatic Center Debt Service	570,000	To supplement other fund sources
Water	Special Sales Tax	180,000	To supplement other fund sources
Special Sales Tax	Public Safety Debt Service	736,000	To supplement other fund sources
Special Sales Tax	Campground Debt Service	56,000	To supplement other fund sources
Special Sales Tax	City Hall Debt Service	160,000	To supplement other fund sources
Special Sales Tax	Old Federal Building Debt Service	210,000	To supplement other fund sources
Special Sales Tax	Water	180,000	To supplement other fund sources
General	Unemployment Comp	30,000	To supplement other fund sources
Special Sales Tax	Promotion	31,566	To supplement other fund sources
General	Airport	547,700	To supplement other fund sources
General	Park & Rec	3,505,335	To supplement other fund sources
General	Golf	120,000	To supplement other fund sources
General	Ambulance	199,000	To supplement other fund sources
Special Sales Tax	General	25,000	To supplement other fund sources
Special Sales Tax	Airport	569,000	To supplement other fund sources
Special Sales Tax	Park & Rec	130,000	To supplement other fund sources
Special Sales Tax	Ambulance	155,000	To supplement other fund sources
Water	General	27,305	To supplement other fund sources
Water	Parks & Rec	189,650	To supplement other fund sources
Water	Airport	4,283	To supplement other fund sources
Water	Stormwater	1,500	To supplement other fund sources
Water	Sewer	26,191	To supplement other fund sources
Water	Campground	67,728	To supplement other fund sources
		<u>\$ 12,551,475</u>	

Note 11 - Restricted Net Position

The following table shows the net position restricted for other purposes as shown on the government-wide statement of net position as of December 31, 2015:

Fund	Restricted By	Amount
Promotion fund	State Law	\$ 130,017
Park and recreation fund	State Law	74,760
Park recreation trust fund	State Law	804,230
Business improvement district fund	State Law	1,723
Parking fund	State Law	266,143
Storm water maintenance fund	State Law	507,773
Library fines fund	State Law	88,622
Aberdeen landmark commission	State Law	8,927
General fund - SD public assurance alliance	Contractual Agreement	289,712
Total restricted net position for other purposes		<u>\$ 2,171,907</u>

Note 12 - Risk Management

Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2015, the City managed its risks as follows:

Employee Health Insurance

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

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

Various rates of benefit coverages, deductibles, etc., are included in the insurance package provided for the covered employees and dependents. The City provides a “Fitness Program” to assist employees and covered spouses in addressing wellness/preventative care in advance of serious medical conditions. The benefit under this program is reimbursement to the employee/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 with an aggregate of approximately \$2,216,160.

All funds of the City which pay employee wages participate in the program and make payments to the Self-Funded Insurance Fund. The Self-Funded Insurance Fund makes payments to 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 \$274,491 is available as of December 31, 2015 for future claims and premium increases. The amount of claim liabilities for the years ended December 31, 2015, 2014, and 2013 were \$110,000, \$177,583, and \$412,840, 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
2015	\$ 177,583	\$ 1,538,369	\$ 1,605,952	\$ 110,000
2014	412,840	903,943	1,139,200	177,583
2013	51,595	1,849,059	1,487,814	412,840

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, 2015, 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 \$21,006 as of December 31, 2015 for the payment of future unemployment benefits.

During the year ended December 31, 2015, 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, 2015, 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

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

Benefits Provided

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

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

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by State statute to contribute the following percentages of their salary to the plan; Class A members, 6% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Member, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions made to the SDRS for the years ended December 31, 2015, 2014 and 2013 were \$867,351, \$806,237, and \$779,610, respectively, equal to the required contributions each year.

Pension Asset, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS, for the City as of this measurement period and reported by the City as of December 31, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 81,240,289
Less proportionate share of total pension liability	<u>78,042,940</u>
Proportionate share of net pension asset	<u><u>\$ 3,197,349</u></u>

At December 31, 2015, the City reported an asset of \$3,197,349 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the City's proportion was 0.7539%, which was a 0.0025% increase from the prior year.

For the year ended December 31, 2015, the City recognized pension expense of \$344,281. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 654,671	\$ -
Changes in assumption	2,535,296	-
Net difference between projected and actual earnings on pension plan investments	1,953,206	4,717,747
Changes in proportion and difference between the contributions and proportionate share of contributions	-	8,120
Contributions subsequent to the measurement date	<u>450,848</u>	<u>-</u>
	<u><u>\$ 5,594,021</u></u>	<u><u>\$ 4,725,867</u></u>

There is \$450,848 reported as deferred outflow of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as an increase of the net pension expense in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31:	Amount
2016	\$ 149,144
2017	149,144
2018	(409,948)
2019	528,966
	\$ 417,306

Actuarial Assumptions

The total pension asset in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Investment rate of return	7.25% through 2017 and 7.50% thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.8%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 7.25% through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of Asset to Changes in the Discount Rate

The following presents the City's proportionate share of net pension asset calculated using the discount rate of 7.25% through 2017 and 7.50% thereafter, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.25/6.50%) or one percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension asset (liability)	\$ (8,047,689)	\$ 3,197,349	\$ 12,366,707

Pension Plan Fiduciary Net Position

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

Note 14 - Litigation

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

Note 15 - Commitments

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

- a. Northeast Regional Health and Fitness Center - \$250,000 for 2016.

Note 16 - Adoption of New Accounting Standard

As of January 1, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension asset, deferred outflows of resources and deferred inflows of resources as follows:

	Governmental Activities	Business-Type Activities	Total
Net position at December 31, 2014, as previously stated	\$ 93,854,293	\$ 41,702,136	\$ 135,556,429
Net pension asset at December 31, 2014	4,496,729	916,452	5,413,181
Deferred outflows of resources at December 31, 2014	3,315,815	675,776	3,991,591
Deferred inflows of resources at December 31, 2014	(5,207,970)	(1,061,407)	(6,269,377)
Deferred outflows of resources related to contributions made during the six months ended December 31, 2014	338,123	68,911	407,034
Restatement - correction of error, see Note 17	242,663	-	242,663
Net position at January 1, 2015, as restated	\$ 97,039,653	\$ 42,301,868	\$ 139,341,521

Beginning net position for the following enterprise funds was also restated as a result of implementing this accounting standard:

	Water Fund	Sewer Fund	Golf Fund	Ambulance Fund	Total
Net position at December 31, 2014, as previously stated	\$ 19,654,199	\$ 18,480,114	\$ 726,684	\$ 669,737	\$ 41,702,136
Net pension asset at December 31, 2014	343,196	243,052	33,562	296,642	916,452
Deferred outflows of resources at December 31, 2014	253,067	179,222	24,748	218,739	675,776
Deferred inflows of resources at December 31, 2014	(397,478)	(281,495)	(38,872)	(343,562)	(1,061,407)
Deferred outflows of resources related to contributions made during the six months ended December 31, 2014	25,805	18,276	2,524	22,306	68,911
Net position at January 1, 2015, as restated	\$ 19,878,789	\$ 18,639,169	\$ 748,646	\$ 863,862	\$ 42,301,868

Note 17 - Restatement

During 2015, the City identified misstatements within the 2014 financial statements related to the understatement of Park and Recreation Fund accrued payroll liabilities and understatement of Airport Fund prepaid expenses. The City restated beginning net position and fund balance to appropriately reflect the January 1, 2015 balances as follows:

	Park and Recreation Fund	Airport Fund	Total Governmental Funds
Fund balance at December 31, 2014, as previously stated	\$ 176,293	\$ 1,026,221	\$ 12,797,395
Understatement of payroll accruals	(22,033)	-	(22,033)
Understatement of prepaid expenses	-	264,696	264,696
	<u>\$ 154,260</u>	<u>\$ 1,290,917</u>	<u>\$ 13,040,058</u>
			Governmental Activities
Net position at December 31, 2014, as previously stated			\$ 93,854,293
Adoption of GASB 68, see Note 16			2,942,697
Understatement of payroll accruals			(22,033)
Understatement of prepaid expenses			264,696
			<u>\$ 97,039,653</u>



Required Supplementary Information
December 31, 2015
City of Aberdeen

City of Aberdeen
 Schedule of City's Share of Net Pension Liability (Asset)
 Year Ended December 31, 2015

Pension Plan	Fiscal Year Ending *	City's Proportion of the Net Pension Asset	City's Proportionate Share of the Net Pension Asset (a)	City's Covered- Employee Payroll (b)	City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Asset
SDRS	6/30/2015	<u>0.7539%</u>	<u>\$ (3,197,349)</u>	<u>\$ 12,266,657</u>	<u>-26.1%</u>	<u>104.1%</u>

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

City of Aberdeen
 Schedule of City's Pension Contributions
 Year Ended December 31, 2015

<u>Pension Plan</u>	<u>Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered-Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered-Employee Payroll (b/d)</u>
SDRS	12/31/2015	<u>\$ 867,351</u>	<u>\$ 867,351</u>	<u>\$ -</u>	<u>\$ 12,876,352</u>	<u>6.7%</u>

City of Aberdeen
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2015

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
311 General property taxes	\$ 7,960,300	\$ 7,960,300	\$ 7,974,619	\$ 14,319
313 General sales and use taxes	8,815,000	8,815,000	8,785,418	(29,582)
319 Penalties and interest on delinquent taxes	18,000	18,000	21,997	3,997
320 Licenses and permits	429,000	429,000	395,015	(33,985)
330 Intergovernmental revenue:				
331 Federal grants	340,000	340,000	644,959	304,959
334 State grants	85,000	85,000	464,169	379,169
335 State shared revenue:				
335.01 Bank franchise tax	75,000	75,000	109,237	34,237
335.02 Motor vehicle commercial prorata	25,000	25,000	27,577	2,577
335.03 Liquor tax reversion	155,000	155,000	162,738	7,738
335.04 Motor vehicle licenses (5%)	150,000	150,000	171,171	21,171
335.06 Fire insurance premiums reversion	65,000	65,000	73,388	8,388
335.08 Local government highway and bridge fund	475,000	475,000	551,272	76,272
335.20 Other	3,000	3,000	2,964	(36)
336 State payments in lieu of taxes	-	-	167,873	167,873
338 County shared revenue:				
338.02 County HBR tax	20,500	20,500	-	(20,500)
338.03 County wheel tax	9,000	9,000	8,796	(204)
340 Charge for goods and services:				
341 General government	63,000	63,000	40,180	(22,820)
342 Public safety	76,500	76,500	93,561	17,061
343 Highways and streets	135,000	135,000	99,000	(36,000)
344 Sanitation	1,206,000	1,206,000	1,211,795	5,795
345 Health	8,000	8,000	7,630	(370)
346 Culture and recreation	3,000	3,000	3,731	731
349 Other	195,000	195,000	175,277	(19,723)
350 Fines and forfeits:				
351 Court fines and costs	25,000	25,000	30,338	5,338
359 Other	-	-	62	62
360 Miscellaneous revenue:				
361 Investment earnings	30,000	30,000	7,722	(22,278)
362 Rentals/Franchises	395,000	395,000	468,299	73,299
367 Contributions and donations from private sources	21,500	21,500	16,580	(4,920)
369 Other	36,500	36,500	51,836	15,336
Total revenues	<u>20,819,300</u>	<u>20,819,300</u>	<u>21,767,204</u>	<u>947,904</u>

City of Aberdeen
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2015

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government:				
411 Legislative	146,300	151,300	143,904	7,396
411.5 Contingency	-	-		
Amount transferred	300,000	300,000	-	300,000
412 Executive	208,650	208,650	206,201	2,449
414 Financial administration	1,094,000	1,141,000	1,061,636	79,364
419 Other	1,781,400	1,906,900	1,639,836	267,064
Total general government	<u>3,530,350</u>	<u>3,707,850</u>	<u>3,051,577</u>	<u>656,273</u>
420 Public safety:				
421 Police	4,200,250	4,393,250	4,297,744	95,506
422 Fire	2,627,150	2,839,150	2,601,959	237,191
423 Protective inspection	211,700	211,700	192,944	18,756
Total public safety	<u>7,039,100</u>	<u>7,444,100</u>	<u>7,092,647</u>	<u>351,453</u>
430 Public works:				
431 Highways and streets	2,855,860	2,995,860	2,585,410	410,450
432 Sanitation	1,413,300	1,413,300	1,145,403	267,897
439 Transit	699,250	866,250	751,604	114,646
Total public works	<u>4,968,410</u>	<u>5,275,410</u>	<u>4,482,417</u>	<u>792,993</u>
440 Health and welfare:				
445 Drug education	63,950	63,950	61,333	2,617
449 Other	23,150	23,150	23,150	-
Total health and welfare	<u>87,100</u>	<u>87,100</u>	<u>84,483</u>	<u>2,617</u>
450 Culture and recreation:				
451 Recreation	28,065	28,065	27,801	264
455 Libraries	1,146,600	1,151,600	1,039,217	112,383
Total culture and recreation	<u>1,174,665</u>	<u>1,179,665</u>	<u>1,067,018</u>	<u>112,647</u>
460 Conservation and development:				
466 Economic opportunity	522,800	522,800	496,200	26,600
Total conservation and development	<u>522,800</u>	<u>522,800</u>	<u>496,200</u>	<u>26,600</u>
Total expenditures	<u>17,322,425</u>	<u>18,216,925</u>	<u>16,274,342</u>	<u>1,942,583</u>
Excess of Revenue over (under) Expenditures	<u>3,496,875</u>	<u>2,602,375</u>	<u>5,492,862</u>	<u>2,890,487</u>
Other Financing Sources (Uses)				
391.01 Transfers in	556,930	556,930	634,235	77,305
511 Transfers out	(4,372,035)	(4,402,035)	(4,402,035)	-
391.03 Sale of municipal property	25,000	25,000	25,928	928
391.04 Compensation for loss or damage to capital assets	20,000	20,000	51,752	31,752
Total other financing sources (uses)	<u>(3,770,105)</u>	<u>(3,800,105)</u>	<u>(3,690,120)</u>	<u>109,985</u>
Net Change in Fund Balances	(273,230)	(1,197,730)	1,802,742	3,000,472
Fund Balance - Beginning	<u>3,735,656</u>	<u>3,735,656</u>	<u>3,735,656</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,462,426</u>	<u>\$ 2,537,926</u>	<u>\$ 5,538,398</u>	<u>\$ 3,000,472</u>

City of Aberdeen
 Budgetary Comparison Schedule—Park and Recreation Fund
 Year Ended December 31, 2015

	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	\$ 15,540	\$ (34,460)
332 Federal shared revenue	-	-	-	-
334 State grants	10,000	10,000	34,200	24,200
340 Charge for goods and services:				
346 Culture and recreation	626,190	626,190	621,083	(5,107)
348 Cemetery	37,000	37,000	36,628	(372)
360 Miscellaneous revenue:				
361 Investment earnings	-	-	2	2
369 Other	50	50	698	648
Total revenues	<u>723,240</u>	<u>723,240</u>	<u>708,151</u>	<u>(15,089)</u>
Expenditures				
430 Public works:				
437 Cemeteries	186,330	186,330	183,371	2,959
450 Culture and recreation:				
451 Recreation	2,912,220	3,354,020	2,994,707	359,313
452 Parks	1,360,025	1,486,425	1,462,137	24,288
Total culture and recreation	<u>4,272,245</u>	<u>4,840,445</u>	<u>4,456,844</u>	<u>383,601</u>
470 Debt service	-	-	-	-
Total expenditures	<u>4,458,575</u>	<u>5,026,775</u>	<u>4,640,215</u>	<u>386,560</u>
Excess of Revenue over (under) Expenditures	<u>(3,735,335)</u>	<u>(4,303,535)</u>	<u>(3,932,064)</u>	<u>371,471</u>
Other Financing Sources (Uses)				
391.01 Transfers in	3,635,335	3,635,335	3,849,985	214,650
511 Transfers out	-	-	-	-
391.04 Compensation for loss or damage to capital assets	-	-	2,579	2,579
Total other financing sources (uses)	<u>3,635,335</u>	<u>3,635,335</u>	<u>3,852,564</u>	<u>217,229</u>
Net Change in Fund Balances	(100,000)	(668,200)	(79,500)	588,700
Net Position - Beginning, as previously restated	176,293	176,293	176,293	-
Adjustments:				
Restatement (Note 17)	-	-	(22,033)	(22,033)
Fund Balance - Beginning, as restated	176,293	176,293	154,260	(22,033)
Fund Balance - Ending	<u>\$ 76,293</u>	<u>\$ (491,907)</u>	<u>\$ 74,760</u>	<u>\$ 566,667</u>

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Airport Fund
 Year Ended December 31, 2015

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
312 Airflight property tax	\$ 17,650	\$ 17,650	\$ 27,573	\$ 9,923
319 Penalties and interest on delinquent taxes	-	-	-	-
330 Intergovernmental revenue:				
331 Federal grants	7,875,000	7,875,000	3,619,248	(4,255,752)
334 State grants	437,500	437,500	201,347	(236,153)
335 State shared revenue:				
335.20 Other	50,000	50,000	-	(50,000)
340 Charge for goods and services:				
349 Other	296,000	296,000	377,627	81,627
350 Fines and forfeits:				
359 Other	1,500	1,500	-	(1,500)
360 Miscellaneous revenue:				
361 Investment earnings	500	500	230	(270)
369 Other	-	-	1,545	1,545
Total revenues	<u>8,678,150</u>	<u>8,678,150</u>	<u>4,227,570</u>	<u>(4,450,580)</u>
Expenditures				
430 Public works:				
435 Airport	9,794,850	9,794,850	5,099,655	4,695,195
Total public works	<u>9,794,850</u>	<u>9,794,850</u>	<u>5,099,655</u>	<u>4,695,195</u>
Total expenditures	<u>9,794,850</u>	<u>9,794,850</u>	<u>5,099,655</u>	<u>4,695,195</u>
Excess of Revenue over (under) Expenditures	<u>(1,116,700)</u>	<u>(1,116,700)</u>	<u>(872,085)</u>	<u>244,615</u>
Other Financing Sources (Uses)				
391.01 Transfers in	1,116,700	1,116,700	1,120,983	4,283
511 Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
391.03 Sale of municipal property	-	-	7,000	7,000
Total other financing sources (uses)	<u>116,700</u>	<u>116,700</u>	<u>127,983</u>	<u>11,283</u>
Net Change in Fund Balances	(1,000,000)	(1,000,000)	(744,102)	255,898
Net Position - Beginning, as previously restated	<u>1,026,220</u>	<u>1,026,220</u>	<u>1,026,220</u>	<u>-</u>
Adjustments:				
Restatement (Note 17)	-	-	264,696	264,696
Fund Balance - Beginning, as restated	<u>1,026,220</u>	<u>1,026,220</u>	<u>1,290,916</u>	<u>264,696</u>
Fund Balance - Ending	<u>\$ 26,220</u>	<u>\$ 26,220</u>	<u>\$ 546,814</u>	<u>\$ 520,594</u>

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Special Sales Tax Fund
 Year Ended December 31, 2015

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
313 General sales and use taxes	\$ 8,455,000	\$ 8,455,000	\$ 8,452,561	\$ (2,439)
330 Intergovernmental revenue:				
331 Federal grants	-	-	206,650	206,650
332 Federal shared revenue	-	-	-	-
334 State grants	-	-	614	614
360 Miscellaneous revenue:				
361 Investment earnings	-	-	5,416	5,416
369 Other	-	-	3,001	3,001
Total revenues	<u>8,455,000</u>	<u>8,455,000</u>	<u>8,668,242</u>	<u>213,242</u>
Expenditures				
410 General government:				
419 Other	25,000	25,000	84,268	(59,268)
Total general government	<u>25,000</u>	<u>25,000</u>	<u>84,268</u>	<u>(59,268)</u>
420 Public safety:				
422 Fire	65,000	65,000	-	65,000
429 Other protection	328,000	328,000	254,209	73,791
Total public safety	<u>393,000</u>	<u>393,000</u>	<u>254,209</u>	<u>138,791</u>
430 Public works:				
431 Highways and streets	4,075,000	5,025,000	4,397,439	627,561
432 Sanitation	250,000	250,000	48,811	201,189
433 Water	90,000	90,000	34,678	55,322
Total public works	<u>4,415,000</u>	<u>5,365,000</u>	<u>4,480,928</u>	<u>884,072</u>
450 Culture and recreation:				
451 Recreation	327,000	348,000	-	348,000
452 Parks	185,000	385,200	423,571	(38,371)
455 Libraries	325,000	325,000	277,541	47,459
Total culture and recreation	<u>837,000</u>	<u>1,058,200</u>	<u>701,112</u>	<u>357,088</u>
460 Conservation and development:				
465 Economic development and assistance (industrial development)	-	-	-	-
466 Economic opportunity	250,000	250,000	253,400	(3,400)
Total conservation and development	<u>250,000</u>	<u>250,000</u>	<u>253,400</u>	<u>(3,400)</u>
Total expenditures	<u>5,920,000</u>	<u>7,091,200</u>	<u>5,773,917</u>	<u>1,317,283</u>
Excess of Revenue over (under) Expenditures	<u>2,535,000</u>	<u>1,363,800</u>	<u>2,894,325</u>	<u>1,530,525</u>
Other Financing Sources (Uses)				
391.01 Transfers in	236,000	236,000	3,848,450	3,612,450
511 Transfers out	(3,041,000)	(4,381,000)	(3,162,566)	1,218,434
391.03 Sale of municipal property	-	-	474,894	474,894
Total other financing sources (uses)	<u>(2,805,000)</u>	<u>(4,145,000)</u>	<u>1,160,778</u>	<u>5,305,778</u>
Net Change in Fund Balances	(270,000)	(2,781,200)	4,055,103	6,836,303
Fund Balance - Beginning	148,189	148,189	148,189	-
Fund Balance - Ending	<u>\$ (121,811)</u>	<u>\$ (2,633,011)</u>	<u>\$ 4,203,292</u>	<u>\$ 6,836,303</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, 2014 or December 31, 2015.

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.

Note 3 - Pension Schedules

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



Supplementary Information
December 31, 2015
City of Aberdeen

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2015

	Promotion Fund	Park and Recreation Trust Fund	Cemetery Improvement Fund	Business Improvement District Fund	Parking Fund	Storm Water Fund
Assets						
Cash and cash equivalents	\$ -	\$ 873,354	\$ 6,520	\$ -	\$ 264,549	\$ 473,497
151 Investments	-	-	-	-	-	-
110 Taxes receivable, delinquent	-	-	-	1,734	1,694	-
115 Accounts receivable, net	-	-	-	-	-	31,364
132 Due from federal/state/county government	130,017	1,000	-	-	-	-
141 Inventory of supplies	-	-	-	-	-	-
142 Inventory of stores purchased for resale	-	-	-	-	-	18,201
Total assets	130,017	874,354	6,520	1,734	266,243	523,062
Deferred Outflows of Resources						
198 Other deferred outflows of resources	-	-	-	-	-	-
	<u>\$ 130,017</u>	<u>\$ 874,354</u>	<u>\$ 6,520</u>	<u>\$ 1,734</u>	<u>\$ 266,243</u>	<u>\$ 523,062</u>
Liabilities						
202 Accounts payable	\$ -	\$ 52,388	\$ -	\$ -	\$ 100	\$ 13,805
216 Accrued wages payable	-	1,870	-	-	-	1,484
223 Unearned revenue	-	15,866	-	-	-	-
Total liabilities	-	70,124	-	-	100	15,289
Deferred Inflows of Resources						
244 - Unavailable revenue - sales and use taxes	89,722	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	-	1,734	1,694	-
Total deferred inflows of resources	89,722	-	-	1,734	1,694	-
Fund Balances						
263 Nonspendable	-	-	-	-	-	18,201
264 Restricted	40,295	804,230	-	-	264,449	489,572
266 Assigned	-	-	6,520	-	-	-
Total fund balances	40,295	804,230	6,520	-	264,449	507,773
	<u>\$ 130,017</u>	<u>\$ 874,354</u>	<u>\$ 6,520</u>	<u>\$ 1,734</u>	<u>\$ 266,243</u>	<u>\$ 523,062</u>

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2015

	Library Fine Fund	Landmark Commission Fund	Tax Increment Financing District No. 2 Bonds Fund	Tax Increment Financing District No. 4 Bonds Fund	Park and Rec ARCC Bonds Fund	Tax Increment Financing District No. 10 Bonds Fund	Park and Rec Aquatic Center Bonds Funds
Assets							
Cash and cash equivalents	\$ 88,622	\$ 8,927	\$ 162,481	\$ 15,359	\$ 261,803	\$ -	\$ 600,979
151 Investments	-	-	215,916	-	-	-	-
110 Taxes receivable, delinquent	-	-	-	-	-	-	-
115 Accounts receivable, net	-	-	-	-	-	-	-
132 Due from federal/state/county government	-	-	-	-	-	-	-
141 Inventory of supplies	-	-	-	-	-	-	-
142 Inventory of stores purchased for resale	-	-	-	-	-	-	-
Total assets	<u>88,622</u>	<u>8,927</u>	<u>378,397</u>	<u>15,359</u>	<u>261,803</u>	<u>-</u>	<u>600,979</u>
Deferred Outflows of Resources							
198 Other deferred outflows of resources	-	-	-	-	-	-	-
	<u>\$ 88,622</u>	<u>\$ 8,927</u>	<u>\$ 378,397</u>	<u>\$ 15,359</u>	<u>\$ 261,803</u>	<u>\$ -</u>	<u>\$ 600,979</u>
Liabilities							
202 Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
216 Accrued wages payable	-	-	-	-	-	-	-
223 Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources							
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances							
263 Nonspendable	-	-	-	-	-	-	-
264 Restricted	88,622	8,927	378,397	15,359	261,803	-	600,979
266 Assigned	-	-	-	-	-	-	-
Total fund balances	<u>88,622</u>	<u>8,927</u>	<u>378,397</u>	<u>15,359</u>	<u>261,803</u>	<u>-</u>	<u>600,979</u>
	<u>\$ 88,622</u>	<u>\$ 8,927</u>	<u>\$ 378,397</u>	<u>\$ 15,359</u>	<u>\$ 261,803</u>	<u>\$ -</u>	<u>\$ 600,979</u>

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2015

	Tax Increment Financing District No.6 Bonds Fund	Public Safety Building Bonds Fund	Tax Increment Financing District No. 8 Bonds Fund	Tax Increment Financing District No. 11 Bonds Fund	Tax Increment Financing District No.12 Bonds Fund	Wylie Park Campground Expansion Bonds Fund	Tax Increment Financing District No. 3 Bonds Fund
Assets							
Cash and cash equivalents	\$ -	\$ 780,162	\$ -	\$ -	\$ -	\$ 69,972	\$ 165,379
151 Investments	-	-	-	-	-	-	-
110 Taxes receivable, delinquent	652	-	-	-	-	-	3,175
115 Accounts receivable, net	-	-	-	-	-	-	-
132 Due from federal/state/county government	-	-	-	-	-	-	-
141 Inventory of supplies	-	-	-	-	-	-	-
142 Inventory of stores purchased for resale	-	-	-	-	-	-	-
Total assets	652	780,162	-	-	-	69,972	168,554
Deferred Outflows of Resources							
198 Other deferred outflows of resources	-	-	-	-	-	-	-
	<u>\$ 652</u>	<u>\$ 780,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,972</u>	<u>\$ 168,554</u>
Liabilities							
202 Accounts payable	\$ -	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ -
216 Accrued wages payable	-	-	-	-	-	-	-
223 Unearned revenue	-	-	-	-	-	-	-
Total liabilities	-	12,000	-	-	-	-	-
Deferred Inflows of Resources							
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	652	-	-	-	-	-	3,175
Total deferred inflows of resources	652	-	-	-	-	-	3,175
Fund Balances							
263 Nonspendable	-	-	-	-	-	-	-
264 Restricted	-	768,162	-	-	-	69,972	165,379
266 Assigned	-	-	-	-	-	-	-
Total fund balances	-	768,162	-	-	-	69,972	165,379
	<u>\$ 652</u>	<u>\$ 780,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,972</u>	<u>\$ 168,554</u>

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2015

	Tax Increment Financing District No. 17 Bonds Fund	City Hall Remodel Bonds Fund	Tax Increment Financing District No. 18 Bonds Fund	Tax Increment Financing District No. 19 Bonds Fund	Old Federal Building Bonds Fund	Cemetery Perpetual Care Fund	City Hall Remodel Project Fund	Tax Increment Financing District No. 19 Project Fund	Total Nonmajor Governmental Funds
Assets									
Cash and cash equivalents	\$ 379,116	\$ 386,933	\$ -	\$ 105,046	\$ 118,768	\$ 191,323	\$ -	\$ -	\$ 4,952,790
151 Investments	-	-	-	-	-	-	-	-	215,916
110 Taxes receivable, delinquent	238	-	-	777	-	-	-	-	8,270
115 Accounts receivable, net	-	-	-	-	-	-	-	-	31,364
132 Due from federal/state/county government	-	-	-	-	-	-	-	-	131,017
141 Inventory of supplies	-	-	-	-	-	-	-	-	-
142 Inventory of stores purchased for resale	-	-	-	-	-	-	-	-	18,201
Total assets	379,354	386,933	-	105,823	118,768	191,323	-	-	5,357,558
Deferred Outflows of Resources									
198 Other deferred outflows of resources	-	-	-	-	-	-	-	-	-
	<u>\$ 379,354</u>	<u>\$ 386,933</u>	<u>\$ -</u>	<u>\$ 105,823</u>	<u>\$ 118,768</u>	<u>\$ 191,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,357,558</u>
Liabilities									
202 Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,293
216 Accrued wages payable	-	-	-	-	-	-	-	-	3,354
223 Unearned revenue	-	-	-	-	-	-	-	-	15,866
Total liabilities	-	-	-	-	-	-	-	-	97,513
Deferred Inflows of Resources									
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-	-	-	89,722
245 - Unavailable revenue - property taxes	238	-	-	777	-	-	-	-	8,270
Total deferred inflows of resources	238	-	-	777	-	-	-	-	97,992
Fund Balances									
263 Nonspendable	-	-	-	-	-	50,000	-	-	68,201
264 Restricted	379,116	386,933	-	105,046	118,768	141,323	-	-	5,087,332
266 Assigned	-	-	-	-	-	-	-	-	6,520
Total fund balances	379,116	386,933	-	105,046	118,768	191,323	-	-	5,162,053
	<u>\$ 379,354</u>	<u>\$ 386,933</u>	<u>\$ -</u>	<u>\$ 105,823</u>	<u>\$ 118,768</u>	<u>\$ 191,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,357,558</u>

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2015

	Promotion Fund	Park and Recreation Trust	Cemetery Improvement Fund	Business Improvement District Fund	Parking District Fund	Storm Water Fund
Revenues						
310 Taxes:						
311 General property taxes	\$ -	\$ -	\$ -	\$ 63,253	\$ 91,094	\$ -
312 Airflight property tax	-	-	-	-	-	-
313 General sales and use taxes	1,048,696	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	130	121	-
330 Intergovernmental revenue:						
331 Federal grants	-	2,000	-	-	-	-
334 State grants	-	10,000	-	-	-	-
340 Charges for goods and services:						
344 Sanitation	-	-	-	-	-	536,450
346 Culture and recreation	-	807,765	-	-	-	-
348 Cemetery	-	-	1,349	-	-	-
349 Other	-	-	-	-	-	-
350 Fines and forfeits:						
359 Other	-	-	-	-	-	-
360 Miscellaneous revenue:						
361 Investment earnings	10	278	79	-	102	177
362 Rentals	-	-	-	-	19,401	-
367 Contributions and donations from private sources	-	781,238	-	-	-	-
369 Other	-	-	-	-	-	1,200
Total revenues	1,048,706	1,601,281	1,428	63,383	110,718	537,827
Expenditures						
430 Public works:						
431 Highways and streets	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	426,106
435 Airport	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	106,039	-
437 Cemeteries	-	-	960	-	-	-
Total public works	-	-	960	-	106,039	426,106
450 Culture and recreation:						
451 Recreation	-	448,607	-	-	-	-
452 Parks	-	1,258,143	-	-	-	-
455 Libraries	-	-	-	-	-	-
457 Historical preservation	-	-	-	-	-	-
Total culture and recreation	-	1,706,750	-	-	-	-
460 Conservation and development:						
465 Economic development and assistance (industrial development)	135,000	-	-	-	-	-
466 Economic opportunity	946,311	-	-	63,383	-	-
Total conservation and development	1,081,311	-	-	63,383	-	-
470 Debt service	-	-	-	-	-	-
Total expenditures	1,081,311	1,706,750	960	63,383	106,039	426,106
Excess of revenue over (under) expenditures	(32,605)	(105,469)	468	-	4,679	111,721
Other Financing Sources (Uses)						
391.01 Transfers in	31,566	80,000	-	-	-	1,500
511 Transfers out	-	-	-	-	-	-
391.04 Compensation for loss or damage to capital assets	-	-	-	-	-	-
391.20 Long-term debt issued	-	-	-	-	-	-
513 Payments to refunded debt escrow agent	-	-	-	-	-	-
Total other financing sources (uses)	31,566	80,000	-	-	-	1,500
Net Change in Fund Balances	(1,039)	(25,469)	468	-	4,679	113,221
Fund Balance - Beginning	41,334	829,699	6,052	-	259,770	394,552
Fund Balance - Ending	\$ 40,295	\$ 804,230	\$ 6,520	\$ -	\$ 264,449	\$ 507,773

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2015

	Library Fine Fund	Landmark Commission Fund	Tax Increment Financing District No. 2 Bonds Fund	Tax Increment Financing District No. 4 Bonds Fund	Park and Rec ARCC Bonds Fund	Tax Increment Financing District No. 10 Bonds Fund	Park and Rec Aquatic Center Bonds Fund
Revenues							
310 Taxes:							
311 General property taxes	\$ -	\$ -	\$ 279,525	\$ 14,300	\$ -	\$ 95,851	\$ -
312 Airflight property tax	-	-	-	-	-	-	-
313 General sales and use taxes	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	15	-	-	23	-
330 Intergovernmental revenue:							
331 Federal grants	-	2,000	-	-	-	-	-
334 State grants	-	-	-	-	-	-	-
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-	-
348 Cemetery	-	-	-	-	-	-	-
349 Other	-	-	-	-	-	-	-
350 Fines and forfeits:							
359 Other	-	-	-	-	-	-	-
360 Miscellaneous revenue:							
361 Investment earnings	-	3	-	4	72	3	146
362 Rentals	-	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	-	-
369 Other	17,940	54	6,608	-	-	-	-
Total revenues	<u>17,940</u>	<u>2,057</u>	<u>286,148</u>	<u>14,304</u>	<u>72</u>	<u>95,877</u>	<u>146</u>
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-	-
435 Airport	-	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-	-
437 Cemeteries	-	-	-	-	-	-	-
Total public works	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
450 Culture and recreation:							
451 Recreation	-	-	-	-	-	-	-
452 Parks	-	-	-	-	-	-	-
455 Libraries	15,347	-	-	-	-	-	-
457 Historical preservation	-	2,279	-	-	-	-	-
Total culture and recreation	<u>15,347</u>	<u>2,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
460 Conservation and development:							
465 Economic development and assistance (industrial development)	-	-	-	-	-	-	-
466 Economic opportunity	-	-	-	-	-	-	-
Total conservation and development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
470 Debt service	-	-	269,760	14,008	246,003	95,880	565,750
Total expenditures	<u>15,347</u>	<u>2,279</u>	<u>269,760</u>	<u>14,008</u>	<u>246,003</u>	<u>95,880</u>	<u>565,750</u>
Excess of revenue over (under) expenditures	<u>2,593</u>	<u>(222)</u>	<u>16,388</u>	<u>296</u>	<u>(245,931)</u>	<u>(3)</u>	<u>(565,604)</u>
Other Financing Sources (Uses)							
391.01 Transfers in	-	-	-	-	250,000	-	570,000
511 Transfers out	-	-	-	-	-	-	-
391.04 Compensation for loss or damage to capital assets	-	-	-	-	-	-	-
391.20 Long-term debt issued	-	-	-	-	-	-	-
513 Payments to refunded debt escrow agent	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>570,000</u>
Net Change in Fund Balances	2,593	(222)	16,388	296	4,069	(3)	4,396
Fund Balance - Beginning	<u>86,029</u>	<u>9,149</u>	<u>362,009</u>	<u>15,063</u>	<u>257,734</u>	<u>3</u>	<u>596,583</u>
Fund Balance - Ending	<u>\$ 88,622</u>	<u>\$ 8,927</u>	<u>\$ 378,397</u>	<u>\$ 15,359</u>	<u>\$ 261,803</u>	<u>\$ -</u>	<u>\$ 600,979</u>

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2015

	Tax Increment Financing District No. 6 Bonds Fund	Public Safety Building Bonds Fund	Tax Increment Financing District No. 8 Bonds Fund	Tax Increment Financing District No. 11 Bonds Fund	Tax Increment Financing District No. 12 Bonds Fund	Wylie Park Campground Expansion Bonds Fund	Tax Increment Financing District No. 3 Bonds Fund
Revenues							
310 Taxes:							
311 General property taxes	\$ 457,093	\$ -	\$ 433,565	\$ 312,369	\$ 159,705	\$ -	\$ 184,893
312 Airflight property tax	-	-	-	-	-	-	-
313 General sales and use taxes	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	8,110	-	-	143	26	-	413
330 Intergovernmental revenue:							
331 Federal grants	-	-	-	-	-	-	-
334 State grants	-	-	-	-	-	-	-
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-	-
348 Cemetery	-	-	-	-	-	-	-
349 Other	-	-	-	-	-	-	-
350 Fines and forfeits:							
359 Other	-	-	-	-	-	-	-
360 Miscellaneous revenue:							
361 Investment earnings	51	178	-	-	-	17	16
362 Rentals	-	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	-	-
369 Other	-	-	-	-	-	-	-
Total revenues	<u>465,254</u>	<u>178</u>	<u>433,565</u>	<u>312,512</u>	<u>159,731</u>	<u>17</u>	<u>185,322</u>
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-	-
435 Airport	-	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-	-
437 Cemeteries	-	-	-	-	-	-	-
Total public works	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
450 Culture and recreation:							
451 Recreation	-	-	-	-	-	-	-
452 Parks	-	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-	-
457 Historical preservation	-	-	-	-	-	-	-
Total culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
460 Conservation and development:							
465 Economic development and assistance (industrial development)	-	-	-	-	-	-	-
466 Economic opportunity	-	-	-	-	-	-	-
Total conservation and development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
470 Debt service	<u>659,641</u>	<u>826,028</u>	<u>433,573</u>	<u>312,512</u>	<u>159,731</u>	<u>53,338</u>	<u>103,579</u>
Total expenditures	<u>659,641</u>	<u>826,028</u>	<u>433,573</u>	<u>312,512</u>	<u>159,731</u>	<u>53,338</u>	<u>103,579</u>
Excess of revenue over (under) expenditures	<u>(194,387)</u>	<u>(825,850)</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>(53,321)</u>	<u>81,743</u>
Other Financing Sources (Uses)							
391.01 Transfers in	-	736,000	-	-	-	56,000	-
511 Transfers out	-	-	-	-	-	-	-
391.04 Compensation for loss or damage to capital assets	-	-	-	-	-	-	-
391.20 Long-term debt issued	-	6,274,277	-	-	-	-	-
513 Payments to refunded debt escrow agent	-	(6,180,888)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>829,389</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,000</u>	<u>-</u>
Net Change in Fund Balances	<u>(194,387)</u>	<u>3,539</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>2,679</u>	<u>81,743</u>
Fund Balance - Beginning	<u>194,387</u>	<u>764,623</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>67,293</u>	<u>83,636</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 768,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,972</u>	<u>\$ 165,379</u>

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds
Year Ended December 31, 2015

	Tax Increment Financing District No. 17 Bonds Fund	City Hall Remodel Bonds Fund	Tax Increment Financing District No. 18 Bonds Fund	Tax Increment Financing District No. 19 Bonds Fund	Old Federal Building Bonds Fund	Cemetery Perpetual Care Fund	City Hall Remodel Project Fund	Tax Increment Financing District No. 19 Project Fund	Total Nonmajor Governmental Funds
Revenues									
310 Taxes:									
311 General property taxes	\$ 260,473	\$ -	\$ 44,742	\$ 32,643	\$ -	\$ -	\$ -	\$ -	\$ 2,429,506
312 Airlight property tax	-	-	-	-	-	-	-	-	-
313 General sales and use taxes	-	-	-	-	-	-	-	-	1,048,696
319 Penalties and interest on delinquent taxes	8	-	-	141	-	-	-	-	9,130
330 Intergovernmental revenue:									
331 Federal grants	-	-	-	-	-	-	-	-	4,000
334 State grants	-	-	-	-	-	-	-	-	10,000
340 Charges for goods and services:									
344 Sanitation	-	-	-	-	-	-	-	-	536,450
346 Culture and recreation	-	-	-	-	-	-	-	-	807,765
348 Cemetery	-	-	-	-	-	-	-	-	1,349
349 Other	-	-	-	-	-	-	-	-	-
350 Fines and forfeits:									
359 Other	-	-	-	-	-	-	-	-	-
360 Miscellaneous revenue:									
361 Investment earnings	44	71	-	21	68	-	-	-	1,340
362 Rentals	-	-	-	-	-	-	-	-	19,401
367 Contributions and donations from private sources	-	-	-	-	-	2,248	-	-	783,486
369 Other	-	-	-	-	-	-	-	-	25,802
Total revenues	260,525	71	44,742	32,805	68	2,248	-	-	5,676,925
Expenditures									
430 Public works:									
431 Highways and streets	-	-	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-	-	-	426,106
435 Airport	-	-	-	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-	-	-	106,039
437 Cemeteries	-	-	-	-	-	-	-	-	960
Total public works	-	-	-	-	-	-	-	-	533,105
450 Culture and recreation:									
451 Recreation	-	-	-	-	-	-	-	-	448,607
452 Parks	-	-	-	-	-	-	-	-	1,258,143
455 Libraries	-	-	-	-	-	-	-	-	15,347
457 Historical preservation	-	-	-	-	-	-	-	-	2,279
Total culture and recreation	-	-	-	-	-	-	-	-	1,724,376
460 Conservation and development:									
465 Economic development and assistance (industrial development)	-	-	-	-	-	-	-	-	135,000
466 Economic opportunity	-	-	-	-	-	-	-	-	1,009,694
Total conservation and development	-	-	-	-	-	-	-	-	1,144,694
470 Debt service	136,900	128,305	44,742	143,867	216,122	-	-	-	4,409,739
Total expenditures	136,900	128,305	44,742	143,867	216,122	-	-	-	7,811,914
Excess of revenue over (under) expenditures	123,625	(128,234)	-	(111,062)	(216,054)	2,248	-	-	(2,134,989)
Other Financing Sources (Uses)									
391.01 Transfers in	-	160,000	-	214,837	220,000	-	-	-	2,319,903
511 Transfers out	-	-	-	-	-	-	(2,612,450)	(214,837)	(2,827,287)
391.04 Compensation for loss or damage to capital assets	-	-	-	-	-	-	-	-	-
391.20 Long-term debt issued	-	-	-	-	-	-	-	-	6,274,277
513 Payments to refunded debt escrow agent	-	-	-	-	-	-	-	-	(6,180,888)
Total other financing sources (uses)	-	160,000	-	214,837	220,000	-	(2,612,450)	(214,837)	(413,995)
Net Change in Fund Balances	123,625	31,766	-	103,775	3,946	2,248	(2,612,450)	(214,837)	(2,548,984)
Fund Balance - Beginning	255,491	355,167	-	1,271	114,822	189,075	2,612,450	214,837	7,711,037
Fund Balance - Ending	\$ 379,116	\$ 386,933	\$ -	\$ 105,046	\$ 118,768	\$ 191,323	\$ -	\$ -	\$ 5,162,053

City of Aberdeen
Combining Statement of Net Position—Nonmajor Enterprise Funds
December 31, 2015

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Old Federal Building Fund	Campground Fund	Golf Fund	Ambulance Fund	
Current Assets					
Cash and cash equivalents	\$ 51,569	\$ 51,360	\$ 111,641	\$ 222,703	\$ 437,273
115 Accounts receivable, net	14,306	-	-	154,225	168,531
Total current assets	<u>65,875</u>	<u>51,360</u>	<u>111,641</u>	<u>376,928</u>	<u>605,804</u>
Noncurrent Assets					
189 Net pension asset	-	-	19,824	175,215	195,039
Capital assets:					
160 Land	101,250	-	350,500	-	451,750
162 Buildings	402,494	941,815	185,698	-	1,530,007
164 Improvements other than buildings	205,065	730,927	223,778	-	1,159,770
166 Machinery and equipment	-	42,669	565,771	967,483	1,575,923
Less accumulated depreciation (credit)	(16,100)	(362,043)	(720,838)	(518,158)	(1,617,139)
Total noncurrent assets	<u>692,709</u>	<u>1,353,368</u>	<u>624,733</u>	<u>624,540</u>	<u>3,295,350</u>
Deferred Outflows of Resources					
196 Pension related deferred outflows	-	-	34,669	306,428	341,097
197 Deferred charge on refunding	-	-	-	-	-
198 Other deferred outflows of resources	-	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>34,669</u>	<u>306,428</u>	<u>341,097</u>
	<u>\$ 758,584</u>	<u>\$ 1,404,728</u>	<u>\$ 771,043</u>	<u>\$ 1,307,896</u>	<u>\$ 4,242,251</u>
Current Liabilities					
202 Accounts payable	\$ 10,103	\$ 3,339	\$ 13,672	\$ 13,810	\$ 40,924
207 Contracts payable - retained percentage	-	-	-	-	-
216 Accrued wages payable	627	175	1,152	7,110	9,064
233 Accrued leave payable	-	-	1,851	27,953	29,804
Total current liabilities	<u>10,730</u>	<u>3,514</u>	<u>16,675</u>	<u>48,873</u>	<u>79,792</u>
Noncurrent Liabilities					
233 Accrued leave payable	-	-	-	-	-
Deferred Inflows of Resources					
248 Pension related deferred inflows	-	-	29,300	258,978	288,278
Net Position					
253.10 Net investment in capital assets	692,709	1,353,368	604,909	449,325	3,100,311
253.20 Restricted for:					
253.29 SDRS pension purposes	-	-	25,192	222,665	247,857
253.90 Unrestricted net position	55,145	47,846	94,967	328,055	526,013
Total net position	<u>747,854</u>	<u>1,401,214</u>	<u>725,068</u>	<u>1,000,045</u>	<u>3,874,181</u>
	<u>\$ 758,584</u>	<u>\$ 1,404,728</u>	<u>\$ 771,043</u>	<u>\$ 1,307,896</u>	<u>\$ 4,242,251</u>

City of Aberdeen

Combining Statement of Revenues, Expenses and Changes in Net Position—Nonmajor Enterprise Funds
Year Ended December 31, 2015

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Old Federal Building Fund	Campground Fund	Golf Fund	Ambulance Fund	
Operating Revenue					
380 Charges for goods and services	\$ 112,538	\$ 374,888	\$ 409,278	\$ 898,659	\$ 1,795,363
Total operating revenue	<u>112,538</u>	<u>374,888</u>	<u>409,278</u>	<u>898,659</u>	<u>1,795,363</u>
Operating Expenses					
410 Personal services	21,921	53,529	174,455	669,579	919,484
420 Other current expenses	132,298	149,766	370,441	268,182	920,687
457 Depreciation	8,050	47,678	56,445	87,463	199,636
Total operating expenses	<u>162,269</u>	<u>250,973</u>	<u>601,341</u>	<u>1,025,224</u>	<u>2,039,807</u>
Operating Loss	<u>(49,731)</u>	<u>123,915</u>	<u>(192,063)</u>	<u>(126,565)</u>	<u>(244,444)</u>
Nonoperating Revenue					
361 Investment earnings	64	29	36	8	137
(429) 369.01 Other	-	-	300	-	300
Total nonoperating revenue (expense)	<u>64</u>	<u>29</u>	<u>336</u>	<u>8</u>	<u>437</u>
Loss Before Contributions and Transfers	<u>(49,667)</u>	<u>123,944</u>	<u>(191,727)</u>	<u>(126,557)</u>	<u>(244,007)</u>
397.07 Capital contributions	-	15,850	-	-	15,850
391.1 Transfers in	-	-	187,728	354,000	541,728
511 Transfers out	-	(112,460)	(19,580)	(91,260)	(223,300)
Change in Net Position	<u>(49,667)</u>	<u>27,334</u>	<u>(23,579)</u>	<u>136,183</u>	<u>90,271</u>
Net Position - Beginning, as Previously Stated	797,521	1,373,880	726,685	669,737	3,567,823
Adjustment:					
Change in reporting, GASB 68	-	-	21,962	194,125	216,087
Net Position - Beginning, as Restated	<u>797,521</u>	<u>1,373,880</u>	<u>748,647</u>	<u>863,862</u>	<u>3,783,910</u>
Net Position - Ending	<u>\$ 747,854</u>	<u>\$ 1,401,214</u>	<u>\$ 725,068</u>	<u>\$ 1,000,045</u>	<u>\$ 3,874,181</u>

City of Aberdeen
Combining Statement of Cash Flows–Nonmajor Enterprise Funds
Year Ended December 31, 2015

	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	\$ 98,232	\$ 374,888	\$ 409,278	\$ 847,175	\$ 1,729,573
Payments to suppliers	(143,995)	(150,084)	(295,466)	(302,642)	(892,187)
Payments to employees	(21,294)	(53,578)	(179,013)	(710,883)	(964,768)
Cash payments for interfund services used	-	-	(67,728)	-	(67,728)
Net Cash from (used for) Operating Activities	<u>(67,057)</u>	<u>171,226</u>	<u>(132,929)</u>	<u>(166,350)</u>	<u>(195,110)</u>
Cash Flows from (used for) Noncapital Financing Activities					
Transfers from other funds	-	-	187,728	354,000	541,728
Transfers to other funds	-	(112,460)	(19,580)	(91,260)	(223,300)
Net Cash from (used for) Noncapital Financing Activities	<u>-</u>	<u>(112,460)</u>	<u>168,148</u>	<u>262,740</u>	<u>318,428</u>
Cash Flows used for Capital and Related Financing Activities					
Purchase of capital assets	(205,065)	(14,744)	(37,873)	-	(257,682)
Net Cash used for Capital and Related Financing Activities	<u>(205,065)</u>	<u>(14,744)</u>	<u>(37,873)</u>	<u>-</u>	<u>(257,682)</u>
Cash Flows from Investing Activities					
Interest earnings	64	28	36	9	137
Net Cash from Investing Activities	<u>64</u>	<u>28</u>	<u>36</u>	<u>9</u>	<u>137</u>
Net Change in Cash and Cash Equivalents	(272,058)	44,050	(2,618)	96,399	(134,227)
Balance - Beginning	323,627	7,310	114,259	126,304	571,500
Balance - Ending	<u>\$ 51,569</u>	<u>\$ 51,360</u>	<u>\$ 111,641</u>	<u>\$ 222,703</u>	<u>\$ 437,273</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities:					
Operating income (loss)	\$ (49,731)	\$ 123,915	\$ (192,063)	\$ (126,565)	\$ (244,444)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:					
Depreciation expense	8,050	47,678	56,445	87,463	199,636
Changes in assets and liabilities:					
Receivables	(14,306)	-	-	(51,484)	(65,790)
Accounts and other payables	(11,697)	(319)	7,247	(34,460)	(39,229)
Accrued wages payable	627	(48)	(1,692)	(14,190)	(15,303)
Accrued leave payable	-	-	363	1,426	1,789
Net pension related asset, deferred inflows and outflows	-	-	(3,229)	(28,540)	(31,769)
Net Cash from (used for) Operating Activities	<u>\$ (67,057)</u>	<u>\$ 171,226</u>	<u>\$ (132,929)</u>	<u>\$ (166,350)</u>	<u>\$ (195,110)</u>

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2015

	Housing and Redevelopment Commission
Operating Activities	
Receipts from tenant payments	\$ 1,349,226
Receipts for management fees and other	316,071
Payments to employees	(563,109)
Housing assistance payments	(1,525,413)
Payments to suppliers and others	(1,111,415)
	(1,534,640)
Noncapital Financing Activities	
HUD grants received	2,376,059
	2,376,059
Capital and Related Financing Activities	
Purchase of property and equipment	(147,765)
Purchase of other asset	(208,843)
Payments for interest	(181,262)
Principal payments on long-term debt	(290,109)
Net advances from (payments on) construction note payable	-
Proceeds from long-term debt	-
Equity Contributions	191,509
Equity Distributions	(3,000)
	(639,470)
Investing Activities	
Payment of investment in limited partnership	2,704
Payment of advance to limited partnership	4,127
Interest received	38,186
	45,017
Net Cash from Investing Activities	45,017
Net Change in Cash	246,966
Cash Beginning of Year	2,553,200
	2,553,200
Cash End of Year	\$ 2,800,166
Cash Consists of:	
Cash	\$ 1,289,777
Funded security deposits	108,396
Restricted deposits	1,401,993
	\$ 2,800,166

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2015

	<u>Housing and Redevelopment Commission</u>
Reconciliation of Operating Loss to Net Cash used for	
Operating Activities:	
Operating loss	\$ (2,628,492)
Adjustments to reconcile operating loss to net cash used for	
operating activities:	
Depreciation	1,072,806
Change in assets and liabilities:	
Rental accounts receivable	(3,831)
Other receivables	56,698
Prepaid expenses	(1,575)
Accounts payable and other accrued liabilities	(18,388)
Tenant security deposits	8,903
Pension deferred inflows	(73,212)
Pension asset and deferred outflows	54,312
Unearned revenues	(1,861)
Net Cash used for Operating Activities	<u>\$ (1,534,640)</u>



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

The City Council
City of Aberdeen
Aberdeen, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 27, 2016.

Internal Control over Financial Reporting

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

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

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 2015-A as described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

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 Finding

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

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota
September 27, 2016



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

To the City Council
City of Aberdeen
Aberdeen, South Dakota

Report on Compliance for the Major Federal Program

We have audited the City of Aberdeen’s (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City’s major federal program for the year ended December 31, 2015. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for the City’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended December 31, 2015.

Report on Internal Control over Compliance

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

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

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

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

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

Aberdeen, South Dakota
September 27, 2016

City of Aberdeen
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number For Indirect Programs	Expenditures
Department of Interior Indirect Federal Funding: SD Department of Tourism and State Development, Historic Preservation Fund Grants-in-Aid	15.904	SD-14-029	\$ 2,000
Department of Transportation Direct Federal Funding: Airport Improvement Program (3-46-0001-33, 34, 35)	20.106	N/A	3,634,438
Indirect Federal Funding: SD Department of Public Safety: Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	*****	32,909
SD Department of Transportation: Highway and Planning Construction Cluster Recreational Trails Program	20.219	*****	89,000
Federal Transit Cluster Bus and Bus Facilities Formula Program	20.526	UM341401, UM3111301, UM341301, UM341401	179,344
Formula Grants for Other Than Urbanized Areas (Section 5311 & RTAP)	20.509	UM1815-01-3684P/UM1815-01-3686P	283,848
Transit Services Programs Cluster Capital Assistance Program for Elderly Persons and Persons with Disabilities (Section 5310)	20.513	UM1615-01-3682P	7,952
Total Department of Transportation			4,227,491
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	UM1816-01-3686P	22,603
Black Hills Special Services Cooperative: Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health	93.757	*****	2,225
Total Department of Health and Human Services			24,828
General Services Administration: Indirect Federal Funding: SD Federal Property Agency: Donation of Federal Surplus Personal Property (Note C)	39.003	*****	12,218
National Endowment for the Arts: Indirect Federal Funding: SD Arts Council: Promotion of the Arts - Partnership Agreements	45.025	*****	16,540
Department of Agriculture: Indirect Federal Funding: SD Department of Agriculture: Cooperative Forestry Assistance	10.664	2015-UCF-001	1,000
Department of Homeland Security: Direct Federal Funding: Law Enforcement Officer Reimbursement Agreement Program	97.090	N/A	14,500
Indirect Federal Funding: SD Department of Public Safety: Homeland Security Grant Program	97.067	*****	36,043
Assistance to Firefighters Grant	97.044	EMW-2014-FO-01514	121,600
Disaster Grants Public Assistance (Presidentially Declared Disasters)	97.036	DR-1915-SD	4,601
Total Department of Homeland Security			176,744
Department of Justice: Direct Federal Funding: Bulletproof Vest Partnership Program	16.607	N/A	4,616
Internet Crimes Against Children Task Force Program	16.800	N/A	520
Total Department of Justice			5,136
Total Expenditures of Federal Awards			\$ 4,465,957

***** "No" Pass-Through Entity Identifying Number Given

See Notes to Schedule of Expenditures of Federal Awards.

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. 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. During the year ended December 31, 2015, there were no amounts passed through to subrecipients.

Note B – Significant Accounting Policies

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

The City has not elected to use the 10% de minimus cost rate.

Note C — Federal Surplus Property

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

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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 Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

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

Section II – Financial Statement Findings

Finding 2015-A - Financial Statements and Footnotes are Prepared with Assistance by the Auditor, Which at Times Includes Material Proposed Adjustments to the Financial Statements Including a Restatement for Correction of Errors

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

Cause: The City does not have an internal control system designed to provide for the preparation of the financial statements, footnotes and disclosures, including a system to identify all relevant and material adjustments necessary to ensure that financial statements are in accordance with generally accepted accounting principles. In addition, subsidiary ledgers have not been consistently reconciled to the general ledger for certain key accounts.

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

Repeat Finding from Prior Year: Yes, prior year finding 2014-A.

Recommendation: We recommend training specific to governmental accounting principles so that staff is able ensure financial statements are materially correct. In addition, a thorough review of the transactions and balances in each fund should take place prior to the beginning of the audit to ensure that generally accepted accounting principles have been followed for each fund type, especially for transaction types that are infrequent in occurrence. We also recommend that subsidiary ledgers be reconciled to the general ledger on a regular basis. However, ultimately it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

No findings reported in the current year.

Financial Statement Findings

2014-A – Material Weakness in Internal Control Financial Statements and Footnotes are Prepared by the Auditor, Which at Times Includes Material Proposed Adjustments to the Financial Statements

Initial Fiscal Year Finding Occurred: 2013

Finding Summary: The City does not have an internal control system designed to provide for the preparation of the financial statements including required footnotes and disclosures, including all necessary material audit adjustments to the City's financial statements as well as properly identifying major funds within the financial statements. During the course of the audit engagement, the auditors were requested to draft the financial statements and accompanying notes to those financial statements and they proposed material audit adjustments to the City's recorded account balances.

Status: This finding has not been resolved as of December 31, 2015. The reason for the finding's recurrence is that the City's staffing model does not allow for a cost effective solution. Planned actions include management to annually review the draft financial statements and footnotes prepared by the auditor and to review all recommended adjusting entries proposed by the auditor.

2014-B – Significant Deficiency in Internal Control Reconciliation of Fixed Assets and Accumulated Depreciation

Initial Fiscal Year Finding Occurred: 2013

Finding Summary: The City did 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 the audit engagement, discrepancies were noted in reconciling fixed asset activity from maintained depreciation schedules to the general ledger account balances; however, the discrepancies were not material to the financial statements.

Status: Corrective action was taken.

2014-C – Significant Deficiency in Internal Control Information Technology Controls

Initial Fiscal Year Finding Occurred: 2013

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

Status: Corrective action was taken.

Findings Related to Federal Awards

No findings related to federal awards reported in the prior year.



CITY OF ABERDEEN

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FAX (605) 626-3518

COMPUTER
(605) 626-7044

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

The City of Aberdeen respectfully submits the following corrective action plan for its audit finding for the year ended December 31, 2015.

Independent Public Accounting Firm: Eide Bailly LLP
PO Box 430
Aberdeen, SD 57402-0430

Audit Period: January 1, 2015 – December 31, 2015

Finding 2015-A - Financial Statements and Footnotes are Prepared with Assistance by the Auditor, Which at Times Includes Material Proposed Adjustments to the Financial Statements Including a Restatement for Correction of Errors

Planned Action: We will ensure that subsidiary ledgers for accounts receivable and accounts payable are reconciled to the general ledger on a regular basis. In addition, management 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 including correction of errors. Due to the City's size, we will accept the risk associated with the condition based on cost and other considerations.

Contact Person: Karl Alberts

Anticipated Completion Date: Ongoing