



Financial Statements
December 31, 2016
City of Aberdeen

City Council

Expires

Mayor.....	Mike Levsen.....	2019
NE District Council Member.....	Mark Remily.....	2017
NE District Council Member.....	Rob Ronayne.....	2018
NW District Council Member.....	Todd Campbell.....	2017
NW District Council Member.....	Jennifer Slaight-Hansen.....	2019
SE District Council Member.....	Clint Rux.....	2017
SE District Council Member.....	Dennis “Mike” Olson.....	2017
SW District Council Member.....	David Bunsness.....	2020
SW District Council Member.....	Alan Johnson.....	2018

Appointive Officers

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

Governing Boards

Parks and Recreation Board (5 Years)

Expires

Matt Prehn, President.....	2021
Brenda Stapp.....	2020
Susan Bostian.....	2017
David Sandvig.....	2021
Doug Farrand.....	2020
Jerry Mills.....	2018
Mike Hogg.....	2019
Todd Campbell, City Council Member	

Mike Levsen, Mayor

Airport Board (5 Years)

Expires

Mike Erickson, Chairperson.....	2020
Tom Black.....	2021
Carl Perry.....	2019
Rolf Johnson.....	2018
Lonald Gellhaus.....	2017
Alan Johnson, City Council Member	
Doug Fjeldheim, County Commissioner	

Library Board (3 Years)

Expires

Maeve King, President.....	2017
Dr. Peter Ramey.....	2019
Tom Guhin.....	2019
Troy McQuillen.....	2017
Sandy Andera.....	2018
Clint Rux, City Council Member	

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Independent Auditor's Report

The City Council
City of Aberdeen
Aberdeen, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota as of December 31, 2016, 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.

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 67 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise the City of Aberdeen, South Dakota's 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 18, 2017 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.

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

Aberdeen, South Dakota
September 18, 2017

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, 2016. 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 \$163.665 million (reported as net position), an increase of \$14.19 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 \$24.089 million, with \$5,008,016 reported as unassigned, \$1,524,056 reported as assigned, \$5,843,736 reported as committed, \$11,207,162 reported as restricted, and the remaining amount of \$506,354 reported as nonspendable. At the end of the fiscal year, the fund balance for the General Fund was \$5,609,833, of which \$5,008,016 was unassigned, \$312,105 was assigned, and \$289,712 was reported as nonspendable.

Proprietary funds reported a total net position at year-end of \$44.542 million, an increase of approximately \$1.380 million during the year.

Long-Term Debt

The primary government's total long-term outstanding loans and bonded debt totaled \$58.716 million, an increase of \$5.090 million from the previous year. Of the total outstanding loans and bonded debt, \$49.474 million is backed by the City. During 2016, the City issued tax increment revenue bonds for TIF #26 in the amount of \$1,935,000 and sales tax revenue bonds for the construction of a new library in the amount of \$7,759,210. The decrease represents principal payments of \$5,681,403 of previous outstanding debt. Although unpledged, water charges are assumed to be responsible for repayment of the State Revolving Loan for water treatment improvements. Conversely, sewer charges have been pledged and will make the repayment of the State Revolving Loan for sewer treatment improvement. Sales tax revenues have been pledged for the repayment of the State Revolving Loan for automated water meter upgrades.

Overview of the Financial Statements

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

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

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

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

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

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

- ✓ Housing and Redevelopment Commission

Fund Financial Statements and Component Unit Financial Statements

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

Governmental Funds

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Sales Tax Fund, Airport 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.

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Net Position

As presented in the following table, total assets and deferred outflows of the City on December 31, 2016 were \$228.258 million, while total liabilities and deferred inflows were \$64.593 million, resulting in combined net position (governmental and business-type activities) of \$163.665 million.

	City of Aberdeen Net Position					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 29,535,078	\$ 23,668,783	\$ 10,143,934	\$ 9,774,471	\$ 39,679,012	\$ 33,443,254
Capital Assets	123,301,093	110,844,660	59,104,020	60,267,423	182,405,113	171,112,083
Total Assets	152,836,171	134,513,443	69,247,954	70,041,894	222,084,125	204,555,337
Deferred Outflows of Resources	5,211,624	5,188,635	962,288	946,684	6,173,912	6,135,319
	158,047,795	139,702,078	70,210,242	70,988,578	228,258,037	210,690,656
Long-Term Liabilities Outstanding	34,194,355	27,046,227	24,522,164	26,579,820	58,716,519	53,626,047
Other Liabilities	4,725,826	2,415,034	1,145,065	446,735	5,870,891	2,861,769
Total Liabilities	38,920,181	29,461,261	25,667,229	27,026,555	64,587,410	56,487,816
Deferred Inflows of Resources	4,784	3,925,778	976	800,089	5,760	4,725,867
	38,924,965	33,387,039	25,668,205	27,826,644	64,593,170	61,213,683
Net Position:						
Net Investment in Capital Assets	98,865,510	92,034,277	34,682,838	34,865,761	133,548,348	126,900,038
Restricted	14,460,996	8,990,749	2,094,821	2,237,188	16,555,817	11,227,937
Unrestricted	5,796,324	5,290,013	7,764,378	6,058,985	13,560,702	11,348,998
Total Net Position	\$119,122,830	\$106,315,039	\$44,542,037	\$43,161,934	\$163,664,867	\$149,476,973

The largest component of the City's net position, 81.6% (down from 84.9% in 2015), 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 10.12% (an increase from 7.5% in 2015) 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, \$13.561 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 2017 appropriations in the General Fund (\$312,105).

Changes in Net Position

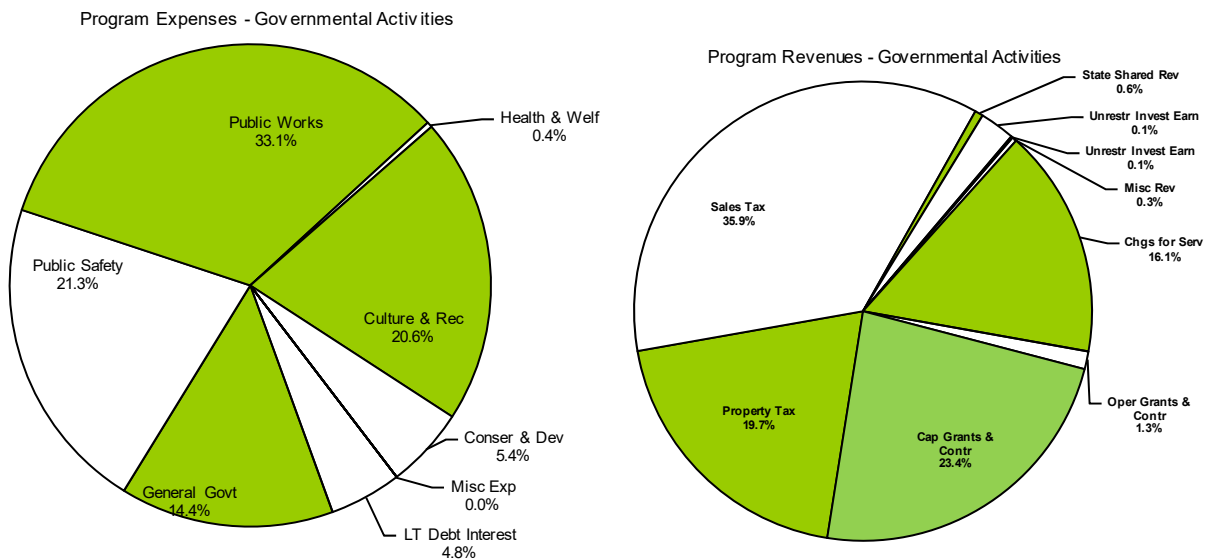
The following table summarizes financial information derived from the government-wide statement of activities and reflects how the City's net position changed during fiscal years 2016 and 2015.

City of Aberdeen						
Changes in Net Position						
Fiscal Year Ended December 31						
	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 8,209,101	\$ 7,560,043	\$ 11,810,558	\$ 10,102,615	\$ 20,019,659	\$ 17,662,658
Operating Grants and Contributions	637,888	2,365,939	-	-	637,888	2,365,939
Capital Grants and Contributions	11,923,022	4,504,044	68,610	1,006,531	11,991,632	5,510,575
General Revenues:						
Property Taxes	10,031,692	10,399,671	-	-	10,031,692	10,399,671
Sales Taxes	18,280,089	18,311,417	-	-	18,280,089	18,311,417
State Shared Revenues	297,936	30,541	-	-	297,936	30,541
Unrest. Grants and Contributions	1,252,249	904,102	-	-	1,252,249	904,102
Unrestricted Investment Earnings	66,128	14,710	44,452	25,301	110,580	40,011
Miscellaneous	164,955	169,667	290,304	258,433	455,259	428,100
Total Revenues	50,863,060	44,260,134	12,213,924	11,392,880	63,076,984	55,653,014
Program Expenses:						
General Government	5,504,859	3,214,147	-	-	5,504,859	3,214,147
Public Safety	8,152,797	7,487,556	-	-	8,152,797	7,487,556
Public Works	12,700,644	12,160,223	-	-	12,700,644	12,160,223
Health and Welfare	140,362	1,758,594	-	-	140,362	1,758,594
Cultural and Recreation	7,892,149	6,806,724	-	-	7,892,149	6,806,724
Conservation and Development	2,086,099	1,894,294	-	-	2,086,099	1,894,294
Miscellaneous Expenditures	-	-	-	-	-	-
Interest on Long-term Debt	1,857,288	2,074,878	-	-	1,857,288	2,074,878
Water	-	-	4,871,676	5,115,790	4,871,676	5,115,790
Sewer	-	-	3,347,878	2,965,549	3,347,878	2,965,549
Old Federal Building	-	-	150,181	162,269	150,181	162,269
Campground	-	-	264,604	250,973	264,604	250,973
Golf	-	-	663,106	601,341	663,106	601,341
Ambulance	-	-	1,257,446	1,025,224	1,257,446	1,025,224
Total Expenses	38,334,198	35,396,416	10,554,891	10,121,146	48,889,089	45,517,562
Excess (Deficiency) Before Transfers	12,528,862	8,863,718	1,659,033	1,271,734	14,187,895	10,135,452
Transfers	278,930	411,668	(278,930)	(411,668)	-	-
Change in Net Position	12,807,792	9,275,386	1,380,103	860,066	14,187,895	10,135,452
Net Position – Beginning	106,315,038	97,039,652	43,161,934	42,301,868	149,476,972	139,341,520
Net Position – Ending	\$119,122,830	\$106,315,038	\$44,542,037	\$43,161,934	\$163,664,867	\$149,476,972

Governmental Activities

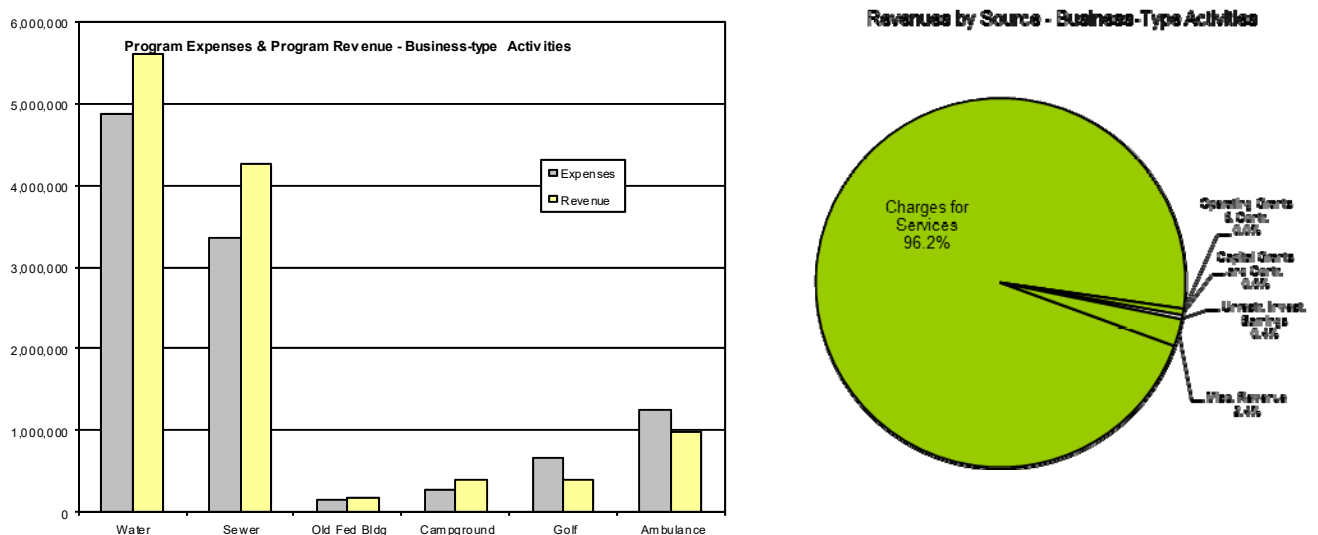
Governmental activities increased the City's net position by \$12,807,792. Factors contributing to these results include:

- Capital grant revenue was \$7.4 million higher than the previous fiscal year;
- Accumulation of funds in the Special Sales Tax Fund for future projects totaling approximately \$1.64 million.



Business-Type Activities

Net position of the business-type activities increased by \$1,380,103 during 2016, as compared to an increase of \$860,066 during 2015. Factors contributing to these results include higher water and wastewater charges due to increased production at New Angus, Inc. (approximately \$600,000).



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 2016, the City's governmental funds reported combined ending fund balances of \$24.089 million, an increase of approximately \$8.564 million in comparison with the prior year.

Approximately 2.1%, or \$506,354 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 46.52%, or \$11,207,162 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 24.26%, or \$5,843,736 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 6.33%, or \$1,524,056 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. \$312,105 of this amount is assigned to be used only for 2017 appropriations.

The remaining 20.79%, or \$5,008,016 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 2016 were the General Fund, the Special Sales Tax Fund, the Airport Fund, and the Park and Recreation Fund. The General Fund is the chief operating fund of the City. At the end of the fiscal year, the assigned and unassigned fund balance of the General Fund was \$5.320 million, of which \$312,105 was assigned only to be used to fund 2017 appropriations. Total fund balance at the end of the current fiscal year was \$5.6098 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 31.36% (32.25% in 2015) of the total General Fund operating expenditures.

Overall, the fund balance of the City's General Fund increased by \$71,435 (From Exh. IV) during the current fiscal year. This is over a 1.29% increase from the prior year's ending fund balance. The increase primarily resulted from lower than expected spending in General Government (approximately \$665,000) and Public Works (approximately \$630,000) offset by higher than expected spending in Public Safety (approximately \$287,000) and transfers to Parks, Recreation and Forestry (approximately \$550,000) and Ambulance (approximately \$70,000) Funds.

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 \$5,843,736. Total fund balance at the end of the current fiscal year was also \$5,843,736.

Overall, the fund balance of the City's Special Sales Tax Fund increased by \$1,640,444 during the current fiscal year. This is a 39.03% increase in fund balance from the prior year. The increase primarily resulted from higher than anticipated state grants (approximately \$2,400,000) and Public Works savings (approximately \$535,000) offset by higher than expected transfers to Public Works (approximately \$675,000), Library (approximately \$150,000) and Parks (approximately \$50,000) projects.

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 \$128,782 and the restricted fund balance was \$27,415. Total fund balance at the end of the current fiscal year was \$156,197.

The Airport Fund is the fund created by the City to account for the activities associated with that department. At the end of the fiscal year, nonspendable fund balance of the Airport Fund was \$20,709 and the assigned fund balance was \$1,203,309. Total fund balance at the end of the current fiscal year was \$1,224,018.

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 2016:

Water Fund

At the end of fiscal year 2016, the Water Fund reported total net position of \$20.203 million, an increase of \$405,098 (2.05%) in comparison with the prior year. During 2016, the Water Fund produced an operating income (before contributions and operating transfers) in the amount of \$1,206,561 on total operating revenue of \$5.788 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$336,966 on total operating revenue of \$5.167 million. The increase in total net position was largely the result of increased water consumption due to dry summer conditions and increased production at New Angus, Inc.

Sewer Fund

At the end of fiscal year 2016, the Sewer Fund reported total net position of \$20.348 million, an increase of \$858,196 (4.4%) in comparison with the prior year. During 2016, the Sewer Fund produced operating income (before contributions and operating transfers) in the amount of \$1,309,485 on total operating revenue of \$4.312 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$807,470 on total operating revenue of \$3.398 million. The increase in total net position was largely the result of increased production at New Angus, Inc.

Budgetary Highlights – General Fund

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

General Fund

The difference between the original budget and the final amended budget was \$1,123,225 (or 6.36%) of increases in appropriations and can be summarized as follows:

- \$50,000 in supplemental appropriations to General Government for 1) outside legal costs and 2) salary study costs.
- \$440,000 in supplemental appropriations to Public Safety for 1) Fire Department training and equipment reimbursed by grants and water consumption, and 2) Police salaries, insurance, and water consumption.
- \$147,950 in supplemental appropriations to Public Works departments for 1) personal services, 2) water consumption expenses, 3) additional street lighting expense, and 4) insurance.
- \$500 in supplemental appropriations to Culture and Recreation departments for water consumption at the Library.
- \$412,000 in supplemental appropriations Economic Development for a Boys and Girls Club grant.

Actual spending was less than the original budget for General Fund total operating expenditures by \$684,416 and was less than the final amended budget by \$1,807,641.

Overall, there was one instance of over-spending in the Health and Welfare area of \$3,836 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, 2016 is \$182.405 million (net of accumulated depreciation) as compared to \$171.112 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	
	2016	2015	2016	2015	2016	2015
Land	\$ 9,522,713	\$ 9,341,735	\$ 903,027	\$ 903,027	\$ 10,425,740	\$ 10,244,762
Buildings	38,803,254	37,799,472	62,748,832	62,660,200	101,552,086	100,459,672
Improvements other than Buildings	122,686,594	111,178,262	30,127,939	30,046,644	152,814,533	141,224,906
Equipment/Vehicles	19,345,580	18,132,902	7,654,447	7,566,215	27,000,027	25,699,117
Construction in Progress	9,575,066	6,761,138	650,257	-	10,225,323	6,761,138
Total Capital Assets	<u>199,933,207</u>	<u>183,213,509</u>	<u>102,084,502</u>	<u>101,176,086</u>	<u>302,017,709</u>	<u>284,389,595</u>
Accumulated Depreciation	<u>76,632,114</u>	<u>72,368,849</u>	<u>42,980,482</u>	<u>40,908,663</u>	<u>119,612,596</u>	<u>113,277,512</u>
Total Capital Assets, Net	<u>\$123,301,093</u>	<u>\$110,844,660</u>	<u>\$59,104,020</u>	<u>\$60,267,423</u>	<u>\$182,405,113</u>	<u>\$171,112,083</u>

The City's investment in capital assets (net of accumulated depreciation) changed from fiscal year 2015 to 2016 by 6.6%. Governmental capital projects completed during 2016 include Police MRAP at a total cost of \$695,200, Public Works storage building at a total cost of \$325,400, street improvements at a total cost of about \$2,998,770, new Library parking lot at a total cost of \$216,103, traffic signal upgrades at a total cost of \$268,661, new stormwater lift stations at a total cost of \$563,661, Airport AIP projects at a total cost of \$10,853,436, Wylie Park sidewalk improvements at a cost of \$155,046, new park trails at a cost of \$427,626, and storm sewer mains at a total cost of \$658,183. The governmental Construction in Progress includes \$6,266,903 for Airport Projects and \$3,170,707 for the new Library. Business-type Construction in Progress includes Wastewater facility and SCADA upgrades at a total cost of \$650,257.

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 2016, general-purpose debt limitation for the City is \$83,718,448, which is \$50,956,220 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 \$34,194,356 and business-type activities had total note and bonded debt outstanding of \$24,522,162. During the current fiscal year, the City incurred an increase of \$7,759,210 in sales tax revenue bonds associated with the new Library and \$1,935,000 in tax incremental revenue bonds associated with TIF #26 under governmental activities. The City incurred no new bonds under business-type activities. The City retired \$4,619,037 of general obligation debt which included the annual principal payments associated with TIF revenue bonds, the ARCC Renovations bonds, Aquatics Center bonds, Public Safety Improvements bonds, campground expansion bonds, Old Federal Building bonds, Library bonds, and State Revolving Loan associated with the Water and Wastewater Treatment Plants improvements.

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

Economic Condition and Outlook

Steady economic and property growth annually from fiscal years 2011 to 2015 helped to maintain steady revenue streams for the City; however, 2016 was the first time since 2010 that Aberdeen saw a decrease in sales tax revenue amounting to about a 0.80% decrease. 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 approximately 4.72% in 2015 and 1.36% in 2016.

Future Construction Activity

During 2016, 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, 2016

	Primary Government		Total	Component Unit Housing and Redevelopment Commission
	Governmental Activities	Business-Type Activities		
Assets				
Cash and cash equivalents	\$ 11,805,549	\$ 3,242,342	\$ 15,047,891	\$ 1,379,200
Investments	13,719,766	5,400,000	19,119,766	-
Accounts receivable, net	3,553,409	1,032,625	4,586,034	702,142
Inventories	145,933	468,967	614,900	-
Other assets	20,709	-	20,709	312,656
Restricted assets:				
Deposits and funded reserves	289,712	-	289,712	1,471,182
Capital assets:				
Land, improvements, and construction in progress	19,097,779	1,553,284	20,651,063	4,947,977
Other capital assets, net of depreciation	104,203,314	57,550,736	161,754,050	15,549,509
	<u>152,836,171</u>	<u>69,247,954</u>	<u>222,084,125</u>	<u>24,362,666</u>
Deferred Outflows of Resources				
Deferred charge on refunding	487,720	-	487,720	-
Pension related deferred outflows	4,723,904	962,288	5,686,192	235,949
	<u>5,211,624</u>	<u>962,288</u>	<u>6,173,912</u>	<u>235,949</u>
Total deferred outflows of resources	<u>5,211,624</u>	<u>962,288</u>	<u>6,173,912</u>	<u>235,949</u>
	<u>\$ 158,047,795</u>	<u>\$ 70,210,242</u>	<u>\$ 228,258,037</u>	<u>\$ 24,598,615</u>
Liabilities				
Accounts payable	\$ 1,707,923	\$ 533,171	\$ 2,241,094	\$ 482,931
Other current liabilities	896,183	185,819	1,082,002	230,199
Unearned revenue	31,110	-	31,110	157,420
Noncurrent liabilities:				
Due within one year	3,166,890	2,170,336	5,337,226	2,506,852
Due in more than one year	31,027,465	22,351,828	53,379,293	5,900,725
Net pension liability	2,090,610	426,075	2,516,685	104,171
	<u>38,920,181</u>	<u>25,667,229</u>	<u>64,587,410</u>	<u>9,382,298</u>
Deferred Inflows of Resources				
Pension related deferred inflows	4,784	976	5,760	5,045
	<u>4,784</u>	<u>976</u>	<u>5,760</u>	<u>5,045</u>
Net Position				
Net investment in capital assets	98,865,510	34,682,838	133,548,348	11,877,605
Restricted for:				
Capital projects purposes	5,036,591	-	5,036,591	-
Debt service purposes	4,100,255	1,559,582	5,659,837	-
SDRS pension	2,628,509	535,239	3,163,748	-
Permanently restricted purposes:				
Expendable	145,980	-	145,980	-
Nonexpendable	50,000	-	50,000	-
Other purposes	680,361	-	680,361	-
Other purposes - Promotion Fund	152,568	-	152,568	-
Other purposes - Park and Recreation Fund	156,196	-	156,196	-
Other purposes - Park and Recreation Trust Fund	874,671	-	874,671	-
Other purposes - Parking District Fund	346,153	-	346,153	-
Other purposes - General Fund - SD Public Assurance Alliance	289,712	-	289,712	-
Other purposes - Component Unit	-	-	-	1,404,215
Unrestricted	5,796,324	7,764,378	13,560,702	1,929,452
	<u>119,122,830</u>	<u>44,542,037</u>	<u>163,664,867</u>	<u>15,211,272</u>
Total net position	<u>119,122,830</u>	<u>44,542,037</u>	<u>163,664,867</u>	<u>15,211,272</u>
	<u>\$ 158,047,795</u>	<u>\$ 70,210,242</u>	<u>\$ 228,258,037</u>	<u>\$ 24,598,615</u>

See Notes to Financial Statements

City of Aberdeen
Statement of Activities—Exhibit II
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Housing and Redevelopment Commission
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government								
Governmental activities:								
General government	\$ 5,504,859	\$ 3,721,999	\$ -	\$ -	\$ (1,782,860)	\$ -	\$ (1,782,860)	\$ -
Public safety	8,152,797	182,330	233,457	695,200	(7,041,810)	-	(7,041,810)	-
Public works	12,700,644	2,689,128	-	10,714,923	703,407	-	703,407	-
Health and welfare	140,362	87,667	349,822	-	297,127	-	297,127	-
Culture and recreation	7,892,149	1,527,977	54,453	250,618	(6,059,101)	-	(6,059,101)	-
Conservation and development	2,086,099	-	156	262,281	(1,823,662)	-	(1,823,662)	-
Interest and bond issuance costs on long-term debt	1,857,288	-	-	-	(1,857,288)	-	(1,857,288)	-
Total governmental activities	38,334,198	8,209,101	637,888	11,923,022	(17,564,187)	-	(17,564,187)	-
Business-type activities:								
Water	4,871,676	5,603,105	-	61,250	-	792,679	792,679	-
Sewer	3,347,878	4,253,910	-	7,360	-	913,392	913,392	-
Old Federal Building	150,181	173,950	-	-	-	23,769	23,769	-
Campground	264,604	396,327	-	-	-	131,723	131,723	-
Golf	663,106	398,550	-	-	-	(264,556)	(264,556)	-
Ambulance	1,257,446	984,716	-	-	-	(272,730)	(272,730)	-
Total business-type activities	10,554,891	11,810,558	-	68,610	-	1,324,277	1,324,277	-
Total primary government	\$ 48,889,089	\$ 20,019,659	\$ 637,888	\$ 11,991,632	(17,564,187)	1,324,277	(16,239,910)	-
Component Unit								
Housing and Redevelopment Commission	\$ 4,603,773	\$ 2,078,558	\$ 1,931,052	\$ 253,854				(340,309)
General Revenues								
Taxes:								
Property taxes					10,031,692	-	10,031,692	-
Sales taxes					18,280,089	-	18,280,089	-
State shared revenue					297,936	-	297,936	-
Grants and contributions not restricted to specific programs					1,252,249	-	1,252,249	-
Unrestricted investment earnings					66,128	44,452	110,580	31,808
Miscellaneous revenue					164,955	290,304	455,259	34,817
Transfers					278,930	(278,930)	-	-
Total general revenues and transfers					30,371,979	55,826	30,427,805	66,625
Change in Net Position					12,807,792	1,380,103	14,187,895	(273,684)
Net Position - Beginning					106,315,038	43,161,934	149,476,972	15,484,956
Net Position - Ending					\$ 119,122,830	\$ 44,542,037	\$ 163,664,867	\$ 15,211,272

City of Aberdeen
Balance Sheet—Governmental Funds—Exhibit III
December 31, 2016

	General Fund	Park and Recreation Fund	Airport Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 57,821	\$ 205,771	\$ 1,324,052	\$ 1,841,415	\$ 7,782,708	\$ 11,211,767
151 Investments	5,500,000	-	-	4,000,000	4,219,766	13,719,766
110 Taxes receivable, delinquent	178,196	-	13,798	-	4,971	196,965
115 Accounts receivable, net	52,507	16,488	28,363	-	38,238	135,596
121 Special assessments receivable, current	43,165	901	-	-	-	44,066
122 Special assessments receivable, delinquent	57,219	1,563	-	-	-	58,782
132 Due from federal government	150,063	-	349,051	-	6,562	505,676
132 Due from state government	1,315,459	-	19,392	1,116,663	120,347	2,571,861
132 Due from county government	36,529	-	-	-	3,936	40,465
142 Inventory of stores purchased for resale	-	128,782	-	-	17,151	145,933
154 Deposits - Public Assurance Alliance	289,712	-	-	-	-	289,712
155 Prepaid expenses	-	-	20,709	-	-	20,709
	<u>\$ 7,680,671</u>	<u>\$ 353,505</u>	<u>\$ 1,755,365</u>	<u>\$ 6,958,078</u>	<u>\$ 12,193,679</u>	<u>\$ 28,941,298</u>
Liabilities						
202 Accounts payable	\$ 612,740	\$ 171,879	\$ 133,710	\$ 177,119	\$ 612,474	\$ 1,707,922
207 Contracts payable, retained percentage	-	-	37,785	90,329	150,798	278,912
216 Accrued wages payable	134,751	25,429	6,843	-	4,075	171,098
223 Unearned revenue	-	-	-	-	31,110	31,110
Total liabilities	<u>747,491</u>	<u>197,308</u>	<u>178,338</u>	<u>267,448</u>	<u>798,457</u>	<u>2,189,042</u>
Deferred Inflows of Resources						
244 Unavailable revenue - sales and use taxes	846,894	-	-	846,894	88,624	1,782,412
245 Unavailable revenue - property taxes	178,196	-	13,798	-	4,971	196,965
246 Unavailable revenue - special assessments	57,219	-	-	-	-	57,219
247 Unavailable revenue - other deferred inflows of resources	241,038	-	339,211	-	46,087	626,336
Total deferred inflows of resources	<u>1,323,347</u>	<u>-</u>	<u>353,009</u>	<u>846,894</u>	<u>139,682</u>	<u>2,662,932</u>
Fund Balances						
263 Nonspendable	289,712	128,782	20,709	-	67,151	506,354
264 Restricted	-	27,415	-	-	11,179,747	11,207,162
265 Committed	-	-	-	5,843,736	-	5,843,736
266 Assigned	312,105	-	1,203,309	-	8,642	1,524,056
267 Unassigned	5,008,016	-	-	-	-	5,008,016
Total fund balances	<u>5,609,833</u>	<u>156,197</u>	<u>1,224,018</u>	<u>5,843,736</u>	<u>11,255,540</u>	<u>24,089,324</u>
	<u>\$ 7,680,671</u>	<u>\$ 353,505</u>	<u>\$ 1,755,365</u>	<u>\$ 6,958,078</u>	<u>\$ 12,193,679</u>	<u>\$ 28,941,298</u>

City of Aberdeen
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended December 31, 2016

	Total
Total Fund Balances - Governmental Funds	\$ 24,089,324
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Net pension liability reported in governmental activities is not an available financial resource and; therefore, is not reported in the funds.	(2,090,610)
Pension related deferred outflows are components of pension liability (asset) and; therefore, are not reported in the funds.	4,723,904
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.	2,662,930
Pension related deferred inflows are components of pension liability (asset) and; therefore, are not reported in the funds.	(4,784)
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	123,301,093
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and; therefore, are not reported in the funds.	(33,907,115)
Unamortized balance of debt premiums are not due and payable in the current period and; therefore, are not reported in the funds.	(287,240)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(104,880)
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.	487,720
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.	252,488
Net Position - Governmental Activities	\$ 119,122,830

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2016

	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	\$ 8,421,473	\$ -	\$ -	\$ -	\$ 1,565,744	\$ 9,987,217
312 Airflight property taxes	-	-	27,582	-	-	27,582
313 General sales and use taxes	8,713,172	-	-	8,385,354	1,090,893	18,189,419
319 Penalties and interest on delinquent taxes	19,946	-	-	-	215	20,161
320 Licenses and permits	469,445	-	-	-	-	469,445
330 Intergovernmental revenue:						
331 Federal grants	666,096	-	6,552,653	250,618	34,608	7,503,975
334 State grants	99,364	20,000	364,036	3,710,371	-	4,193,771
335 State shared revenue:						
335.01 Bank franchise tax	120,946	-	-	-	-	120,946
335.02 Motor vehicle commercial prorata	28,502	-	-	-	-	28,502
335.03 Liquor tax reversion	170,154	-	-	-	-	170,154
335.04 Motor vehicle licenses (5%)	189,333	-	-	-	-	189,333
335.08 Local government highway and bridge fund	527,607	-	-	-	-	527,607
335.20 Other	2,808	-	-	-	-	2,808
336 State payments in lieu of taxes	6,836	-	-	-	-	6,836
338 County shared revenue:						
338.03 County wheel tax	9,142	-	-	-	-	9,142
340 Charges for goods and services:						
341 General government	66,963	-	-	-	-	66,963
342 Public safety	161,094	-	-	-	-	161,094
343 Highways and streets	78,647	-	-	-	-	78,647
344 Sanitation	1,206,306	-	-	-	498,778	1,705,084
345 Health	87,667	-	-	-	-	87,667
346 Culture and recreation	3,298	658,300	-	-	866,379	1,527,977
348 Cemetery	-	46,750	-	-	2,895	49,645
349 Other	194,494	-	390,710	-	-	585,204
350 Fines and forfeits:						
351 Court fines and costs	21,236	-	-	-	-	21,236
359 Other	65	-	-	-	-	65
360 Miscellaneous revenue:						
361 Investment earnings	32,118	-	195	26,929	6,889	66,131
362 Rentals/Franchises	473,512	-	-	-	21,168	494,680
367 Contributions and donations from private sources	16,697	133,000	-	-	1,095,990	1,245,687
369 Other	69,622	6,961	2,026	-	32,896	111,505
Total revenues	<u>21,856,543</u>	<u>865,011</u>	<u>7,337,202</u>	<u>12,373,272</u>	<u>5,216,455</u>	<u>47,648,483</u>
Expenditures						
410 General government:						
411 Legislative	126,321	-	-	-	-	126,321
412 Executive	216,024	-	-	-	-	216,024
414 Financial administration	1,155,306	-	-	-	-	1,155,306
419 Other	1,581,851	-	-	461	-	1,582,312
Total general government	<u>3,079,502</u>	<u>-</u>	<u>-</u>	<u>461</u>	<u>-</u>	<u>3,079,963</u>

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2016

	General Fund	Park and Recreation Fund	Airport Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
420 Public safety:						
421 Police	4,477,958	-	-	-	-	4,477,958
422 Fire	2,692,762	-	-	-	-	2,692,762
423 Protective inspection	205,842	-	-	-	-	205,842
429 Other protection	-	-	-	228,415	-	228,415
Total public safety	<u>7,376,562</u>	<u>-</u>	<u>-</u>	<u>228,415</u>	<u>-</u>	<u>7,604,977</u>
430 Public works:						
431 Highways and streets	2,761,065	-	-	6,362,120	1,137,872	10,261,057
432 Sanitation	1,164,805	-	-	16,375	592,163	1,773,343
433 Water	-	-	-	-	-	-
435 Airport	-	-	7,632,586	-	-	7,632,586
436 Parking facilities	-	-	-	29,782	37,674	67,456
437 Cemeteries	-	185,144	-	-	840	185,984
439 Transit	666,401	-	-	-	-	666,401
Total public works	<u>4,592,271</u>	<u>185,144</u>	<u>7,632,586</u>	<u>6,408,277</u>	<u>1,768,549</u>	<u>20,586,827</u>
440 Health and welfare:						
441 Health	55,400	-	-	-	-	55,400
445 Drug education	60,736	-	-	-	-	60,736
449 Other	24,225	-	-	-	-	24,225
Total health and welfare	<u>140,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,361</u>
450 Culture and recreation						
451 Recreation	27,555	5,284,234	-	595,875	-	5,907,664
452 Parks	-	-	-	-	1,265,130	1,265,130
455 Libraries	1,050,867	-	-	-	2,997,572	4,048,439
457 Historical preservation	-	-	-	-	80	80
Total culture and recreation	<u>1,078,422</u>	<u>5,284,234</u>	<u>-</u>	<u>595,875</u>	<u>4,262,782</u>	<u>11,221,313</u>
460 Conservation and development:						
465 Economic development	698,291	-	-	-	1,074,801	1,773,092
466 Economic opportunity	-	-	-	250,000	63,009	313,009
Total conservation and development	<u>698,291</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>1,137,810</u>	<u>2,086,101</u>
470 Debt service	-	-	-	-	4,391,888	4,391,888
Total expenditures	<u>16,965,409</u>	<u>5,469,378</u>	<u>7,632,586</u>	<u>7,483,028</u>	<u>11,561,029</u>	<u>49,111,421</u>
Excess of Revenue over (under) Expenditures	<u>4,891,134</u>	<u>(4,604,367)</u>	<u>(295,384)</u>	<u>4,890,244</u>	<u>(6,344,574)</u>	<u>(1,462,946)</u>
Other Financing Sources (Uses)						
391.01 Transfers in	524,299	4,683,859	967,417	452,000	4,563,450	11,191,025
511 Transfers out	(5,390,695)	-	-	(3,701,800)	(1,819,600)	(10,912,095)
391.03 Sale of municipal property	18,683	-	-	-	-	18,683
391.04 Compensation for loss or damage to capital assets	28,014	1,945	5,171	-	-	35,130
391.20 Long-term debt issued	-	-	-	-	9,480,000	9,480,000
512 Premium on bonds issued	-	-	-	-	214,210	214,210
Total other financing sources (uses)	<u>(4,819,699)</u>	<u>4,685,804</u>	<u>972,588</u>	<u>(3,249,800)</u>	<u>12,438,060</u>	<u>10,026,953</u>
Net Change in Fund Balances	71,435	81,437	677,204	1,640,444	6,093,486	8,564,006
Fund Balance - Beginning	5,538,398	74,760	546,814	4,203,292	5,162,054	15,525,318
Fund Balance - Ending	<u>\$ 5,609,833</u>	<u>\$ 156,197</u>	<u>\$ 1,224,018</u>	<u>\$ 5,843,736</u>	<u>\$ 11,255,540</u>	<u>\$ 24,089,324</u>

City of Aberdeen
 Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide
 Statement of Activities
 Year Ended December 31, 2016

	Total
Net Change in Fund Balances - Total Governmental Funds	\$ 8,564,006
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.	11,236,990
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.	1,267,376
Proceeds from issuance of long-term debt recorded as a other financing source in governmental funds.	(9,480,000)
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(47,932)
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.	2,577,955
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(50,194)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(209,079)
Accrued interest reported in the statement of activities does not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds.	10,231
Governmental funds do not report a deferred outflow in connection with a refunding transaction, therefore an adjustment is necessary to recognize the amortization of these costs in the government wide financial statements.	(53,578)

City of Aberdeen
Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide
Statement of Activities
Year Ended December 31, 2016

Changes in pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	(749,086)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas, these amounts are reported as part of debt and amortized in the statement of activities. This is the current year premium on debt net of the amount amortized in the current period.	(195,887)
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>(63,010)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 12,807,792</u></u>

City of Aberdeen
Statement of Net Position—Proprietary Funds—Exhibit V
December 31, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Current Assets					
Cash and cash equivalents	\$ 1,276,398	\$ 1,364,643	\$ 601,301	\$ 3,242,342	\$ 593,782
151 Investments	1,500,000	3,900,000	-	5,400,000	-
115 Accounts receivable, net	117,595	77,478	236,678	431,751	-
117 Unbilled accounts receivable	310,701	280,033	-	590,734	-
121 Special assessments receivable, current	5,055	-	-	5,055	-
122 Special assessments receivable, delinquent	4,785	-	-	4,785	-
132 Due from other government	300	-	-	300	-
141 Inventory of supplies	442,054	26,913	-	468,967	-
	<u>3,656,888</u>	<u>5,649,067</u>	<u>837,979</u>	<u>10,143,934</u>	<u>593,782</u>
Total current assets					
Noncurrent Assets					
Capital assets:					
160 Land	391,808	59,469	451,750	903,027	-
162 Buildings	27,775,644	33,449,739	1,523,449	62,748,832	-
164 Improvements other than buildings	18,659,533	10,275,166	1,193,240	30,127,939	-
166 Machinery and equipment	4,146,728	1,866,564	1,641,154	7,654,446	-
168 Construction work in progress	-	650,257	-	650,257	-
Less accumulated depreciation	(23,207,341)	(18,080,824)	(1,692,316)	(42,980,481)	-
	<u>27,766,372</u>	<u>28,220,371</u>	<u>3,117,277</u>	<u>59,104,020</u>	<u>-</u>
Total noncurrent assets					
Deferred Outflows of Resources					
196 Pension related deferred outflows	360,361	255,208	346,719	962,288	-
	<u>360,361</u>	<u>255,208</u>	<u>346,719</u>	<u>962,288</u>	<u>-</u>
Total deferred outflows of resources					
	<u>\$ 31,783,621</u>	<u>\$ 34,124,646</u>	<u>\$ 4,301,975</u>	<u>\$ 70,210,242</u>	<u>\$ 593,782</u>

City of Aberdeen
Statement of Net Position—Proprietary Funds—Exhibit V
December 31, 2016

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
Current Liabilities					
201 Claims payable	\$ 2,645	\$ -	\$ -	\$ 2,645	\$ 330,461
202 Accounts payable	107,632	253,545	122,117	483,294	833
207 Contracts payable, retained percentage	-	47,232	-	47,232	-
213 Incurred but not reported claims	-	-	-	-	10,000
215 Accrued interest payable	56,357	68,622	-	124,979	-
216 Accrued wages payable	13,325	10,395	11,756	35,476	-
223 Unearned revenue	25,364	-	-	25,364	-
226 Bonds payable current:					
226.02 Revenue	1,025,849	1,043,506	-	2,069,355	-
230 Compensated absences payable - current	42,648	35,090	23,243	100,981	-
233 Accrued leave payable	-	-	-	-	-
Total current liabilities	<u>1,273,820</u>	<u>1,458,390</u>	<u>157,116</u>	<u>2,889,326</u>	<u>341,294</u>
Noncurrent Liabilities					
231 Bonds payable:					
231.02 Revenue	10,146,673	12,205,155	-	22,351,828	-
238 Net pension liability	159,558	113,000	153,517	426,075	-
Total noncurrent liabilities	<u>10,306,231</u>	<u>12,318,155</u>	<u>153,517</u>	<u>22,777,903</u>	<u>-</u>
Deferred Inflows of Resources					
248 Pension related deferred inflows	365	259	352	976	-
Total deferred inflows of resources	<u>365</u>	<u>259</u>	<u>352</u>	<u>976</u>	<u>-</u>
Net Position					
253.10 Net investment in capital assets	16,593,850	14,971,711	3,117,277	34,682,838	-
253.20 Restricted net position, restricted for:					
253.21 Revenue bond debt service	109,457	1,450,125	-	1,559,582	-
253.29 SDRS pension purposes	200,438	141,951	192,850	535,239	-
253.90 Unrestricted net position	3,299,460	3,784,055	680,863	7,764,378	252,488
Total net position	<u>20,203,205</u>	<u>20,347,842</u>	<u>3,990,990</u>	<u>44,542,037</u>	<u>252,488</u>
	<u>\$ 31,783,621</u>	<u>\$ 34,124,646</u>	<u>\$ 4,301,975</u>	<u>\$ 70,210,242</u>	<u>\$ 593,782</u>

City of Aberdeen
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds—Exhibit VI
Year Ended December 31, 2016

	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating Revenue					
380 Charges for goods and services	\$ 5,484,913	\$ 2,803,785	\$ 1,953,543	\$ 10,242,241	\$ 2,102,271
380 Debt service surcharge	109,457	1,450,125	-	1,559,582	-
369 Miscellaneous	193,913	58,255	38,136	290,304	356
Total operating revenue	<u>5,788,283</u>	<u>4,312,165</u>	<u>1,991,679</u>	<u>12,092,127</u>	<u>2,102,627</u>
Operating Expenses					
410 Personal services	1,101,846	927,647	1,098,270	3,127,763	-
420 Other current expenses	2,418,774	1,080,404	1,018,332	4,517,510	2,165,845
457 Depreciation	1,061,102	994,629	212,742	2,268,473	-
Total operating expenses	<u>4,581,722</u>	<u>3,002,680</u>	<u>2,329,344</u>	<u>9,913,746</u>	<u>2,165,845</u>
Operating Income (Loss)	<u>1,206,561</u>	<u>1,309,485</u>	<u>(337,665)</u>	<u>2,178,381</u>	<u>(63,218)</u>
Nonoperating Revenue (Expense)					
361 Investment earnings	12,957	31,363	132	44,452	208
442 Interest expense	(289,954)	(345,198)	-	(635,152)	-
(492) 366 Gain (loss) on disposition of assets	-	-	(5,993)	(5,993)	-
(429) 369.01 Other	8,735	-	-	8,735	-
Total nonoperating revenue (expense)	<u>(268,262)</u>	<u>(313,835)</u>	<u>(5,861)</u>	<u>(587,958)</u>	<u>208</u>
Income (Loss) Before Contributions and Transfers	938,299	995,650	(343,526)	1,590,423	(63,010)
391.07 Capital contributions	61,250	7,360	-	68,610	-
391.1 Transfers in	180,000	229,376	607,495	1,016,871	-
511 Transfers out	(774,451)	(374,190)	(147,160)	(1,295,801)	-
Change in Net Position	<u>405,098</u>	<u>858,196</u>	<u>116,809</u>	<u>1,380,103</u>	<u>(63,010)</u>
Net Position - Beginning	<u>19,798,107</u>	<u>19,489,646</u>	<u>3,874,181</u>	<u>43,161,934</u>	<u>315,498</u>
Net Position - Ending	<u>\$ 20,203,205</u>	<u>\$ 20,347,842</u>	<u>\$ 3,990,990</u>	<u>\$ 44,542,037</u>	<u>\$ 252,488</u>

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2016

	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ 5,375,603	\$ 4,273,866	\$ 1,923,532	\$ 11,573,001	\$ 2,102,628
Payments to suppliers	(2,446,171)	(1,041,854)	(842,412)	(4,330,437)	(1,934,551)
Payments to employees	(1,057,747)	(896,467)	(1,047,133)	(3,001,347)	-
Cash payments for interfund services used	-	(13,376)	(94,725)	(108,101)	-
Cash receipts for interfund services provided	346,311	-	-	346,311	-
Net Cash from (used for) Operating Activities	<u>2,217,996</u>	<u>2,322,169</u>	<u>(60,738)</u>	<u>4,479,427</u>	<u>168,077</u>
Cash Flows from (used for) Noncapital Financing Activities					
Transfers from other funds	180,000	229,376	607,495	1,016,871	-
Transfers to other funds	(774,451)	(374,190)	(147,160)	(1,295,801)	-
Net Cash from (used for) Noncapital Financing Activities	<u>(594,451)</u>	<u>(144,814)</u>	<u>460,335</u>	<u>(278,930)</u>	<u>-</u>
Cash Flows from (used for) Capital and Related Financing Activities					
Purchase of capital assets	(35,475)	(583,713)	(235,701)	(854,889)	-
Principal paid on capital debt	(1,006,990)	(1,018,050)	-	(2,025,040)	-
Interest paid on capital debt	(289,683)	(353,616)	-	(643,299)	-
Other receipts (payments)	8,735	-	-	8,735	-
Net Cash used for Capital and Related Financing Activities	<u>(1,323,413)</u>	<u>(1,955,379)</u>	<u>(235,701)</u>	<u>(3,514,493)</u>	<u>-</u>
Cash Flows from Investing Activities					
Interest earnings	12,957	31,363	132	44,452	208
Net Cash from Investing Activities	<u>12,957</u>	<u>31,363</u>	<u>132</u>	<u>44,452</u>	<u>208</u>
Net Change in Cash and Cash Equivalents	313,089	253,339	164,028	730,456	168,285
Balances - Beginning	<u>2,463,309</u>	<u>5,011,304</u>	<u>437,273</u>	<u>7,911,886</u>	<u>425,497</u>
Balances - Ending	<u>\$ 2,776,398</u>	<u>\$ 5,264,643</u>	<u>\$ 601,301</u>	<u>\$ 8,642,342</u>	<u>\$ 593,782</u>

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2016

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 1,276,398	\$ 1,364,643	\$ 601,301	\$ 3,242,342	\$ 593,782
Investments	1,500,000	3,900,000	-	5,400,000	-
	<u>\$ 2,776,398</u>	<u>\$ 5,264,643</u>	<u>\$ 601,301</u>	<u>\$ 8,642,342</u>	<u>\$ 593,782</u>
Cash from (used for) Operating Activities					
Operating income (loss)	\$ 1,206,561	\$ 1,309,485	\$ (337,665)	\$ 2,178,381	\$ (63,218)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:					
Depreciation expense	1,061,102	994,629	212,742	2,268,473	-
Change in assets and liabilities:					
Receivables	(66,008)	(38,299)	(68,146)	(172,453)	-
Inventories	(12,197)	4,331	-	(7,866)	-
Pension related deferred outflows	(5,844)	(4,138)	(5,623)	(15,605)	-
Accounts and other payables	(15,200)	20,845	81,196	86,841	231,295
Accrued wages payable	3,286	2,667	2,692	8,645	-
Accrued leave payable	(16,357)	(11,979)	(6,564)	(34,900)	-
Pension liability/asset	362,270	256,560	348,557	967,387	-
Pension related deferred inflows	(299,255)	(211,932)	(287,927)	(799,114)	-
Unearned revenue	(362)	-	-	(362)	-
Net Cash from (used for) Operating Activities	<u>\$ 2,217,996</u>	<u>\$ 2,322,169</u>	<u>\$ (60,738)</u>	<u>\$ 4,479,427</u>	<u>\$ 168,077</u>
Noncash Investing, Capital and Financing Activities:					
Capital assets received through capital contributions	\$ 61,250	\$ 7,360	\$ -	\$ 68,610	\$ -
Purchases of property and equipment in accounts payable	-	187,563	-	-	-

City of Aberdeen
Statement of Net Position—Fiduciary Funds—Exhibit VIII
Year Ended December 31, 2016

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 68,528</u>
	<u>\$ 68,528</u>
Liabilities	
Accounts payable and other payables	\$ 6,471
Amounts held for others	<u>62,057</u>
	<u>\$ 68,528</u>

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

The following table describes the City’s component unit:

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

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

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

B. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

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

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

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

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

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments). 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: Moccasin Creek Project Fund, TIF #22 Project Fund, TIF #23 Project Fund, TIF #26 Project Fund, and Library 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, Library Bonds Fund, TIF District #2 Fund, TIF District #3 Fund, TIF District #4 Fund, TIF District #8 Fund, TIF District #10 Fund, TIF District #11 Fund, TIF District #17 Fund, TIF District #18 Fund, TIF District #19 Fund, TIF District #20 Fund, TIF District #21 Fund, and TIF District #26 Fund. These are not major funds.

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

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expensed 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 \$332,450 at December 31, 2016.

G. Capital Assets

Primary Government

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

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

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

The total December 31, 2016 balance of governmental activities capital assets includes approximately 25.1% of capital assets that are valued at estimated historical cost. These estimated original costs were primarily established by deflated current replacement costs.

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

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

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

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

Component Unit

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

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

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

H. Long-Term Liabilities

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

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

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

I. Program Revenues

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

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

J. Deferred Inflows and Deferred Outflows of Recourses

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

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

K. Proprietary Funds Revenue and Expense Classifications

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

L. Cash and Cash Equivalents

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

M. Equity Classifications

Government-Wide Statements

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

- Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Fund Financial Statements

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

N. Application of Net Position

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

O. Fund Balance Classification Policies and Procedures

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

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

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

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

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

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

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

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

	<u>General Fund</u>	<u>Park and Recreation Fund</u>	<u>Special Sales Tax Fund</u>	<u>Airport Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances						
Nonspendable:						
Public assurance alliance reserve	\$ 289,712	\$ -	\$ -	\$ -	\$ -	\$ 289,712
Inventory	-	128,782	-	-	17,151	145,933
Prepaid expenses	-	-	-	20,709	-	20,709
Cemetery perpetual care	-	-	-	-	50,000	50,000
Restricted for:						
Promotion	-	-	-	-	63,945	63,945
Park and recreation	-	27,415	-	-	-	27,415
Park and recreation trust	-	-	-	-	868,109	868,109
Business improvement district	-	-	-	-	421	421
Parking	-	-	-	-	344,393	344,393
Storm water maintenance	-	-	-	-	531,247	531,247
Library fines	-	-	-	-	81,151	81,151
Landmark commission	-	-	-	-	9,277	9,277
Debt service	-	-	-	-	4,098,633	4,098,633
Cemetery perpetual care	-	-	-	-	145,980	145,980
Capital projects	-	-	-	-	5,036,591	5,036,591
Committed to:						
Special sales tax	-	-	5,843,736	-	-	5,843,736
Assigned to:						
Applied to next year's budget	312,105	-	-	-	-	312,105
Cemetery improvement	-	-	-	-	8,642	8,642
Airport	-	-	-	1,203,309	-	1,203,309
Unassigned	5,008,016	-	-	-	-	5,008,016
Total fund balances	<u>\$ 5,609,833</u>	<u>\$ 156,197</u>	<u>\$ 5,843,736</u>	<u>\$ 1,224,018</u>	<u>\$ 11,255,540</u>	<u>\$ 24,089,324</u>

P. Rounding

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

Q. Pensions

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

R. Subsequent Events

The City has evaluated subsequent events through September 18, 2017, the date which the financial statements were available to be issued.

Note 2 - Deposits and Investments: Fair Value Measurement, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

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

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

Deposits - Primary Government

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

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

The actual bank balances at December 31, 2016 were as follows:

Primary Government	Bank Balance
Insured (FDIC/NCUA)	\$ 5,282,792
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	18,388,715
Total deposits	\$ 23,671,507

The carrying amount of deposits on the December 31, 2016 statement of net position was \$23,143,692.

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, 2016, the City's deposits in financial institutions were not exposed to any custodial credit risk. As of December 31, 2016, the City's total deposits were either covered by insurance or collateral in accordance with the City's deposit policy.

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.

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

As of December 31, 2016, the City had the following investments:

Investment	Credit Rating	Maturities	Fair Value Level	Fair Value
SD Public Funds Investment Trust - Government Cash Reserve Money Market	Not Rated	N/A	NAV	\$ 307,301
Wells Fargo Advisors - Negotiable CDs 43 CDs, each \$250,000 or less	Not Rated	var, 2017-2021	2	10,500,000
US Bank - U.S. Treasury Note	AAA	5/31/2017	2	216,664
Total investments				\$ 11,023,965

The City has the following recurring fair value measurements as of December 31, 2016:

- The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value (NAV) of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.
- Negotiable Certificates of Deposit and U.S. Treasury securities classified in Level 2 of the fair value hierarchy are valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market rate assumptions.

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

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

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

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

Deposits - Component Unit

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

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

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

At December 31, 2016, the actual bank balances were as follows:

	Bank Balance
Insured (FDIC)	\$ 1,478,781
Uninsured	386,616
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	632,087
Total deposits	\$ 2,497,484
The Commission's carrying amount of deposits at December 31	\$ 2,850,382

Funded Reserves – Component Unit

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

The Commission, through Sherman Apartments, is required under the regulatory agreement with South Dakota Housing Development Authority (SDHDA) to maintain various mortgage escrows and reserve deposits for mortgage payments, payments in lieu of taxes (PILOT-property taxes), hazard insurance, property and equipment replacements, and residual receipts. SDHDA invests these restricted deposits in securities limited to direct general obligations of the U.S. Government, U.S. Government Agencies, direct and general obligations of any state within the United States rated in the two highest categories by a national rating agency, mutual funds invested in securities mentioned above and investment agreements secured by securities mentioned above. Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have a credit risk. In addition to SDHDA requirements, restricted deposits also includes other amounts restricted by lenders or other agreements. The Commission’s restricted deposits totaled \$1,471,182 as of December 31, 2016.

Note 3 - Receivables and Payables

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

Note 4 - Inventory

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

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

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

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

Note 5 - Property Taxes

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

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

Note 6 - Due from Other Governments

- General Fund - \$150,063 due from federal government for grants; \$62,188 due from state government for grants; \$1,116,663 due from state government for 1% city sales tax; \$94,836 due from state government for local government highway/bridge funds; \$41,772 due from state government for liquor tax reversion funds; and \$36,529 due from county government for taxes and licenses.
- Promotion Fund - \$120,347 due from state government for 1% city sales tax.
- Airport Fund - \$349,051 due from federal government for grants and \$19,392 due from state government for grants.
- Special Sales Tax Fund - \$1,116,663 due from state government for 1% city sales tax.

Note 7 - Changes in Capital Assets

A summary of changes in capital assets of the primary government for the year ended December 31, 2016 is as follows:

<u>Primary Government</u>	<u>Balance 01/01/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/16</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 9,341,735	\$ 180,978	\$ -	\$ 9,522,713
Construction work in progress	6,761,138	9,297,525	(6,483,597)	9,575,066
Total capital assets, not being depreciated	<u>16,102,873</u>	<u>9,478,503</u>	<u>(6,483,597)</u>	<u>19,097,779</u>
Capital assets, being depreciated:				
Buildings	37,799,472	1,003,782	-	38,803,254
Improvements other than buildings	111,178,262	12,023,292	(514,960)	122,686,594
Machinery and equipment	18,132,902	2,066,364	(853,686)	19,345,580
Total	<u>167,110,636</u>	<u>15,093,438</u>	<u>(1,368,646)</u>	<u>180,835,428</u>
Less accumulated depreciation for:				
Buildings	(10,830,991)	(827,577)	-	(11,658,568)
Improvements other than buildings	(49,044,736)	(3,650,627)	514,960	(52,180,403)
Machinery and equipment	(12,493,122)	(1,087,137)	787,116	(12,793,143)
Total accumulated depreciation	<u>(72,368,849)</u>	<u>(5,565,341)</u>	<u>1,302,076</u>	<u>(76,632,114)</u>
Total capital assets, being depreciated, net	<u>94,741,787</u>	<u>9,528,097</u>	<u>(66,570)</u>	<u>104,203,314</u>
Governmental activity capital assets, net	<u>\$ 110,844,660</u>	<u>\$ 19,006,600</u>	<u>\$ (6,550,167)</u>	<u>\$ 123,301,093</u>

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government		\$ 155,075
Public safety		407,774
Public works		4,103,386
Culture and recreation		899,106
Total depreciation expense - governmental activities		<u>\$ 5,565,341</u>

City of Aberdeen
Notes to Financial Statements
December 31, 2016

<u>Primary Government</u>	Balance 01/01/16	Increases	Decreases	Balance 12/31/16
Business-Type Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 903,027	\$ -	\$ -	\$ 903,027
Construction work in progress	-	650,257		650,257
Total capital assets, not being depreciated	903,027	650,257	-	1,553,284
Capital assets, being depreciated:				
Buildings	62,660,200	95,190	(6,558)	62,748,832
Improvements other than buildings	30,046,644	102,080	(20,785)	30,127,939
Machinery and equipment	7,566,215	263,694	(175,462)	7,654,447
Total	100,273,059	460,964	(202,805)	100,531,218
Less accumulated depreciation for:				
Buildings	(23,228,586)	(1,222,315)	5,526	(24,445,375)
Improvements other than buildings	(13,682,766)	(530,889)	20,785	(14,192,870)
Machinery and equipment	(3,997,311)	(515,269)	170,343	(4,342,237)
Total accumulated depreciation	(40,908,663)	(2,268,473)	196,654	(42,980,482)
Total capital assets, being depreciated, net	59,364,396	(1,807,509)	(6,151)	57,550,736
Business-type activity capital assets, net	<u>\$ 60,267,423</u>	<u>\$ (1,157,252)</u>	<u>\$ (6,151)</u>	<u>\$ 59,104,020</u>

Depreciation expense was charged to functions as follows:

Business-type activities:		
Water		\$ 1,061,102
Sewer		994,629
Old Federal Building		12,322
Campground		46,637
Golf		59,358
Ambulance		94,425
Total depreciation expense - business-type activities		<u>\$ 2,268,473</u>

The City has active construction projects as of December 31, 2016. 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 Runway Project	\$ 6,266,903	\$ 192,951
Moccasin Creek Vegetation Maintenance & Enhance Project	132,276	351,133
Library	3,170,707	3,325,919
Manor Park Irrigation Project	5,181	-
Waste Water Treatment Plant Facility Improvement	472,323	601,077
Waste Water Treatment Plant SCADA Improvement	177,933	287,066
	<u>\$ 10,225,323</u>	<u>\$ 4,758,146</u>

A summary of changes in capital assets of the component unit for the year ended December 31, 2016 is as follows:

<u>Component Unit</u>	<u>Balance 1/1/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/16</u>
Capital assets, not being depreciated				
Land	\$ 1,099,935	\$ 289,536	\$ (138,500)	\$ 1,250,971
Construction in progress	-	3,697,006	-	3,697,006
Total capital assets, not being depreciated	<u>1,099,935</u>	<u>3,986,542</u>	<u>(138,500)</u>	<u>4,947,977</u>
Capital assets, being depreciated:				
Buildings and improvements	25,046,395	71,669	-	25,118,064
Furniture, equipment and machinery - dwelling	1,105,998	28,160	(4,290)	1,129,868
Furniture, equipment and machinery - nondwelling	<u>309,397</u>	<u>27,016</u>	<u>(24,973)</u>	<u>311,440</u>
Total capital assets, being depreciated	<u>26,461,790</u>	<u>126,845</u>	<u>(29,263)</u>	<u>26,559,372</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,878,522)	(891,524)	-	(9,770,046)
Furniture, equipment and machinery - dwelling	(804,876)	(103,463)	4,681	(903,658)
Furniture, equipment and machinery - nondwelling	<u>(339,689)</u>	<u>(18,754)</u>	<u>22,284</u>	<u>(336,159)</u>
Total accumulated depreciation	<u>(10,023,087)</u>	<u>(1,013,741)</u>	<u>26,965</u>	<u>(11,009,863)</u>
Total capital assets being depreciated, net	<u>16,438,703</u>	<u>(886,896)</u>	<u>(2,298)</u>	<u>15,549,509</u>
Capital assets, net	<u>\$ 17,538,638</u>	<u>\$ 3,099,646</u>	<u>\$ (140,798)</u>	<u>\$ 20,497,486</u>

Note 8 - Long-Term Liabilities

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

Primary Government	January 1, 2016	Increases	Decreases	December 31, 2016	Due Within One Year	Interest Paid
Governmental activities:						
Tax increment revenue bonds #2	\$ 2,300,000	\$ -	\$ (155,000)	\$ 2,145,000	\$ 130,000	\$ 122,120
Tax increment revenue bonds #4	67,814	-	(9,600)	58,214	10,224	4,514
Tax increment revenue bonds #8	2,178,946	-	(296,888)	1,882,058	236,602	115,815
Tax increment revenue bonds #17	1,595,000	-	(65,000)	1,530,000	65,000	80,575
Tax increment revenue bonds #19	1,798,240	-	(72,657)	1,725,583	75,592	71,210
Tax increment revenue bonds #26	-	1,935,000	(33,809)	1,901,191	69,402	26,337
Sales tax revenue bonds, ARCC	1,135,000	-	(215,000)	920,000	220,000	29,411
Sales tax revenue bonds, aquatic center	5,000,000	-	(460,000)	4,540,000	465,000	103,878
Sales tax revenue bonds, public safety buildings	7,206,353	-	(457,613)	6,748,740	465,000	288,493
Sales tax revenue bonds, campground expansion	410,000	-	(35,000)	375,000	35,000	16,963
Sales tax revenue bonds, City Hall Reno	3,940,000	-	-	3,940,000	-	127,805
Sales tax revenue bonds, Old Fed. Bldg.	805,000	-	(195,000)	610,000	200,000	17,990
Sales tax revenue bonds, Library	-	7,759,210	(600,710)	7,158,500	535,000	135,584
Compensated absences	609,874	913,540	(863,344)	660,070	660,070	-
Total government activities	27,046,227	10,607,750	(3,459,621)	34,194,356	3,166,890	1,140,695
Business-type activities:						
Water sales tax and revenue bonds	12,177,232	-	(1,004,710)	11,172,522	1,025,849	289,683
Sewer revenue bonds	14,266,709	-	(1,018,050)	13,248,659	1,043,506	353,616
Compensated absences	135,878	164,125	(199,022)	100,981	100,981	-
Total business-type activities	26,579,819	164,125	(2,221,782)	24,522,162	2,170,336	643,299
Total primary government	\$ 53,626,046	\$ 10,771,875	\$ (5,681,403)	\$ 58,716,518	\$ 5,337,226	\$ 1,783,994
Component Unit						
Mortgages & other notes payable	\$ 5,230,821	\$ 3,233,734	\$ (316,433)	\$ 8,148,122	\$ 2,481,107	\$ 168,415
Other long-term liabilities	242,374	-	(8,664)	233,710	-	-
Compensated absences	27,181	-	(1,436)	25,745	25,745	-
	\$ 5,500,376	\$ 3,233,734	\$ (326,533)	\$ 8,407,577	\$ 2,506,852	\$ 168,415

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, 2016 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 \$245,000, 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. \$ 2,145,000

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. 58,214

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 \$161,599, including interest at 5.5% from the Debt Service Fund, final payment due November 2024. 1,882,058

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. 1,530,000

Tax Increment Revenue Bonds, District No. 19 totaling \$1,935,200 were issued in 2014. The bonds require annual payments ranging from \$67,124 to \$136,925, including interest of 4.0% from the Debt Service Fund, final payment due June 2033. 1,725,583

Tax Increment Revenue Bonds, District No. 26 totaling \$1,935,000 were issued in 2016. The bonds require annual payments ranging from \$33,808 to \$129,602, including interest at 4.0% from the Debt Service Fund, final payment due June 2033. 1,901,191

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. 920,000

<p>Sales Tax Revenue Bonds, Park and Recreation aquatic center, totaling \$7,505,000 were issued in 2005. The bonds require annual payments ranging from \$195,000 to \$565,000, 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.</p>	4,540,000
<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 \$83,740. 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>	6,748,740
<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>	375,000
<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>	610,000
<p>Sales Tax Revenue Bonds, New Library Project, Tax-Exempt Series 2015 totaling \$6,045,000 were issued in 2016. The bonds require annual principal payments ranging from \$240,000 to \$395,000, plus interest ranging from 1.25% to 4.00% from the Debt Service Fund, final payment due December 2035. Balance includes unamortized premium of \$203,500.</p>	5,958,500
<p>Sales Tax Revenue Bonds, New Library Project, Taxable Series 2015 totaling \$1,500,000 were issued in 2016. The bonds require annual principal payments ranging from \$295,000 to \$305,000, plus interest ranging from 1.00% to 2.00% from the Debt Service Fund, final payment due December 2020.</p>	1,200,000
<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 \$21,173.</p>	9,548,825

Water Sales Tax Revenue Bonds	
The City passed Ordinance 09-08-04, to enter into a “Drinking Water State Revolving Fund” loan agreement for up to \$1,750,000 in September 2009. The debt on the loan agreement totaling \$1,197,106, requires quarterly payments ranging from \$26,771 to \$33,317, including interest at 2.25% from the Water Fund, final payment due October 2021.	632,092
Water Sales Tax Revenue Bonds	
The City passed Ordinance 12-10-05 to enter into a "Drinking Water State Revolving Fund" loan agreement for up to \$1,040,000 in October 2013. The debt on the loan agreement totaling \$1,040,000 requires quarterly payments of \$17,335, which include interest at 3.00% from the Water Fund, final payment due August 2035.	991,605
Sewer Revenue Bonds	
The City passed Resolution 05-02-02R, to enter into a “Clean Water State Revolving Fund” loan agreement for up to \$13,218,859 in April 2005. The debt requires quarterly payments ranging from \$92,976 to \$208,617, including interest at 2.25% from the Sewer Fund, final payment due October 2027.	8,156,931
The City passed Resolution 07-04-04R, to enter into a “Clean Water State Revolving Fund” loan agreement for up to \$6,000,000 in April 2007. The debt requires quarterly payments ranging from \$50,898 to \$90,410, including interest at 3.25% from the Sewer Fund, final payment due April 2030.	3,971,270
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.	1,120,458
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.	629,721
Lawson View - 6.76% Mortgage note payable with Richman Mortgage Assets Company, due in monthly installments of \$4,545, including interest, matures August 2026, secured by first position in substantially all Partnership assets net of unamortized debt issuance costs of \$19,188.	
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.	312,972
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.	309,800

Sunshine Park - 6% mortgage note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, yearly payments beginning April 2011, to the extent of available cash flow with entire balance due December 2039, secured by a mortgage and assignment of rents and leases.	206,329
Sunshine Park - 0% NSP loan from South Dakota Housing Development Authority, principal due July 2040, secured by a mortgage and assignment of rents and leases.	361,991
Sunshine Park - 0% TCAP mortgage note payable from South Dakota Housing Development Authority, principal due March 2050, secured by a mortgage and assignment of rents and leases, net of unamortized debt issuance costs of \$11,716.	320,125
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.	400,892
Jackson Heights - 5.8% mortgage note payable to First Dakota National Bank, due in varying monthly installments, including interest, beginning March 2015 through February 2031, secured by a mortgage on all property and equipment net of unamortized debt issuance costs of \$10,114.	
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.	838,459
Central Villas - 4% construction loan payable to Horizon Bank beginning May 2016 with accrued interest due on May 1, 2017 and principal plus accrued interest due on October 1, 2017, secured by substantially all Partnership assets. Total amount allowed to be drawn is \$3,480,000.	2,134,743
Central Villas - 4% note payable to Horizon Bank beginning May 2016 through January 10, 2018 then 6% through February 2036, due in varying monthly installments, secured by substantially all Partnership assets.	733,200
Central Villas - 0% mortgage note payable with South Dakota Housing Development Authority with varying monthly payments beginning January 2018 through December 2042, secured by a mortgage on all property and equipment. Total amount allowed to be drawn is \$731,582.	365,791

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 2016 were \$1,293,394 and \$5,594,370, respectively. For the Sewer Revenue Bonds, principal and interest paid and total customer revenues for 2016 were \$1,371,666 and \$4,253,910, 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, 2016, the City was in compliance with the net revenues available for debt service on the Sewer Revenue Bonds.

Tax Incremental Revenue Bonds

In July 2002, the City passed a resolution creating Tax Increment District No. 2. In September 2003, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$3,195,000. In June 2006, a resolution was passed authorizing an additional issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$510,000. Bonds in the amount \$3,705,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 2. Incremental property taxes were projected to produce 106% of the debt service requirements over the life of the bonds. In 2011, the Series 2003B and 2006C bonds of \$1,250,000 were refunded by Series 2011 Bonds of \$1,250,000 to change the final payment of \$80,000 plus interest due to December 2029. Total principal and interest remaining on the bonds is \$2,989,785, payable through December 2029. For 2016, principal and interest paid and total incremental property tax revenues were \$277,120 and \$266,595, 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 \$70,043, payable through August 2021. For 2016, principal and interest paid and total incremental property tax revenues were \$14,114 and \$13,612, 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 \$2,307,945, payable through November 2023. For 2016, principal and interest paid and total incremental property tax revenues were \$412,703 and \$412,708, 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 \$2,340,900, payable through December 2032. For 2016, principal and interest paid and total incremental property tax revenues were \$145,575 and \$243,922, 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 \$2,373,808, payable through June 2033. For 2016, principal and interest paid and total incremental property tax revenues were \$143,867 and \$40,452, 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 \$2,639,169, payable through June 2036. For 2016, principal and interest paid and total incremental property tax revenues were \$160,146 and \$0, respectively.

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

Maturities

The annual requirements to maturity for all debt outstanding as of December 31, 2016, 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
2017	\$ 586,821	\$ 437,256	\$ 1,920,000	\$ 877,708	\$ 2,481,107	\$ 156,127
2018	616,182	409,640	2,045,000	587,210	404,428	181,988
2019	641,532	379,605	2,090,000	545,688	409,508	169,156
2020	677,922	348,275	2,125,000	503,688	421,251	151,413
2021	710,407	315,140	1,615,000	460,945	306,994	134,187
2022-2026	2,897,002	1,066,909	8,080,000	1,680,785	1,328,060	575,343
2027-2031	2,205,738	455,983	3,685,000	789,658	752,973	271,458
2032-2036	906,442	66,796	2,445,000	225,650	983,937	154,640
2037-2041	-	-	-	-	769,041	48,417
2042-2046	-	-	-	-	-	-
2047-2050	-	-	-	-	331,841	-
	<u>\$ 9,242,046</u>	<u>\$ 3,479,604</u>	<u>\$ 24,005,000</u>	<u>\$ 5,671,332</u>	<u>\$ 8,189,140</u>	<u>\$ 1,842,729</u>

Year Ending December 31	Water Revenue Bonds		Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest
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	1,117,278	170,775	1,152,058	219,608
2022-2026	5,312,005	457,168	5,734,186	662,344
2027-2031	286,818	59,881	2,029,016	86,171
2032-2036	245,063	14,960	-	-
	<u>\$ 11,193,695</u>	<u>\$ 1,636,522</u>	<u>\$ 13,248,659</u>	<u>\$ 2,121,388</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, 2016, there were two revenue bond issues of this type outstanding. The balance of one revenue bond issued after July 1, 1995, was \$3,363,204. The aggregate outstanding balance of the other remaining revenue bond issued before July 1, 1995, could not be practically determined; however, the original issue totaled \$500,000.

Note 10 - Interfund Balances and Activity

Transfers to/from other funds during the year ended December 31, 2016 consist of the following:

Transfer From	Transfer To	Amount	Purpose
Water	General	\$ 248,120	To supplement other fund sources
Sewer	General	158,190	To supplement other fund sources
Campground	General	33,770	To supplement other fund sources
Golf	General	20,170	To supplement other fund sources
Ambulance	General	37,220	To supplement other fund sources
General	Park & Rec	3,684,525	To supplement other fund sources
Special Sales Tax	Park & Rec	130,000	To supplement other fund sources
General	Airport	643,400	To supplement other fund sources
Special Sales Tax	Airport	320,000	To supplement other fund sources
Water	Special Sales Tax	180,000	To supplement other fund sources
Campground	Special Sales Tax	56,000	To supplement other fund sources
Special Sales Tax	ARCC Debt Service	250,000	To supplement other fund sources
Special Sales Tax	Aquatic Center Debt Service	570,000	To supplement other fund sources
Special Sales Tax	Public Safety Debt Service	736,000	To supplement other fund sources
Special Sales Tax	TIF #8 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	Golf	130,000	To supplement other fund sources
General	Ambulance	282,770	To supplement other fund sources
Library Project	Library Debt Service	1,287,100	To supplement other fund sources
Special Sales Tax	Sewer	216,000	To supplement other fund sources
Sewer	Special Sales Tax	216,000	To supplement other fund sources
TIF #26 Project	TIF #26 Debt Service	469,000	To supplement other fund sources
General	Park & Rec	550,000	To supplement other fund sources
Park & Rec Gift	Park & Rec	63,500	To supplement other fund sources
Special Sales Tax	Moccasin Creek Capital Project	675,000	To supplement other fund sources
Special Sales Tax	Library Capital Project	148,800	To supplement other fund sources
Special Sales Tax	Park & Rec	50,000	To supplement other fund sources
General	Ambulance	100,000	To supplement other fund sources
Water	General	26,829	To supplement other fund sources
Water	Park & Rec	205,834	To supplement other fund sources
Water	Airport	4,017	To supplement other fund sources
Water	Stormwater	1,550	To supplement other fund sources
Water	Sewer	13,376	To supplement other fund sources
Water	Golf	94,725	To supplement other fund sources
		<u>\$ 12,207,896</u>	

Note 11 - Restricted Net Position

The following table summarizes the restricted net position as shown on the government-wide statement of net position as of December 31, 2016:

Fund	Restricted By	Amount
Other purposes		
Business improvement district fund	State Law	\$ 2,010
Storm water maintenance fund	State Law	587,923
Library fines fund	State Law	81,151
Aberdeen landmark commission	State Law	9,277
Promotion fund	State Law	152,568
Park and recreation fund	State Law	156,196
Park recreation trust fund	State Law	874,671
Parking fund	State Law	346,153
General fund - SD public assurance alliance	Contractual Agreement	289,712
		<u>2,499,661</u>
Total restricted net position for other purposes		<u>\$ 2,499,661</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, 2016, 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 \$231,482 is available as of December 31, 2016 for future claims and premium increases. The amount of claim liabilities for the years ended December 31, 2016, 2015, and 2014 were \$340,461, \$110,000, and \$177,583, 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
2016	\$ 110,000	\$ 1,801,104	\$ 1,570,643	\$ 340,461
2015	177,583	1,538,369	1,605,952	110,000
2014	412,840	903,943	1,139,200	177,583

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 for property coverage and \$500,000 for liability coverage 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, 2016, the City has vested balance in the cumulative reserve fund of \$289,712.

Worker's Compensation

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

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

Unemployment Benefits

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

The City has net position in the Unemployment Compensation Fund in the amount of \$21,006 as of December 31, 2016 for the payment of future unemployment benefits.

During the year ended December 31, 2016, 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, 2016, the Commission managed its risks by purchasing liability insurance from a commercial carrier for risks related to torts, theft or damage of property, and errors and omissions; and liability insurance for workmen's compensation. The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 13 - Retirement Plan

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

Benefits Provided

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

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

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

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, 2016, 2015 and 2014 were \$869,768, \$867,351, and \$806,237, respectively, equal to the required contributions each year.

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

At June 30, 2016, SDRS is 96.89% funded and accordingly has a net pension liability. The proportionate shares of the components of the net pension liability of SDRS, for the City as of this measurement period and reported by the City as of December 31, 2016 are as follows:

Proportionate share of pension liability	\$ 80,846,582
Less proportionate share of net pension restricted for pension benefits	<u>78,329,897</u>
Proportionate share of net pension liability	<u><u>\$ 2,516,685</u></u>

At December 31, 2016, the City reported a liability of \$2,516,685 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability 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, 2016, the City's proportion was 0.7450%, which was an decrease of 0.0089% from its proportionate measure as of June 30, 2015 of 0.7539%.

For the year ended December 31, 2016, the City recognized pension expense of \$970,944. At December 31, 2016, 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	\$ 876,117	\$ -
Changes in assumption	1,507,376	-
Net difference between projected and actual earnings on pension plan investments	2,801,669	-
Changes in proportion and difference between the contributions and proportionate share of contributions	32,705	5,760
Contributions subsequent to the measurement date	<u>468,325</u>	<u>-</u>
	<u><u>\$ 5,686,192</u></u>	<u><u>\$ 5,760</u></u>

At December 31, 2016, there was \$468,325 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, 2017. 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
2017	\$ 1,405,829
2018	853,275
2019	1,781,220
2020	1,171,783
	\$ 5,212,107

Actuarial Assumptions

The total pension liability in the June 30, 2016 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, 2016 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, 2016 (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	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability 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 liability.

Sensitivity of Liability to Changes in the Discount Rate

The following presents the City's proportionate share of net pension liability 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 liability 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 liability (asset)	\$ 14,083,334	\$ 2,516,685	\$ (6,917,160)

Pension Plan Fiduciary Net Position

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

Note 14 - Litigation

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

Note 15 - Leases

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

Future minimum lease payments by fund are as follows:

Years Ending December 31,	Governmental		Enterprise
	General Fund	Airport Fund	Golf Fund
2017	\$ 44,868	\$ 32,630	\$ 24,000
2018	-	32,630	24,000
2019	-	32,630	24,000
2020	-	32,630	24,000
2021	-	32,630	24,000
Total minimum lease payments	<u>\$ 44,868</u>	<u>\$ 163,150</u>	<u>\$ 120,000</u>

Total lease expense across all funds for the year ended December 31, 2016 totaled approximately \$103,700.

Note 16 - Tax Abatements Related to Tax Increment Financing (TIF) Districts

The City has ten active TIF districts in which the City has entered into an agreement with the developer (sponsor) of the TIF district. Under each agreement, property tax increments received by the City are paid to the project sponsor as a grant to cover eligible project expenses approved by resolution by the Planning Commission and the City Council, as allowed by South Dakota Codified Law Section 11-9. The project sponsor bears the risk that increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall. When all approved project costs are paid or the TIF is dissolved in accordance with state statutes, all property tax revenue will be distributed to the appropriate taxing entities. Increments totaling \$461,344 were received by the City and paid to project sponsors during 2016.



Required Supplementary Information
December 31, 2016

City of Aberdeen

City of Aberdeen
Schedule of City's Share of Net Pension Liability (Asset)
Year Ended December 31, 2016

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

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

City of Aberdeen
Schedule of City's Pension Contributions
Year Ended December 31, 2016

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

City of Aberdeen
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2016

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
311 General property taxes	\$ 8,419,500	\$ 8,419,500	\$ 8,421,473	\$ 1,973
313 General sales and use taxes	8,910,000	8,910,000	8,713,172	(196,828)
319 Penalties and interest on delinquent taxes	18,000	18,000	19,946	1,946
320 Licenses and permits	384,500	384,500	469,445	84,945
330 Intergovernmental revenue:				
331 Federal grants	450,000	450,000	666,096	216,096
334 State grants	61,000	61,000	99,364	38,364
335 State shared revenue:				
335.01 Bank franchise tax	110,000	110,000	120,946	10,946
335.02 Motor vehicle commercial prorate	25,000	25,000	28,502	3,502
335.03 Liquor tax reversion	160,000	160,000	170,154	10,154
335.04 Motor vehicle licenses (5%)	150,000	150,000	189,333	39,333
335.06 Fire insurance premiums reversion	65,000	65,000	-	(65,000)
335.08 Local government highway and bridge fund	550,000	550,000	527,607	(22,393)
335.20 Other	3,000	3,000	2,808	(192)
336 State payments in lieu of taxes	-	-	6,836	6,836
338 County shared revenue:				
338.02 County HBR tax	20,500	20,500	-	(20,500)
338.03 County wheel tax	10,000	10,000	9,142	(858)
340 Charge for goods and services:				
341 General government	63,000	63,000	66,963	3,963
342 Public safety	86,500	86,500	161,094	74,594
343 Highways and streets	140,000	140,000	78,647	(61,353)
344 Sanitation	1,211,000	1,211,000	1,206,306	(4,694)
345 Health	8,000	8,000	87,667	79,667
346 Culture and recreation	3,000	3,000	3,298	298
349 Other	170,000	170,000	194,494	24,494
350 Fines and forfeits:				
351 Court fines and costs	25,000	25,000	21,236	(3,764)
359 Other	-	-	65	65
360 Miscellaneous revenue:				
361 Investment earnings	30,000	30,000	32,118	2,118
362 Rentals/Franchises	475,000	475,000	473,512	(1,488)
367 Contributions and donations from private sources	21,500	21,500	16,697	(4,803)
369 Other	36,500	36,500	69,622	33,122
Total revenues	<u>21,606,000</u>	<u>21,606,000</u>	<u>21,856,543</u>	<u>250,543</u>

City of Aberdeen
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2016

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government:				
411 Legislative	300,000	300,000	126,321	173,679
412 Executive	368,800	368,800	216,024	152,776
414 Financial administration	1,141,700	1,191,700	1,155,306	36,394
419 Other	1,837,350	1,837,550	1,581,851	255,699
Total general government	<u>3,647,850</u>	<u>3,698,050</u>	<u>3,079,502</u>	<u>618,548</u>
420 Public safety:				
421 Police	4,205,250	4,525,250	4,477,958	47,292
422 Fire	2,662,250	2,782,250	2,692,762	89,488
423 Protective inspection	221,950	221,950	205,842	16,108
Total public safety	<u>7,089,450</u>	<u>7,529,450</u>	<u>7,376,562</u>	<u>152,888</u>
430 Public works:				
431 Highways and streets	3,026,310	4,542,310	2,761,065	1,781,245
432 Sanitation	1,368,300	1,368,300	1,164,805	203,495
439 Transit	733,950	734,200	666,401	67,799
Total public works	<u>5,128,560</u>	<u>6,644,810</u>	<u>4,592,271</u>	<u>2,052,539</u>
440 Health and welfare:				
441 Health	-	72,575	55,400	17,175
445 Drug education	63,950	63,950	84,961	(21,011)
Total health and welfare	<u>63,950</u>	<u>136,525</u>	<u>140,361</u>	<u>(3,836)</u>
450 Culture and recreation:				
451 Recreation	28,065	28,065	27,555	510
455 Libraries	1,169,150	1,169,650	1,050,867	118,783
Total culture and recreation	<u>1,197,215</u>	<u>1,197,715</u>	<u>1,078,422</u>	<u>119,293</u>
460 Conservation and development:				
466 Economic opportunity	522,800	934,800	698,291	236,509
Total conservation and development	<u>522,800</u>	<u>934,800</u>	<u>698,291</u>	<u>236,509</u>
Total expenditures	<u>17,649,825</u>	<u>20,141,350</u>	<u>16,965,409</u>	<u>3,175,941</u>
Excess of Revenue over Expenditures	<u>3,956,175</u>	<u>1,464,650</u>	<u>4,891,134</u>	<u>3,426,484</u>
Other Financing Sources (Uses)				
391.01 Transfers in	497,470	497,470	524,299	26,829
511 Transfers out	(4,740,695)	(5,390,695)	(5,390,695)	-
391.03 Sale of municipal property	25,000	25,000	18,683	(6,317)
391.04 Compensation for loss or damage to capital assets	20,000	20,000	28,014	8,014
Total other financing sources (uses)	<u>(4,198,225)</u>	<u>(4,848,225)</u>	<u>(4,819,699)</u>	<u>28,526</u>
Net Change in Fund Balances	(242,050)	(3,383,575)	71,435	3,455,010
Fund Balance - Beginning	5,538,398	5,538,398	5,538,398	-
Fund Balance - Ending	<u>\$ 5,296,348</u>	<u>\$ 2,154,823</u>	<u>\$ 5,609,833</u>	<u>\$ 3,455,010</u>

City of Aberdeen
 Budgetary Comparison Schedule—Park and Recreation Fund
 Year Ended December 31, 2016

	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	\$ -	\$ (50,000)
334 State grants	10,000	10,000	20,000	10,000
340 Charge for goods and services:				
346 Culture and recreation	599,590	599,590	658,300	58,710
348 Cemetery	37,000	37,000	46,750	9,750
360 Miscellaneous revenue:				
361 Investment earnings	50	50	-	(50)
367 Contributions and donations from private sources	-	-	133,000	133,000
369 Other	-	-	6,961	6,961
Total revenues	<u>696,640</u>	<u>696,640</u>	<u>865,011</u>	<u>168,371</u>
Expenditures				
430 Public works:				
437 Cemeteries	185,250	185,250	185,144	106
Total public works	<u>185,250</u>	<u>185,250</u>	<u>185,144</u>	<u>106</u>
450 Culture and recreation:				
451 Parks and Recreation	4,425,915	5,368,125	5,284,234	83,891
Total culture and recreation	<u>4,425,915</u>	<u>5,368,125</u>	<u>5,284,234</u>	<u>83,891</u>
470 Debt service	-	-	-	-
Total expenditures	<u>4,611,165</u>	<u>5,553,375</u>	<u>5,469,378</u>	<u>83,997</u>
Excess of Revenue over (under) Expenditures	<u>(3,914,525)</u>	<u>(4,856,735)</u>	<u>(4,604,367)</u>	<u>252,368</u>
Other Financing Sources (Uses)				
391.01 Transfers in	3,814,525	3,814,525	4,683,859	869,334
511 Transfers out	-	-	-	-
391.04 Compensation for loss or damage to capital assets	-	-	1,945	1,945
Total other financing sources (uses)	<u>3,814,525</u>	<u>3,814,525</u>	<u>4,685,804</u>	<u>871,279</u>
Net Change in Fund Balances	(100,000)	(1,042,210)	81,437	1,123,647
Fund Balance - Beginning	74,760	74,760	74,760	-
Fund Balance - Ending	<u>\$ (25,240)</u>	<u>\$ (967,450)</u>	<u>\$ 156,197</u>	<u>\$ 1,123,647</u>

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Airport Fund
 Year Ended December 31, 2016

	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	\$ 27,582	\$ 9,932
330 Intergovernmental revenue:				
331 Federal grants	4,787,200	4,787,200	6,552,653	1,765,453
334 State grants	212,800	212,800	364,036	151,236
340 Charge for goods and services:				
349 Other	311,000	311,000	390,710	79,710
360 Miscellaneous revenue:				
361 Investment earnings	500	500	195	(305)
369 Other	-	-	2,026	2,026
Total revenues	<u>5,329,150</u>	<u>5,329,150</u>	<u>7,337,202</u>	<u>2,008,052</u>
Expenditures				
430 Public works:				
435 Airport	6,292,550	8,307,550	7,632,586	674,964
Total public works	<u>6,292,550</u>	<u>8,307,550</u>	<u>7,632,586</u>	<u>674,964</u>
Total expenditures	<u>6,292,550</u>	<u>8,307,550</u>	<u>7,632,586</u>	<u>674,964</u>
Excess of Revenue over (under) Expenditures	<u>(963,400)</u>	<u>(2,978,400)</u>	<u>(295,384)</u>	<u>2,683,016</u>
Other Financing Sources (Uses)				
391.01 Transfers in	963,400	963,400	967,417	4,017
391.04 Compensation for loss or damage to capital assets	-	-	5,171	5,171
511 Transfers out	-	-	-	-
391.03 Sale of municipal property	-	-	-	-
Total other financing sources (uses)	<u>963,400</u>	<u>963,400</u>	<u>972,588</u>	<u>9,188</u>
Net Change in Fund Balances	-	(2,015,000)	677,204	2,692,204
Fund Balance - Beginning	<u>546,814</u>	<u>546,814</u>	<u>546,814</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 546,814</u>	<u>\$ (1,468,186)</u>	<u>\$ 1,224,018</u>	<u>\$ 2,692,204</u>

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Special Sales Tax Fund
 Year Ended December 31, 2016

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
313 General sales and use taxes	\$ 8,550,000	\$ 8,550,000	\$ 8,385,354	\$ (164,646)
330 Intergovernmental revenue:				
331 Federal grants	1,600,000	1,600,000	250,618	(1,349,382)
334 State grants	-	-	3,710,371	3,710,371
360 Miscellaneous revenue:				
361 Investment earnings	-	-	26,929	26,929
Total revenues	<u>10,150,000</u>	<u>10,150,000</u>	<u>12,373,272</u>	<u>2,223,272</u>
Expenditures				
410 General government:				
419 Other	100,000	100,000	461	99,539
Total general government	<u>100,000</u>	<u>100,000</u>	<u>461</u>	<u>99,539</u>
420 Public safety:				
429 Other protection	544,000	544,000	228,415	315,585
Total public safety	<u>544,000</u>	<u>544,000</u>	<u>228,415</u>	<u>315,585</u>
430 Public works:				
431 Highways and streets	6,942,600	7,442,600	6,362,120	1,080,480
432 Sanitation	-	-	16,375	(16,375)
436 Parking facilities	-	-	29,782	(29,782)
Total public works	<u>6,942,600</u>	<u>7,442,600</u>	<u>6,408,277</u>	<u>1,034,323</u>
450 Culture and recreation:				
451 Parks & Recreation	657,600	746,570	595,875	150,695
Total culture and recreation	<u>657,600</u>	<u>746,570</u>	<u>595,875</u>	<u>150,695</u>
460 Conservation and development:				
466 Economic opportunity	250,000	250,000	250,000	-
Total conservation and development	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total expenditures	<u>8,494,200</u>	<u>9,083,170</u>	<u>7,483,028</u>	<u>1,600,142</u>
Excess of Revenue over Expenditures	<u>1,655,800</u>	<u>1,066,830</u>	<u>4,890,244</u>	<u>3,823,414</u>
Other Financing Sources (Uses)				
391.01 Transfers in	236,000	236,000	452,000	216,000
511 Transfers out	(2,612,000)	(3,701,800)	(3,701,800)	-
Total other financing sources (uses)	<u>(2,376,000)</u>	<u>(3,465,800)</u>	<u>(3,249,800)</u>	<u>216,000</u>
Net Change in Fund Balances	(720,200)	(2,398,970)	1,640,444	4,039,414
Fund Balance - Beginning	4,203,292	4,203,292	4,203,292	-
Fund Balance - Ending	<u>\$ 3,483,092</u>	<u>\$ 1,804,322</u>	<u>\$ 5,843,736</u>	<u>\$ 4,039,414</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, 2015 or December 31, 2016.

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 two years reported in the RSI, there is no additional information to include in notes. Details, if necessary, can be obtained from the SDRS audited financial statements.



Supplementary Information
December 31, 2016
City of Aberdeen

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2016

	Promotion Fund	Park and Recreation Gift Fund	Cemetery Improvement Fund	Business Improvement District Fund	Parking District Fund	Storm Water Maintenance Fund
Assets						
Cash and cash equivalents	\$ 49,143	\$ 1,049,605	\$ 8,642	\$ 1	\$ 344,036	\$ 538,308
151 Investments	-	-	-	-	-	-
110 Taxes receivable, delinquent	-	-	-	1,589	1,760	-
115 Accounts receivable, net	-	-	-	-	-	38,238
122 Special assessments receivable - delinquent	-	-	-	-	-	-
132 Due from federal government	-	6,562	-	-	-	-
132 Due from state government	120,347	-	-	-	-	-
132 Due from county government	-	-	-	420	463	-
142 Inventory of stores purchased for resale	-	-	-	-	-	17,151
Total assets	169,490	1,056,167	8,642	2,010	346,259	593,697
Deferred Outflows of Resources						
198 Other deferred outflows of resources	-	-	-	-	-	-
	<u>\$ 169,490</u>	<u>\$ 1,056,167</u>	<u>\$ 8,642</u>	<u>\$ 2,010</u>	<u>\$ 346,259</u>	<u>\$ 593,697</u>
Liabilities						
202 Accounts payable	\$ 16,922	\$ 148,247	\$ -	\$ -	\$ 106	\$ 3,838
207 Contracts payable - retained percentage	-	-	-	-	-	-
216 Accrued wages payable	-	2,139	-	-	-	1,936
223 Unearned revenue	-	31,110	-	-	-	-
Total liabilities	16,922	181,496	-	-	106	5,774
Deferred Inflows of Resources						
244 - Unavailable revenue - sales and use taxes	88,624	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	-	1,589	1,760	-
247 - Other deferred inflows of resources	-	6,562	-	-	-	39,525
Total deferred inflows of resources	88,624	6,562	-	1,589	1,760	39,525
Fund Balances						
263 Nonspendable	-	-	-	-	-	17,151
264 Restricted	63,944	868,109	-	421	344,393	531,247
266 Assigned	-	-	8,642	-	-	-
Total fund balances	63,944	868,109	8,642	421	344,393	548,398
	<u>\$ 169,490</u>	<u>\$ 1,056,167</u>	<u>\$ 8,642</u>	<u>\$ 2,010</u>	<u>\$ 346,259</u>	<u>\$ 593,697</u>

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2016

	Library Fines Fund	Landmark Commission Fund	Tax Increment Financing District No. 2 Bonds Fund	Tax Increment Financing District No. 4 Bonds Fund	Park and Rec ARCC Bonds Fund	Park and Rec Aquatic Center Bonds Funds
Assets						
Cash and cash equivalents	\$ 81,151	\$ 9,277	\$ 157,199	\$ 14,967	\$ 264,588	\$ 606,717
151 Investments	-	-	216,665	-	-	-
110 Taxes receivable, delinquent	-	-	-	-	-	-
115 Accounts receivable, net	-	-	-	-	-	-
122 Special assessments receivable - delinquent	-	-	-	-	-	-
132 Due from federal government	-	-	-	-	-	-
132 Due from state government	-	-	-	-	-	-
132 Due from county government	-	-	-	-	-	-
142 Inventory of stores purchased for resale	-	-	-	-	-	-
Total assets	81,151	9,277	373,864	14,967	264,588	606,717
Deferred Outflows of Resources						
198 Other deferred outflows of resources	-	-	-	-	-	-
	<u>\$ 81,151</u>	<u>\$ 9,277</u>	<u>\$ 373,864</u>	<u>\$ 14,967</u>	<u>\$ 264,588</u>	<u>\$ 606,717</u>
Liabilities						
202 Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
207 Contracts payable - retained percentage	-	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	-	-
223 Unearned revenue	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Deferred Inflows of Resources						
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	-	-	-	-
247 - Other deferred inflows of resources	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
Fund Balances						
263 Nonspendable	-	-	-	-	-	-
264 Restricted	81,151	9,277	373,864	14,967	264,588	606,717
266 Assigned	-	-	-	-	-	-
Total fund balances	81,151	9,277	373,864	14,967	264,588	606,717
	<u>\$ 81,151</u>	<u>\$ 9,277</u>	<u>\$ 373,864</u>	<u>\$ 14,967</u>	<u>\$ 264,588</u>	<u>\$ 606,717</u>

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2016

	Tax Increment Financing District No. 11 Bonds Fund	Tax Increment Financing District No. 17 Bonds Fund	Public Safety Building Bonds Fund	City Hall Remodel Bonds Fund	Wylie Park Campground Expansion Bonds Fund	Tax Increment Financing District No. 3 Bonds Fund	Tax Increment Financing District No. 19 Bonds Fund
Assets							
Cash and cash equivalents	\$ 560,516	\$ 477,112	\$ 764,067	\$ 418,755	\$ 73,534	\$ 16,646	\$ 636
151 Investments	-	-	-	-	-	-	-
110 Taxes receivable, delinquent	-	355	-	-	-	1,267	-
115 Accounts receivable, net	-	-	-	-	-	-	-
122 Special assessments receivable - delinquent	-	-	-	-	-	-	-
132 Due from federal government	-	-	-	-	-	-	-
132 Due from state government	-	-	-	-	-	-	-
132 Due from county government	-	-	-	-	-	2,058	995
142 Inventory of stores purchased for resale	-	-	-	-	-	-	-
Total assets	560,516	477,467	764,067	418,755	73,534	19,971	1,631
Deferred Outflows of Resources							
198 Other deferred outflows of resources	-	-	-	-	-	-	-
	<u>\$ 560,516</u>	<u>\$ 477,467</u>	<u>\$ 764,067</u>	<u>\$ 418,755</u>	<u>\$ 73,534</u>	<u>\$ 19,971</u>	<u>\$ 1,631</u>
Liabilities							
202 Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
207 Contracts payable - retained percentage	-	-	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	-	-	-
223 Unearned revenue	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
Deferred Inflows of Resources							
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	355	-	-	-	1,267	-
247 - Other deferred inflows of resources	-	-	-	-	-	-	-
Total deferred inflows of resources	-	355	-	-	-	1,267	-
Fund Balances							
263 Nonspendable	-	-	-	-	-	-	-
264 Restricted	560,516	477,112	764,067	418,755	73,534	18,704	1,631
266 Assigned	-	-	-	-	-	-	-
Total fund balances	560,516	477,112	764,067	418,755	73,534	18,704	1,631
	<u>\$ 560,516</u>	<u>\$ 477,467</u>	<u>\$ 764,067</u>	<u>\$ 418,755</u>	<u>\$ 73,534</u>	<u>\$ 19,971</u>	<u>\$ 1,631</u>

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2016

	Tax Increment Financing District No. 26 Bonds Fund	Old Federal Building Bonds Fund	Cemetery Perpetual Care Fund	Moccasin Creek Proj.	Tax Increment Financing District No. 26 Proj. Fund	Library Proj. Fund	Total Nonmajor Governmental Funds
Assets							
Cash and cash equivalents	\$ 408,854	\$ 115,324	\$ 195,980	\$ 646,150	\$ 328,128	\$ 653,372	\$ 7,782,708
151 Investments	-	-	-	-	-	4,003,101	4,219,766
110 Taxes receivable, delinquent	-	-	-	-	-	-	4,971
115 Accounts receivable, net	-	-	-	-	-	-	38,238
122 Special assessments receivable - delinquent	-	-	-	-	-	-	-
132 Due from federal government	-	-	-	-	-	-	6,562
132 Due from state government	-	-	-	-	-	-	120,347
132 Due from county government	-	-	-	-	-	-	3,936
142 Inventory of stores purchased for resale	-	-	-	-	-	-	17,151
Total assets	408,854	115,324	195,980	646,150	328,128	4,656,473	12,193,679
Deferred Outflows of Resources							
198 Other deferred outflows of resources	-	-	-	-	-	-	-
	<u>\$ 408,854</u>	<u>\$ 115,324</u>	<u>\$ 195,980</u>	<u>\$ 646,150</u>	<u>\$ 328,128</u>	<u>\$ 4,656,473</u>	<u>\$ 12,193,679</u>
Liabilities							
202 Accounts payable	\$ -	\$ -	\$ -	\$ 93,145	\$ -	\$ 350,216	\$ 612,474
207 Contracts payable - retained percentage	-	-	-	10,281	-	140,517	150,798
216 Accrued wages payable	-	-	-	-	-	-	4,075
223 Unearned revenue	-	-	-	-	-	-	31,110
Total liabilities	-	-	-	103,426	-	490,733	798,457
Deferred Inflows of Resources							
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-	88,624
245 - Unavailable revenue - property taxes	-	-	-	-	-	-	4,971
247 - Other deferred inflows of resources	-	-	-	-	-	-	46,087
Total deferred inflows of resources	-	-	-	-	-	-	139,682
Fund Balances							
263 Nonspendable	-	-	50,000	-	-	-	67,151
264 Restricted	408,854	115,324	145,980	542,724	328,128	4,165,740	11,179,747
266 Assigned	-	-	-	-	-	-	8,642
Total fund balances	408,854	115,324	195,980	542,724	328,128	4,165,740	11,255,540
	<u>\$ 408,854</u>	<u>\$ 115,324</u>	<u>\$ 195,980</u>	<u>\$ 646,150</u>	<u>\$ 328,128</u>	<u>\$ 4,656,473</u>	<u>\$ 12,193,679</u>

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2016

	Promotion Fund	Park and Recreation Gift Fund	Cemetery Improvement Fund	Business Improvement District Fund	Parking District Fund	Storm Water Maintenance Fund
Revenues						
310 Taxes:						
311 General property taxes	\$ -	\$ -	\$ -	\$ 63,429	\$ 96,131	\$ -
313 General sales and use taxes	1,090,893	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	-	215	-
330 Intergovernmental revenue:						
331 Federal grants	-	34,453	-	-	-	-
340 Charges for goods and services:						
344 Sanitation	-	-	-	-	-	498,778
346 Culture and recreation	-	866,379	-	-	-	-
348 Cemetery	-	-	2,895	-	-	-
360 Miscellaneous revenue:						
361 Investment earnings	12	344	67	1	103	184
362 Rentals	-	-	-	-	21,168	-
367 Contributions and donations from private sources	-	491,333	-	-	-	-
369 Other	7,544	-	-	-	-	-
Total revenues	<u>1,098,449</u>	<u>1,392,509</u>	<u>2,962</u>	<u>63,430</u>	<u>117,617</u>	<u>498,962</u>
Expenditures						
430 Public works:						
431 Highways and streets	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	459,887
436 Parking facilities	-	-	-	-	37,674	-
437 Cemeteries	-	-	840	-	-	-
Total public works	<u>-</u>	<u>-</u>	<u>840</u>	<u>-</u>	<u>37,674</u>	<u>459,887</u>
450 Culture and recreation:						
452 Parks	-	1,265,130	-	-	-	-
455 Libraries	-	-	-	-	-	-
457 Historical preservation	-	-	-	-	-	-
Total culture and recreation	<u>-</u>	<u>1,265,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
460 Conservation and development:						
465 Economic development and assistance (industrial development)	1,074,801	-	-	-	-	-
466 Economic opportunity	-	-	-	63,009	-	-
Total conservation and development	<u>1,074,801</u>	<u>-</u>	<u>-</u>	<u>63,009</u>	<u>-</u>	<u>-</u>
470 Debt service	-	-	-	-	-	-
Total expenditures	<u>1,074,801</u>	<u>1,265,130</u>	<u>840</u>	<u>63,009</u>	<u>37,674</u>	<u>459,887</u>
Excess of revenue over expenditures	<u>23,648</u>	<u>127,379</u>	<u>2,122</u>	<u>421</u>	<u>79,943</u>	<u>39,075</u>
Other Financing Sources (Uses)						
391.01 Transfers in	-	-	-	-	-	1,550
511 Transfers out	-	(63,500)	-	-	-	-
391.20 Long-term debt issued	-	-	-	-	-	-
512 Premium on bonds issued	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(63,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,550</u>
Net Change in Fund Balances	23,648	63,879	2,122	421	79,943	40,625
Fund Balance - Beginning	40,296	804,230	6,520	-	264,450	507,773
Fund Balance - Ending	<u>\$ 63,944</u>	<u>\$ 868,109</u>	<u>\$ 8,642</u>	<u>\$ 421</u>	<u>\$ 344,393</u>	<u>\$ 548,398</u>

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds
Year Ended December 31, 2016

	Library Fines Fund	Landmark Commission Fund	Tax Increment Financing District No. 2 Bonds Fund	Tax Increment Financing District No. 4 Bonds Fund	Park and Rec ARCC Bonds Fund	Tax Increment Financing District No. 10 Bonds Fund	Park and Rec Aquatic Center Bonds Fund
Revenues							
310 Taxes:							
311 General property taxes	\$ -	\$ -	\$ 266,595	\$ 13,612	\$ -	\$ 96,060	\$ -
313 General sales and use taxes	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	-	-	-	-
330 Intergovernmental revenue:							
331 Federal grants	-	155	-	-	-	-	-
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-	-
348 Cemetery	-	-	-	-	-	-	-
360 Miscellaneous revenue:							
361 Investment earnings	-	3	-	4	108	-	216
362 Rentals	-	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	-	-
369 Other	18,588	272	6,492	-	-	-	-
Total revenues	18,588	430	273,087	13,616	108	96,060	216
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-	-
437 Cemeteries	-	-	-	-	-	-	-
Total public works	-	-	-	-	-	-	-
450 Culture and recreation:							
452 Parks	-	-	-	-	-	-	-
455 Libraries	26,059	-	-	-	-	-	-
457 Historical preservation	-	80	-	-	-	-	-
Total culture and recreation	26,059	80	-	-	-	-	-
460 Conservation and development:							
465 Economic development and assistance (industrial development)	-	-	-	-	-	-	-
466 Economic opportunity	-	-	-	-	-	-	-
Total conservation and development	-	-	-	-	-	-	-
470 Debt service	-	-	277,620	14,008	247,323	96,060	564,478
Total expenditures	26,059	80	277,620	14,008	247,323	96,060	564,478
Excess of revenue over (under) expenditures	(7,471)	350	(4,533)	(392)	(247,215)	-	(564,262)
Other Financing Sources (Uses)							
391.01 Transfers in	-	-	-	-	250,000	-	570,000
511 Transfers out	-	-	-	-	-	-	-
391.20 Long-term debt issued	-	-	-	-	-	-	-
512 Premium on bonds issued	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	250,000	-	570,000
Net Change in Fund Balances	(7,471)	350	(4,533)	(392)	2,785	-	5,738
Fund Balance - Beginning	88,622	8,927	378,397	15,359	261,803	-	600,979
Fund Balance - Ending	\$ 81,151	\$ 9,277	\$ 373,864	\$ 14,967	\$ 264,588	\$ -	\$ 606,717

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2016

	Tax Increment Financing District No. 11 Bonds Fund	Tax Increment Financing District No. 17 Bonds Fund	Public Safety Building Bonds Fund	Tax Increment Financing District No. 8 Bonds Fund	City Hall Remodel Bonds Fund	Tax Increment Financing District No. 18 Bonds Fund	Wylie Park Campground Expansion Bonds Fund
Revenues							
310 Taxes:							
311 General property taxes	\$ -	\$ 243,922	\$ -	\$ 412,703	\$ -	\$ 73,649	\$ -
313 General sales and use taxes	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	-	-	-	-
330 Intergovernmental revenue:							
331 Federal grants	-	-	-	-	-	-	-
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-	-
348 Cemetery	-	-	-	-	-	-	-
360 Miscellaneous revenue:							
361 Investment earnings	-	149	2,336	-	127	-	25
362 Rentals	-	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	-	-
369 Other	-	-	-	-	-	-	-
Total revenues	-	244,071	2,336	412,703	127	73,649	25
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-	-
437 Cemeteries	-	-	-	-	-	-	-
Total public works	-	-	-	-	-	-	-
450 Culture and recreation:							
452 Parks	-	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-	-
457 Historical preservation	-	-	-	-	-	-	-
Total culture and recreation	-	-	-	-	-	-	-
460 Conservation and development:							
465 Economic development and assistance (industrial development)	-	-	-	-	-	-	-
466 Economic opportunity	-	-	-	-	-	-	-
Total conservation and development	-	-	-	-	-	-	-
470 Debt service	726,584	146,075	742,431	412,703	128,305	73,649	52,463
Total expenditures	726,584	146,075	742,431	412,703	128,305	73,649	52,463
Excess of revenue over (under) expenditures	(726,584)	97,996	(740,095)	-	(128,178)	-	(52,438)
Other Financing Sources (Uses)							
391.01 Transfers in	1,287,100	-	736,000	-	160,000	-	56,000
511 Transfers out	-	-	-	-	-	-	-
391.20 Long-term debt issued	-	-	-	-	-	-	-
512 Premium on bonds issued	-	-	-	-	-	-	-
Total other financing sources (uses)	1,287,100	-	736,000	-	160,000	-	56,000
Net Change in Fund Balances	560,516	97,996	(4,095)	-	31,822	-	3,562
Fund Balance - Beginning	-	379,116	768,162	-	386,933	-	69,972
Fund Balance - Ending	\$ 560,516	\$ 477,112	\$ 764,067	\$ -	\$ 418,755	\$ -	\$ 73,534

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2016

	Tax Increment Financing District No. 20 Bonds Fund	Tax Increment Financing District No. 21 Bonds Fund	Tax Increment Financing District No. 22 Project Fund	Tax Increment Financing District No. 19 Bonds Fund	Old Federal Building Bonds Fund	Cemetery Perpetual Care Fund	Tax Increment Financing District No. 23 Project Fund
Revenues							
310 Taxes:							
311 General property taxes	\$ 14,365	\$ 20,163	\$ 11,347	\$ 40,452	\$ -	\$ -	\$ 28,099
313 General sales and use taxes	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	-	-	-	-
330 Intergovernmental revenue:							
331 Federal grants	-	-	-	-	-	-	-
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-	-
348 Cemetery	-	-	-	-	-	-	-
360 Miscellaneous revenue:							
361 Investment earnings	-	-	-	-	47	-	-
362 Rentals	-	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	4,657	-
369 Other	-	-	-	-	-	-	-
Total revenues	14,365	20,163	11,347	40,452	47	4,657	28,099
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-	-
437 Cemeteries	-	-	-	-	-	-	-
Total public works	-	-	-	-	-	-	-
450 Culture and recreation:							
452 Parks	-	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-	-
457 Historical preservation	-	-	-	-	-	-	-
Total culture and recreation	-	-	-	-	-	-	-
460 Conservation and development:							
465 Economic development and assistance (industrial development)	-	-	-	-	-	-	-
466 Economic opportunity	-	-	-	-	-	-	-
Total conservation and development	-	-	-	-	-	-	-
470 Debt service	14,365	20,163	11,347	143,867	213,490	-	28,099
Total expenditures	14,365	20,163	11,347	143,867	213,490	-	28,099
Excess of revenue over (under) expenditures	-	-	-	(103,415)	(213,443)	4,657	-
Other Financing Sources (Uses)							
391.01 Transfers in	-	-	-	-	210,000	-	-
511 Transfers out	-	-	-	-	-	-	-
391.20 Long-term debt issued	-	-	-	-	-	-	-
512 Premium on bonds issued	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	210,000	-	-
Net Change in Fund Balances	-	-	-	(103,415)	(3,443)	4,657	-
Fund Balance - Beginning	-	-	-	105,046	118,767	191,323	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ 1,631	\$ 115,324	\$ 195,980	\$ -

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds
Year Ended December 31, 2016

	Tax Increment Financing District No. 3 Bonds Fund	Tax Increment Financing District No. 26 Bonds Fund	Moccasin Creek Project Fund	Tax Increment Financing District No. 26 Project Fund	Library Project Fund	Total Nonmajor Governmental Funds
Revenues						
310 Taxes:						
311 General property taxes	\$ 185,217	\$ -	\$ -	\$ -	\$ -	\$ 1,565,744
313 General sales and use taxes	-	-	-	-	-	1,090,893
319 Penalties and interest on delinquent taxes	-	-	-	-	-	215
330 Intergovernmental revenue:						
331 Federal grants	-	-	-	-	-	34,608
340 Charges for goods and services:						
344 Sanitation	-	-	-	-	-	498,778
346 Culture and recreation	-	-	-	-	-	866,379
348 Cemetery	-	-	-	-	-	2,895
360 Miscellaneous revenue:						
361 Investment earnings	62	-	-	-	3,101	6,889
362 Rentals	-	-	-	-	-	21,168
367 Contributions and donations from private sources	-	-	-	-	600,000	1,095,990
369 Other	-	-	-	-	-	32,896
Total revenues	<u>185,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>603,101</u>	<u>5,216,455</u>
Expenditures						
430 Public works:						
431 Highways and streets	-	-	-	1,137,872	-	1,137,872
432 Sanitation	-	-	132,276	-	-	592,163
436 Parking facilities	-	-	-	-	-	37,674
437 Cemeteries	-	-	-	-	-	840
Total public works	<u>-</u>	<u>-</u>	<u>132,276</u>	<u>1,137,872</u>	<u>-</u>	<u>1,768,549</u>
450 Culture and recreation:						
452 Parks	-	-	-	-	-	1,265,130
455 Libraries	-	-	-	-	2,971,513	2,997,572
457 Historical preservation	-	-	-	-	-	80
Total culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,971,513</u>	<u>4,262,782</u>
460 Conservation and development:						
465 Economic development and assistance (industrial development)	-	-	-	-	-	1,074,801
466 Economic opportunity	-	-	-	-	-	63,009
Total conservation and development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,137,810</u>
470 Debt service	<u>331,954</u>	<u>60,146</u>	<u>-</u>	<u>-</u>	<u>86,758</u>	<u>4,391,888</u>
Total expenditures	<u>331,954</u>	<u>60,146</u>	<u>132,276</u>	<u>1,137,872</u>	<u>3,058,271</u>	<u>11,561,029</u>
Excess of revenue under expenditures	<u>(146,675)</u>	<u>(60,146)</u>	<u>(132,276)</u>	<u>(1,137,872)</u>	<u>(2,455,170)</u>	<u>(6,344,574)</u>
Other Financing Sources (Uses)						
391.01 Transfers in	-	469,000	675,000	-	148,800	4,563,450
511 Transfers out	-	-	-	(469,000)	(1,287,100)	(1,819,600)
391.20 Long-term debt issued	-	-	-	1,935,000	7,545,000	9,480,000
512 Premium on bonds issued	-	-	-	-	214,210	214,210
Total other financing sources (uses)	<u>-</u>	<u>469,000</u>	<u>675,000</u>	<u>1,466,000</u>	<u>6,620,910</u>	<u>12,438,060</u>
Net Change in Fund Balances	(146,675)	408,854	542,724	328,128	4,165,740	6,093,486
Fund Balance - Beginning	<u>165,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,162,054</u>
Fund Balance - Ending	<u>\$ 18,704</u>	<u>\$ 408,854</u>	<u>\$ 542,724</u>	<u>\$ 328,128</u>	<u>\$ 4,165,740</u>	<u>\$ 11,255,540</u>

City of Aberdeen
Combining Statement of Net Position—Nonmajor Enterprise Funds
December 31, 2016

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Old Federal Building Fund	Campground Enterprise Fund	Golf Enterprise Fund	Ambulance Enterprise Fund	
Current Assets					
Cash and cash equivalents	\$ 88,044	\$ 175,027	\$ 123,583	\$ 214,647	\$ 601,301
115 Accounts receivable, net	14,342	-	-	222,336	236,678
Total current assets	102,386	175,027	123,583	436,983	837,979
Noncurrent Assets					
Capital assets:					
160 Land	101,250	-	350,500	-	451,750
162 Buildings	402,494	941,815	179,140	-	1,523,449
164 Improvements other than buildings	205,065	730,927	257,248	-	1,193,240
166 Machinery and equipment	-	28,369	572,717	1,040,068	1,641,154
Less accumulated depreciation	(28,422)	(395,452)	(745,285)	(523,157)	(1,692,316)
Total noncurrent assets	680,387	1,305,659	614,320	516,911	3,117,277
TOTAL ASSETS	782,773	1,480,686	737,903	953,894	3,955,256
Deferred Outflows of Resources					
196 Pension related deferred outflows	-	-	35,240	311,479	346,719
Total deferred outflows of resources	-	-	35,240	311,479	346,719
	<u>\$ 782,773</u>	<u>\$ 1,480,686</u>	<u>\$ 773,143</u>	<u>\$ 1,265,373</u>	<u>\$ 4,301,975</u>
Current Liabilities					
202 Accounts payable	\$ 5,806	\$ 37,454	\$ 56,003	\$ 22,854	\$ 122,117
216 Accrued wages payable	899	-	1,465	9,392	11,756
230 Compensated absences payable - current	-	-	1,229	22,014	23,243
Total current liabilities	6,705	37,454	58,697	54,260	157,116
Noncurrent Liabilities					
238 Net pension liability	-	-	15,603	137,914	153,517
Total noncurrent liabilities	-	-	15,603	137,914	153,517
TOTAL LIABILITIES	6,705	37,454	74,300	192,174	310,633
Deferred Inflows of Resources					
248 Pension related deferred inflows	-	-	36	316	352
Net Position					
253.10 Net investment in capital assets	680,387	1,305,659	614,320	516,911	3,117,277
253.20 Restricted for:					
253.29 SDRS pension purposes	-	-	19,601	173,249	192,850
253.90 Unrestricted net position	95,681	137,573	64,886	382,723	680,863
Total net position	776,068	1,443,232	698,807	1,072,883	3,990,990
	<u>\$ 782,773</u>	<u>\$ 1,480,686</u>	<u>\$ 773,143</u>	<u>\$ 1,265,373</u>	<u>\$ 4,301,975</u>

City of Aberdeen

Combining Statement of Revenues, Expenses and Changes in Net Position—Nonmajor Enterprise Funds
Year Ended December 31, 2016

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Old Federal Building Fund	Campground Enterprise Fund	Golf Enterprise Fund	Ambulance Enterprise Fund	
Operating Revenue					
370/380 Charges for goods and services	\$ 173,950	\$ 396,327	\$ 398,550	\$ 984,716	\$ 1,953,543
369 Miscellaneous	4,419	-	33,700	17	38,136
Total operating revenue	<u>178,369</u>	<u>396,327</u>	<u>432,250</u>	<u>984,733</u>	<u>1,991,679</u>
Operating Expenses					
410 Personal services	47,466	48,422	191,045	811,337	1,098,270
420 Other current expenses	90,393	168,473	411,670	347,796	1,018,332
457 Depreciation	12,322	46,637	59,358	94,425	212,742
Total operating expenses	<u>150,181</u>	<u>263,532</u>	<u>662,073</u>	<u>1,253,558</u>	<u>2,329,344</u>
Operating Income (Loss)	<u>28,188</u>	<u>132,795</u>	<u>(229,823)</u>	<u>(268,825)</u>	<u>(337,665)</u>
Nonoperating Revenue					
361 Investment earnings	26	65	41	-	132
(492)366 Gain (Loss) on disposition of assets	-	(1,072)	(1,033)	(3,888)	(5,993)
Total nonoperating revenue (expense)	<u>26</u>	<u>(1,007)</u>	<u>(992)</u>	<u>(3,888)</u>	<u>(5,861)</u>
Income (Loss) Before Contributions and Transfers	28,214	131,788	(230,815)	(272,713)	(343,526)
391.1 Transfers in	-	-	224,725	382,770	607,495
511 Transfers out	-	(89,770)	(20,170)	(37,220)	(147,160)
Change in Net Position	<u>28,214</u>	<u>42,018</u>	<u>(26,260)</u>	<u>72,837</u>	<u>116,809</u>
Net Position - Beginning	<u>747,854</u>	<u>1,401,214</u>	<u>725,067</u>	<u>1,000,046</u>	<u>3,874,181</u>
Net Position - Ending	<u>\$ 776,068</u>	<u>\$ 1,443,232</u>	<u>\$ 698,807</u>	<u>\$ 1,072,883</u>	<u>\$ 3,990,990</u>

City of Aberdeen
Combining Statement of Cash Flows–Nonmajor Enterprise Funds
Year Ended December 31, 2016

	Enterprise Funds				
	Old Federal Building Fund	Campground Enterprise Fund	Golf Enterprise Fund	Ambulance Enterprise Fund	Total Nonmajor Enterprise Funds
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ 178,333	\$ 396,327	\$ 432,250	\$ 916,622	\$ 1,923,532
Payments to suppliers	(94,691)	(134,359)	(274,612)	(338,750)	(842,412)
Payments to employees	(47,193)	(48,596)	(185,765)	(765,579)	(1,047,133)
Cash payments for interfund services used	-	-	(94,725)	-	(94,725)
Net Cash from (used for) Operating Activities	<u>36,449</u>	<u>213,372</u>	<u>(122,852)</u>	<u>(187,707)</u>	<u>(60,738)</u>
Cash Flows from (used for) Noncapital Financing Activities					
Transfers from other funds	-	-	224,725	382,770	607,495
Transfers to other funds	-	(89,770)	(20,170)	(37,220)	(147,160)
Net Cash from (used for) Noncapital Financing Activities	<u>-</u>	<u>(89,770)</u>	<u>204,555</u>	<u>345,550</u>	<u>460,335</u>
Cash Flows used for Capital and Related Financing Activities					
Purchase of capital assets	-	-	(69,802)	(165,899)	(235,701)
Net Cash used for Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(69,802)</u>	<u>(165,899)</u>	<u>(235,701)</u>
Cash Flows from Investing Activities					
Interest earnings	26	65	41	-	132
Net Cash from Investing Activities	<u>26</u>	<u>65</u>	<u>41</u>	<u>-</u>	<u>132</u>
Net Change in Cash and Cash Equivalents	36,475	123,667	11,942	(8,056)	164,028
Balance - Beginning	<u>51,569</u>	<u>51,360</u>	<u>111,641</u>	<u>222,703</u>	<u>437,273</u>
Balance - Ending	<u>\$ 88,044</u>	<u>\$ 175,027</u>	<u>\$ 123,583</u>	<u>\$ 214,647</u>	<u>\$ 601,301</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities:					
Operating income (loss)	\$ 28,188	\$ 132,795	\$ (229,823)	\$ (268,825)	\$ (337,665)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:					
Depreciation expense	12,322	46,637	59,358	94,425	212,742
Changes in assets and liabilities:					
Receivables	(36)	-	-	(68,110)	(68,146)
Accounts and other payables	(4,297)	34,114	42,333	9,046	81,196
Accrued wages payable	272	(174)	314	2,280	2,692
Accrued leave payable	-	-	(625)	(5,939)	(6,564)
Pension related deferred outflows	-	-	(572)	(5,051)	(5,623)
Pension liability/asset	-	-	35,428	313,129	348,557
Pension related deferred inflows	-	-	(29,265)	(258,662)	(287,927)
Net Cash from (used for) Operating Activities	<u>\$ 36,449</u>	<u>\$ 213,372</u>	<u>\$ (122,852)</u>	<u>\$ (187,707)</u>	<u>\$ (60,738)</u>

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2016

	Housing and Redevelopment Commission
Operating Activities	
Receipts from tenant payments	\$ 1,765,822
Receipts for management fees and other	313,431
Receipts from HUD subsidies	2,084,851
Payments to employees	(588,591)
Housing assistance payments	(1,586,213)
Payments to suppliers and others	(1,187,528)
Net Cash from Operating Activities	801,772
Noncapital Financing Activities	
HUD capital contributions	101,344
Net Cash from Noncapital Financing Activities	101,344
Capital and Related Financing Activities	
Purchase of property and equipment	(3,374,816)
Purchase of land	(138,500)
Proceeds on disposal of fixed assets	248
Purchase of other assets	(7,332)
Payment on other liabilities	(8,667)
Payments for interest	(180,240)
Principal payments on long-term debt	(319,524)
Net advances from construction note	2,134,743
Proceeds from long-term debt	1,098,991
Equity contributions	20,000
Equity distributions	(6,000)
Net Cash used for Capital and Related Financing Activities	(781,097)
Investing Activities	
Payments received on notes receivable	5,432
Interest received	31,981
Net Cash from Investing Activities	37,413
Net Change in Cash	159,432
Cash Beginning of Year	2,800,167
Cash End of Year	\$ 2,959,599
Cash Consists of:	
Cash	\$ 1,379,200
Funded security deposits	109,217
Restricted deposits	1,471,182
	\$ 2,959,599

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2016

	Housing and Redevelopment Commission
Reconciliation of Operating Loss to Net Cash from	
Operating Activities	
Operating loss	\$ (386,374)
Adjustments to reconcile operating loss to net cash from	
operating activities:	
Depreciation and amortization	1,024,757
Change in assets and liabilities:	
Rental accounts receivable	(4,759)
Other receivables	(32,842)
Prepaid expenses	(632)
Accounts payable and other accrued liabilities	10,191
Tenant security deposits	873
Pension asset/liability, deferred inflows and outflows	36,838
Unearned revenues	153,720
	153,720
Net Cash from Operating Activities	\$ 801,772
Non Cash Investing and Financing Activities	
Land received as equity contribution to limited partnership	\$ 138,500
Purchase of property and equipment included in accounts payable	430,741
Capitalized interest expense into property and equipment	19,863



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, 2016, 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 18, 2017.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2016-A and 2016-B as described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an immaterial instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-C.

City's Response to Findings

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

Purpose of this Report

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

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

Aberdeen, South Dakota
September 18, 2017



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, 2016. 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, 2016.

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 cursive script that reads "Eide Sallly LLP".

Aberdeen, South Dakota
September 18, 2017

City of Aberdeen
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number For Indirect Programs	Expenditures	Amounts Passed- Through to Subrecipients
Department of Housing and Urban Development				
Indirect Federal Funding:				
SD Governor's Office of Economic Development, Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	1414-105	\$ 262,281	\$ 262,281
Department of Interior				
Indirect Federal Funding:				
SD Department of Tourism and State Development, Historic Preservation Fund Grants-in-Aid	15.904	SD-15-027	155	-
Department of Transportation				
Direct Federal Funding:				
Airport Improvement Program (3-46-0001-33, 34, 35)	20.106	N/A	6,084,451	-
Indirect Federal Funding:				
SD Department of Public Safety: Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-JMP-0485-15-01-00	18,588	-
SD Department of Transportation: Highway and Planning Construction Cluster Highway Planning and Construction Recreational Trails Program	20.205 20.219	***** *****	187,651 62,967	- -
Subtotal Highway and Planning Construction Cluster			250,618	-
Federal Transit Cluster Bus and Bus Facilities Formula Program	20.526	UM3414293682PUM3141283682P	845	-
Formula Grants for Rural Areas	20.509	UM18163698P, UM18163794P	266,004	-
Transit Services Programs Cluster Capital Assistance Program for Elderly Persons and Persons with Disabilities (Section 5310)	20.513	UMIIB01N, UM1616013755P	4,005	-
Total Department of Transportation			6,624,511	-
Department of Health and Human Services:				
Indirect Federal Funding:				
SD Department of Transportation: Aging Cluster Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	*****	16,770	-
General Services Administration:				
Indirect Federal Funding:				
SD Federal Property Agency: Donation of Federal Surplus Personal Property (Note C)	39.003	*****	17,900	-
National Endowment for the Arts:				
Indirect Federal Funding:				
SD Arts Council: Promotion of the Arts - Partnership Agreements	45.025	*****	41,015	-
Department of Homeland Security:				
Indirect Federal Funding:				
SD Department of Public Safety: Law Enforcement Officer Reimbursement Agreement Program	97.090	*****	13,355	-
Homeland Security Grant Program	97.067	EMW-2015-FO-01514	90,143	-
Total Department of Homeland Security			103,498	-
Department of Defense:				
Direct Federal Funding:				
Law Enforcement Support Office (LESO) 1033 Program: Donation of Federal Surplus Property	12.unknown	N/A	692,000	-
Department of Justice:				
Direct Federal Funding:				
Bulletproof Vest Partnership Program	16.607	N/A	3,275	-
Public Safety Partnership and Community Policing Grants	16.710	N/A	60,694	-
Total Department of Justice			63,969	-
Total Expenditures of Federal Awards			\$ 7,822,099	\$ 262,281
***** "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.

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 the major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of the major program:

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

Section II – Financial Statement Findings

Finding 2016-A - Financial Statements and Footnotes are Prepared with Assistance by the Auditor, Which at Times Includes Material Proposed Adjustments to the Financial Statements

Material Weakness

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

Condition: 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 complete preparation of the financial statements, footnotes and disclosures, including a system to identify all relevant and material adjustments necessary to ensure that financial statements are in accordance with generally accepted accounting principles.

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

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

Views of Responsible Officials: Management agrees with the finding.

Finding 2016-B – Reconciliation of General Ledger Accounts to Subsidiary Records

Material Weakness

Criteria: An organization’s internal control structure should provide for the timely and accurate reconciliation of all significant general ledger accounts and posting of any necessary adjustments to agree to those subsidiary records.

Condition: During the course of our engagement, we identified general ledger account balances that did not reconcile to subsidiary records and we proposed audit adjustments, some material, to be recorded to the City’s account balances.

Cause: The internal control system over reconciliation of significant account balances is not designed properly to include all significant accounts and ensure that necessary adjustments are made to general ledger account balances during that reconciliation process.

Effect: The lack of reconciliation controls over significant general ledger accounts may result in general ledger account balances being potentially materially misstated that would otherwise be identified by management and corrected prior to audit.

Recommendation: We recommend implementing a consistent process of reconciling significant general ledger account balances to relevant subsidiary records and a review of this process to ensure that ending general ledger balances are in agreement with those relevant subsidiary records.

Views of Responsible Officials: Management agrees with the finding.

Finding 2016-C – Compliance with South Dakota Codified Law (SDCL)

Immaterial Instance of Noncompliance

Criteria: SDCL 9-22-6 and 4-5-6.1 require that municipal deposits must generally be in banks within South Dakota.

Condition: During the course of our engagement, it was noted that the City holds negotiable certificates of deposits that are FDIC insured, however are not held in banks within South Dakota.

Cause: The City was not aware that the negotiable certificates of deposits held were not in compliance with the technical requirements of SDCL, despite being FDIC insured.

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

Recommendation: We recommend the City evaluate and determine a future course of action to transition these certificates of deposits to investments allowable under SDCL.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

No findings reported in the current year.



CITY OF ABERDEEN

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Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2016

Prepared by Management of
City of Aberdeen

2015-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, 2016. 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.

City of Aberdeen – Corrective Action Plan

Finding 2016-A

Finding Summary: Eide Bailly LLP assisted in the preparation and presentation of our draft financial statements and accompanying notes to the financial statements.

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

Anticipated Completion Date: Ongoing

Finding 2016-B

Finding Summary: EideBailly LLP identified general ledger account balances that did not reconcile to subsidiary records and, therefore, could have resulted in a material misstatement of our financial statements.

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

Anticipated Completion Date: Ongoing

Finding 2016-C

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

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

Anticipated Completion Date: Ongoing