



Financial Statements  
December 31, 2010

# City of Aberdeen

**City Council**

**Expires**

Mayor .....	Mike Levsen .....	2014
NE District Council Member .....	Jim Kraft.....	2012
NE District Council Member .....	Jeff Mitchell .....	2013
NW District Council Member .....	Todd Campbell .....	2012
NW District Council Member .....	Jennifer Slight-Hansen.....	2014
SE District Council Member .....	Clint Rux.....	2012
SE District Council Member .....	Laure Swanson .....	2015
SW District Council Member .....	David Bunsness.....	2015
SW District Council Member .....	Tom Agnitsch .....	2013

**Appointive Officers**

City Manager .....	Lynn A. Lander .....
Finance Officer .....	Karl M. Alberts .....
Deputy Finance Officer .....	Gerald L. Kost .....
Human Resource Director .....	Alan D. Ruhlman .....
City Attorney .....	Adam H. Altman .....
City Engineer/Public Works Director.....	Robin J. Bobzien .....
Public Works Assistant Director .....	Clarence J. Fjeldheim .....
Assistant City Engineer .....	Stuart A. Nelson .....
Transportation Director .....	“Vacant” .....
Police Chief.....	Donald E. Lanpher, Jr. .....
Police Captain .....	Neil E. Bittner .....
Police Captain .....	David M. McNeil .....
Fire Chief.....	William T. Winter .....
Battalion Chief .....	Kevin L. VanMeter .....
Battalion Chief .....	Randy D. Meister .....
Battalion Chief .....	Todd A. Salfrank .....
Fire Marshal.....	Michael J. Thompson .....
Planning & Zoning Director .....	Brett E. Bill .....
Wastewater Treatment Superintendent.....	Peter S. Hesla .....
Wastewater Pretreatment Coordinator.....	Peggi L. Badten .....
Water Treatment Superintendent .....	Janel R. Ellingson .....
Water Treatment Chemist.....	Timothy J. Murray .....
Park/Recreation/Forestry Director .....	Douglas W. Johnson .....
Park Superintendent .....	Mark D. Hoven .....
Recreation Superintendent .....	Gene A. Morsching .....
Forester .....	Aaron J. Kiesz .....
Golf Course Superintendent.....	Gary L. Nelson .....
Cemetery Sexton .....	Kathie A. Allstot .....
Library Director .....	Shirley M. Arment .....
Mayor/City Manager/City Attorney’s Secretary.....	Cathryn M. Feickert .....

**Governing Boards**

**Parks and Recreation Board (5 Years)**

**Expires**

Paul Fauth, President .....	2015
Brenda Stapp.....	2015
Art Russo .....	2014
Bob Wilson .....	2013
Susan Bostian.....	2012
Rob Keil.....	2011
Sheryl Erickson .....	2011
Mike Opp .....	2010
Todd Campbell, City Council Member	
Tom Agnitsch, City Council Member	

**Airport Board (5 Years)**

**Expires**

Mike Erickson, Chairperson .....	2015
Steve Kaiser .....	2014
Rolf Johnson .....	2013
Nathan Zeeb .....	2012
“Vacant” .....	2011
Jeff Mitchell, City Council Member	
Mike Wiese, County Commissioner	

**Library Board (3 Years)**

**Expires**

Rob Ronayne, President.....	2012
Cec Peters .....	2013
Troy McQuillen.....	2013
Sandy Andera.....	2012
Kathy Stuck.....	2011
Clint Rux, City Council Member	

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## Independent Auditor's Report

To the City Council  
City of Aberdeen  
Aberdeen, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota (City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Aberdeen's management. 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 of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grants 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* and should be considered in assessing the results of our audit.

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The accompanying required supplementary information including management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 52 through 56, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepting in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Aberdeen's basic financial statements. The accompanying schedule of expenditures of federal awards on pages 64 and 65 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Aberdeen's basic financial statements. The combining nonmajor fund financial statements and the discretely presented component unit statement of cash flows on pages 57 through 63 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and discretely presented component unit statement of cash flows have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying corrective action plan on pages 76 through 78 is presented for purposes of additional analysis and is not a required part of the financial statements. The corrective action plan has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

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

Aberdeen, South Dakota  
July 21, 2011

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, 2010. 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 \$124.498 million (reported as net assets), a decrease of \$1.494 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 \$8.178 million, with \$7.831 million reported as unreserved fund balance and the remaining amount of \$347,355 reserved for specific purposes (debt service and non-current assets). At the end of the fiscal year, unreserved fund balance for the General Fund was \$3.166 million, of which \$530,915 was designated only to be used to fund fiscal year 2011 appropriations.

Proprietary funds reported net assets at year-end of \$40.357 million, a decrease of \$933,435 during the year.

### **Long-Term Debt**

The primary government's total long-term outstanding loans and bonded debt totaled \$55.883 million, a decrease of \$47,981 from the previous year. Of the total outstanding loans and bonded debt, \$47.4 million is backed by the City. The increase represents campground expansion sales tax revenue bonds in the amount of \$580,000 and two State Revolving Loans from the South Dakota Department of Environment and Natural Resources for wastewater treatment plant improvements in the amount of \$814,393 and automated water meter upgrades in the amount of \$1,154,063. The decrease represents principal payments of \$2,656,593 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 are 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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 assets and the statement of activities segregate the activities of the City into three types:

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

### **Fund Financial Statements and Component Unit Financial Statements**

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



## **Governmental Funds**

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

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

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

## **Proprietary Funds**

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

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

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

## **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 is included in the combining financial statements elsewhere in this report.

## **Component Unit**

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

## **Notes to the Financial Statements**

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

## **Required Supplementary Information**

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

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

## **Other Supplementary Information**

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

## Government-Wide Financial Analysis

### Net Assets

As presented in the following table, total assets of the City on December 31, 2010 were \$183.2 million, while total liabilities were \$58.7 million, resulting in combined net assets (governmental and business-type activities) of \$124.5 million.

	City of Aberdeen Net Assets					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 12,485,000	\$ 15,812,814	\$ 8,302,077	\$ 9,017,114	\$ 20,787,077	\$ 24,829,929
Capital Assets	99,805,280	98,441,732	62,615,354	62,364,575	162,420,634	160,806,308
Total Assets	<u>112,290,280</u>	<u>114,254,547</u>	<u>70,917,431</u>	<u>71,381,689</u>	<u>183,207,711</u>	<u>185,636,237</u>
Long-Term Liabilities Outstanding	26,085,482	26,862,221	29,797,624	29,068,866	55,883,105	55,931,087
Other Liabilities	2,063,735	2,690,754	762,069	1,021,652	2,825,805	3,712,406
Total Liabilities	<u>28,149,217</u>	<u>29,552,975</u>	<u>30,559,693</u>	<u>30,090,517</u>	<u>58,708,910</u>	<u>59,643,493</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	83,346,179	81,200,637	32,932,890	33,407,847	116,279,069	114,608,484
Restricted	3,968,097	4,270,518	-	-	3,968,097	4,270,518
Unrestricted	(3,173,214)	(769,583)	7,424,847	7,883,326	4,251,633	7,113,742
<b>Total Net Assets</b>	<u><b>\$84,141,062</b></u>	<u><b>\$84,701,572</b></u>	<u><b>\$40,357,737</b></u>	<u><b>\$41,291,172</b></u>	<u><b>\$124,498,799</b></u>	<u><b>\$125,992,744</b></u>

The largest component of the City's net assets, 93% (up slightly from 90.96% in 2009), 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 3.19% (down from 3.39% in 2009) 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, \$4.251 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 2011 appropriations in the General Fund (\$530,915).

### Changes in Net Assets

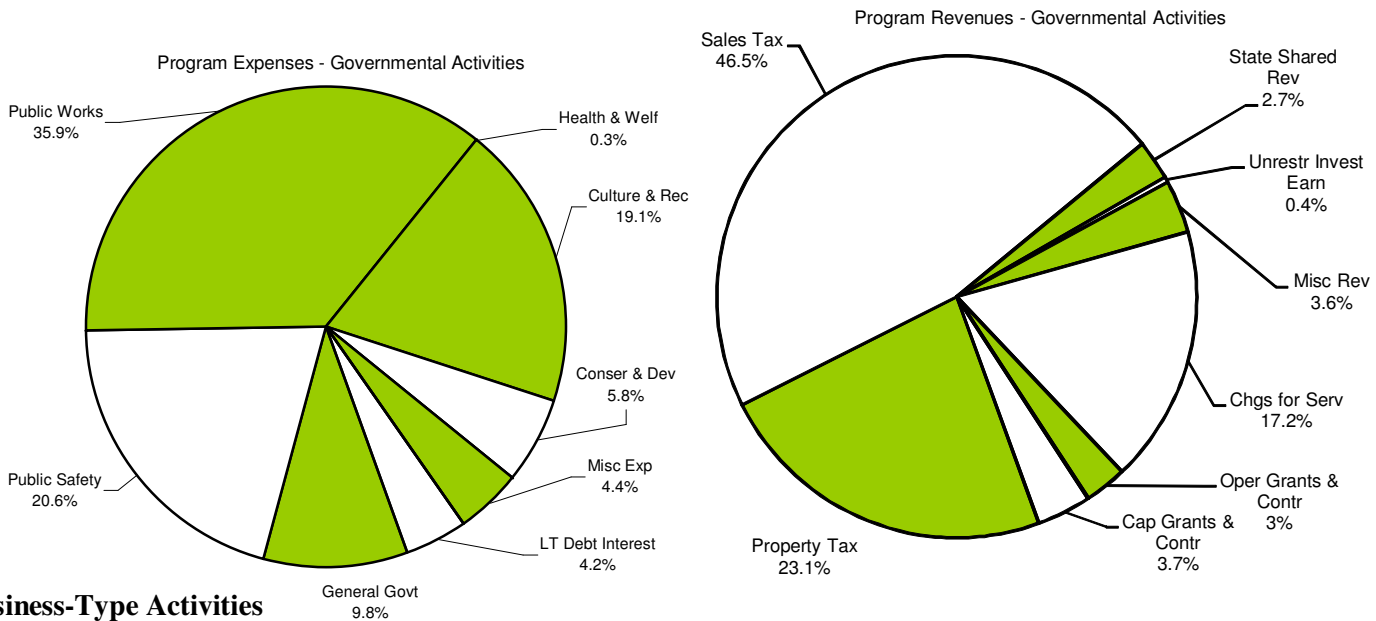
The following table summarizes financial information derived from the government-wide statement of activities and reflects how the City's net assets changed during fiscal years 2010 and 2009.

City of Aberdeen Changes in Net Assets Fiscal Year Ended December 31						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,698,098	\$ 5,386,181	\$ 8,291,083	\$ 7,829,342	\$ 13,989,181	\$ 13,215,522
Operating Grants and Contributions	941,719	1,026,149	51,132	6,629	992,851	1,032,778
Capital Grants and Contributions	1,214,978	4,211,143	643,061	409,777	1,858,039	4,620,920
General Revenues:						
Property Taxes	7,648,054	6,557,101	-	-	7,648,054	6,557,101
Sales Taxes	15,351,244	15,738,110	-	-	15,351,244	15,738,110
State Shared Revenues	883,258	902,483	-	-	883,258	902,483
Unrestricted Investment Earnings	128,927	234,117	93,635	115,448	222,562	349,565
Miscellaneous	1,174,649	568,849	2,050	3,531	1,176,699	572,380
Total Revenues	<u>33,040,927</u>	<u>34,624,133</u>	<u>9,080,961</u>	<u>8,364,727</u>	<u>42,121,888</u>	<u>42,988,860</u>
Program Expenses:						
General Government	3,275,120	3,475,288	-	-	3,275,120	3,475,288
Public Safety	6,853,014	7,665,319	-	-	6,853,014	7,665,319
Public Works	11,961,011	9,364,159	-	-	11,961,011	9,364,159
Health and Welfare	87,235	97,862	-	-	87,235	97,862
Cultural and Recreation	6,376,607	6,196,877	-	-	6,376,607	6,196,877
Conservation and Development	1,926,958	2,147,627	-	-	1,926,958	2,147,627
Miscellaneous Expenditures	1,463,043	1,387,162	-	-	1,463,043	1,387,162
Interest on Long-term Debt	1,396,904	1,318,371	-	-	1,396,904	1,318,371
Water	-	-	5,995,896	4,062,447	5,995,896	4,062,447
Sewer	-	-	2,705,656	2,541,234	2,705,656	2,541,234
Campground	-	-	241,030	280,075	241,030	280,075
Golf	-	-	461,229	448,629	461,229	448,629
Ambulance	-	-	872,132	850,131	872,132	850,131
Total Expenses	<u>33,339,892</u>	<u>31,652,665</u>	<u>10,275,943</u>	<u>8,182,516</u>	<u>43,615,834</u>	<u>39,835,180</u>
Excess (Deficiency) Before Transfers	(298,965)	2,971,468	(1,194,982)	182,211	(1,493,946)	3,153,680
Transfers	(261,547)	488,921	261,547	(488,921)	-	-
Change in Net Assets	<u>(560,510)</u>	<u>3,460,390</u>	<u>(933,435)</u>	<u>(306,710)</u>	<u>(1,493,946)</u>	<u>3,153,680</u>
Net Assets – Beginning	84,701,572	81,241,182	41,291,172	41,597,882	125,992,744	122,839,064
Net Assets – Ending	<u>\$84,141,062</u>	<u>\$84,701,572</u>	<u>\$40,357,737</u>	<u>\$41,291,172</u>	<u>\$124,498,799</u>	<u>\$125,992,744</u>

**Governmental Activities**

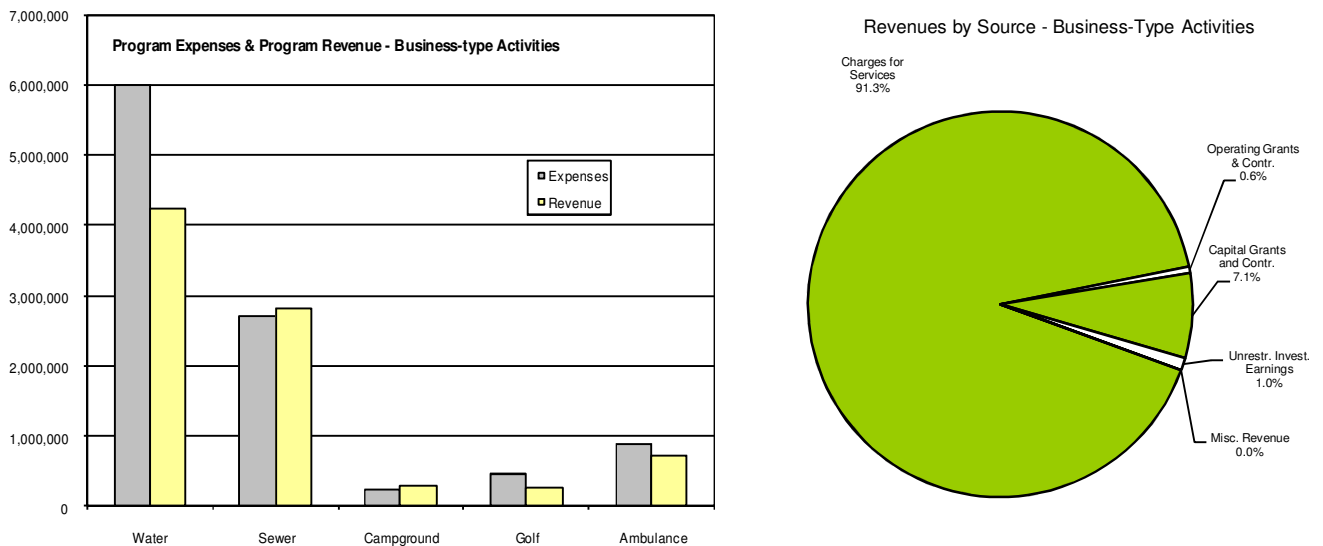
Governmental activities decreased the City's net assets by \$560,510. Factors contributing to these results include:

- An increase in Public Works projects in the Special Sales Tax Fund that were funded with monies "banked" from the prior year. This was offset somewhat by increased revenue from charges for goods and services.



**Business-Type Activities**

Net assets of the business-type activities decreased by \$933.4 thousand during 2010, as compared to a \$306.7 thousand decrease in 2009. Factors contributing to these results include additional depreciation, increased other expenses, and transfers



## 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, unreserved 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 2010, the City's governmental funds reported combined ending fund balances of \$8.178 million, a decrease of \$2.55 million in comparison with the prior year.

Approximately 4.25%, or \$347,355 of the combined ending fund balances, is reserved to indicate that it is not available for new spending because it has already been committed as a variety of non-current assets.

Approximately 14.6%, or \$1,191,634 of the combined ending fund balances, is designated as a General and Special Revenue Fund Budget Reserve to indicate that it has been designated through internally imposed limitations to be used only to fund 2011 appropriations.

The remaining 81.15%, or \$6.64 million 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 2010 were the General Fund, the Special Sales Tax Fund, and the Parks, Recreation and Forestry Fund. The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance of the General Fund was \$3.166 million, of which \$530,915 was designated only to be used to fund 2011 appropriations. Total fund balance at the end of the current fiscal year was \$3.455 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance (including the unreserved designated amount) and total fund balance represents 21.27% (21.7% in 2009) of the total General Fund operating expenditures.

Overall, the fund balance of the City's General Fund decreased by \$158,474 (From Exh. IV) during the current fiscal year. This is a 4.38% decrease from the prior year fund balance. The decrease primarily resulted from less than expected general sales tax collections (approximately \$191,346), less than expected investment earnings (approximately \$61,852), and higher than anticipated transfers to other funds for operations (\$116,000). These decreases were offset by higher than expected transfers from other departments (approximately \$134,320) and under-spending of original budgets by departments (approximately \$193,960).

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, unreserved fund balance of the Special Sales Tax Fund was \$557,097. Total fund balance at the end of the current fiscal year was also \$557,097.

Overall, the fund balance of the City's Special Sales Tax Fund decreased by \$2,050,001 during the current fiscal year. This is a 78.6% decrease in fund balance from the prior year. The decrease primarily resulted from completion of several projects which anticipated use of the unreserved fund balance (approximately \$2,220,000), offset somewhat by several projects which were not completed in 2010 as anticipated.

The Parks, Recreation, and Forestry Fund is the fund created by the City to account for the activities associated with those departments. At the end of the fiscal year, unreserved fund balance of the Parks, Recreation, and Forestry Fund was \$264,787. Total fund balance at the end of the current fiscal year was also \$264,787.

### **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 assets during fiscal year 2010:

#### **Water Fund**

At the end of fiscal year 2010, the Water Fund reported total net assets of \$18.743 million, a decrease of \$1.829 million (8.9%) in comparison with the prior year. During 2010, the Water Fund produced an operating loss (before contributions and operating transfers) in the amount of \$1,277,624 on total operating revenue of \$4.231 million, compared to the previous fiscal year's operating gain (before contributions and operating transfers) in the amount of \$121,464 on total revenue of \$3.666 million. The decrease in total net assets was largely the result of an automated meter reading project that will provide more timely, accurate readings and reduce ongoing operational costs of the Water Fund.

#### **Sewer Fund**

At the end of fiscal year 2010, the Sewer Fund reported total net assets of \$18.939 million, an increase of \$280,413 (1.5%) in comparison with the prior year. During 2010, the Sewer Fund produced operating income (before contributions and operating transfers) in the amount of \$480,413 on total operating revenue of \$2.826 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$612,624 on total operating revenue of \$2.851 million. The increase in total net assets was largely the result of rate increases required by SRF loan agreements with SD DENR for improvements at the Wastewater Treatment Plant.

### **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 \$1,033,935 (or 6.85%) of increases in appropriations and can be summarized as follows:

- \$115,600 in supplemental appropriations to General Government for 1) costs associated with rental housing shortage efforts by the Aberdeen Housing Authority, 2) cost associated with updates to the housing study, 3) costs associated with Attorney intern, 4) costs associated with electronic file conversions, 5) higher than anticipated telephone costs, 6) Computer Department overtime, 7) parking lot lease, Mayor's Disabilities Committee expenses, 8) work comp insurance, and 9) additional telephone lines to new Public Safety building.
- \$434,275 in supplemental appropriations to Public Safety to account 1) for Fire Department personal services, training and equipment reimbursed by grants and water consumption 2) for Police personal services, overtime, headcams, grant related expenses, and water.
- \$404,860 in supplemental appropriations to Public Works departments for 1) Rideline software, 2) water consumption expenses, 3) fall/winter snow removal expenses, 4) additional mill and overlay, and 5) van (80% grant) for Rideline.
- \$69,200 in supplemental appropriations to Culture and Recreation departments for 1) computer grants at the Library and 2) water consumption at the Library.
- \$10,000 in supplemental appropriations to Economic Development relating to occupation tax collections accruals.
- \$196,000 in supplemental appropriations for transfers to the Special Sales Tax Fund for cash flow needs in that fund.
- \$120,000 in supplemental appropriations for transfers to the Ambulance Fund for cash flow needs in that fund.
- Other budget adjustments in the form of FY 2010 supplemental appropriations were not considered to be significant variations, or to have a significant effect on future services or liquidity.

Actual spending was less than the original budget for General Fund total operating expenditures by \$77,960 and was less than the final amended budget by over \$2.63 million.

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



## Capital Assets and Debt Administration

### Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2010 is \$162.42 million (net of accumulated depreciation) as compared to \$160.8 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	
	2010	2009	2010	2009	2010	2009
Land	\$ 7,176,682	\$ 7,176,232	\$ 701,396	\$ 701,396	\$ 7,878,078	\$ 7,877,628
Buildings	35,066,157	35,037,389	60,861,680	60,340,627	95,927,837	95,378,016
Improvements other than Buildings	93,389,751	90,154,552	24,709,003	24,219,812	118,098,754	114,374,364
Equipment/Vehicles	15,020,470	14,743,879	6,692,269	6,481,619	21,712,739	21,225,498
Construction in Progress	1,459,858	224,873	823,959	-	2,283,817	224,873
Total Capital Assets	<u>152,112,918</u>	<u>147,336,925</u>	<u>93,788,307</u>	<u>91,743,454</u>	<u>245,901,225</u>	<u>239,080,379</u>
Accumulated Depreciation	<u>52,307,638</u>	<u>48,895,193</u>	<u>31,172,953</u>	<u>29,378,879</u>	<u>83,480,591</u>	<u>78,274,072</u>
<b>Total Capital Assets, Net</b>	<b><u>\$99,805,280</u></b>	<b><u>\$98,441,732</u></b>	<b><u>\$62,615,354</u></b>	<b><u>\$62,364,575</u></b>	<b><u>\$162,420,634</u></b>	<b><u>\$160,806,307</u></b>

The City's investment in capital assets (net of accumulated depreciation) changed from fiscal year 2010 to 2009 by 1%. Governmental construction projects completed during 2010 include street improvements at a total cost of about \$2,356,811, stormwater mains at a total cost of about \$1,140,612, and Park, Recreation, and Forestry improvements at a total cost of about \$253,312. The governmental Construction in Progress includes \$1,051,118 for Northwest Holding Pond, \$112,901 for Main Street traffic signals, and \$295,839 for Airport projects. The business-type Construction in Progress includes \$823,959 for Wylie Park improvements. Business-type construction projects completed during 2010 include water lines at a total of about \$324,009, wastewater treatment plant and collection system improvements at a total of about \$239,152.

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

### Debt Administration

The authority of the City to incur debt is described in South Dakota Codified Law Section 9-25-1. Generally, the State Constitution prohibits the City from having general obligation indebtedness in excess of 5% of the assessed valuation of the taxable property within the City for the year preceding that in which the indebtedness is incurred. Currently, all of the City's debt is classified as general-purpose debt. The 2010 general-purpose debt limitation for the City is \$68,972,624, which is \$32,006,566 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 \$26,085,482 and business-type activities had total note and bonded debt outstanding of \$29,797,624. During the current fiscal year, the City incurred \$580,000 in new long-term general indebtedness related to Wylie Park Campground expansion under governmental activities and incurred \$1,968,456 of indebtedness in business-type activities. The increase in business-type indebtedness related to the State Revolving Loan associated with the Wastewater Treatment Plants improvements and automated meter reading system. The City retired \$3,588,152 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, wheeled loader installment contracts, and State Revolving Loan associated with the Water and Wastewater Treatment Plants improvements.

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

### **Economic Condition and Outlook**

Steady economic and property growth annually from calendar years 1998 to 2009 helped to maintain steady revenue streams for the City; however, 2010 was the first time since the early 1990's that Aberdeen saw a decrease in sales tax revenue amounting to about a 2.0% decrease. This decrease is not unexpected after statewide decreases in previous years. Aberdeen's growth in property tax valuation due to new construction and changes to existing property has consistently averaged between 2.5 - 3% annually (over 3% in 2010).

### **Requests for Information**

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

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

City of Aberdeen  
Statement of Net Assets—Exhibit I  
December 31, 2010

	Primary Government		Total	Component Unit Housing and Redevelopment Commission
	Governmental Activities	Business-Type Activities		
<b>Assets</b>				
Cash and cash equivalents	\$ 4,812,622	\$ 3,359,371	\$ 8,171,993	\$ 792,365
Investments	4,080,400	3,735,893	7,816,293	-
Accounts receivable, net	3,157,912	822,720	3,980,632	502,615
Other noncurrent assets	-	-	-	467,511
Inventories	7,643	384,093	391,736	-
Deferred charges	136,711	-	136,711	-
Restricted assets:				
Cash and cash equivalents	-	-	-	109,734
Deposits	289,712	-	289,712	2,752,021
Capital assets:				
Land, improvements, and construction in progress	8,636,540	1,525,355	10,161,895	521,686
Other capital assets, net of depreciation	91,168,740	61,089,999	152,258,739	2,041,842
<b>Total Assets</b>	<b>\$ 112,290,280</b>	<b>\$ 70,917,431</b>	<b>\$ 183,207,711</b>	<b>\$ 7,187,774</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,153,960	\$ 290,325	\$ 1,444,285	\$ 211,777
Deferred revenue	-	-	-	3,941
Other current liabilities	909,776	471,745	1,381,521	109,262
Noncurrent liabilities:				
Due within one year	1,899,100	1,466,698	3,365,798	73,831
Due in more than one year	24,186,382	28,330,926	52,517,308	1,109,079
<b>Total liabilities</b>	<b>28,149,218</b>	<b>30,559,694</b>	<b>58,708,912</b>	<b>1,507,890</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	83,346,179	32,932,890	116,279,069	1,366,279
Restricted for:				
Capital projects	106,106	-	106,106	-
Debt service	2,113,862	-	2,113,862	-
Perpetual care:				
Expendable	128,307	-	128,307	-
Permanently nonexpendable	50,000	-	50,000	-
Other purposes	78,194	-	78,194	-
Other purposes - Promotion Fund	187,695	-	187,695	-
Other purposes - Park and Recreation Fund	264,787	-	264,787	-
Other purposes - Park and Recreation Trust Fund	438,020	-	438,020	-
Other purposes - Parking District Fund	311,414	-	311,414	-
Other purposes - General Fund - SD Public Assurance Alliance	289,712	-	289,712	-
Other purposes - component unit	-	-	-	2,861,755
Unrestricted	(3,173,214)	7,424,847	4,251,633	1,451,850
<b>Total net assets</b>	<b>84,141,062</b>	<b>40,357,737</b>	<b>124,498,799</b>	<b>5,679,884</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 112,290,280</b>	<b>\$ 70,917,431</b>	<b>\$ 183,207,711</b>	<b>\$ 7,187,774</b>

City of Aberdeen  
Statement of Activities—Exhibit II  
Year Ended December 31, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Housing and Redevelopment Commission
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
<b>Primary Government</b>								
Governmental activities:								
General government	\$ 3,275,120	\$ 544,596	\$ -	\$ -	\$ (2,730,524)	\$ -	\$ (2,730,524)	\$ -
Public safety	6,853,014	132,513	235,218	45,730	(6,439,553)	-	(6,439,553)	-
Public works	11,961,011	1,753,165	335,873	1,169,248	(8,702,725)	-	(8,702,725)	-
Health and welfare	87,235	4,170	-	-	(83,065)	-	(83,065)	-
Culture and recreation	6,376,607	1,248,963	370,627	-	(4,757,017)	-	(4,757,017)	-
Conservation and development	1,926,958	-	-	-	(1,926,958)	-	(1,926,958)	-
Miscellaneous expenditures	1,463,040	2,014,691	-	-	551,651	-	551,651	-
Interest on long-term debt	1,396,904	-	-	-	(1,396,904)	-	(1,396,904)	-
Total governmental activities	<u>33,339,889</u>	<u>5,698,098</u>	<u>941,718</u>	<u>1,214,978</u>	<u>(25,485,095)</u>	<u>-</u>	<u>(25,485,095)</u>	<u>-</u>
Business-type activities:								
Water	5,995,896	4,231,732	51,132	270,909	-	(1,442,123)	(1,442,123)	-
Sewer	2,705,656	2,826,004	-	239,152	-	359,500	359,500	-
Campground	241,030	280,593	-	-	-	39,563	39,563	-
Golf	461,229	251,482	-	-	-	(209,747)	(209,747)	-
Ambulance	872,132	701,271	-	133,000	-	(37,861)	(37,861)	-
Total business-type activities	<u>10,275,943</u>	<u>8,291,082</u>	<u>51,132</u>	<u>643,061</u>	<u>-</u>	<u>(1,290,668)</u>	<u>(1,290,668)</u>	<u>-</u>
Total primary government	<u>\$ 43,615,832</u>	<u>\$ 13,989,180</u>	<u>\$ 992,850</u>	<u>\$ 1,858,039</u>	<u>(25,485,095)</u>	<u>(1,290,668)</u>	<u>(26,775,763)</u>	<u>-</u>
<b>Component Unit</b>								
Housing and Redevelopment Commission	<u>\$ 3,243,051</u>	<u>\$ 797,319</u>	<u>\$ 2,270,300</u>	<u>\$ -</u>				<u>(175,432)</u>
<b>General Revenues</b>								
Taxes:								
Property taxes					7,648,054	-	7,648,054	-
Sales taxes					15,351,244	-	15,351,244	-
State shared revenue					883,258	-	883,258	-
Unrestricted investment earnings					128,927	93,635	222,562	90,837
Miscellaneous revenue					1,174,649	2,050	1,176,699	-
Transfers					(261,547)	261,547	-	-
Total general revenues and transfers					<u>24,924,585</u>	<u>357,232</u>	<u>25,281,817</u>	<u>90,837</u>
<b>Change in Net Assets</b>					<u>(560,510)</u>	<u>(933,436)</u>	<u>(1,493,946)</u>	<u>(84,595)</u>
<b>Net Assets - Beginning</b>					<u>84,701,572</u>	<u>41,291,173</u>	<u>125,992,745</u>	<u>5,764,479</u>
<b>Net Assets - Ending</b>					<u>\$ 84,141,062</u>	<u>\$ 40,357,737</u>	<u>\$ 124,498,799</u>	<u>\$ 5,679,884</u>

City of Aberdeen  
Balance Sheet—Governmental Funds—Exhibit III  
December 31, 2010

	<u>General Fund</u>	<u>Park and Recreation Fund</u>	<u>Special Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,728,201	\$ 454,707	\$ 168,221	\$ 1,897,677	\$ 4,248,806
151 Investments	1,411,606	-	-	2,068,795	3,480,401
110 Taxes receivable, delinquent	127,969	-	-	4,068	132,037
115 Accounts receivable, net	43,325	-	-	32,487	75,812
121 Special assessments receivable, current	29,635	1,385	-	-	31,020
122 Special assessments receivable, delinquent	70,517	424	-	-	70,941
132 Due from federal/state/county governments	531,715	13,000	810,331	93,632	1,448,678
141 Inventory of supplies	-	-	-	7,643	7,643
154 Deposits	289,712	-	-	-	289,712
	<u>289,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,712</u>
Total Assets	<u>\$ 4,232,680</u>	<u>\$ 469,516</u>	<u>\$ 978,552</u>	<u>\$ 4,104,302</u>	<u>\$ 9,785,050</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
202 Accounts payable	\$ 534,609	\$ 161,305	\$ 203,759	\$ 161,506	\$ 1,061,179
207 Contracts payable, retained percentage	-	-	217,696	24,459	242,155
216 Accrued wages payable	235,805	43,424	-	17,599	296,828
220 Customer deposits	6,410	-	-	-	6,410
	<u>6,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,410</u>
Total liabilities	<u>776,824</u>	<u>204,729</u>	<u>421,455</u>	<u>203,564</u>	<u>1,606,572</u>

City of Aberdeen  
Balance Sheet—Governmental Funds—Exhibit III  
December 31, 2010

	<u>General Fund</u>	<u>Park and Recreation Fund</u>	<u>Special Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances					
261 Reserved for:					
261.02 Inventory	-	-	-	7,643	7,643
261.15 Permanently reserved purposes	-	-	-	50,000	50,000
261.16 Cumulative reserve fund, SDPAA	289,712	-	-	-	289,712
262 Unreserved fund balances:					
262.01 Designated for next year's appropriation	530,915	-	557,097	-	1,088,012
Reported in nonmajor special revenue funds	-	-	-	103,622	103,622
262.09 Undesignated	2,635,229	264,787	-	-	2,900,016
Reported in nonmajor special revenue funds	-	-	-	1,391,198	1,391,198
Reported in nonmajor debt service funds	-	-	-	2,113,862	2,113,862
Reported in nonmajor capital project funds	-	-	-	106,106	106,106
Reported in nonmajor permanent funds	-	-	-	128,307	128,307
Total fund balances	<u>3,455,856</u>	<u>264,787</u>	<u>557,097</u>	<u>3,900,738</u>	<u>8,178,478</u>
Total Liabilities and Fund Balances	<u>\$ 4,232,680</u>	<u>\$ 469,516</u>	<u>\$ 978,552</u>	<u>\$ 4,104,302</u>	<u>\$ 9,785,050</u>

City of Aberdeen  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
 Year Ended December 31, 2010

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	Total
Total Fund Balances - Governmental Funds	\$ 8,178,478
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	99,805,280
Long-term liabilities, including bonds payable and accrued leave payable are not due and payables in the current period and; therefore, are not reported in the funds.	(26,085,484)
Unamortized balance of deferred charges for debt issuance costs are not considered financial resources and; therefore, are not reported as assets in the funds.	136,711
Unamortized balance of premiums and discounts are not due and payable in the current period and; therefore, are not reported in the funds.	(183,638)
Taxes collected after year-end, but not available soon enough to pay for current period expenditures.	1,399,423
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(133,825)
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 assets.	1,024,117
Net Assets - Governmental Funds	\$ 84,141,062

City of Aberdeen  
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV  
Year Ended December 31, 2010

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
310 Taxes:					
311 General property taxes	\$ 6,471,690	\$ -	\$ -	\$ 1,146,984	\$ 7,618,674
312 Airflight property taxes	-	-	-	14,730	14,730
313 General sales and use taxes	7,538,654	-	7,207,207	864,746	15,610,607
318 Tax deed revenue	48	-	-	-	48
319 Penalties and interest on delinquent taxes	13,859	-	-	743	14,602
320 Licenses and permits	486,841	-	-	-	486,841
330 Intergovernmental revenue:					
331 Federal grants	568,598	28,250	882,787	224,634	1,704,269
334 State grants	56,823	14,620	30,317	5,941	107,701
335 State shared revenue:					
335.01 Bank franchise tax	79,263	-	-	-	79,263
335.02 Motor vehicle commercial prorate	22,262	-	-	-	22,262
335.03 Liquor tax reversion	154,328	-	-	-	154,328
335.04 Motor vehicle licenses (5%)	92,132	-	-	-	92,132
335.06 Fire insurance premiums reversion	56,850	-	-	-	56,850
335.08 Local government highway and bridge fund	359,188	-	-	-	359,188
335.20 Other	98,850	-	-	13,533	112,383
336 State payments in lieu of taxes	6,852	-	-	-	6,852
338 County shared revenue:					
338.02 County HBR tax (25%)	20,440	-	-	-	20,440
338.03 County wheel tax	8,254	-	-	-	8,254
340 Charges for goods and services:					
341 General government	57,754	-	-	-	57,754
342 Public safety	99,631	-	-	-	99,631
343 Highways and streets	119,604	-	-	-	119,604
344 Sanitation	1,192,327	-	-	440,131	1,632,458
345 Health	4,170	-	-	-	4,170
346 Culture and recreation	2,627	585,753	-	642,859	1,231,239
348 Cemetery	-	-	-	1,103	1,103
349 Other	187,937	-	-	255,320	443,257
350 Fines and forfeits:					
351 Court fines and costs	32,882	-	-	-	32,882
354 Library	-	-	-	17,725	17,725
359 Other	675	-	-	951	1,626
360 Miscellaneous revenue:					
361 Investment earnings	38,148	265	29,038	61,476	128,927
362 Rentals	188,906	-	-	1,080	189,986
367 Contributions and donations from private sources	30,101	-	-	257,495	287,596
369 Other	29,530	-	836,929	1,632	868,091
Total revenues	<u>18,019,224</u>	<u>628,888</u>	<u>8,986,278</u>	<u>3,951,083</u>	<u>31,585,473</u>
<b>Expenditures</b>					
410 General government:					
412 Executive	367,135	-	-	-	367,135
414 Financial administration	1,531,015	-	-	-	1,531,015
419 Other	1,275,222	-	971	-	1,276,193
Total general government	<u>3,173,372</u>	<u>-</u>	<u>971</u>	<u>-</u>	<u>3,174,343</u>



City of Aberdeen  
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV  
Year Ended December 31, 2010

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
420 Public safety:					
421 Police	3,593,645	-	-	33,572	3,627,217
422 Fire	2,321,247	-	133,000	34,704	2,488,951
423 Protective inspection	163,438	-	-	-	163,438
429 Other protection	-	-	298,056	-	298,056
Total public safety	<u>6,078,330</u>	<u>-</u>	<u>431,056</u>	<u>68,276</u>	<u>6,577,662</u>
430 Public works:					
431 Highways and streets	2,299,025	-	7,963,868	446,749	10,709,642
432 Sanitation	1,113,781	-	224,880	-	1,338,661
433 Water	-	-	120,144	-	120,144
435 Airport	-	-	-	1,093,907	1,093,907
436 Parking facilities	-	-	-	32,475	32,475
437 Cemeteries	-	-	-	2,927	2,927
439 Transit	538,887	-	-	-	538,887
Total public works	<u>3,951,693</u>	<u>-</u>	<u>8,308,892</u>	<u>1,576,058</u>	<u>13,836,643</u>
440 Health and welfare:					
445 Drug education	47,267	-	-	-	47,267
449 Other	39,968	-	-	-	39,968
Total health and welfare	<u>87,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,235</u>
450 Culture and recreation					
451 Recreation	27,137	2,573,508	-	345,375	2,946,020
452 Parks	-	1,391,458	264,056	571,759	2,227,273
455 Libraries	961,506	-	31,486	8,295	1,001,287
457 Historical preservation	-	-	-	230	230
Total culture and recreation	<u>988,643</u>	<u>3,964,966</u>	<u>295,542</u>	<u>925,659</u>	<u>6,174,810</u>
460 Conservation and development:					
465 Economic development and assistance (industrial development)	604,818	-	405,000	917,140	1,926,958
Total conservation and development	<u>604,818</u>	<u>-</u>	<u>405,000</u>	<u>917,140</u>	<u>1,926,958</u>
470 Debt service	-	23,340	-	2,783,300	2,806,640
Total expenditures	<u>14,884,091</u>	<u>3,988,306</u>	<u>9,441,461</u>	<u>6,270,433</u>	<u>34,584,291</u>
Excess of Revenue over (under) Expenditures	<u>3,135,133</u>	<u>(3,359,418)</u>	<u>(455,183)</u>	<u>(2,319,350)</u>	<u>(2,998,818)</u>
Other Financing Sources (Uses)					
391.01 Transfers in	512,613	3,289,645	180,181	2,179,988	6,162,427
511 Transfers out	(3,855,185)	-	(2,301,288)	(267,501)	(6,423,974)
391.02 Proceeds of general long-term debt issued	-	49,101	526,288	53,713	629,102
391.03 Sale of municipal property	19,054	-	-	-	19,054
391.04 Compensation for loss or damage to capital assets	29,913	27,377	-	-	57,290
Total other financing sources (uses)	<u>(3,293,605)</u>	<u>3,366,123</u>	<u>(1,594,819)</u>	<u>1,966,200</u>	<u>443,899</u>
Net Change in Fund Balances	(158,472)	6,705	(2,050,002)	(353,150)	(2,554,919)
Fund Balance - Beginning	<u>3,614,328</u>	<u>258,082</u>	<u>2,607,099</u>	<u>4,253,888</u>	<u>10,733,397</u>
Fund Balance - Ending	<u>\$ 3,455,856</u>	<u>\$ 264,787</u>	<u>\$ 557,097</u>	<u>\$ 3,900,738</u>	<u>\$ 8,178,478</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide Statement of  
 Activities  
 Year Ended December 31, 2010

	<u>Total</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (2,554,919)
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.	1,423,866
In the statement of activities, the loss on disposal of assets is reported, whereas in the governmental funds, the disposal of fixed assets is not reflected.	(60,320)
Repayment of other long-term debt principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,413,872
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(8,032)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(259,363)
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.	3,945
Proceeds from issuance of long-term debt recorded as an other financing source in governmental funds.	(629,101)
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities, these costs are deferred and allocated over the life of the related debt and reported as amortization expense. This is the amount amortized in the current period.	(8,081)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount amortized in the current period.	10,855
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>106,768</u>
Change in Net Assets of Governmental Activities	<u>\$ (560,510)</u>

City of Aberdeen  
Statement of Net Assets—Proprietary Funds—Exhibit V  
December 31, 2010

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,712,752	\$ 1,538,485	\$ 108,133	\$ 3,359,370	\$ 563,817
151 Investments	1,915,634	1,820,259	-	3,735,893	600,000
115 Accounts receivable, net	64,798	56,497	293,351	414,646	-
117 Unbilled accounts receivable	199,834	183,147	-	382,981	-
121 Special assessments receivable, current	8,876	-	-	8,876	-
122 Special assessments receivable, delinquent	2,974	-	-	2,974	-
132 Due from federal/state/county governments	13,243	-	-	13,243	-
141 Inventory of supplies	351,282	32,811	-	384,093	-
Total current assets	<u>4,269,393</u>	<u>3,631,199</u>	<u>401,484</u>	<u>8,302,076</u>	<u>1,163,817</u>
Noncurrent Assets					
Capital assets:					
160 Land	311,427	59,469	330,500	701,396	-
162 Buildings	27,775,644	32,243,641	842,395	60,861,680	-
164 Improvements other than buildings	15,124,925	9,360,300	223,778	24,709,003	-
166 Machinery and equipment	4,024,855	1,495,231	1,172,183	6,692,269	-
168 Construction work in progress	-	-	823,959	823,959	-
Less accumulated depreciation	<u>(17,501,301)</u>	<u>(12,704,226)</u>	<u>(967,426)</u>	<u>(31,172,953)</u>	<u>-</u>
Total noncurrent assets	<u>29,735,550</u>	<u>30,454,415</u>	<u>2,425,389</u>	<u>62,615,354</u>	<u>-</u>
Total Assets	<u>\$ 34,004,943</u>	<u>\$ 34,085,614</u>	<u>\$ 2,826,873</u>	<u>\$ 70,917,430</u>	<u>\$ 1,163,817</u>

City of Aberdeen  
Statement of Net Assets—Proprietary Funds—Exhibit V  
December 31, 2010

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
201 Claims payable	\$ 3,688	\$ -	\$ -	\$ 3,688	\$ -
202 Accounts payable	122,207	129,915	34,515	286,637	92,780
207 Contracts payable, retained percentage	44,141	88,667	69,191	201,999	-
213 Incurred but not reported claims	-	-	-	-	46,920
215 Accrued interest payable	112,852	77,361	-	190,213	-
216 Accrued wages payable	26,441	15,948	18,740	61,129	-
223 Revenue collected in advance	18,402	-	-	18,402	-
226 Bonds payable current:					
226.02 Revenue	679,516	672,020	-	1,351,536	-
<b>Total current liabilities</b>	<u>1,007,247</u>	<u>983,911</u>	<u>122,446</u>	<u>2,113,604</u>	<u>139,700</u>
<b>Noncurrent Liabilities</b>					
231 Bonds payable:					
231.02 Revenue	14,199,131	14,131,796	-	28,330,927	-
233 Accrued leave payable	55,116	30,466	29,578	115,160	-
<b>Total noncurrent liabilities</b>	<u>14,254,247</u>	<u>14,162,262</u>	<u>29,578</u>	<u>28,446,087</u>	<u>-</u>
<b>Net Assets</b>					
253.10 Invested in capital assets, net of related debt	14,856,904	15,650,599	2,425,389	32,932,892	-
253.90 Unrestricted net assets	3,886,545	3,288,842	249,460	7,424,847	1,024,117
<b>Total net assets</b>	<u>18,743,449</u>	<u>18,939,441</u>	<u>2,674,849</u>	<u>40,357,739</u>	<u>1,024,117</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 34,004,943</u>	<u>\$ 34,085,614</u>	<u>\$ 2,826,873</u>	<u>\$ 70,917,430</u>	<u>\$ 1,163,817</u>

City of Aberdeen  
Statement of Revenues, Expenses and Changes in Net Assets—Proprietary Funds—Exhibit VI  
Year Ended December 31, 2010

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
Operating Revenue					
380 Charges for goods and services	\$ 4,119,764	\$ 2,806,576	\$ 1,192,079	\$ 8,118,419	\$ 1,559,827
369 Miscellaneous	111,970	19,428	41,267	172,665	-
Total operating revenue	<u>4,231,734</u>	<u>2,826,004</u>	<u>1,233,346</u>	<u>8,291,084</u>	<u>1,559,827</u>
Operating Expenses					
410 Personal services	1,072,753	699,143	921,445	2,693,341	-
420 Other current expenses	3,413,414	702,650	531,711	4,647,775	1,463,040
426.2 Materials (cost of goods sold)	21,150	7,040	-	28,190	-
457 Depreciation	1,002,039	936,758	121,235	2,060,032	-
Total operating expenses	<u>5,509,356</u>	<u>2,345,591</u>	<u>1,574,391</u>	<u>9,429,338</u>	<u>1,463,040</u>
Operating Income (Loss)	<u>(1,277,622)</u>	<u>480,413</u>	<u>(341,045)</u>	<u>(1,138,254)</u>	<u>96,787</u>
Nonoperating Revenue (Expense)					
330 Operating grants	51,132	-	-	51,132	-
361 Investment earnings	53,443	38,647	1,545	93,635	9,981
470 Interest expense and fiscal charges	(486,541)	(360,064)	-	(846,605)	-
(492) 366 Gain (loss) on disposition of assets	(4,518)	-	(6,227)	(10,745)	-
(429) 369.01 Other	981	2,814	9,000	12,795	-
Total nonoperating revenue (expense)	<u>(385,503)</u>	<u>(318,603)</u>	<u>4,318</u>	<u>(699,788)</u>	<u>9,981</u>
Income (Loss) Before Contributions, Special Items and Extraordinary Items	<u>(1,663,125)</u>	<u>161,810</u>	<u>(336,727)</u>	<u>(1,838,042)</u>	<u>106,768</u>
391.07 Capital contributions	270,909	239,152	133,000	643,061	-
391.1 Transfers in	-	19,891	916,105	935,996	-
511 Transfers out	(436,869)	(140,440)	(97,140)	(674,449)	-
Change in Net Assets	<u>(1,829,085)</u>	<u>280,413</u>	<u>615,238</u>	<u>(933,434)</u>	<u>106,768</u>
Net Assets - Beginning	<u>20,572,534</u>	<u>18,659,028</u>	<u>2,059,611</u>	<u>41,291,173</u>	<u>917,349</u>
Net Assets - Ending	<u>\$ 18,743,449</u>	<u>\$ 18,939,441</u>	<u>\$ 2,674,849</u>	<u>\$ 40,357,739</u>	<u>\$ 1,024,117</u>

City of Aberdeen  
Statement of Cash Flows—Proprietary Funds—Exhibit VII  
Year Ended December 31, 2010

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
<b>Cash Flows from (used by) Operating Activities</b>					
Receipt from customers	\$ 3,936,276	\$ 2,867,370	\$ 1,170,911	\$ 7,974,557	\$ 1,559,827
Payments to suppliers	(3,461,248)	(737,364)	(500,103)	(4,698,715)	-
Payments to employees	(1,068,001)	(701,051)	(917,306)	(2,686,358)	-
Internal activity - payment to other funds	-	(19,891)	(74,817)	(94,708)	-
Claims paid	-	-	-	-	(1,447,545)
Cash receipts for interfund services provided	246,479	-	-	246,479	-
Other receipts	111,969	19,429	41,267	172,665	-
<b>Net Cash from (used by) Operating Activities</b>	<b>(234,525)</b>	<b>1,428,493</b>	<b>(280,048)</b>	<b>913,920</b>	<b>112,282</b>
<b>Cash Flows from (used by) Noncapital Financing Activities</b>					
Transfers from other funds	-	19,891	916,105	935,996	-
Transfers to other funds	(436,869)	(140,440)	(97,140)	(674,449)	-
Operating grants	51,132	-	-	51,132	-
Other noncapital receipts	981	2,814	9,000	12,795	-
<b>Net Cash from (used by) Noncapital Financing Activities</b>	<b>(384,756)</b>	<b>(117,735)</b>	<b>827,965</b>	<b>325,474</b>	<b>-</b>
<b>Cash Flows from (used by) Capital and Related Financing Activities</b>					
Proceeds from capital debt	1,154,063	814,393	-	1,968,456	-
Capital contributions	270,909	239,152	133,000	643,061	-
Purchase of capital assets	(464,292)	(1,059,103)	(1,057,683)	(2,581,078)	-
Principal paid on capital debt	(656,245)	(586,477)	-	(1,242,722)	-
Interest paid on capital debt	(494,778)	(378,799)	-	(873,577)	-
Other receipts (payments)	(12,837)	-	-	(12,837)	-
<b>Net Cash from (used by) Capital and Related Financing Activities</b>	<b>(203,180)</b>	<b>(970,834)</b>	<b>(924,683)</b>	<b>(2,098,697)</b>	<b>-</b>
<b>Cash Flows from (used by) Investing Activities</b>					
Purchase of investment securities	-	-	-	-	(600,000)
Proceeds from sales and maturities of investments	-	-	-	-	600,000
Interest earnings	53,443	38,647	1,545	93,635	9,981
<b>Net Cash from (used by) Investing Activities</b>	<b>53,443</b>	<b>38,647</b>	<b>1,545</b>	<b>93,635</b>	<b>9,981</b>

City of Aberdeen  
Statement of Cash Flows—Proprietary Funds—Exhibit VII  
Year Ended December 31, 2010

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
Net Increase (Decrease) in Cash and Cash Equivalents	(769,018)	378,571	(375,221)	(765,668)	122,263
Balances - Beginning	4,397,404	2,980,173	483,354	7,860,931	441,554
Balances - Ending	<u>\$ 3,628,386</u>	<u>\$ 3,358,744</u>	<u>\$ 108,133</u>	<u>\$ 7,095,263</u>	<u>\$ 563,817</u>
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 1,712,752	\$ 1,538,485	\$ 108,133	\$ 3,359,370	\$ 563,817
Investments	1,915,634	1,820,259	-	3,735,893	-
	<u>\$ 3,628,386</u>	<u>\$ 3,358,744</u>	<u>\$ 108,133</u>	<u>\$ 7,095,263</u>	<u>\$ 563,817</u>
Cash from Operating Activities					
Operating income (loss)	\$ (1,277,623)	\$ 480,412	\$ (341,044)	\$ (1,138,255)	\$ 96,787
Adjustments to reconcile operating income to net cash from (used by) operating activities:					
Depreciation expense	1,002,039	936,758	121,235	2,060,032	-
Change in assets and liabilities:					
Receivables	69,500	60,794	(139,898)	(9,604)	-
Inventories	(21,150)	(7,040)	-	(28,190)	-
Accounts and other payables	(5,533)	(40,524)	75,520	29,463	15,495
Accrued wages payable	2,626	(361)	1,694	3,959	-
Accrued leave payable	2,125	(1,546)	2,445	3,024	-
Revenue collected in advance	(6,509)	-	-	(6,509)	-
Net Cash from (used by) Operating Activities	<u>\$ (234,525)</u>	<u>\$ 1,428,493</u>	<u>\$ (280,048)</u>	<u>\$ 913,920</u>	<u>\$ 112,282</u>
Noncash Investing, Capital and Financing Activities:					
Loss on disposal of capital assets not affecting operating income	<u>\$ 4,518</u>	<u>\$ -</u>	<u>\$ 6,977</u>	<u>\$ 11,495</u>	<u>\$ -</u>

**Note 1 - Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The financial statements of the City of Aberdeen (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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

**B. Financial Reporting Entity**

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

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

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

The financial statements are available upon request from the City or the Housing and Redevelopment Commission at 2324 3rd Avenue SE, Aberdeen, SD 57401.



## **C. Financial Statements Presentation**

### **Government-Wide Statements**

The statement of net assets 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.

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**

The fund financial statements provide information about the City's funds. Separate statements for each fund category-governmental and proprietary-are presented.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The fund types of the financial reporting entity are described below:

#### **Governmental Funds**

General Fund – 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.

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.

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.

Capital Project Funds – capital project 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).

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 permanent fund balance is for cemetery perpetual care.

### **Proprietary Funds**

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

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

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

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 City reports the following major governmental funds:

- General Fund - is the general operating fund of the City. The General Fund is always considered to be a major fund.
- Special Revenue Funds:
  - 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.

- 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.

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 municipal waterworks system and related facilities. (SDCL 9-47-1)
- Sewer Fund – financed primarily by user charges this fund accounts for the construction and operation of the municipal sewer system and related facilities. (SDCL 9-48-2)

All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

#### **D. 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.

The government-wide, proprietary fund financial statements and component unit activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year that all eligibility requirements have been satisfied.

In the fund financial statements, the governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers significant revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **E. Receivables**

Business-type activities receivables are composed of amounts owed the City by municipal residents for water and sewer services rendered. All trade receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles on trade accounts receivables is equal to 5% of the outstanding receivable balance with the exception of the allowance for the Ambulance Fund which totals \$73,029 at December 31, 2010.

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account 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." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

#### **F. Inventory**

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

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

The cost of inventory is recognized as an expense in both the fund and the government-wide financial statements when used (consumption method).

#### **G. Capital Assets**

##### **Primary Government**

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

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

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

The total December 31, 2010 balance of governmental activities capital assets includes approximately 24.4% of capital assets that are valued at estimated historical cost. These estimated original costs were primarily established by deflated current replacement costs.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with net capital assets reflected in the statement of net assets. 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:

<u>Major Asset Category</u>	<u>Estimated Useful Life</u>
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, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. In addition, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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 is on the accrual basis, the same in the fund statement as it is in the government-wide statements.

## **I. Deferred Revenue**

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

## **J. Cash Flows**

For the purposes of the statement of cash flows, the City considers checking, money market funds, cash management pools, and all highly liquid securities with a maturity date of three months or less to be cash equivalents.

## **K. Equity Classifications**

### **Government-Wide Statements**

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

- Invested in Capital Assets, Net of Related Debt – 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 Assets – Consists of net assets 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 Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

### **Fund Financial Statements**

Governmental fund equity is classified as fund balance, and may distinguish between “Reserved” and “Unreserved” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

#### **L. Restricted Assets**

Restricted assets of the City consist of the vested balance in the reserve fund of the South Dakota Public Assurance Alliance (see note 11). In addition the component unit, Housing and Redevelopment Commission has escrow deposits restricted by their mortgage lender and other cash deposits restricted by HUD.

#### **M. 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.

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

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

#### **Deposits - Primary Government**

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

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

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

The actual bank balances at December 31, 2010 were as follows:

Primary Government	Bank Balance
Insured (FDIC/NCUA)	\$ 2,156,889
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	13,859,049
Total deposits	\$ 16,015,938

The carrying amount of deposits on the December 31, 2010 statement of net assets was \$15,773,973.

### Investments – Primary Government

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

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City's deposit policy follows state statute which requires deposits in excess of the Depository Insurance maximums must be collateralized 100%. As of December 31, 2010, the City's deposits in financial institutions were not exposed to any custodial credit risk. As of December 31, 2010, the City's total deposits of \$16,015,938 (carrying value of \$15,773,973) were covered by insurance or collateral in accordance with the City's deposit policy.

Investments – As of December 31, 2010, the City had the following investments:

Investment	Credit Rating	Maturities	Fair Value
US Bank - First American Treasury Class D Money Market	Not Rated	\$ 244	\$ 244
US Bank - U.S. Treasury Note (matures on 05/31/11)	AAA	216,049	216,049
Total investments			\$ 216,293

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

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

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



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

**Deposits - Component Unit**

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

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

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

At December 31, 2010, the actual bank balances were as follows:

	<u>Bank Balance</u>
Insured (FDIC)	\$ 549,962
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	406,145
Total deposits	\$ 956,107
The Commission's carrying amount of deposits at December 31	\$ 938,638

**Investments – Component Unit**

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

The Commission, through Sherman Apartments, is required under the regulatory agreement with South Dakota Housing Development Authority (SDHDA) to maintain various mortgage escrows and reserve deposits for mortgage payments, payments in lieu of taxes (PILOT-property taxes), hazard insurance, property and equipment replacements, and residual receipts. SDHDA invests these restricted deposits in securities limited to direct general obligations of the U.S. Government, U.S. Government Agencies, direct and general obligations of any state within the United States rated in the two highest categories by a national rating agency, mutual funds invested in securities mentioned above and investment agreements secured by securities mentioned above. Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have a credit risk. The Commission’s restricted deposits totaled \$2,752,021 as of December 31, 2010.

**Note 3 - Property Taxes**

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

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

General Fund	\$	5,256
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**Note 4 - Due from Other Governments**

- General Fund - \$95,597 due from federal government for grants; \$17,000 due from state government for grant; \$295,332 due from state government for 1% city sales tax; \$68,945 due from state government for local government highway/bridge funds; \$42,694 due from state government for liquor tax reversion funds; and \$12,148 due from county government for taxes.
- Promotion Fund - \$31,769 due from state government for 1% city sales tax.
- Parks and Recreation Fund - \$1,000 due from federal government for grant; and \$12,000 due from state government for grant.
- Airport Fund - \$9,554 due from federal government for grant; \$27,288 due from state government for grants; and \$13,533 due from state government for gas tax reversion funds.
- Special Sales Tax Fund - \$515,000 due from federal government for grant; and \$295,331 due from state government for 1% city sales tax.
- TIF District No. 3 Project Fund - \$11,487 due from county government for taxes.
- Water Fund - \$13,243 due from federal government for grant.

**Note 5 - Changes in Capital Assets**

A summary of changes in capital assets of the primary government for the year ended December 31, 2010 is as follows:

Primary Government	Balance 01/01/10	Increases	Decreases	Balance 12/31/10
Governmental Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 7,176,232	\$ 450	\$ -	\$ 7,176,682
Construction work in progress	<u>224,873</u>	<u>1,459,858</u>	<u>(224,873)</u>	<u>1,459,858</u>
Total capital assets, not being depreciated	<u>7,401,105</u>	<u>1,460,308</u>	<u>(224,873)</u>	<u>8,636,540</u>
Capital assets, being depreciated:				
Buildings	35,037,389	38,358	(9,590)	35,066,157
Improvements other than buildings	90,154,552	3,989,703	(754,504)	93,389,751
Machinery and equipment	<u>14,743,879</u>	<u>753,100</u>	<u>(476,509)</u>	<u>15,020,470</u>
Total	<u>139,935,820</u>	<u>4,781,161</u>	<u>(1,240,603)</u>	<u>143,476,378</u>
Less accumulated depreciation for:				
Buildings	(7,555,838)	(693,267)	6,761	(8,242,344)
Improvements other than buildings	(32,194,906)	(2,877,062)	754,504	(34,317,464)
Machinery and equipment	<u>(9,144,449)</u>	<u>(1,001,789)</u>	<u>398,408</u>	<u>(9,747,830)</u>
Total accumulated depreciation	<u>(48,895,193)</u>	<u>(4,572,118)</u>	<u>1,159,673</u>	<u>(52,307,638)</u>
Total capital assets, being depreciated, net	<u>91,040,627</u>	<u>209,043</u>	<u>(80,930)</u>	<u>91,168,740</u>
Governmental activity capital assets, net	<u>\$ 98,441,732</u>	<u>\$ 1,669,351</u>	<u>\$ (305,803)</u>	<u>\$ 99,805,280</u>
Depreciation expense was charged to functions as follows:				
Governmental activities:				
General government				\$ 96,670
Public safety				393,208
Public works				3,285,711
Culture and recreation				<u>796,529</u>
Total depreciation expense - governmental activities				<u>\$ 4,572,118</u>

City of Aberdeen  
Notes to Financial Statements  
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<u>Primary Government</u>	Balance 01/01/10	Increases	Decreases	Balance 12/31/10
Business-Type Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 701,396	\$ -	\$ -	\$ 701,396
Construction work in progress	-	823,959	-	823,959
Total capital assets, not being depreciated	<u>701,396</u>	<u>823,959</u>	<u>-</u>	<u>1,525,355</u>
Capital assets, being depreciated:				
Buildings	60,340,627	521,053	-	60,861,680
Improvements other than buildings	24,219,812	574,861	(85,670)	24,709,003
Machinery and equipment	6,481,619	447,173	(236,523)	6,692,269
Total	<u>91,042,058</u>	<u>1,543,087</u>	<u>(322,193)</u>	<u>92,262,952</u>
Less accumulated depreciation for:				
Buildings	(15,736,754)	(1,174,187)	-	(16,910,941)
Improvements other than buildings	(11,020,210)	(458,403)	85,670	(11,392,943)
Machinery and equipment	(2,621,915)	(427,442)	180,288	(2,869,069)
Total accumulated depreciation	<u>(29,378,879)</u>	<u>(2,060,032)</u>	<u>265,958</u>	<u>(31,172,953)</u>
Total capital assets, being depreciated, net	<u>61,663,179</u>	<u>(516,945)</u>	<u>(56,235)</u>	<u>61,089,999</u>
Business-type activity capital assets, net	<u>\$ 62,364,575</u>	<u>\$ 307,014</u>	<u>\$ (56,235)</u>	<u>\$ 62,615,354</u>

Depreciation expense was charged to functions as follows:

Business-type activities:		
Water		\$ 1,002,039
Sewer		936,758
Campground		15,819
Golf		49,211
Ambulance		56,205
Total depreciation expense - business-type activities		<u>\$ 2,060,032</u>

The City has active construction projects as of December 31, 2010. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Public Works - Northwest holding pond	\$ 1,051,118	\$ 185,085
Public Works - Main Street traffic signals	112,901	5,573
Airport - General aviation apron expansion	70,988	973,420
Airport - De-icing truck storage shed	13,533	10,611
Airport - Hangar 9 access road	211,318	24,311
Parks & Recreation - Wylie Park campground expansion	658,082	26,599
Parks & Recreation - Comfort station	165,877	3,845
Total	<u>\$ 2,283,817</u>	<u>\$ 1,229,444</u>

A summary of changes in capital assets of the component unit for the year ended December 31, 2010 is as follows:

<u>Component Unit</u>	<u>Balance 1/1/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/10</u>
Capital assets, not being depreciated				
Land	\$ 521,186	\$ 500	\$ -	\$ 521,686
Capital assets, being depreciated:				
Buildings and improvements	7,321,379	12,291	-	7,333,670
Furniture, equipment and machinery - dwelling	259,937	24,234	(21,363)	262,808
Furniture, equipment and machinery - nondwelling	258,418	38,409	(22,919)	273,908
Total capital assets, being depreciated	<u>7,839,734</u>	<u>74,934</u>	<u>(44,282)</u>	<u>7,870,386</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,082,687)	(317,020)	-	(5,399,707)
Furniture, equipment and machinery - dwelling	(193,793)	(16,087)	21,038	(188,842)
Furniture, equipment and machinery - nondwelling	(245,816)	(17,098)	22,919	(239,995)
Total accumulated depreciation	<u>(5,522,296)</u>	<u>(350,205)</u>	<u>43,957</u>	<u>(5,828,544)</u>
Total capital assets being depreciated, net	<u>2,317,438</u>	<u>(275,271)</u>	<u>(325)</u>	<u>2,041,842</u>
Capital assets, net	<u>\$ 2,838,624</u>	<u>\$ (274,771)</u>	<u>\$ (325)</u>	<u>\$ 2,563,528</u>

**Note 6 - Long-Term Liabilities**

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

Primary Government	January 1, 2010	Increases	Decreases	December 31, 2010	Due Within One Year	Interest Paid
Governmental activities:						
Tax increment revenue bonds #2	\$ 3,070,000	\$ -	\$ (160,000)	\$ 2,910,000	\$ 165,000	\$ 161,850
Tax increment revenue bonds #4	114,289	-	(6,579)	107,710	7,007	7,429
Tax increment revenue bonds #6	1,448,856	-	(168,858)	1,279,998	180,206	97,363
Tax increment revenue bonds #8	3,800,000	-	(256,196)	3,543,804	148,007	205,525
Sales tax revenue bonds, ARCC	2,125,000	-	(150,000)	1,975,000	160,000	106,000
Sales tax revenue bonds, aquatic center buildings	6,515,000	-	(290,000)	6,225,000	300,000	301,720
Sales tax revenue bonds, public safety buildings	9,255,000	-	(350,000)	8,905,000	365,000	382,768
Sales tax revenue bonds, campground expansion	-	580,000	(10,000)	570,000	30,000	8,014
Compensated absences	511,838	764,024	(755,993)	519,869	519,869	-
Installment purchase contract, log loader	-	49,101	-	49,101	24,011	-
Installment purchase contract, wheel loader	22,239	-	(22,239)	-	-	1,101
Total governmental activities	<u>26,862,222</u>	<u>1,393,125</u>	<u>(2,169,865)</u>	<u>26,085,482</u>	<u>1,899,100</u>	<u>1,271,770</u>
Business-type activities:						
Water revenue bonds	14,380,828	1,154,063	(656,244)	14,878,647	679,516	494,778
Sewer revenue bonds	14,575,900	814,393	(586,477)	14,803,816	672,021	378,799
Compensated absences	112,137	178,590	(175,566)	115,161	115,161	-
Total business-type activities	<u>29,068,865</u>	<u>2,147,046</u>	<u>(1,418,287)</u>	<u>29,797,624</u>	<u>1,466,698</u>	<u>873,577</u>
Total primary government	<u>\$ 55,931,087</u>	<u>\$ 3,540,171</u>	<u>\$ (3,588,152)</u>	<u>\$ 55,883,106</u>	<u>\$ 3,365,798</u>	<u>\$ 2,145,347</u>
<u>Component Unit</u>						
Mortgage payable	\$ 1,250,743	\$ -	\$ (67,833)	\$ 1,182,910	\$ 73,831	103,710
Compensated absences	18,908	-	(2,140)	16,768	16,768	-
	<u>\$ 1,269,651</u>	<u>\$ -</u>	<u>\$ (69,973)</u>	<u>\$ 1,199,678</u>	<u>\$ 90,599</u>	<u>\$ 103,710</u>

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

Liabilities payable at December 31, 2010 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 \$505,000 beginning December 2005, including interest ranging from 5.22% to 5.5% beginning December 2003 from the Debt Service Fund, final payment due December 2022. \$ 2,910,000

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 beginning August 2006, including interest at 6.5% beginning February 2005 from Debt Service Fund, final payment due August 2021. 107,710

Tax Increment Revenue Bonds, District No. 6 totaling \$1,448,856 were issued in 2008. The bonds require annual payments ranging from \$168,858 to \$249,458 beginning December 2010, including interest at 6.72% beginning June 2009 from Debt Service Fund, final payment due December 2016. 1,279,998

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 \$165,893 beginning May 2010, including interest at 5.5% beginning November 2008 from Debt Service Fund, final payment due May 2027. 3,543,804

**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 beginning January 2006, including interest ranging from 2.7% to 5.25% from the Debt Service Fund, final payment due January 2021. 1,975,000

Sales Tax Revenue Bonds, Park and Recreation aquatic center, totaling \$7,505,000 were issued in 2005. The bonds require annual payments ranging from \$195,000 to \$565,000 beginning November 2006, including interest ranging from 4% to 5.13% from the Debt Service Fund, final payment due November 2025. 6,225,000

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 beginning November 2008, including interest ranging from 3.75% to 5.5% from the Debt Service Fund, final payment due November 2027. 8,905,000

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 beginning December 2010, including interest ranging from 2.5% to 4.25% from the Debt Service Fund, final payment due December 2025. 570,000

**Installment Purchase Contract**

The City entered into a Purchase Agreement for \$49,101 with Kansas State Bank of Manhattan, KS in 2010 to purchase a log loader for the Parks, Recreation & Forestry Department. This debt requires annual payments of \$26,216 (this payment includes the interest at 4.49%) from the Park and Recreation Fund beginning in January 2011, final payment due January 2012. 49,101

**Water Revenue Bonds**

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. The debt on the loan agreement totaling \$16,484,258, requires quarterly payments ranging from \$132,666 to \$287,756 beginning July 2006, including interest at 3.5% from the Water Fund, final payment due April 2026. 13,724,584

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 is payable at an interest rate of 2.75% for 10 years. As of December 31, 2010, the amount drawn on the loan was \$1,154,063, with no quarterly payment schedule yet established, which will include interest at 2.75% from the Water Fund. 1,154,063

**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. As of December 31, 2010, the amount drawn on the loan was \$12,870,347, currently requiring quarterly payments ranging from \$92,976 to \$196,533 beginning January 2008, including interest at 2.25% from the Sewer Fund, final payment due October 2027. 11,457,346

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. As of December 31, 2010, the amount drawn on the loan was \$3,402,438, currently requiring quarterly payments ranging from \$53,247 to \$58,093 beginning July 2010, including interest at 3.25% from the Sewer Fund, final payment due April 2030. 3,346,470

**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 1,182,910

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 2010 were \$1,151,023 and \$4,106,855, respectively. For the Sewer Revenue Bonds, principal and interest paid and total customer revenues for 2010 were \$965,277 and \$2,806,306, respectively.



The loan agreements for both the Water Revenue Bonds and Sewer Revenue Bonds contain requirements for the City to comply with certain covenants relating to net revenues available for debt service. As of December 31, 2010 the City was in compliance with the net revenues available for debt service on both the Water Revenue Bonds and Sewer Revenue Bonds.

### **Tax Incremental Revenue Bonds**

In July 2002, the City passed a resolution creating Tax Increment District No. 2. In September 2003, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$3,195,000. In June 2006, a resolution was passed authorizing an additional issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$510,000. Bonds in the amount \$3,705,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 2. Incremental property taxes were projected to produce 106% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$4,054,210, payable through December 2022. For 2010, principal and interest paid and total incremental property tax revenues were \$321,850 and \$314,837, 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 \$154,091, payable through August 2021. For 2010, principal and interest paid and total incremental property tax revenues were \$14,008 and \$15,875, respectively.

In April 2007, the City passed a resolution creating Tax Increment District No. 6. In August 2008, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 6 not to exceed \$1,600,000. In October 2008, an ordinance was passed to amend the amount of the authorized issuance of Tax Increment Revenue Bonds for District No. 6 to \$1,448,856. Bonds in the amount \$1,448,856 have been issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 6. Incremental property taxes were projected to produce 116% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$1,597,328, payable through December 2016. For 2010, principal and interest paid and total incremental property tax revenues were \$266,221 and \$0, 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 \$5,328,654, payable through May 2027. For 2010, principal and interest paid and total incremental property tax revenues were \$461,721 and \$461,721, respectively.

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

The annual requirements to maturity for all debt outstanding as of December 31, 2010, excluding compensated absences are as follows:

Year Ending December 31	Tax Increment Revenue Bonds		Sales Tax Revenue Bonds		Installment Purchase Contracts	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 500,220	\$ 439,329	\$ 855,000	\$ 780,225	\$ 24,011	\$ 2,205
2012	536,037	409,816	885,000	746,247	25,090	1,126
2013	563,159	378,195	920,000	709,875	-	-
2014	596,665	344,933	965,000	671,013	-	-
2015	631,645	309,668	1,005,000	630,062	-	-
2016-2020	2,584,235	1,182,381	5,765,000	2,694,584	-	-
2021-2025	2,221,448	228,449	5,850,000	844,175	-	-
2026-2030	208,103	-	1,430,000	-	-	-
	<u>\$ 7,841,512</u>	<u>\$ 3,292,771</u>	<u>\$ 17,675,000</u>	<u>\$ 7,076,181</u>	<u>\$ 49,101</u>	<u>\$ 3,331</u>

Year Ending December 31	Water Revenue Bonds		Sewer Revenue Bonds		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 679,516	\$ 494,789	\$ 672,021	\$ 363,164	\$ 73,831	\$ 97,713
2012	807,426	475,992	700,480	349,063	80,357	91,187
2013	835,263	448,155	717,979	331,564	87,460	84,084
2014	864,063	419,354	735,927	313,616	95,190	76,354
2015	893,863	389,555	754,336	295,207	103,604	67,940
2016-2020	4,953,763	1,463,326	4,064,822	1,182,892	672,687	185,034
2021-2025	5,200,694	587,519	4,601,622	646,092	69,781	1,486
2026-2030	644,059	7,467	2,556,629	117,224	-	-
	<u>\$ 14,878,647</u>	<u>\$ 4,286,157</u>	<u>\$ 14,803,816</u>	<u>\$ 3,598,822</u>	<u>\$ 1,182,910</u>	<u>\$ 603,798</u>

### Note 7 - 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, 2010, there were seven revenue bond issues of this type outstanding. The balance of the six revenue bonds issued after July 1, 1995, was \$10,089,857. The aggregate outstanding balance of the remaining one revenue bond issued before July 1, 1995, could not be practically determined; however, the original issue totaled \$500,000.

**Note 8 - Interfund Balances and Activity**

Transfers to/from other funds during the year ended December 31, 2010 consist of the following:

From the general fund to parks and recreation fund to supplement other funds sources	\$ 3,026,885
From the general fund to the airport fund to supplement other funds sources	513,300
From the general fund to the golf fund to supplement other funds sources	100,000
From the general fund to the ambulance fund to supplement other funds sources	215,000
From the parks and recreation trust fund to the general fund to supplement other funds sources	29,320
From the special sales tax fund to debt service funds to supplement other funds sources	1,540,000
From the special sales tax fund to the parks and recreation fund to supplement other funds sources	130,000
From the special sales tax fund to the parks & rec trust fund to supplement other funds sources	75,000
From the special sales tax fund to the airport fund to supplement other funds sources	30,000
From the special sales tax fund to the campground fund to supplement other fund sources	526,288
From the parking district fund to the special sales tax fund to supplement other funds sources	88,670
From the public safety projects fund to the general fund to supplement other funds sources	50,000
From the public safety projects fund to the special sales tax fund to supplement other funds sources	91,511
From the water fund to the parks and recreation fund to supplement other funds sources	124,760
From the water fund to the general fund to supplement other funds sources	213,813
From the water fund to the sewer fund to supplement other funds sources	19,891
From the water fund to the golf fund to supplement other funds sources	74,817
From the sewer fund to the general fund to supplement other funds sources	140,440
From the campground fund to the campground bonds fund to supplement other funds sources	18,100
From other enterprise funds to the general fund to supplement other funds sources	79,040
Other transfers between governmental funds	11,588
	\$ 7,098,423

**Note 9 - Restricted Net Assets**

The following table shows the net assets restricted for other purposes as shown on the statement of net assets as of December 31, 2010:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Promotion fund	State Law	\$ 187,695
Park and recreation fund	State Law	264,787
Park recreation trust fund	State Law	438,020
Business improvement district fund	State Law	1,926
Parking fund	State Law	311,414
Library fines fund	State Law	61,801
Aberdeen landmark commission	State Law	14,467
General fund - SD public assurance alliance	Contractual Agreement	289,712
Total restricted net assets for other purposes		<u>\$ 1,569,822</u>

**Note 10 - Designation of Fund Balance**

At the end of the fiscal year, unreserved fund balance of the General Fund was \$3,166,144, of which \$530,915 was designated only to be used to fund 2010 appropriations.

**Note 11 - 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 period ended December 31, 2010, the City managed its risks as follows:

**Employee Health Insurance**

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

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

Various rates of benefit coverages, deductibles, etc., are included in the insurance package provided for the covered employees and dependents. Also, the City provided a “Wellness/Preventative Care Program” to assist employees and covered dependents in addressing wellness/preventative care in advance of serious medical conditions from January 1, 2010 through November 30, 2010. The benefit under this program was \$300 for single coverage, \$450 for two-party coverage, and \$600 for family coverage as outlined in the statement of policy.

The City purchases commercial insurance for the life insurance and accidental death and dismemberment coverages provided. The City purchases stop loss insurance on their health insurance coverage which limits their risk to \$75,000 per individual with an aggregate of approximately \$1,542,275.

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. A reserve of \$1,022,455 is available for future claims and premium increases and is reported as a designation of the Self-Funded Insurance Fund net assets. The amount of claim liabilities for the fiscal year ended December 31, 2010, 2009 and 2008 were \$46,920, \$92,999 and \$121,501, respectively.

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

	<u>Balance at January 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at December 31</u>
2010	\$ 92,999	\$ 1,061,235	\$ 1,107,314	\$ 46,920
2009	121,501	960,285	988,787	92,999
2008	117,947	905,608	902,054	121,501

### Liability Insurance

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

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

<u>Coverage</u>	<u>Deductible</u>
General liability	\$ 250
Officials liability	1,000
Automobile liability	-
Law enforcement liability	3,000

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

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

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

As of December 31, 2010, 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 City pays an annual premium to the pool to provide worker's compensation coverage for its employees. 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 the statutory benefit per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

### **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 reserved equity in the Unemployment Compensation Fund in the amount of \$1,661 for the payment of future unemployment benefits.

During the year ended December 31, 2010, claim benefits of \$1,148 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, 2010, 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 12 - Retirement Plan**

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

Class A, general employees are required by state statute to contribute 6% of their salary to the plan, while Class B, public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal year ended December 31, 2010, 2009, and 2008 were \$739,108, \$718,872, and \$679,478, respectively, equal to the required contributions each year.

### **Note 13 - 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 14 - Commitments**

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

- a. Northeast Regional Health and Fitness Center: - \$250,000 annually for 2011 thru 2016; for a total of \$1,500,000.
- b. Clark Swisher Athletic Complex: \$155,200 annually for 2011 thru 2014; for a total of \$620,800.



Required Supplementary Information  
December 31, 2010 and 2009

# City of Aberdeen



City of Aberdeen  
Budgetary Comparison Schedule—General Fund  
Year Ended December 31, 2010

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
310 Taxes:				
311 General property taxes	\$ 6,330,000	\$ 6,330,000	\$ 6,471,690	\$ 141,690
313 General sales and use taxes	7,730,000	7,730,000	7,538,654	(191,346)
318 Tax deed revenue	-	-	48	48
319 Penalties and interest on delinquent taxes	8,000	8,000	13,859	5,859
320 Licenses and permits	484,700	484,700	486,841	2,141
330 Intergovernmental revenue:				
331 Federal grants	605,000	605,000	568,598	(36,402)
334 State grants	55,000	55,000	56,823	1,823
335 State shared revenue:				
335.01 Bank franchise tax	65,000	65,000	79,263	14,263
335.02 Motor vehicle commercial prorata	20,000	20,000	22,262	2,262
335.03 Liquor tax reversion	140,000	140,000	154,328	14,328
335.04 Motor vehicle licenses (5%)	80,000	80,000	92,132	12,132
335.06 Fire insurance premiums reversion	55,000	55,000	56,850	1,850
335.08 Local government highway and bridge fund	300,000	300,000	359,188	59,188
335.20 Other	83,500	83,500	98,850	15,350
336 State payments in lieu of taxes	-	-	6,852	6,852
338 County shared revenue:				
338.02 County HBR tax	20,500	20,500	20,440	(60)
338.03 County wheel tax	7,500	7,500	8,254	754
340 Charge for goods and services:				
341 General government	58,500	58,500	57,754	(746)
342 Public safety	51,000	51,000	99,631	48,631
343 Highways and streets	100,000	100,000	119,604	19,604
344 Sanitation	1,180,300	1,180,300	1,192,327	12,027
345 Health	5,000	5,000	4,170	(830)
346 Culture and recreation	2,500	2,500	2,627	127
349 Other	120,190	120,190	187,937	67,747
350 Fines and forfeits:				
351 Court fines and costs	20,000	20,000	32,882	12,882
359 Other	1,000	1,000	675	(325)
360 Miscellaneous revenue:				
361 Investment earnings	100,000	100,000	38,148	(61,852)
362 Rentals	185,000	185,000	188,906	3,906
367 Contributions and donations from private sources	16,500	16,500	30,101	13,601
369 Other	30,000	30,000	29,530	(470)
<b>Total revenues</b>	<b>17,854,190</b>	<b>17,854,190</b>	<b>18,019,224</b>	<b>165,034</b>

City of Aberdeen  
Budgetary Comparison Schedule—General Fund  
Year Ended December 31, 2010

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
410 General government:				
411 Legislative				
411.5 Contingency	300,000	300,000		
Amount transferred				300,000
412 Executive	318,050	384,900	367,135	17,765
414 Financial administration	1,603,350	1,617,200	1,531,015	86,185
419 Other	1,456,000	1,490,900	1,275,222	215,678
Total general government	<u>3,677,400</u>	<u>3,793,000</u>	<u>3,173,372</u>	<u>619,628</u>
420 Public safety:				
421 Police	3,515,250	3,700,525	3,593,645	106,880
422 Fire	2,147,100	2,396,100	2,321,247	74,853
423 Protective inspection	174,350	174,350	163,438	10,912
Total public safety	<u>5,836,700</u>	<u>6,270,975</u>	<u>6,078,330</u>	<u>192,645</u>
430 Public works:				
431 Highways and streets	1,982,600	2,322,900	2,299,025	23,875
432 Sanitation	1,225,750	1,229,750	1,113,781	115,969
439 Transit	554,250	614,810	538,887	75,923
Total public works	<u>3,762,600</u>	<u>4,167,460</u>	<u>3,951,693</u>	<u>215,767</u>
440 Health and welfare:				
445 Drug education	61,950	61,950	47,267	14,683
449 Other	49,235	49,235	39,968	9,267
Total health and welfare	<u>111,185</u>	<u>111,185</u>	<u>87,235</u>	<u>23,950</u>
450 Culture and recreation:				
451 Recreation	27,965	27,965	27,137	828
455 Libraries	1,029,400	1,098,600	961,506	137,094
Total culture and recreation	<u>1,057,365</u>	<u>1,126,565</u>	<u>988,643</u>	<u>137,922</u>
460 Conservation and development:				
465 Economic development and assistance (industrial development)	632,800	642,800	604,818	37,982
Total conservation and development	<u>632,800</u>	<u>642,800</u>	<u>604,818</u>	<u>37,982</u>
Total expenditures	<u>15,078,050</u>	<u>16,111,985</u>	<u>14,884,091</u>	<u>1,227,894</u>
Excess of Revenue over (under) Expenditures	<u>2,776,140</u>	<u>1,742,205</u>	<u>3,135,133</u>	<u>1,392,928</u>
<b>Other Financing Sources (Uses)</b>				
391.01 Transfers in	409,870	544,190	512,613	(31,577)
511 Transfers out	(3,739,185)	(5,259,185)	(3,855,185)	(1,404,000)
391.03 Sale of municipal property	20,000	20,000	19,054	(946)
391.04 Compensation for loss or damage to capital assets	15,000	15,000	29,913	14,913
Total other financing sources (uses)	<u>(3,294,315)</u>	<u>(4,679,995)</u>	<u>(3,293,605)</u>	<u>(1,421,610)</u>
Net Change in Fund Balances	(518,175)	(2,937,790)	(158,472)	(28,682)
Fund Balance - Beginning	<u>3,614,328</u>	<u>3,614,328</u>	<u>3,614,328</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,096,153</u>	<u>\$ 676,538</u>	<u>\$ 3,455,856</u>	<u>\$ (28,682)</u>

City of Aberdeen  
 Budgetary Comparison Schedule—Park and Recreation Fund  
 Year Ended December 31, 2010

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
330 Intergovernmental revenue:				
331 Federal grants	\$ -	\$ -	\$ 28,250	\$ 28,250
334 State grants	-	-	14,620	14,620
340 Charge for goods and services:				
346 Culture and recreation	623,325	623,325	585,753	(37,572)
360 Miscellaneous revenue:				
361 Investment earnings	-	-	265	265
Total revenues	<u>623,325</u>	<u>623,325</u>	<u>628,888</u>	<u>5,563</u>
<b>Expenditures</b>				
450 Culture and recreation:				
451 Recreation	2,278,295	2,717,715	2,573,508	144,207
452 Parks	1,321,915	1,477,415	1,391,458	85,957
Total culture and recreation	<u>3,600,210</u>	<u>4,195,130</u>	<u>3,964,966</u>	<u>230,164</u>
470 Debt service	<u>50,000</u>	<u>25,000</u>	<u>23,340</u>	<u>1,660</u>
Total expenditures	<u>3,650,210</u>	<u>4,220,130</u>	<u>3,988,306</u>	<u>231,824</u>
Excess of Revenue over (under) Expenditures	<u>(3,026,885)</u>	<u>(3,596,805)</u>	<u>(3,359,418)</u>	<u>237,387</u>
<b>Other Financing Sources (Uses)</b>				
391.01 Transfers in	3,026,885	3,324,885	3,289,645	(35,240)
511 Transfers out	-	100,000	-	100,000
391.02 Proceeds of general long-term debt issued	-	-	49,101	49,101
391.04 Compensation for loss or damage to capital assets	-	-	27,377	27,377
Total other financing sources (uses)	<u>3,026,885</u>	<u>3,424,885</u>	<u>3,366,123</u>	<u>141,238</u>
Net Change in Fund Balances	-	(171,920)	6,705	378,625
Fund Balance - Beginning	<u>258,082</u>	<u>258,082</u>	<u>258,082</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 258,082</u>	<u>\$ 86,162</u>	<u>\$ 264,787</u>	<u>\$ 378,625</u>

City of Aberdeen  
 Budgetary Comparison Schedule—Special Revenue Fund—Special Sales Tax Fund  
 Year Ended December 31, 2010

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
310 Taxes:				
313 General sales and use taxes	\$ 7,370,000	\$ 7,370,000	\$ 7,207,207	\$ (162,793)
330 Intergovernmental revenue:				
331 Federal grants	4,280,000	4,280,000	882,787	(3,397,213)
334 State grants	20,000	20,000	30,317	10,317
360 Miscellaneous revenue:				
361 Investment earnings	150,000	150,000	29,038	(120,962)
363 Special assessments	200,000	200,000	-	(200,000)
369 Other	-	-	836,929	836,929
Total revenues	<u>12,020,000</u>	<u>12,020,000</u>	<u>8,986,278</u>	<u>(3,033,722)</u>
<b>Expenditures</b>				
410 General government:				
419 Other	210,800	210,800	971	209,829
Total general government	<u>210,800</u>	<u>210,800</u>	<u>971</u>	<u>209,829</u>
420 Public safety:				
422 Fire	200,000	200,000	133,000	67,000
429 Other protection	130,000	298,500	298,056	444
Total public safety	<u>330,000</u>	<u>498,500</u>	<u>431,056</u>	<u>67,444</u>
430 Public works:				
431 Highways and streets	8,214,000	10,339,000	7,963,868	2,375,132
432 Sanitation	246,000	346,000	224,880	121,120
433 Water	158,000	258,000	120,144	137,856
435 Airport	1,050,000	1,050,000	-	1,050,000
Total public works	<u>9,668,000</u>	<u>11,993,000</u>	<u>8,308,892</u>	<u>3,684,108</u>
450 Culture and recreation:				
452 Parks	507,000	576,850	264,056	312,794
455 Libraries	100,000	100,000	31,486	68,514
Total culture and recreation	<u>607,000</u>	<u>676,850</u>	<u>295,542</u>	<u>381,308</u>
460 Conservation and development:				
465 Economic development and assistance (industrial development)	405,200	405,200	405,000	200
Total conservation and development	<u>405,200</u>	<u>405,200</u>	<u>405,000</u>	<u>200</u>
Total expenditures	<u>11,221,000</u>	<u>13,784,350</u>	<u>9,441,461</u>	<u>4,342,889</u>
Excess of Revenue over (under) Expenditures	<u>799,000</u>	<u>(1,764,350)</u>	<u>(455,183)</u>	<u>1,309,167</u>
<b>Other Financing Sources (Uses)</b>				
391.01 Transfers in	-	1,580,670	180,181	(1,400,489)
511 Transfers out	(1,540,000)	(1,775,000)	(2,301,288)	(526,288)
391.02 Proceeds from general long-term debt	-	-	526,288	526,288
Total other financing sources (uses)	<u>(1,540,000)</u>	<u>(194,330)</u>	<u>(1,594,819)</u>	<u>(1,400,489)</u>
Net Change in Fund Balances	(741,000)	(1,958,680)	(2,050,002)	(91,322)
Fund Balance - Beginning	2,607,099	2,607,099	2,607,099	-
Fund Balance - Ending	<u>\$ 1,866,099</u>	<u>\$ 648,419</u>	<u>\$ 557,097</u>	<u>\$ (91,322)</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, 2009 or December 31, 2010.

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

### **Note 2 - Budget Reconciliation**

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



Supplementary Information  
December 31, 2010 and 2009

# City of Aberdeen

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	Promotion Fund	Park and Recreation Trust Fund	Cemetery Improvement Fund	Business Improvement District Fund	Airport Fund	Parking District Fund	Storm Water Maintenance Fund	Library Fines Fund	Aberdeen Landmark Commission Fund
<b>Assets</b>									
Cash and cash equivalents	\$ 170,984	\$ 471,188	\$ 20,592	\$ -	\$ 468,672	\$ 309,600	\$ -	\$ 61,801	\$ 14,481
151 Investments	-	-	-	-	-	-	62,595	-	-
110 Taxes receivable, delinquent	-	-	-	1,926	100	1,813	-	-	-
115 Accounts receivable, net	-	-	-	-	24,703	-	7,784	-	-
132 Due from federal/state/county government	31,769	-	-	-	50,375	-	-	-	-
141 Inventory of supplies	-	-	-	-	-	-	7,645	-	-
<b>Total Assets</b>	<b>\$ 202,753</b>	<b>\$ 471,188</b>	<b>\$ 20,592</b>	<b>\$ 1,926</b>	<b>\$ 543,850</b>	<b>\$ 311,413</b>	<b>\$ 78,024</b>	<b>\$ 61,801</b>	<b>\$ 14,481</b>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
202 Accounts payable	\$ 79,159	\$ 24,650	\$ -	\$ -	\$ 43,930	\$ -	\$ 13,753	\$ -	\$ 14
207 Contracts payable - retained percentage	-	5,022	-	-	19,437	-	-	-	-
216 Accrued wages payable	-	3,496	-	-	9,849	-	4,254	-	-
<b>Total liabilities</b>	<b>79,159</b>	<b>33,168</b>	<b>-</b>	<b>-</b>	<b>73,216</b>	<b>-</b>	<b>18,007</b>	<b>-</b>	<b>14</b>
<b>Fund Balances</b>									
261 Reserved for:									
261.02 Inventory	-	-	-	-	-	-	7,645	-	-
261.15 Permanently reserved purposes	-	-	-	-	-	-	-	-	-
262 Unreserved fund balances:									
262.01 Designated for next year's appropriation:									
Reported in nonmajor special revenue funds	35,250	-	12,000	-	-	-	52,372	-	4,000
262.09 Undesignated									
Reported in nonmajor special revenue funds	88,344	438,020	8,592	1,926	470,634	311,413	-	61,801	10,467
Reported in nonmajor debt service funds	-	-	-	-	-	-	-	-	-
Reported in nonmajor capital project funds	-	-	-	-	-	-	-	-	-
Reported in nonmajor permanent funds	-	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>123,594</b>	<b>438,020</b>	<b>20,592</b>	<b>1,926</b>	<b>470,634</b>	<b>311,413</b>	<b>60,017</b>	<b>61,801</b>	<b>14,467</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 202,753</b>	<b>\$ 471,188</b>	<b>\$ 20,592</b>	<b>\$ 1,926</b>	<b>\$ 543,850</b>	<b>\$ 311,413</b>	<b>\$ 78,024</b>	<b>\$ 61,801</b>	<b>\$ 14,481</b>



City of Aberdeen  
 Combining Balance Sheet–Nonmajor Governmental Funds  
 December 31, 2010

Tax Increment Financing District No. 2 Bonds Fund	Tax Increment Financing District No. 4 Bonds Fund	Park and Rec ARCC Bonds Fund	Tax Increment Financing District No.10 Bonds Fund	Park and Rec Aquatic Center Bonds Funds	Tax Increment Financing District No.6 Bonds Fund	Public Safety Bonds Fund	Tax Increment Financing District No. 8 Bonds Fund	Wylie Park Campground Expansion Bonds Fund	Cemetery Perpetual Care Fund	Tax Increment Financing District No. 3 Project Fund	Total Nonmajor Governmental Funds
\$ 18,255	\$ 14,195	\$ -	\$ 21,357	\$ -	\$ -	\$ -	\$ -	\$ 53,855	\$ 178,307	\$ 94,389	\$ 1,897,676
216,293	-	272,261	-	550,124	34,232	925,890	7,399	-	-	-	2,068,794
-	-	-	-	-	-	-	-	-	-	229	4,068
-	-	-	-	-	-	-	-	-	-	11,488	32,487
-	-	-	-	-	-	-	-	-	-	-	93,632
-	-	-	-	-	-	-	-	-	-	-	7,645
<u>\$ 234,548</u>	<u>\$ 14,195</u>	<u>\$ 272,261</u>	<u>\$ 21,357</u>	<u>\$ 550,124</u>	<u>\$ 34,232</u>	<u>\$ 925,890</u>	<u>\$ 7,399</u>	<u>\$ 53,855</u>	<u>\$ 178,307</u>	<u>\$ 106,106</u>	<u>\$ 4,104,302</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,506
-	-	-	-	-	-	-	-	-	-	-	24,459
-	-	-	-	-	-	-	-	-	-	-	17,599
-	-	-	-	-	-	-	-	-	-	-	203,564
-	-	-	-	-	-	-	-	-	-	-	7,645
-	-	-	-	-	-	-	-	-	50,000	-	50,000
-	-	-	-	-	-	-	-	-	-	-	103,622
234,548	14,195	272,261	21,357	550,124	34,232	925,890	7,399	53,855	-	-	1,391,197
-	-	-	-	-	-	-	-	-	-	106,106	2,113,861
-	-	-	-	-	-	-	-	-	128,307	-	106,106
-	-	-	-	-	-	-	-	-	-	-	128,307
<u>234,548</u>	<u>14,195</u>	<u>272,261</u>	<u>21,357</u>	<u>550,124</u>	<u>34,232</u>	<u>925,890</u>	<u>7,399</u>	<u>53,855</u>	<u>178,307</u>	<u>106,106</u>	<u>3,900,738</u>
<u>\$ 234,548</u>	<u>\$ 14,195</u>	<u>\$ 272,261</u>	<u>\$ 21,357</u>	<u>\$ 550,124</u>	<u>\$ 34,232</u>	<u>\$ 925,890</u>	<u>\$ 7,399</u>	<u>\$ 53,855</u>	<u>\$ 178,307</u>	<u>\$ 106,106</u>	<u>\$ 4,104,302</u>

	Promotion Fund	Park and Recreation Trust	Cemetery Improvement Fund	Business Improvement District Fund	Airport Fund	Parking District Fund	Storm Water Maintenance Fund	Library Fines Fund	Aberdeen Landmark Commission Fund	Tax Increment Financing District No. 2 Bonds Fund
<b>Revenues</b>										
<b>310 Taxes:</b>										
311 General property taxes	\$ -	\$ -	\$ -	\$ 66,585	\$ -	\$ 78,947	\$ -	\$ -	\$ -	\$ 314,747
312 Airflight property tax	-	-	-	-	14,730	-	-	-	-	-
313 General sales and use taxes	864,746	-	-	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	62	-	40	-	-	-	91
<b>330 Intergovernmental revenue:</b>										
331 Federal grants	3,000	15,264	-	-	197,074	-	9,297	-	-	-
334 State grants	-	-	-	-	5,941	-	-	-	-	-
335 State shared revenue:	-	-	-	-	-	-	-	-	-	-
335.20 Other	-	-	-	-	13,533	-	-	-	-	-
<b>340 Charges for goods and services:</b>										
344 Sanitation	-	-	-	-	-	-	440,131	-	-	-
346 Culture and recreation	-	642,859	-	-	-	-	-	-	-	-
348 Cemetery	-	-	1,103	-	-	-	-	-	-	-
349 Other	-	-	-	-	255,320	-	-	-	-	-
<b>350 Fines and forfeits:</b>										
354 Library	-	-	-	-	-	-	-	17,725	-	-
359 Other	-	-	-	-	950	-	-	-	-	-
<b>360 Miscellaneous revenue:</b>										
361 Investment earnings	206	823	354	-	497	536	1,934	98	25	5,541
362 Rentals	-	-	-	-	-	1,080	-	-	-	-
367 Contributions and donations from private sources	-	255,657	-	-	-	-	-	-	-	-
369 Other	-	-	-	-	630	-	-	-	1,000	-
<b>Total revenues</b>	<b>867,952</b>	<b>914,603</b>	<b>1,457</b>	<b>66,647</b>	<b>488,675</b>	<b>80,603</b>	<b>451,362</b>	<b>17,823</b>	<b>1,025</b>	<b>320,379</b>
<b>Expenditures</b>										
<b>420 Public safety:</b>										
421 Police	-	-	-	-	-	-	-	-	-	-
422 Fire	-	-	-	-	-	-	-	-	-	-
<b>Total public safety</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>430 Public works:</b>										
431 Highways and streets	-	-	-	-	-	-	446,749	-	-	-
435 Airport	-	-	-	-	1,093,907	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	32,475	-	-	-	-
437 Cemeteries	-	-	2,927	-	-	-	-	-	-	-
<b>Total public works</b>	<b>-</b>	<b>-</b>	<b>2,927</b>	<b>-</b>	<b>1,093,907</b>	<b>32,475</b>	<b>446,749</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>450 Culture and recreation:</b>										
451 Recreation	-	345,375	-	-	-	-	-	-	-	-
452 Parks	-	571,759	-	-	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-	8,295	-	-	-
457 Historical preservation	-	-	-	-	-	-	-	-	230	-
<b>Total culture and recreation</b>	<b>-</b>	<b>917,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,295</b>	<b>-</b>	<b>230</b>	<b>-</b>
<b>460 Conservation and development:</b>										
465 Economic development and assistance (industrial development)	851,005	-	-	66,135	-	-	-	-	-	-
<b>Total conservation and development</b>	<b>851,005</b>	<b>-</b>	<b>-</b>	<b>66,135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>470 Debt service</b>										
<b>Total expenditures</b>	<b>851,005</b>	<b>917,134</b>	<b>2,927</b>	<b>66,135</b>	<b>1,093,907</b>	<b>32,475</b>	<b>446,749</b>	<b>8,295</b>	<b>230</b>	<b>331,356</b>
<b>Excess of revenue over (under) expenditures</b>	<b>16,947</b>	<b>(2,531)</b>	<b>(1,470)</b>	<b>512</b>	<b>(605,232)</b>	<b>48,128</b>	<b>4,613</b>	<b>9,528</b>	<b>795</b>	<b>(10,977)</b>
<b>Other Financing Sources (Uses)</b>										
391.01 Transfers in	-	75,000	-	-	545,563	-	1,325	-	-	-
511 Transfers out	-	(37,320)	-	-	-	(88,670)	-	-	-	-
391.02 Proceeds of general long-term debt issued	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>37,680</b>	<b>-</b>	<b>-</b>	<b>545,563</b>	<b>(88,670)</b>	<b>1,325</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>16,947</b>	<b>35,149</b>	<b>(1,470)</b>	<b>512</b>	<b>(59,669)</b>	<b>(40,542)</b>	<b>5,938</b>	<b>9,528</b>	<b>795</b>	<b>(10,977)</b>
<b>Fund Balance - Beginning</b>	<b>106,648</b>	<b>402,871</b>	<b>22,062</b>	<b>1,413</b>	<b>530,299</b>	<b>351,957</b>	<b>54,078</b>	<b>52,274</b>	<b>13,672</b>	<b>245,525</b>
<b>Fund Balance - Ending</b>	<b>\$ 123,595</b>	<b>\$ 438,020</b>	<b>\$ 20,592</b>	<b>\$ 1,925</b>	<b>\$ 470,630</b>	<b>\$ 311,415</b>	<b>\$ 60,016</b>	<b>\$ 61,802</b>	<b>\$ 14,467</b>	<b>\$ 234,548</b>

**City of Aberdeen**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds**  
**Year Ended December 31, 2010**

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	Tax Increment Financing District No. 6 Bonds Fund	Public Safety Bonds Fund	Tax Increment Financing District No. 8 Bonds Fund	Tax Increment Financing District No. 11 Bonds Fund	Tax Increment Financing District No. 12 Bonds Fund	Wylie Park Campground Expansion Bonds Fund	Cemetery Perpetual Care Fund	Tax Increment Financing District No. 3 Project Fund	Public Safety Projects Fund	Total Nonmajor Governmental Funds
\$ 15,875	\$ -	\$ 21,342	\$ -	\$ -	\$ -	\$ 461,721	\$ 73,449	\$ 35,989	\$ -	\$ -	\$ 78,330	\$ -	\$ 1,146,985
-	-	-	-	-	-	-	-	-	-	-	-	-	14,730
-	-	-	-	-	-	-	536	1	-	-	13	-	864,746
-	-	-	-	-	-	-	-	-	-	-	-	-	743
-	-	-	-	-	-	-	-	-	-	-	-	-	224,635
-	-	-	-	-	-	-	-	-	-	-	-	-	5,941
-	-	-	-	-	-	-	-	-	-	-	-	-	13,533
-	-	-	-	-	-	-	-	-	-	-	-	-	440,131
-	-	-	-	-	-	-	-	-	-	-	-	-	642,859
-	-	-	-	-	-	-	-	-	-	-	-	-	1,103
-	-	-	-	-	-	-	-	-	-	-	-	-	255,320
-	-	-	-	-	-	-	-	-	-	-	-	-	17,725
-	-	-	-	-	-	-	-	-	-	-	-	-	950
5	7,489	16	13,985	4,901	22,190	171	10	8	56	-	125	2,507	61,477
-	-	-	-	-	-	-	-	-	-	-	-	-	1,080
-	-	-	-	-	-	-	-	-	-	1,838	-	-	257,495
-	-	-	-	-	-	-	-	-	-	-	-	-	1,630
<u>15,880</u>	<u>7,489</u>	<u>21,358</u>	<u>13,985</u>	<u>4,901</u>	<u>22,190</u>	<u>461,892</u>	<u>73,995</u>	<u>35,998</u>	<u>56</u>	<u>1,838</u>	<u>78,468</u>	<u>2,507</u>	<u>3,951,083</u>
-	-	-	-	-	-	-	-	-	-	-	-	33,572	33,572
-	-	-	-	-	-	-	-	-	-	-	-	34,704	34,704
-	-	-	-	-	-	-	-	-	-	-	-	68,276	68,276
-	-	-	-	-	-	-	-	-	-	-	-	-	446,749
-	-	-	-	-	-	-	-	-	-	-	-	-	1,093,907
-	-	-	-	-	-	-	-	-	-	-	-	-	32,475
-	-	-	-	-	-	-	-	-	-	-	-	-	2,927
-	-	-	-	-	-	-	-	-	-	-	-	-	1,576,058
-	-	-	-	-	-	-	-	-	-	-	-	-	345,375
-	-	-	-	-	-	-	-	-	-	-	-	-	571,759
-	-	-	-	-	-	-	-	-	-	-	-	-	8,295
-	-	-	-	-	-	-	-	-	-	-	-	-	230
-	-	-	-	-	-	-	-	-	-	-	-	-	925,659
-	-	-	-	-	-	-	-	-	-	-	-	-	917,140
-	-	-	-	-	-	-	-	-	-	-	-	-	917,140
14,008	256,500	-	592,220	266,221	733,268	461,720	73,995	35,998	18,014	-	-	-	2,783,300
14,008	256,500	-	592,220	266,221	733,268	461,720	73,995	35,998	18,014	-	-	-	6,270,433
1,872	(249,011)	21,358	(578,235)	(261,320)	(711,078)	172	-	-	(17,958)	1,838	78,468	2,507	(2,319,350)
-	250,000	-	550,000	-	740,000	-	-	-	18,100	-	-	-	2,179,988
-	-	-	-	-	-	-	-	-	-	-	-	(141,511)	(267,501)
-	-	-	-	-	-	-	-	-	53,713	-	-	-	53,713
-	250,000	-	550,000	-	740,000	-	-	-	71,813	-	-	(141,511)	1,966,200
1,872	989	21,358	(28,235)	(261,320)	28,922	172	-	-	53,855	1,838	78,468	(139,004)	(353,150)
12,322	271,272	-	578,359	295,552	896,967	7,229	-	-	-	176,469	27,639	207,280	4,253,888
<u>\$ 14,194</u>	<u>\$ 272,261</u>	<u>\$ 21,358</u>	<u>\$ 550,124</u>	<u>\$ 34,232</u>	<u>\$ 925,889</u>	<u>\$ 7,401</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,855</u>	<u>\$ 178,307</u>	<u>\$ 106,107</u>	<u>\$ 68,276</u>	<u>\$ 3,900,738</u>

City of Aberdeen  
Combining Statement of Net Assets–Nonmajor Enterprise Funds  
December 31, 2010

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Campground Fund	Golf Fund	Ambulance Fund	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 17,934	\$ 40,113	\$ 50,086	\$ 108,133
115 Accounts receivable, net	118,730	-	174,621	293,351
Total current assets	<u>136,664</u>	<u>40,113</u>	<u>224,707</u>	<u>401,484</u>
<b>Noncurrent Assets</b>				
Capital assets:				
160 Land	-	330,500	-	330,500
162 Buildings	656,697	185,698	-	842,395
164 Improvements other than buildings	-	223,778	-	223,778
166 Machinery and equipment	26,850	397,486	747,847	1,172,183
168 Construction work in progress	823,959	-	-	823,959
Less accumulated depreciation (credit)	<u>(156,973)</u>	<u>(499,898)</u>	<u>(310,555)</u>	<u>(967,426)</u>
Total noncurrent assets	<u>1,350,533</u>	<u>637,564</u>	<u>437,292</u>	<u>2,425,389</u>
Total Assets	<u>\$ 1,487,197</u>	<u>\$ 677,677</u>	<u>\$ 661,999</u>	<u>\$ 2,826,873</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
202 Accounts payable	\$ 2,467	\$ 12,304	\$ 19,744	\$ 34,515
207 Contracts payable - retained percentage	69,191	-	-	69,191
216 Accrued wages payable	-	2,366	16,374	18,740
Total current liabilities	<u>71,658</u>	<u>14,670</u>	<u>36,118</u>	<u>122,446</u>
<b>Noncurrent Liabilities</b>				
233 Accrued leave payable	-	5,692	23,886	29,578
Total noncurrent liabilities	<u>-</u>	<u>5,692</u>	<u>23,886</u>	<u>29,578</u>
<b>Net Assets</b>				
253.10 Invested in capital assets, net of related debt	1,350,533	637,564	437,292	2,425,389
253.90 Unrestricted net assets (deficit)	65,006	19,751	164,703	249,460
Total net assets	<u>1,415,539</u>	<u>657,315</u>	<u>601,995</u>	<u>2,674,849</u>
Total Liabilities and Net Assets	<u>\$ 1,487,197</u>	<u>\$ 677,677</u>	<u>\$ 661,999</u>	<u>\$ 2,826,873</u>

City of Aberdeen

Combining Statement of Revenues, Expenses and Changes in Net Assets–Nonmajor Enterprise Funds  
Year Ended December 31, 2010

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Campground Fund	Golf Fund	Ambulance Fund	
Operating Revenue				
380 Charges for goods and services	\$ 280,593	\$ 251,482	\$ 660,004	\$ 1,192,079
369 Miscellaneous	-	-	41,267	41,267
Total operating revenue	<u>280,593</u>	<u>251,482</u>	<u>701,271</u>	<u>1,233,346</u>
Operating Expenses				
410 Personal services	70,944	205,237	645,264	921,445
420 Other current expenses	154,267	206,780	170,664	531,711
457 Depreciation	15,819	49,211	56,205	121,235
Total operating expenses	<u>241,030</u>	<u>461,228</u>	<u>872,133</u>	<u>1,574,391</u>
Operating Income (Loss)	<u>39,563</u>	<u>(209,746)</u>	<u>(170,862)</u>	<u>(341,045)</u>
Nonoperating Revenue				
361 Investment earnings	1,467	59	19	1,545
(492) 366 Gain (loss) on disposition of assets	-	750	(6,977)	(6,227)
(429) 369.01 Other	-	-	9,000	9,000
Total nonoperating revenue (expense)	<u>1,467</u>	<u>809</u>	<u>2,042</u>	<u>4,318</u>
Income (Loss) Before Contributions, Special Items and Extraordinary Items	41,030	(208,937)	(168,820)	(336,727)
397.07 Capital contributions	-	-	133,000	133,000
391.1 Transfers in	526,288	174,817	215,000	916,105
511 Transfers out	(47,520)	(14,210)	(35,410)	(97,140)
Change in Net Assets	519,798	(48,330)	143,770	615,238
Net Assets - Beginning	<u>895,742</u>	<u>705,645</u>	<u>458,224</u>	<u>2,059,611</u>
Net Assets - Ending	<u>\$ 1,415,540</u>	<u>\$ 657,315</u>	<u>\$ 601,995</u>	<u>\$ 2,674,849</u>

City of Aberdeen  
Combining Statement of Cash Flows–Nonmajor Enterprise Funds  
Year Ended December 31, 2010

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Campground Fund	Golf Fund	Ambulance Fund	
Cash Flows from (used by) Operating Activities				
Receipt from customers	\$ 280,593	\$ 251,482	\$ 638,835	\$ 1,170,910
Payments to suppliers	(203,378)	(127,258)	(169,467)	(500,103)
Payments to employees	(70,944)	(204,284)	(642,078)	(917,306)
Internal activity	-	(74,817)	-	(74,817)
Other receipts (payments)	-	-	41,268	41,268
Net Cash from (used by) Operating Activities	<u>6,271</u>	<u>(154,877)</u>	<u>(131,442)</u>	<u>(280,048)</u>
Cash Flows from (used by) Noncapital Financing Activities				
Transfers from other funds	526,288	174,817	215,000	916,105
Transfers to other funds	(47,520)	(14,210)	(35,410)	(97,140)
Other noncapital receipts	-	-	9,000	9,000
Net Cash from (used by) Noncapital Financing Activities	<u>478,768</u>	<u>160,607</u>	<u>188,590</u>	<u>827,965</u>
Cash Flows from (used by) Capital and Related Financing Activities				
Capital contributions	-	-	133,000	133,000
Purchase of capital assets	(823,959)	(31,189)	(202,535)	(1,057,683)
Net Cash from (used by) Capital and Related Financing Activities	<u>(823,959)</u>	<u>(31,189)</u>	<u>(69,535)</u>	<u>(924,683)</u>
Cash Flows from (used by) Investing Activities				
Interest earnings	1,467	59	19	1,545
Net Cash from (used by) Investing Activities	<u>1,467</u>	<u>59</u>	<u>19</u>	<u>1,545</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(337,453)	(25,400)	(12,368)	(375,221)
Balance - Beginning	355,388	65,513	62,453	483,354
Balance - Ending	<u>\$ 17,935</u>	<u>\$ 40,113</u>	<u>\$ 50,085</u>	<u>\$ 108,133</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used by) Operating Activities:				
Operating income (loss)	\$ 39,563	\$ (209,747)	\$ (170,861)	\$ (341,045)
Adjustments to reconcile operating income (loss) to net cash from (used by) operating activities:				
Depreciation expense	15,819	49,211	56,205	121,235
Changes in assets and liabilities:				
Receivables	(118,730)	-	(21,168)	(139,898)
Accounts and other payables	69,619	4,705	1,196	75,520
Accrued wages payable	-	78	1,616	1,694
Accrued leave payable	-	876	1,570	2,446
Net Cash from (used by) Operating Activities	<u>\$ 6,271</u>	<u>\$ (154,877)</u>	<u>\$ (131,442)</u>	<u>\$ (280,048)</u>
Noncash Investing, Capital and Financing Activities:				
Loss on disposal of capital assets not affecting operating income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,977</u>	<u>\$ 6,977</u>

City of Aberdeen  
Statement of Cash Flows—Discretely Presented Component Unit  
Year Ended December 31, 2010

	Housing and Redevelopment Commission
Operating Activities	
Receipts from tenant payments	\$ 454,459
Receipts for management fees and other	226,099
Payments to employees	(551,942)
Housing assistance payments	(1,482,350)
Payments to suppliers and others	(678,577)
Net Cash used by Operating Activities	(2,032,311)
Noncapital Financing Activities	
HUD grants received	2,118,646
Net Cash from Noncapital Financing Activities	2,118,646
Capital and Related Financing Activities	
HUD grants received	18,963
Purchase of property and equipment	(75,434)
Proceeds on sale of fixed assets	1,250
Payments for interest	(103,710)
Principal payments on long-term debt	(67,833)
Net Cash used by Capital and Related Financing Activities	(226,764)
Investing Activities	
Payment received on advance to related party	8,667
Interest received	78,623
Net Cash from Investing Activities	87,290
Net Change in Cash	(53,139)
Cash Beginning of Year	3,743,799
Cash End of Year	\$ 3,690,660
Cash Consists of:	
Cash	\$ 792,365
Funded security deposits	36,540
Restricted cash	109,734
Restricted deposits	2,752,021
	\$ 3,690,660

City of Aberdeen  
Statement of Cash Flows—Discretely Presented Component Unit  
Year Ended December 31, 2010

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	<u>Housing and Redevelopment Commission</u>
Reconciliation of Operating Loss to	
Net Cash used by Operating Activities:	
Operating loss	\$ (2,343,426)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	350,204
Amortization	1,113
Write off of investment	229
Change in assets and liabilities:	
Rental accounts receivable	376
Other receivables	(119,751)
Prepaid expenses	(1,170)
Accounts payable and other accrued liabilities	77,500
Tenant security deposits	254
Deferred revenues	<u>2,360</u>
Net Cash used by Operating Activities	<u><u>\$ (2,032,311)</u></u>



City of Aberdeen  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2010

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Environmental Protection Agency:			
Indirect Federal Funding:			
SD Department of Environment and Natural Resources:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	*****	\$ 272,811
Nonpoint Source Implementation Grants	66.460	*****	51,132
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468	*****	<u>1,118,399</u>
Total Environmental Protection Agency			<u>1,442,342</u>
Department of Transportation:			
Direct Federal Funding:			
Airport Improvement Program (3-46-001-27)	20.106	3-46-0001-27-07	5,362
Airport Improvement Program (3-46-001-29)	20.106	3-46-0001-27-09	116,461
Airport Improvement Program (3-46-001-30)	20.106	3-46-0001-29-10	<u>75,251</u>
			<u>197,074</u>
Indirect Federal Funding:			
SD Department of Public Safety:			
State and Community Highway Safety	20.600	*****	12,592
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	*****	<u>5,373</u>
			<u>17,965</u>
SD Department of Game, Fish, and Parks:			
Recreational Trails Program	20.219	*****	40,000
SD Department of Transportation:			
ARRA - Highway Planning and Construction (Note 3)	20.205	ES OENH (198) PCW 02F2	<u>550,954</u>
			<u>590,954</u>
SD Department of Transportation:			
Federal Transit - Capital Investment Grants (Section 5309)	20.500	811019-811076	62,265
Formula Grants for Other Than Urbanized Areas (Section 55311 & RTAP)	20.509	810988 & 811075 & RTAP	<u>223,346</u>
			<u>285,611</u>
Total Department of Transportation			<u>1,091,604</u>
Department of Health and Human Services:			
Indirect Federal Funding:			
SD Department of Transportation:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	810988-811075	<u>18,415</u>
Department of Housing and Urban Development:			
Indirect Federal Funding:			
SD Governor's Office of Economic Development, Community Development Block Grants/State's Program	14.228	0909-128	<u>515,000</u>
General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency:			
Donation of Federal Surplus Personal Property (Note 2)	39.003	*****	<u>9,422</u>
National Endowment for the Arts:			
Indirect Federal Funding:			
SD Arts Council:			
ARRA - Promotion of the Arts - Partnership Agreements	45.025	*****	15,000
Promotion of the Arts - Partnership Agreements	45.025	*****	<u>7,250</u>
Total National Endowment for the Arts			<u>22,250</u>
Department of Agriculture:			
Indirect Federal Funding:			
SD Department of Agriculture Cooperative Forestry Assistance	10.664	2009-UCF-010 & 2010-MRC-001 2008-UCF-001 & 2010-UCF-003	<u>14,000</u>

City of Aberdeen  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2010

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Department of Homeland Security:			
Direct Federal Funding:			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR001	24,876
Indirect Federal Funding:			
SD Department of Public Safety:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1915-SD	227,379
Emergency Management Performance Grants	97.042	*****	124,626
Homeland Security Grant Program	97.067	*****	<u>179,053</u>
Total Department of Homeland Security			<u>555,934</u>
Department of Justice:			
Direct Federal Funding:			
Bulletproof Vest Partnership Program	16.607	*****	375
ARRA - Public Safety Partnership and Community Policing Grants	16.710	SD00601	40,910
Indirect Federal Funding:			
SD Department of Public Safety:			
Enforcing Underage Drinking Laws Program	16.727	*****	10,264
SD Attorney General			
Missing Children's Assistance	16.543	*****	<u>1,504</u>
Total Department of Justice			<u>53,053</u>
Total Expenditures of Federal Awards			<u>\$ 3,722,020</u>
***** "No" Pass-Through Entity Identifying Number Given			

**Note 1** This schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the full accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**Note 2** The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City.

**Note 3** Of the federal expenditures presented in the above schedule, the City provided federal awards to subrecipients as follows:

CFDA Number 20.205 – ARRA - Highway Planning and Construction - \$550,954

## **Financial Statement Findings**

### **2007-2, 2008-2, and 2009-1 Financial Statement Adjustments**

Condition: During the 2007, 2008, and 2009 audits, the auditors identified certain items during their audit procedures that required adjustment to the financial statements and related notes that were material.

Status: As of December 31, 2010, the City has implemented additional review procedures over adjusting journal entries and financial statement preparation and this finding is considered to be resolved as of December 31, 2010.

### **2008-3 and 2009-2 Computer Security Measures**

Condition: During the 2008 and 2009 audits, it was noted that the City of Aberdeen did not have a formal documented standard that defined the minimum password complexity for computer terminals. There were also no periodic password changes required for computer terminals.

Status: As of December 31, 2010, the City established new policies that computers lock after employees are away for five minutes and requires re-entering a password to log back in to the computer. New employee passwords are also required to be more complex with the use of symbols and upper and lower case letters. Based on these changes, this finding has been resolved as of December 31, 2010.

## **Federal Award Program Findings**

### **Finding 2009-3 Davis-Bacon**

Department of Transportation  
Pass-Through Entity – South Dakota Department of Transportation  
Highway Planning and Construction – CFDA #20.205

Condition: During the 2009 audit, the auditors identified that the City did not review contractor payrolls as required by the grant agreement.

Status: As of December 31, 2010 the finding has been resolved.

### **Finding 2009-4 Program Income**

Department of Transportation  
Pass-Through Entity – South Dakota Department of Transportation  
Formula Grants for Other Than Urbanized Areas – CFDA #20.509

Condition: During the 2009 audit, the auditors identified an internal control deficiency in the review of reported program income that caused the City to understate program income in reports submitted to the State Department of Transportation.

Status: During 2010, the City corrected the 2009 errors identified during the audit and the City worked in conjunction with the State Department of Transportation to make a corrective adjustment to correct for the previous errors. However, errors were also discovered in 2010; therefore, as of December 31, 2010, this finding is not considered to be resolved and has been restated as Finding 2010-4. See Finding 2010-4 for the current correction action planned for this item.

**Finding 2009-5 Reporting**

Department of Transportation  
Pass-Through Entity – South Dakota Department of Transportation  
Formula Grants for Other Than Urbanized Areas – CFDA #20.509

Condition: During the 2009 audit, the auditors identified a deficiency in internal control such that some of the payroll related expenses included in monthly reports to the State were incorrect which resulted in an overstatement of administrative expense reported to the State and correspondingly, an overpayment of grant dollars to the City.

Status: As of December 31, 2010, this finding has been resolved.



CPAs & BUSINESS ADVISORS

## **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***

To the City Council  
City of Aberdeen  
Aberdeen, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2010, which collectively comprise the City of Aberdeen's basic financial statements and have issued our report thereon dated July 21, 2011. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Aberdeen's internal control over financial reporting as a basis for designing our auditing procedures 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 of Aberdeen's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Aberdeen's internal control over financial reporting.

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 City of Aberdeen's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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## Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the entity, City Council, the South Dakota Department of Legislative Audit, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. 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 Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota  
July 21, 2011



**Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

To the City Council  
City of Aberdeen  
Aberdeen, South Dakota

**Compliance**

We have audited the compliance of the City of Aberdeen, South Dakota, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The City of Aberdeen's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Aberdeen's management. Our responsibility is to express an opinion on the City of Aberdeen's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of 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 of Aberdeen'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. Our audit does not provide a legal determination of the City of Aberdeen's compliance with those requirements.

As described in item 2010-1 in the accompanying schedule of findings and questioned costs, the City of Aberdeen did not comply with requirements regarding Special Tests and Provisions - Separate Accountability for ARRA Funding and Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form for the Capitalization Grants for Drinking Water State Revolving Funds program (CFDA # 66.468). Compliance with such requirements is necessary, in our opinion, for the City of Aberdeen to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Aberdeen complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

## Internal Control Over Compliance

The management of the City of Aberdeen is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Aberdeen's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Aberdeen's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 significant deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2010-1 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2010-2, 2010-3 and 2010-4 to be significant deficiencies.

The City of Aberdeen's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Aberdeen's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, others within the entity, City Council, the South Dakota Department of Legislative Audit, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. As required by South Dakota Codified law 4-11-11, this report is a matter of public record and its distribution is not limited.



Aberdeen, South Dakota  
July 21, 2011



**Part I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?                      yes       X       no
- Significant deficiencies identified that are not considered to be material weaknesses?                      yes       X       none reported

Noncompliance material to financial statements noted?                      yes       X       no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?       X       yes                      no
- Significant deficiencies identified that are not considered to be material weaknesses?       X       yes                      none reported

Type of auditor's report issued on compliance for major programs: Qualified for 66.468; Unqualified for all other major programs

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?       X       yes                      no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants
20.205	ARRA - Highway Planning and Construction
20.219	Recreational Trails Program
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs? \$ 300,000

Auditee qualified as low-risk auditee?                      yes       X       no

**Part II – Findings Relating to the Financial Statements**

None.

### **Part III - Findings and Questioned Costs for Federal Award Programs**

#### **Material Weakness / Material Noncompliance**

##### **Finding 2010-1 Special Tests and Provisions – Separate Accountability for ARRA Funding and Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form**

Environmental Protection Agency

Pass-Through Entity – South Dakota Department of Environment and National Resources

ARRA – Capitalization Grants for Drinking Water State Revolving Funds – CFDA #66.468 - Grant Period – Year Ending December 31, 2010

Criteria: 2 CFR Section requires that an entity to account for ARRA funds separately from other funding as well as specifically identify all ARRA funds expended on the Schedule of Expenditures of Federal Awards and Data Collection Form.

Condition: The internal control structure did not identify that the schedule of federal awards drafted by management did not separately account for or identify ARRA funding as it relates to this federal program.

Questioned Costs: None

Effect: Total ARRA Funding received by the City during 2010 was understated by the omission of identifying the funds received under this program as ARRA funds.

Cause: When preparing the Schedule of Federal Awards, management was not aware that the funding received was ARRA funds and internal controls did not prevent this omission.

Recommendation: We recommend when drafting the Schedule of Expenditures of Federal Awards that all ARRA funds expended are properly identified and segregated on the schedule.

Management Response: The City will properly identify and segregate all ARRA funds received on all subsequent schedules of expenditures of federal awards.

#### **Significant Deficiency**

##### **Finding 2010-2 Suspension/Debarment**

Department of Transportation

Pass-Through Entity – South Dakota Department of Game, Fish, and Parks

Recreational Trails Program – CFDA #20.219 - Grant Period – Year Ending December 31, 2010

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

Condition: The City did not perform a search to determine if the contractor awarded the bid for work under this grant program was considered suspended or debarred. Alternatively, the City also did not have the contractor sign a certification that they were not suspended or debarred.

Questioned Costs: None

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

Cause: The City missed including this information in the bid documents prepared by the project engineer and did not perform a search for suspended or debarred contractors.

Recommendation: We recommend the City take necessary steps to ensure that they are following all compliance requirements for a given grant and to ensure compliance with the terms of the program.

Management Response: The City will implement controls to ensure compliance with grant requirements regarding suspended or debarred contractors.

### **Significant Deficiency**

#### **Finding 2010-3 Subrecipient Monitoring**

Department of Transportation

Pass-Through Entity – South Dakota Department of Game, Fish, and Parks

ARRA – Highway Planning and Construction – CFDA #20.205 - Grant Period – Year Ending December 31, 2010

Criteria: Section 1512(h) of ARRA and 2 CFR section 176.50(c) require a pass-through entity to identify to its subrecipients the requirement for them to obtain a Dunn & Bradstreet Data Universal Numbering System (DUNS) number and to check that the subrecipient has completed the proper registrations.

Condition: The City did not notify the subrecipient of the requirement to obtain a DUNS number and did not perform a check to see if the subrecipient had already obtained this number.

Questioned Costs: None

Effect: Failure to notify subrecipients of these requirements could lead to ineligible organizations receiving federal funds.

Cause: The City was unaware of this requirement for this grant program.

Recommendation: We recommend the City take necessary steps to ensure that they are aware of all compliance requirements for a given grant and to ensure compliance with the terms of the program.

Management Response: The City will implement controls to review grants for specific requirements unique to each grant and ensure compliance with those requirements.

**Significant Deficiency**

**Finding 2010-4 Program Income**

Department of Transportation

Pass-Through Entity – South Dakota Department of Transportation

Formula Grants for other than Urbanized Areas – CFDA #20.509; Grant Period – Grant Years ending September 30, 2010 and 2011

Criteria: Section 7 of the grant agreement with the South Dakota Department of Transportation requires that the City submit reports related to the program as the State requires. Included in the format required by the State is a factor that before the monthly reimbursement for operational expenses is calculated, total fares, sponsorships, and contract income collected by the program (program income) are to be first deducted from the total operational expenses for that month.

Condition: During the calendar year ended December 31, 2010, the internal control structure of the program did not identify that after hour fare income collected by the City should be included in the monthly reports that were submitted to the South Dakota Department of Transportation.

Questioned Costs: None

Effect: There is potential that incorrect amounts could get reported on the monthly reports, resulting in over or under payment from the State.

Cause: This error was caused by the City not including after hour fares in the program income portion of the monthly report.

Recommendation: We recommend that management take more care to ensure that all income sources which would be considered program income are included in the monthly reports submitted to the South Dakota Department of Transportation.

Management Response: The City will implement controls to reconcile program income deposits on the accounting system to reports submitted to the State to ensure all income sources are included in the monthly reports.



## CITY OF ABERDEEN

123 South Lincoln  
Aberdeen, South Dakota 57401-4215

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

COMPUTER  
(605) 626-7044

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

### Corrective Action Plan (Unaudited)

#### Cognizant or Oversight Agency for Audit

The City of Aberdeen respectfully submits the following corrective action plan for the year ended December 31, 2010.

Name and address of independent public accounting firm: Eide Bailly LLP  
24 Second Avenue SW  
PO Box 430  
Aberdeen, SD 57402-0430

Audit Period: January 1, 2010 to December 31, 2010

The findings from the 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### Findings - Financial Statement Audit

None.

#### Findings - Federal Award Programs

##### **Finding 2010-1 Special Tests and Provisions – Separate Accountability for ARRA Funding and Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form**

Environmental Protection Agency  
Pass-Through Entity – South Dakota Department of Environment and National Resources  
ARRA – Capitalization Grants for Drinking Water State Revolving Funds – CFDA #66.468 - Grant Period – Year Ending December 31, 2010

Condition: The internal control structure did not identify that the schedule of federal awards drafted by management did not separately account for or identify ARRA funding as it relates to this federal program.

Recommendation: The auditors recommend when drafting the Schedule of Expenditures of Federal Awards that all ARRA funds received are properly identified and segregated on the schedule.

Management Response: The City will properly identify and segregate all ARRA funds received on all subsequent schedules of expenditures of federal awards.

Contact Person: Karl Alberts

Anticipated Completion Date: December 31, 2011

**Finding 2010-2 Suspension/Debarment**

Department of Transportation

Pass-Through Entity – South Dakota Department of Game, Fish, and Parks

Recreational Trails Program – CFDA #20.219 - Grant Period – Year Ending December 31, 2010

Condition: The City did not perform a search to determine if the contractor awarded the bid for work under this grant program was considered suspended or debarred. Alternatively, the City also did not have the contractor sign a certification that they were not suspended or debarred.

Recommendation: The auditors recommend the City take necessary steps to ensure that they are following all compliance requirements for a given grant and to ensure compliance with the terms of the program.

Management Response: The City will implement controls to ensure compliance with grant requirements regarding suspended or debarred contractors.

Contact Person: Karl Alberts

Anticipated Completion Date: December 31, 2011

**Finding 2010-3 Subrecipient Monitoring**

Department of Transportation

Pass-Through Entity – South Dakota Department of Game, Fish, and Parks

ARRA – Highway Planning and Construction – CFDA #20.205 - Grant Period – Year Ending December 31, 2010

Condition: The City did not notify the subrecipient of the requirement to obtain a DUNS number and did not perform a check to see if the subrecipient had already obtained this number.

Recommendation: The auditors recommend the City take the necessary steps to ensure that they are aware of all compliance requirements for a given grant and to ensure compliance with the terms of the program.

Management Response: The City will implement controls to review grants for specific requirements unique to each grant and ensure compliance with those requirements.

Contact Person: Karl Alberts

Anticipated Completion Date: December 31, 2011

**Finding 2010-4 Program Income**

Department of Transportation  
Pass-Through Entity – South Dakota Department of Transportation  
Formula Grants for Other Than Urbanized Areas – CFDA #20.509; Grant Period – Grant Years Ending  
September 30, 2010 and 2011

Condition: During the calendar year ended December 31, 2010, the internal control structure of the program did not identify that after hour fare income collected by the City should be included in the monthly reports that were submitted to the South Dakota Department of Transportation.

Recommendation: The City should reconcile monthly and cumulative deposits recorded by the accounting system for program income to the monthly reports submitted to the State to ensure that all income sources are included in monthly reports.

Management Response: The City will implement controls to reconcile program income deposits on the accounting system to reports submitted to the State to ensure all income sources are included in the monthly reports.

Contact Person: Karl Alberts

Anticipated Completion Date: December 31, 2011

If there are questions regarding this plan, please call Karl Alberts at (605) 626-7034 or address any correspondence to the above address. Thank you.

Sincerely,



Karl Alberts, CPA Inactive  
Finance Officer