



Financial Statements  
December 31, 2022

City of Aberdeen

**City Council**

**Expires**

Mayor .....	Travis Schaunaman.....	2024
NE District Council Member.....	Erin Fouberg .....	2027
NE District Council Member.....	Rob Ronayne .....	2023
NW District Council Member .....	Charlotte Liebelt.....	2022
NW District Council Member .....	Josh Rife .....	2024
SE District Council Member .....	David Novstrup.....	2022
SE District Council Member .....	Tiffany Langer.....	2025
SW District Council Member.....	Justin Reinbold.....	2025
SW District Council Member .....	Alan Johnson .....	2023

**Appointive Officers**

City Manager .....	Joe Gaa
Finance Officer .....	Jordan McQuillen
City Attorney .....	Ronald A. Wager

## Governing Boards

### Parks, Recreation & Forestry Board (5 Years)

#### Expires

David Sandvig, President.....	2026
Nick Gehrts.....	2023
Dewey Tullar .....	2024
Jake Cramond.....	2026
Doug Farrand .....	2025
Tarah Heupel.....	2024
Kristin Morris .....	2026

### Airport Board (5 Years)

#### Expires

Carl Perry, Chairperson .....	2024
Anthony Schwan .....	2026
Lon Gellhaus.....	2027
Mike Erickson.....	2025

### Library Board (3 Years)

#### Expires

Lynn Klundt, President .....	2026
Missy Hill .....	2024
Cindy Senger .....	2023
Troy McQuillen.....	2026
Peter Ramey.....	2026

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## Independent Auditor's Report

The City Council  
City of Aberdeen  
Aberdeen, South Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Adoption of New Accounting Standard*

As discussed in Note 2 to the financial statements, the City of Aberdeen has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended December 31, 2022. Accordingly, as a result of implementing this standard, there was no effect on beginning net position or fund balance as January 1, 2022. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, discretely presented component unit's statement of cash flows and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the discretely presented component unit's statement of cash flows, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the listing of municipal officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2023, 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, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Aberdeen, South Dakota  
September 25, 2023



The following is a discussion and analysis of the City of Aberdeen's (hereinafter 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, 2022. 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 \$215.029 million (reported as net position), an increase of \$6.997 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 \$31.996 million, with \$9,426,822 reported as unassigned, \$3,597,837 reported as assigned, \$11,620,238 reported as committed, \$6,545,191 reported as restricted, and the remaining amount of \$806,252 reported as nonspendable. At the end of the fiscal year, the fund balance for the General Fund was \$16,267,776, of which \$9,426,959 was unassigned, \$514,850 was assigned, \$5,653,659 was committed, \$9,340 was restricted, and \$662,968 was reported as nonspendable.

Proprietary funds reported a total net position at year-end of \$55.527 million, an increase of approximately \$2.662 million during the year.

### **Long-Term Debt**

The primary government's total long-term outstanding loans and bonded debt totaled \$34.847 million, a decrease of \$2,968,688 from the previous year. Of the total outstanding loans and bonded debt, \$25.201 million is backed by the City. The decrease represents principal payments of \$3,994,169 of outstanding debt. Although unpledged, water charges are assumed to be responsible for repayment of the State Revolving Loan for water treatment improvements. Conversely, sewer charges have been pledged and will make the repayment of the State Revolving Loan for sewer treatment improvement. Sales tax revenues have been pledged for the repayment of the State Revolving Loan for automated water meter upgrades.

## **Overview of the Financial Statements**

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

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

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

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

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

- **Governmental Activities.** The governmental activities of the City include general government; parks, recreation, and forestry; airport; public works; public safety; health and welfare; library; conservation and economic development; and, interest expense. Taxes, fees, unrestricted investment earnings, and intergovernmental revenues (federal and state grants) finance most of the costs of these activities.
- **Business-Type Activities.** The City charges fees to customers to help cover all or most of the cost of certain services it provides. Water, Sewer, Parks and Rec Enterprise, and Lee Park Golf 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 of the City of Aberdeen, South Dakota

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

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

### **Governmental Funds**

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

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

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

### **Proprietary Funds**

Proprietary funds include enterprise funds and internal service funds and account for the 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 proprietary 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 four individual proprietary funds, of which the City presents two (Water and Sewer) as major funds. The proprietary funds are as follows: Water Fund, Sewer Fund, Parks and Rec Enterprise Fund, and Lee Park Golf Fund. These proprietary funds are presented separately in the proprietary funds statement of net position and statement of revenues, expenses, and changes in net position.

### **Fiduciary Funds**

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

### **Component Unit**

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

### **Notes to the Financial Statements**

The notes provide additional narrative and financial information essential to fully understand the data provided in the government-wide financial statements, fund financial statements, and component unit financial statements. The notes to the financial statements are located immediately following the statement of net position – fiduciary funds and statement of change in net position – fiduciary funds.

### **Required Supplementary Information**

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

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

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

### Other Supplementary Information

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

### Government-Wide Financial Analysis

#### Net Position

As presented in the following table, total assets and deferred outflows of the City on December 31, 2022, were \$264.109 million, while total liabilities and deferred inflows were \$49.080 million, resulting in combined net position (governmental and business-type activities) of \$215.029 million.

	City of Aberdeen Net Position					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 40,338,602	\$ 43,868,475	\$ 14,718,292	\$ 13,733,747	\$ 55,056,894	\$ 57,602,222
Capital Assets	145,289,839	142,841,240	57,044,065	54,825,930	202,333,904	197,667,170
Total Assets	185,628,441	186,709,715	71,762,357	68,559,677	257,390,798	255,269,392
Deferred Outflows of Resources	6,066,403	7,062,485	651,975	733,932	6,718,378	7,796,417
	191,694,844	193,772,200	72,414,332	69,293,609	264,109,176	263,065,809
Noncurrent Liabilities Outstanding	24,792,928	25,639,980	10,054,545	12,176,180	34,847,473	37,816,160
Other Liabilities	2,487,592	2,453,388	6,432,307	3,270,640	8,919,899	5,724,028
Total Liabilities	27,280,520	28,093,368	16,486,852	15,446,820	43,767,372	43,540,188
Deferred Inflows of Resources	4,912,374	10,511,708	400,084	981,497	5,312,458	11,493,205
	32,192,894	38,605,076	16,886,936	16,428,317	49,079,830	55,033,393
Net Position:						
Net Investment in Capital Assets	132,078,276	129,516,922	47,401,585	42,742,984	179,479,861	172,259,906
Restricted	9,030,106	8,407,007	1,877,248	1,834,925	10,907,354	10,241,932
Unrestricted	18,393,568	17,243,195	6,248,563	8,287,383	24,642,131	25,530,578
Total Net Position	\$159,501,950	\$155,167,124	\$55,527,396	\$52,865,292	\$215,029,346	\$208,032,416

The largest component of the City's net position, 83.47% (up from 82.8% in 2021), is investments in capital assets (land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress, and right-to-use leased assets), less depreciation and amortization 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 5.07% (an increase from 4.9% in 2021) 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, \$24.642 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.

### Changes in Net Position

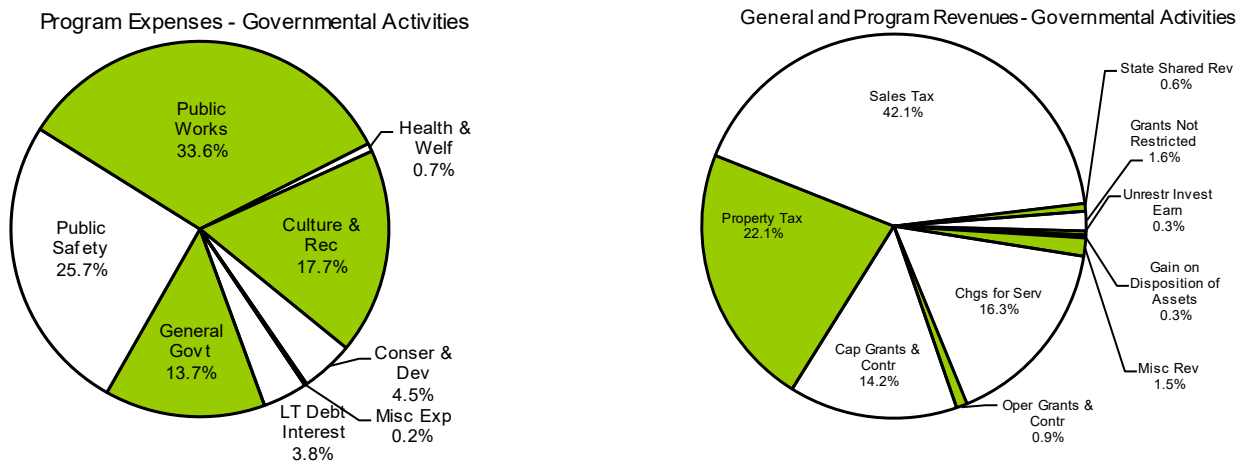
The following table summarizes financial information derived from the government-wide statement of activities and reflects how the City's net position changed during fiscal years 2022 and 2021.

City of Aberdeen Changes in Net Position Fiscal Year Ended December 31						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 8,999,435	\$ 8,656,936	\$ 13,270,827	\$ 13,457,123	\$ 22,270,262	\$ 22,114,059
Operating Grants and Contributions	913,706	486,377	16,500	-	930,206	486,377
Capital Grants and Contributions	3,049,125	7,535,321	473,268	268,562	3,522,393	7,803,883
General Revenues:						
Property Taxes	12,112,150	11,756,863	-	-	12,112,150	11,756,863
Sales Taxes	22,892,346	22,379,633	-	-	22,892,346	22,379,633
State Shared Revenues	456,978	345,270	-	-	456,978	345,270
Grants and Contributions Not						
Restricted to Specific Programs	416,784	875,330	-	-	416,784	875,330
Unrestricted Investment Earnings	397,887	174,592	112,010	36,177	509,897	210,769
Gain on Disposition of Assets	-	135,290	53,104	-	53,104	135,290
Miscellaneous	614,640	811,157	117,158	326,505	731,798	1,137,662
Total Revenues	49,853,051	53,156,769	14,042,867	14,088,367	63,895,918	67,245,136
Program Expenses:						
General Government	6,621,768	5,900,160	-	-	6,621,768	5,900,160
Public Safety	11,721,464	10,897,739	-	-	11,721,464	10,897,739
Public Works	14,662,848	14,175,178	-	-	14,662,848	14,175,178
Health and Welfare	407,348	298,854	-	-	407,348	298,854
Cultural and Recreation	8,208,131	7,471,948	-	-	8,208,131	7,471,948
Conservation and Development	1,956,750	1,918,774	-	-	1,956,750	1,918,774
Miscellaneous Expenditures	3,720	78,680	-	-	3,720	78,680
Interest on Long-term Debt	1,448,937	1,614,135	-	-	1,448,937	1,614,135
Water	-	-	6,225,285	5,776,318	6,225,285	5,776,318
Sewer	-	-	3,659,717	3,440,214	3,659,717	3,440,214
Park and Rec Enterprise	-	-	1,235,191	1,033,351	1,235,191	1,033,351
Golf	-	-	747,829	680,806	747,829	680,806
Total Expenses	45,030,966	42,355,468	11,868,022	10,930,689	56,898,988	53,286,157
Excess Before Transfers and Extraordinary Items	4,822,085	10,801,301	2,174,845	3,157,678	6,996,930	13,958,979
Transfers	(487,259)	142,608	487,259	(142,608)	-	-
Change in Net Position	4,334,826	10,943,909	2,662,104	3,015,070	6,996,930	13,958,979
Change in Accounting Estimate	-	(431,439)	-	(213,679)	-	(645,118)
Net Position – Beginning	155,167,124	144,654,654	52,865,292	50,063,901	208,032,416	194,718,555
Net Position – Ending	\$159,501,950	\$155,167,124	\$55,527,396	\$52,865,292	\$215,029,346	\$208,032,416

## Governmental Activities

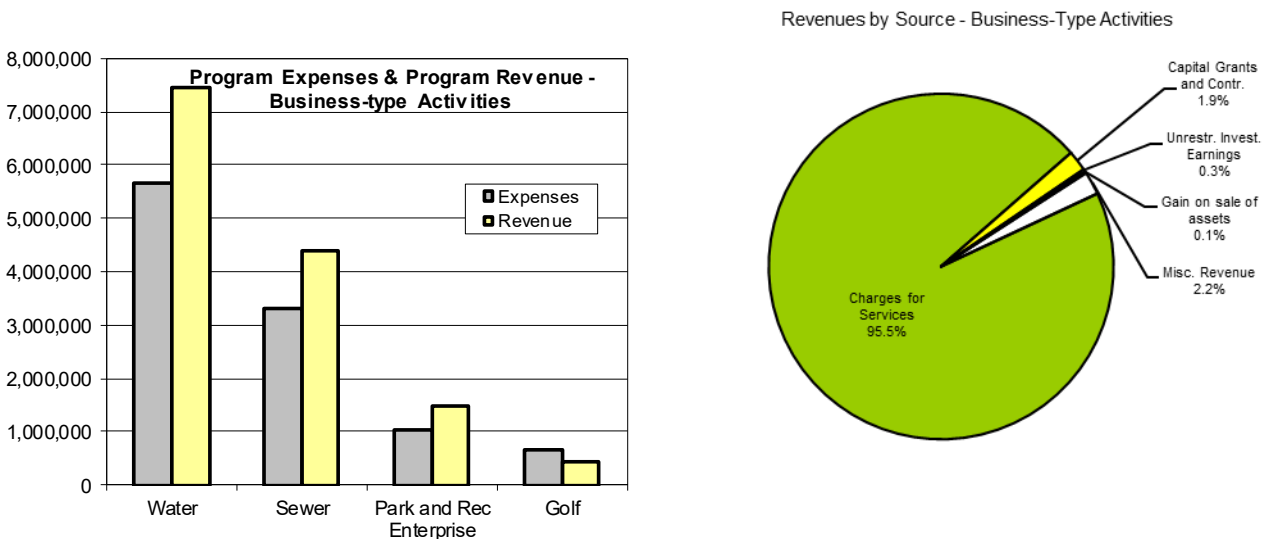
Governmental activities increased the City's net position by \$4,334,826. Factors contributing to these results include:

- An increase in property tax of \$355,287;
- An increase in charges for goods and services of \$342,499;



## Business-Type Activities

Net position of the business-type activities increased by \$2,662,104 during 2022, as compared to an increase of \$2,801,391 during 2021. Factors contributing to these results include a decrease in charges for goods and services of \$186,296 and an increase in overall expenses of \$937,333.





## Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity.

### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows and outflows during the fiscal year and on balances of spendable resources as of fiscal year-end. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. However, this measure must be used with care because large portions of the balance may relate to internally imposed limitations, such as statutory language, which could limit resource use.

At the end of fiscal year 2022, the City's governmental funds reported combined ending fund balances of \$31.996 million, an increase of approximately \$2.61 million in comparison with the prior year.

Approximately 2.52%, or \$806,252 of the combined ending fund balances, is reported as nonspendable to indicate that it is not available for new spending because it has already been committed as a variety of non-current assets.

Approximately 20.46%, or \$6,545,191 of the combined ending fund balances, is reported as restricted to indicate that it is constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Approximately 36.32%, or \$11,620,238 of the combined ending fund balances, is reported as committed to indicate that it is intended to be used for specific purposes as legislated by the City Council.

Approximately 11.24%, or \$3,597,837 of the combined ending fund balances, is reported as assigned to indicate that it is intended to be used for specific purposes that are neither considered restricted nor committed. \$514,850 of this amount is assigned to be used only for 2022 appropriations.

The remaining 29.46%, or \$9,426,822 of the combined ending fund balances, constitutes unassigned 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 2022 were the General Fund, the Special Sales Tax Fund, the Airport Fund, and the Park and Recreation Fund. The General Fund is the chief operating fund of the City. At the end of the fiscal year, the assigned and unassigned fund balance of the General Fund was \$9.942 million, of which \$514,850 was assigned only to be used to fund 2023 appropriations. Total fund balance at the end of the current fiscal year was \$16.268 million. As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned fund balances to total fund expenditures. Assigned and unassigned fund balances represent 42.65% (40.31% in 2021) of the total General Fund operating expenditures.

Overall, the fund balance of the City's General Fund increased by \$991,511 during the current fiscal year. This is a 6.49% increase from the prior year's ending fund balance. The increase primarily resulted from increased federal grant receipts (approximately \$340,638), higher than expected sales of licenses and permits (approximately \$116,122), and a reduction in overall expenses (approximately \$1,638,397).

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, the committed fund balance of the Special Sales Tax Fund was \$5,966,579. Total fund balance at the end of the current fiscal year was also \$5,966,579.

Overall, the fund balance of the City's Special Sales Tax Fund decreased by \$1,077,285 during the current fiscal year. This is a 15.29% decrease in fund balance from the prior year. The decrease primarily resulted from increased public works activity (approximately \$7.836 million).

The Park and Recreation Fund is the fund created by the City to account for the activities associated with those departments. At the end of the fiscal year, nonspendable fund balance of the Park and Recreation Fund was \$71,914 and the restricted fund balance was \$517,998. Total fund balance at the end of the current fiscal year was \$589,912.

The Airport Fund is the fund created by the City to account for the activities associated with that department. At the end of the fiscal year assigned fund balance was \$3,082,987. Total fund balance at the end of the current fiscal year was also \$3,082,987.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following proprietary funds are reported as major funds and had significant changes to net position during fiscal year 2022:

#### **Water Fund**

At the end of fiscal year 2022, the Water Fund reported total net position of \$26.204 million, an increase of approximately \$1,021,146 (4.05%) in comparison with the prior year. During 2022, the Water Fund produced an operating income (before contributions and operating transfers) in the amount of \$957,863 on total operating revenue of \$7.106 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$1,760,086 on total operating revenue of \$7.432 million. The increase in total net position was largely the result of higher revenues due to dry summer months offset slightly by higher cost of production from the increased consumption.

### **Sewer Fund**

At the end of fiscal year 2022, the Sewer Fund reported total net position of \$25.442 million, an increase of \$838,978 (3.41%) in comparison with the prior year. During 2022, the Sewer Fund produced operating income (before contributions and operating transfers) in the amount of \$625,023 on total operating revenue of \$4.213 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$1,104,536 on total operating revenue of \$4.401 million. The increase in total net position was largely the result of continued production by industrial users.

### **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 \$1,635,700 (or 7.01%) of increases in operational appropriations and can be summarized as follows:

\$450,000 in supplemental appropriations to Contingency.

\$100,200 in supplemental appropriations to General Government for personnel services, water consumption expenses, and general government expenses covered by grants.

\$526,300 in supplemental appropriations to Public Safety for fire department expenses covered by grants, overtime, repairs, and water consumption, police salaries, and vehicle maintenance.

\$526,200 in supplemental appropriations to Public Works departments for personnel services, water consumption expenses, and fuel expenses.

\$3,000 in supplemental appropriations to Culture and Recreation departments for water consumption at the Library.

\$30,000 in supplemental appropriations to Conservation and Development departments for economic development purposes.

Actual spending was less than the original budget for General Fund total operating expenditures by \$92,827, and was less than the final amended budget by \$1,728,527.

Overall, there were no instances of over-spending 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, 2022, is \$202.33 million (net of accumulated depreciation and amortization) as compared to \$197.667 million the previous year. This investment in capital assets includes land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; construction in progress, and right-to-use lease assets.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land	\$ 12,988,292	\$ 12,564,620	\$ 802,027	\$ 802,027	\$ 13,790,319	\$ 13,366,647
Buildings	47,925,033	47,772,383	64,520,205	64,520,205	112,445,238	112,292,588
Improvements other than Buildings	158,507,820	143,955,822	36,463,421	33,540,380	194,971,241	177,496,202
Machinery and Equipment	28,605,433	26,951,287	8,470,457	8,281,360	37,075,890	35,232,647
Construction in Progress	4,777,875	14,285,462	1,956,425	1,049,940	6,734,300	15,335,402
Right-To-Use Leased Assets	753,628	-	503,180	-	1,256,808	-
Total Capital Assets	253,558,081	245,529,574	112,715,715	108,193,912	366,273,796	353,723,486
Accumulated Depreciation	108,192,879	102,688,334	55,442,302	53,367,982	163,635,181	156,056,316
Accumulated Amortization	75,363	-	229,348	-	304,711	-
<b>Total Capital Assets, Net</b>	<b>\$145,289,839</b>	<b>\$142,841,240</b>	<b>\$57,044,065</b>	<b>\$54,825,930</b>	<b>\$202,333,904</b>	<b>\$197,667,170</b>

The City's investment in capital assets (net of accumulated depreciation) increased from fiscal year 2021 to 2022 by 2.36%. Governmental capital projects completed during 2022 include a new street sweeper in Streets at a total cost of about \$216,229, a new refuse truck in Solid Waste at a total cost of about \$120,293, a new motor grader in Streets at a total cost of about \$327,500, street improvements at a total cost of about \$3,517,061, and airport taxiway improvements at a total cost of about \$4,609,405. Business-type capital projects completed during 2022 include standby generator improvements at a total cost of about \$527,286, improvements at the water reclamation facility in the amount of \$2,437,325, a vacuum truck at a cost of \$436,796, and a new dump truck at a cost of \$114,042.

More detailed information on the City's capital assets can be found in Note 8 in the Notes to the Financial Statements.

### **Debt Administration**

South Dakota Codified Law Section 9-25-1 describes the authority of the City to incur debt. 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 2022 general-purpose debt limitation for the City is \$109,676,719, which is \$84,883,791 in excess of the City's outstanding bonded debt classified as general-purpose debt.

At the end of the current fiscal year, primary government - governmental activities had total note and bonded debt outstanding of \$24,792,928 and business-type activities had total note and bonded debt outstanding of \$10,054,545.

Additional information on the City's long-term debt obligations is located in Note 9 in the Notes to the Financial Statements.

### **Economic Condition and Outlook**

The City has experienced stable economic and property growth in recent years which has resulted in steady revenue streams—sales tax revenue increased by about 21% in 2020, decreased by about 2.3% in 2021, and increased about 3.89% in 2022. The 2020 increase was due to significant construction projects and also represents the first year of internet sales tax collection. Aberdeen's growth in property tax valuation due to new construction and changes to existing property has consistently averaged around 2.5 - 3% annually, with growth of approximately 3.51% in 2020, 2.20% in 2021, and 3.02% in 2022.

### **Future Construction Activity**

During 2022, the City continued work on re-constructing the Kline Street storm sewer system. This portion of the storm water sewer system is decades old and appears to be one source of inflow and infiltration (I&I) with the City sanitary system. This I&I problem caused extreme volumes of storm water entering the City's sanitary system during flooding in 2007, 2009, 2010, and 2011, resulting in emergency releases of highly diluted raw sewage into Moccasin Creek. These releases constituted a violation of the City's surface water discharge permit, as outlined in a Notice of Violation and Order (Notice) from the South Dakota Department of Environment and Natural Resources (DENR). Included in the Notice are Orders by DENR outlining a corrective action plan, of which the Kline Street storm water sewer system reconstruction is a major component. The Kline Street project is an aggressive multi-year project with several funding sources, including City funds and state and federal grants and loans. Each segment of the project will be bid separately. As the project is completed, it may require additional reconstruction that may be time sensitive. The City has alternative funding sources (including issuance of sales tax revenue bonds) to address these additional project costs, if and when they may occur. The City is also undertaking a multi-year project to improve the Moccasin Creek drainage system. Improvements will be funded in a manner similar to the Kline Street project.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact the Finance Office, 123 South Lincoln Street, Aberdeen, South Dakota, 57401, (605) 626-7026.

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

City of Aberdeen  
Statement of Net Position—Exhibit I  
December 31, 2022

	Primary Government			Component Unit
	Governmental	Business-Type		Housing and
	Activities	Activities	Total	Redevelopment
				Commission
Assets				
Cash and cash equivalents	\$ 27,139,724	\$ 11,476,307	\$ 38,616,031	\$ 2,926,098
Investments	6,604,713	1,524,165	8,128,878	-
Accounts receivable, net	5,730,636	895,271	6,625,907	470,913
Funded security deposits	-	-	-	141,941
Inventories	93,084	813,929	907,013	-
Other assets	662,968	-	662,968	291,226
Restricted assets:				
Cash and cash equivalents	43,701	-	43,701	-
Deposits and funded reserves	-	-	-	1,433,572
Net pension asset	63,776	8,620	72,396	2,903
Capital assets:				
Land, improvements, and				
construction in progress	17,766,167	2,758,452	20,524,619	1,256,004
Other capital assets, net	126,845,407	54,011,781	180,857,188	15,283,557
Right-to-use lease assets, net	678,265	273,832	952,097	-
Total assets	<u>185,628,441</u>	<u>71,762,357</u>	<u>257,390,798</u>	<u>21,806,214</u>
Deferred Outflows of Resources				
Deferred charge on refunding	166,154	-	166,154	-
Pension related deferred outflows	5,900,249	651,975	6,552,224	264,073
Total deferred outflows of resources	<u>6,066,403</u>	<u>651,975</u>	<u>6,718,378</u>	<u>264,073</u>
	<u>\$ 191,694,844</u>	<u>\$ 72,414,332</u>	<u>\$ 264,109,176</u>	<u>\$ 22,070,287</u>

City of Aberdeen  
Statement of Net Position—Exhibit I  
December 31, 2022

	Primary Government			Component Unit
	Governmental	Business-Type		Housing and
	Activities	Activities	Total	Redevelopment
				Commission
Liabilities				
Accounts payable	\$ 1,476,694	\$ 1,140,776	\$ 2,617,470	\$ 45,092
Other current liabilities	1,010,898	5,291,531	6,302,429	311,745
Unearned revenue	-	-	-	797
Noncurrent liabilities:				
Due within one year	2,729,687	2,579,564	5,309,251	237,474
Due in more than one year	22,063,241	7,474,981	29,538,222	4,257,467
Total liabilities	27,280,520	16,486,852	43,767,372	4,852,575
Deferred Inflows of Resources				
Pension related deferred inflows	3,825,438	400,084	4,225,522	169,137
Other deferred inflows	1,086,936	-	1,086,936	-
Total deferred inflows of resources	4,912,374	400,084	5,312,458	169,137
Net Position				
Net investment in capital assets	132,078,276	47,401,585	179,479,861	12,148,576
Restricted for:				
Capital projects purposes	1,879,781	-	1,879,781	-
Debt service purposes	2,226,924	1,616,737	3,843,661	-
SDRS pension	2,138,587	260,511	2,399,098	97,839
Permanently restricted purposes:				
Expendable	178,289	-	178,289	-
Nonexpendable	50,200	-	50,200	-
Other purposes	255,877	-	255,877	-
Other purposes - Promotion Fund	505,612	-	505,612	-
Other purposes - Park and Recreation Fund	592,412	-	592,412	-
Other purposes - Park and Recreation Gift Fund	812,699	-	812,699	-
Other purposes - Parking District Fund	389,725	-	389,725	-
Other purposes - Component Unit	-	-	-	1,190,519
Unrestricted	18,393,568	6,248,563	24,642,131	3,611,641
Total net position	159,501,950	55,527,396	215,029,346	17,048,575
	<u>\$ 191,694,844</u>	<u>\$ 72,414,332</u>	<u>\$ 264,109,176</u>	<u>\$ 22,070,287</u>



City of Aberdeen  
Statement of Activities—Exhibit II  
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Housing and Redevelopment Commission
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 6,621,768	\$ 3,940,476	\$ 23,368	\$ 633,034	\$ (2,024,890)	\$ -	\$ (2,024,890)	\$ -
Public safety	11,721,464	209,433	153,701	-	(11,358,330)	-	(11,358,330)	-
Public works	14,662,848	3,100,780	-	2,256,091	(9,305,977)	-	(9,305,977)	-
Health and welfare	407,348	991,246	690,678	-	1,274,576	-	1,274,576	-
Culture and recreation	8,208,131	757,500	45,959	160,000	(7,244,672)	-	(7,244,672)	-
Conservation and development	1,956,750	-	-	-	(1,956,750)	-	(1,956,750)	-
Miscellaneous	3,720	-	-	-	(3,720)	-	(3,720)	-
Interest on long-term debt	1,448,937	-	-	-	(1,448,937)	-	(1,448,937)	-
Total governmental activities	45,030,966	8,999,435	913,706	3,049,125	(32,068,700)	-	(32,068,700)	-
Business-type activities:								
Water	6,225,285	7,024,332	-	150,922	-	949,969	949,969	-
Sewer	3,659,717	4,187,765	-	322,346	-	850,394	850,394	-
Park and Rec Enterprise	1,235,191	1,613,882	16,500	-	-	395,191	395,191	-
Golf	747,829	444,848	-	-	-	(302,981)	(302,981)	-
Total business-type activities	11,868,022	13,270,827	16,500	473,268	-	1,892,573	1,892,573	-
Total primary government	\$ 56,898,988	\$ 22,270,262	\$ 930,206	\$ 3,522,393	(32,068,700)	1,892,573	(30,176,127)	-
Component Unit								
Housing and Redevelopment Commission	\$ 6,195,369	\$ 2,649,337	\$ 2,956,567	\$ 225,321				(364,144)
General Revenues								
Taxes:								
Property taxes					12,112,150	-	12,112,150	-
Sales taxes					22,892,346	-	22,892,346	-
State shared revenue					456,978	-	456,978	-
Grants and contributions not restricted to specific programs					416,784	-	416,784	-
Unrestricted investment earnings					397,887	112,010	509,897	24,332
Gain on disposition of assets					-	53,104	53,104	-
Miscellaneous revenue					614,640	117,158	731,798	21,719
Transfers					(487,259)	487,259	-	-
Total general revenues and transfers					36,403,526	769,531	37,173,057	46,051
Change in Net Position					4,334,826	2,662,104	6,996,930	(318,093)
Net Position - Beginning					155,167,124	52,865,292	208,032,416	17,366,668
Net Position - Ending					\$ 159,501,950	\$ 55,527,396	\$ 215,029,346	\$ 17,048,575

See Notes to Financial Statements

City of Aberdeen  
Balance Sheet—Governmental Funds—Exhibit III  
December 31, 2022

	General Fund	Park and Recreation Fund	Airport Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 12,146,173	\$ 727,361	\$ 3,235,762	\$ 3,399,382	\$ 6,079,282	\$ 25,587,960
107.1 Restricted cash and cash equivalents	43,701	-	-	-	-	43,701
151 Investments	4,064,439	-	-	2,540,274	-	6,604,713
110 Taxes receivable, delinquent	220,472	-	-	-	23,514	243,986
115 Accounts receivable, net	597,300	-	32,109	-	72,828	702,237
121 Special assessments receivable, current	15,505	-	-	-	-	15,505
122 Special assessments receivable, delinquent	67,511	-	-	-	-	67,511
130 Leases receivable	467,084	-	634,825	-	-	1,101,909
131 Due from other funds	137	-	-	-	-	137
132 Due from federal government	371,608	2,500	758,789	-	-	1,132,897
132 Due from state government	1,291,211	-	13,586	988,568	104,748	2,398,113
132 Due from county government	64,089	-	-	-	4,389	68,478
142 Inventories	-	71,914	-	-	21,170	93,084
155 Prepaid expenses	662,968	-	-	-	-	662,968
	<u>\$ 20,012,198</u>	<u>\$ 801,775</u>	<u>\$ 4,675,071</u>	<u>\$ 6,928,224</u>	<u>\$ 6,305,931</u>	<u>\$ 38,723,199</u>
<b>Liabilities</b>						
202 Accounts payable	\$ 585,407	\$ 127,557	\$ 205,223	\$ 425	\$ 7,629	\$ 926,241
207 Contracts payable - retained percentage	-	-	253,156	-	-	253,156
208 Due to General Fund	-	-	-	-	137	137
216 Accrued wages payable	510,345	81,806	21,286	-	8,398	621,835
219 Amounts held for others	41,795	-	-	-	-	41,795
220 Customer deposits	6,684	-	-	-	-	6,684
Total liabilities	<u>1,144,231</u>	<u>209,363</u>	<u>479,665</u>	<u>425</u>	<u>16,164</u>	<u>1,849,848</u>
<b>Deferred Inflows of Resources</b>						
244 Unavailable revenue - sales and use taxes	961,220	-	-	961,220	101,952	2,024,392
245 Unavailable revenue - property taxes	220,472	-	-	-	23,514	243,986
246 Unavailable revenue - special assessments	83,017	-	-	-	-	83,017
247 Unavailable revenue - other deferred inflows of resources	1,335,482	2,500	1,112,419	-	75,215	2,525,616
Total deferred inflows of resources	<u>2,600,191</u>	<u>2,500</u>	<u>1,112,419</u>	<u>961,220</u>	<u>200,681</u>	<u>4,877,011</u>
<b>Fund Balance (Deficit)</b>						
263 Nonspendable	662,968	71,914	-	-	71,370	806,252
264 Restricted	9,340	517,998	-	-	6,017,853	6,545,191
265 Committed	5,653,659	-	-	5,966,579	-	11,620,238
266 Assigned	514,850	-	3,082,987	-	-	3,597,837
267 Unassigned	9,426,959	-	-	-	(137)	9,426,822
Total fund balance	<u>16,267,776</u>	<u>589,912</u>	<u>3,082,987</u>	<u>5,966,579</u>	<u>6,089,086</u>	<u>31,996,340</u>
	<u>\$ 20,012,198</u>	<u>\$ 801,775</u>	<u>\$ 4,675,071</u>	<u>\$ 6,928,224</u>	<u>\$ 6,305,931</u>	<u>\$ 38,723,199</u>

See Notes to Financial Statements

City of Aberdeen

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
Year Ended December 31, 2022

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	<u>Total</u>
Total Fund Balances - Governmental Funds	\$ 31,996,340
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Net pension asset reported in governmental activities is not an available financial resource and, therefore, is not reported in the funds.	63,776
Pension related deferred outflows are components of pension asset and, therefore, are not reported in the funds.	5,900,249
Assets such as taxes receivable (delinquent) and special receivables (current, delinquent and deferred) are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,790,075
Pension related deferred inflows are components of pension asset and, therefore, are not reported in the funds.	(3,825,438)
Capital and right-to-use lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	145,289,839
Long-term liabilities, including bonds payable, lease liabilities, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(24,459,425)
Unamortized balance of debt premiums are not due and payable in the current period and, therefore, are not reported in the funds.	(333,503)
Interest on long-term debt is not accrued in governmental funds, but, rather, is recognized as an expenditure when due.	(59,092)
The unamortized difference between the net carrying value of the refunded debt and its reacquisition price is not reported in the funds, though needs to be treated as a deferred outflow in the government-wide financial statements.	166,154
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>972,975</u>
Net Position - Governmental Activities	<u><u>\$ 159,501,950</u></u>

**City of Aberdeen**

**Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV**  
**Year Ended December 31, 2022**

	<u>General Fund</u>	<u>Park and Recreation Fund</u>	<u>Airport Fund</u>	<u>Special Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
310 Taxes:						
311 General property taxes	\$ 10,326,234	\$ -	\$ -	\$ -	\$ 1,683,406	\$ 12,009,640
312 Airflight property taxes	-	-	35,106	-	-	35,106
313 General sales and use taxes	11,026,803	-	-	10,705,099	1,334,155	23,066,057
318 Tax deed revenue	28,307	-	-	-	-	28,307
319 Penalties and interest on delinquent taxes	22,225	-	-	-	1,247	23,472
320 Licenses and permits	512,122	270	-	-	-	512,392
330 Intergovernmental revenue:						
331 Federal grants	825,638	183,459	2,674,519	-	88,000	3,771,616
334 State grants	97,720	20,000	51,000	968,366	-	1,137,086
335 State shared revenue:						
335.01 Bank franchise tax	249,736	-	-	-	-	249,736
335.02 Motor vehicle commercial prorated	31,710	-	-	-	-	31,710
335.03 Liquor tax reversion	198,056	-	-	-	-	198,056
335.04 Motor vehicle licenses (5%)	199,436	-	-	-	-	199,436
335.06 Fire insurance premiums reversion	109,041	-	-	-	-	109,041
335.08 Local government highway and bridge fund	557,873	-	-	-	-	557,873
336 State payments in lieu of taxes	9,186	-	-	-	-	9,186
338 County shared revenue:						
338.03 County wheel tax	29,579	-	-	-	-	29,579
340 Charges for goods and services:						
341 General government	39,354	-	-	-	-	39,354
342 Public safety	208,913	-	-	-	-	208,913
343 Highways and streets	73,571	-	-	-	-	73,571
344 Sanitation	1,437,370	-	-	-	565,170	2,002,540
345 Health	3,853	76,015	-	-	-	79,868
346 Culture and recreation	7,640	685,131	-	-	1,440	694,211
347 Ambulance	697,134	-	-	-	-	697,134
348 Cemetery	-	54,641	-	-	-	54,641
349 Other	175,277	-	522,322	-	-	697,599
350 Fines and forfeits:						
351 Court fines and costs	4,641	-	-	-	-	4,641
354 Fines	-	-	-	-	63,289	63,289
360 Miscellaneous revenue:						
361 Investment earnings	224,692	5,615	32,895	111,549	23,136	397,887
362 Rentals/franchises	185,308	3,130	-	-	20,100	208,538
367 Contributions and donations from private sources	25,688	86,642	-	-	304,454	416,784
369 Other	541,805	36,392	1,743	-	102	580,042
Total revenues	<u>27,848,912</u>	<u>1,151,295</u>	<u>3,317,585</u>	<u>11,785,014</u>	<u>4,084,499</u>	<u>48,187,305</u>
<b>Expenditures</b>						
410 General government:						
411 Legislative	154,309	-	-	-	-	154,309
412 Executive	308,037	-	-	-	-	308,037
414 Financial administration	1,163,925	-	-	-	-	1,163,925
419 Other	1,870,331	-	-	6,200	-	1,876,531
Total general government	<u>3,496,602</u>	<u>-</u>	<u>-</u>	<u>6,200</u>	<u>-</u>	<u>3,502,802</u>

City of Aberdeen

Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV  
Year Ended December 31, 2022

	General Fund	Park and Recreation Fund	Airport Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
420 Public safety:						
421 Police	6,051,829	-	-	-	-	6,051,829
422 Fire	5,540,862	-	-	-	-	5,540,862
423 Protective inspection	259,708	-	-	-	-	259,708
429 Other protection	-	-	-	450,000	-	450,000
Total public safety	11,852,399	-	-	450,000	-	12,302,399
430 Public works:						
431 Highways and streets	3,729,545	-	-	7,374,827	68,627	11,172,999
432 Sanitation	1,490,915	-	-	461,622	682,425	2,634,962
435 Airport	-	-	1,939,842	-	-	1,939,842
436 Parking facilities	-	-	-	-	37,407	37,407
437 Cemeteries	-	283,722	-	-	-	283,722
439 Transit	821,515	-	-	-	-	821,515
Total public works	6,041,975	283,722	1,939,842	7,836,449	788,459	16,890,447
440 Health and welfare:						
441 Health	15,000	295,763	-	-	-	310,763
449 Other	14,900	81,685	-	-	-	96,585
Total health and welfare	29,900	377,448	-	-	-	407,348
450 Culture and recreation						
451 Recreation	-	2,695,926	-	-	-	2,695,926
452 Parks	-	2,718,742	-	-	1,101,975	3,820,717
455 Libraries	1,274,281	-	-	-	74,171	1,348,452
Total culture and recreation	1,274,281	5,414,668	-	-	1,176,146	7,865,095
460 Conservation and development:						
465 Economic development	525,616	-	-	-	1,060,000	1,585,616
466 Economic opportunity	-	-	-	315,000	56,134	371,134
Total conservation and development	525,616	-	-	315,000	1,116,134	1,956,750
470 Debt service	90,130	-	-	-	2,860,318	2,950,448
492 Other expenditures	-	-	-	-	3,720	3,720
Total expenditures	23,310,903	6,075,838	1,939,842	8,607,649	5,944,777	45,879,009
Excess of Revenue over (under) Expenditures	4,538,009	(4,924,543)	1,377,743	3,177,365	(1,860,278)	2,308,296
Other Financing Sources (Uses)						
391.01 Transfers in	1,354,399	5,911,878	980,224	500	2,580,189	10,827,190
511 Transfers out	(5,680,105)	(800,000)	-	(4,255,150)	(579,194)	(11,314,449)
391.02 Lease proceeds	753,628	-	-	-	-	753,628
391.03 Sale of municipal property	906	-	-	-	-	906
391.04 Compensation for loss or damage to capital assets	24,674	9,924	-	-	-	34,598
Total other financing sources (uses)	(3,546,498)	5,121,802	980,224	(4,254,650)	2,000,995	301,873
Net Change in Fund Balances	991,511	197,259	2,357,967	(1,077,285)	140,717	2,610,169
Fund Balance - Beginning	15,276,265	392,653	725,020	7,043,864	5,948,369	29,386,171
Fund Balance - Ending	<u>\$16,267,776</u>	<u>\$ 589,912</u>	<u>\$ 3,082,987</u>	<u>\$ 5,966,579</u>	<u>\$ 6,089,086</u>	<u>\$31,996,340</u>

City of Aberdeen

Reconciliation of the Statement of Revenues, Expenditures and Changes to the  
Government-Wide Statement of Activities  
Year Ended December 31, 2022

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	Total
Net Change in Fund Balances - Total Governmental Funds	\$ 2,610,169
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was exceeded by capital outlays in the current period.	2,091,409
The receipt of contributed capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.	633,034
In the statement of activities, gains and losses on disposal of capital assets are reported; whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(275,844)
Proceeds from lease liabilities is recorded as an other financing source in governmental funds, but is an increase in long-term liabilities on the government-wide statements.	(753,628)
Payment of principal on long-term debt and lease liabilities is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	1,524,176
Governmental funds do not reflect the change in accrued leave; but, the statement of activities reflects the change in accrued leave through expenditures.	50,003
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,483,781)
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	4,428
Governmental funds do not report a deferred outflow in connection with a refunding transaction; therefore, an adjustment is necessary to recognize the amortization of these costs in the government-wide financial statements.	(53,594)
Changes in pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.	360,336

City of Aberdeen  
Reconciliation of the Statement of Revenues, Expenditures and Changes to the  
Government-Wide Statement of Activities  
Year Ended December 31, 2022

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Governmental funds report the effect of premiums and discounts when debt is first issued; whereas, these amounts are reported as part of debt and amortized in the statement of activities. This is the amount of the current-year amortization of the premium on debt.	26,501
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>(398,383)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 4,334,826</u></u>

City of Aberdeen  
Statement of Net Position—Proprietary Funds—Exhibit V  
December 31, 2022

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Current Assets					
Cash and cash equivalents	\$ 3,310,462	\$ 6,629,147	\$ 1,536,698	\$ 11,476,307	\$ 1,551,764
151 Investments	1,016,110	508,055	-	1,524,165	-
115 Accounts receivable, net	73,160	54,382	-	127,542	-
117 Unbilled accounts receivable	463,568	285,414	-	748,982	-
121 Special assessments receivable, current	3,459	-	-	3,459	-
122 Special assessments receivable, delinquent	15,288	-	-	15,288	-
141 Inventory of supplies	737,399	76,530	-	813,929	-
Total current assets	<u>5,619,446</u>	<u>7,553,528</u>	<u>1,536,698</u>	<u>14,709,672</u>	<u>1,551,764</u>
Noncurrent Assets					
189 Net pension asset	4,920	3,139	561	8,620	-
Capital assets:					
160 Land	391,808	59,719	350,500	802,027	-
162 Buildings	28,066,777	34,860,236	1,593,192	64,520,205	-
164 Improvements other than buildings	20,667,257	14,452,335	1,343,829	36,463,421	-
166 Machinery and equipment	4,984,513	2,754,731	731,213	8,470,457	-
168 Construction work in progress	1,444,363	392,790	119,272	1,956,425	-
173 Right-to-use leased assets	307,641	-	195,539	503,180	-
Less accumulated depreciation	(29,548,831)	(24,178,159)	(1,715,312)	(55,442,302)	-
Less accumulated amortization	(151,132)	-	(78,216)	(229,348)	-
Total noncurrent assets	<u>26,167,316</u>	<u>28,344,791</u>	<u>2,540,578</u>	<u>57,052,685</u>	<u>-</u>
Deferred Outflows of Resources					
196 Pension related deferred outflows	<u>320,060</u>	<u>284,064</u>	<u>47,851</u>	<u>651,975</u>	<u>-</u>
Total deferred outflows of resources	<u>320,060</u>	<u>284,064</u>	<u>47,851</u>	<u>651,975</u>	<u>-</u>
	<u><u>\$ 32,106,822</u></u>	<u><u>\$ 36,182,383</u></u>	<u><u>\$ 4,125,127</u></u>	<u><u>\$ 72,414,332</u></u>	<u><u>\$ 1,551,764</u></u>



City of Aberdeen  
Statement of Net Position—Proprietary Funds—Exhibit V  
December 31, 2022

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Current Liabilities					
201 Claims payable	\$ 1,826	\$ -	\$ -	\$ 1,826	\$ 432,412
202 Accounts payable	596,537	434,059	20,992	1,051,588	118,041
207 Contracts payable, retained percentage	-	87,362	-	87,362	-
209 Due to state government	-	-	15,170	15,170	-
213 Incurred but not reported claims	-	-	-	-	28,336
215 Accrued interest payable	12,235	17,171	2,612	32,018	-
216 Accrued wages payable	30,238	29,113	10,060	69,411	-
219 Amounts held for others	-	-	7,410	7,410	-
223 Unearned revenue	51,376	5,110,164	5,982	5,167,522	-
226 Bonds and leases payable current:					
226.02 Revenue	1,057,904	1,237,250	-	2,295,154	-
226.04 Leases	153,484	-	23,477	176,961	-
230 Compensated absences payable - current	41,494	57,943	8,012	107,449	-
Total current liabilities	1,945,094	6,973,062	93,715	9,011,871	578,789
Noncurrent Liabilities					
231 Bonds payable:					
231.02 Revenue	3,770,939	3,580,597	-	7,351,536	-
234 Lease liabilities	-	-	123,445	123,445	-
Total noncurrent liabilities	3,770,939	3,580,597	123,445	7,474,981	-
Deferred Inflows of Resources					
248 Pension related deferred inflows	186,305	186,573	27,206	400,084	-
Total deferred inflows of resources	186,305	186,573	27,206	400,084	-
Net Position					
253.10 Net investment in capital assets	21,484,685	23,523,805	2,393,095	47,401,585	-
253.20 Restricted net position, restricted for:					
253.21 Revenue bond debt service	113,532	1,503,205	-	1,616,737	-
253.29 SDRS pension purposes	138,675	100,630	21,206	260,511	-
253.90 Unrestricted net position	4,467,592	314,511	1,466,460	6,248,563	972,975
Total net position	26,204,484	25,442,151	3,880,761	55,527,396	972,975
	<u>\$ 32,106,822</u>	<u>\$ 36,182,383</u>	<u>\$ 4,125,127</u>	<u>\$ 72,414,332</u>	<u>\$ 1,551,764</u>

City of Aberdeen

Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds—Exhibit VI  
Year Ended December 31, 2022

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Operating Revenue					
380 Charges for goods and services	\$ 6,830,335	\$ 2,138,013	\$ 2,058,730	\$ 11,027,078	\$ 2,472,545
380 Debt service surcharge	193,997	2,049,752	-	2,243,749	-
369 Miscellaneous	82,046	25,374	4,178	111,598	-
Total operating revenue	7,106,378	4,213,139	2,062,908	13,382,425	2,472,545
Operating Expenses					
410 Personal services	1,152,029	1,082,596	686,536	2,921,161	-
420 Other current expenses	3,650,080	1,368,931	1,135,428	6,154,439	2,880,278
453 Amortization	151,132	-	39,108	190,240	-
457 Depreciation	1,195,274	1,136,589	117,827	2,449,690	-
Total operating expenses	6,148,515	3,588,116	1,978,899	11,715,530	2,880,278
Operating Income (Loss)	957,863	625,023	84,009	1,666,895	(407,733)
Nonoperating Revenue (Expense)					
330 Operating grants	-	-	16,500	16,500	-
361 Investment earnings	55,827	51,222	4,961	112,010	9,350
(429) 369.01 Other	-	-	2,750	2,750	-
442 Interest expense	(76,770)	(71,601)	(4,121)	(152,492)	-
(492) 366 Gain (loss) on disposition of assets	-	53,104	-	53,104	-
Total nonoperating revenue (expense)	(20,943)	32,725	20,090	31,872	9,350
Income (Loss) Before Contributions and Transfers	936,920	657,748	104,099	1,698,767	(398,383)
391.07 Capital contributions	150,922	322,346	-	473,268	-
391.04 Compensation for loss or damage to capital assets	2,810	-	-	2,810	-
391.1 Transfers in	1,315,000	74,264	835,336	2,224,600	-
511 Transfers out	(1,384,506)	(215,380)	(137,455)	(1,737,341)	-
Change in Net Position	1,021,146	838,978	801,980	2,662,104	(398,383)
Net Position - Beginning	25,183,338	24,603,173	3,078,781	52,865,292	1,371,358
Net Position - Ending	\$ 26,204,484	\$ 25,442,151	\$ 3,880,761	\$ 55,527,396	\$ 972,975

See Notes to Financial Statements

City of Aberdeen  
Statement of Cash Flows—Proprietary Funds—Exhibit VII  
Year Ended December 31, 2022

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ 6,673,719	\$ 6,774,873	\$ 1,970,749	\$ 15,419,341	\$ 2,472,545
Payments to suppliers	(3,345,964)	(1,091,009)	(1,070,022)	(5,506,995)	(2,790,564)
Payments to employees	(1,157,040)	(1,101,510)	(688,407)	(2,946,957)	-
Cash payments for interfund services used	-	(38,264)	(87,511)	(125,775)	-
Cash receipts from interfund services provided	370,981	-	-	370,981	-
Net Cash from Operating Activities	2,541,696	4,544,090	124,809	7,210,595	(318,019)
Cash Flows from (used for) Noncapital Financing Activities					
Transfers from other funds	1,315,000	74,264	835,336	2,224,600	-
Transfers to other funds	(1,384,506)	(215,380)	(137,455)	(1,737,341)	-
Operating grants	-	-	16,500	16,500	-
Other operating cash receipts	-	-	2,750	2,750	-
Net Cash from (used for) Noncapital Financing Activities	(69,506)	(141,116)	717,131	506,509	-
Cash Flows from (used for) Capital and Related Financing Activities					
Purchase of capital assets	(1,665,512)	(2,188,946)	(119,272)	(3,973,730)	-
Principal paid on lease liabilities	(154,157)	-	(22,866)	(177,023)	-
Principal paid on capital debt	(1,051,149)	(1,215,319)	-	(2,266,468)	-
Interest paid on lease liabilities	(495)	-	(4,527)	(5,022)	-
Interest paid on capital debt	(73,922)	(101,336)	-	(175,258)	-
Other receipts	2,810	-	-	2,810	-
Net Cash used for Capital and Related Financing Activities	(2,942,425)	(3,505,601)	(146,665)	(6,594,691)	-
Cash Flows from Investing Activities					
Interest earnings	55,827	51,222	4,961	112,010	9,350
Net Cash from Investing Activities	55,827	51,222	4,961	112,010	9,350
Net Change in Cash and Cash Equivalents	(414,408)	948,595	700,236	1,234,423	(308,669)
Cash and Cash Equivalents, Beginning	4,740,980	6,188,607	836,462	11,766,049	1,860,433
Cash and Cash Equivalents, Ending	\$ 4,326,572	\$ 7,137,202	\$ 1,536,698	\$ 13,000,472	\$ 1,551,764

See Notes to Financial Statements

City of Aberdeen  
Statement of Cash Flows—Proprietary Funds—Exhibit VII  
Year Ended December 31, 2022

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 3,310,462	\$ 6,629,147	\$ 1,536,698	\$ 11,476,307	\$ 1,551,764
Investments	1,016,110	508,055	-	1,524,165	-
	<u>\$ 4,326,572</u>	<u>\$ 7,137,202</u>	<u>\$ 1,536,698</u>	<u>\$ 13,000,472</u>	<u>\$ 1,551,764</u>
Cash from Operating Activities					
Operating income	\$ 957,863	\$ 625,023	\$ 84,009	\$ 1,666,895	\$ (407,733)
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation and amortization expense	1,346,406	1,136,589	156,935	2,639,930	-
Change in assets and liabilities:					
Receivables	(60,295)	(21,878)	-	(82,173)	-
Inventories	(150,195)	13,880	-	(136,315)	-
Prepaid expenses	-	-	240	240	-
Pension related deferred outflows	30,734	40,978	10,245	81,957	-
Accounts and other payables	454,311	225,778	(22,345)	657,744	89,714
Due to state government	-	-	(75,456)	(75,456)	-
Accrued wages payable	(1,164)	(8,973)	1,456	(8,681)	-
Amounts held for others	-	-	1,034	1,034	-
Accrued leave payable	7,902	5,725	588	14,215	-
Pension asset	175,547	234,063	58,516	468,126	-
Pension related deferred inflows	(218,030)	(290,707)	(72,676)	(581,413)	-
Unearned revenue	(1,383)	2,583,612	(17,737)	2,564,492	-
Net Cash from Operating Activities	<u>\$ 2,541,696</u>	<u>\$ 4,544,090</u>	<u>\$ 124,809</u>	<u>\$ 7,210,595</u>	<u>\$ (318,019)</u>
Noncash Investing, Capital and Financing Activities:					
Capital assets received through capital contributions	\$ 150,922	\$ 322,346	\$ -	\$ 473,268	\$ -
Lease liability for the acquisition of a right-to-use lease asset	307,641	-	-	307,641	-
Purchases of capital assets in accounts payable	-	87,362	-	87,362	-

City of Aberdeen  
Statement of Net Position—Fiduciary Funds—Exhibit VIII  
December 31, 2022

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	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 36,682</u>
Total assets	<u><u>\$ 36,682</u></u>
Net Position	
Restricted for employees	<u>\$ 36,682</u>
Total net position	<u><u>\$ 36,682</u></u>

City of Aberdeen  
Statement of Change in Net Position—Fiduciary Funds—Exhibit IX  
Year Ended December 31, 2022

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	<u>Custodial Fund</u>
Additions	
Employee contributions	<u>\$ 139,194</u>
Total additions	<u>139,194</u>
Deductions	
Employee flex spending	<u>151,445</u>
Total deductions	<u>151,445</u>
Change in Net Position	(12,251)
Net Position - Beginning	<u>48,933</u>
Net Position - Ending	<u><u>\$ 36,682</u></u>

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

### **A. Financial Reporting Entity**

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

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

The following table describes the City's component unit:

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

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

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

### **B. Basis of Presentation**

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

### **Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. In order to minimize the grossing-up effect on assets 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 (as applicable). These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. Governmental activities, generally, are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1(A) above and may be classified as either governmental or business-type activities.

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

### **Fund Financial Statements**

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

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



The funds of the financial reporting entity are described below:

**Governmental Funds**

**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. The General Fund is always considered to be a major fund.

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

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

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

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

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

**Capital Projects Funds** – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations or other governments).

The City has the following capital project funds which are reported in the aggregate in the other governmental funds column on the fund financial statements: Parks and Recreation Project Fund, Moccasin Creek Project Fund, and TIF #32 Project Fund. These are not major funds.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. In addition, the City also uses these funds to account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has the following debt service funds which are reported in the aggregate in the other governmental funds column on the fund financial statements:

- |                                     |                         |                         |                         |
|-------------------------------------|-------------------------|-------------------------|-------------------------|
| • Library Bonds Fund                | • TIF District #2 Fund  | • TIF District #21 Fund | • TIF District #29 Fund |
| • Parks and Rec ARCC Bonds Funds    | • TIF District #8 Fund  | • TIF District #23 Fund | • TIF District #30 Fund |
| • Parks and Rec Softball Bonds Fund | • TIF District #10 Fund | • TIF District #24 Fund | • TIF District #31 Fund |
| • City Hall Remodel Bonds Fund      | • TIF District #17 Fund | • TIF District #25 Fund | • TIF District #32 Fund |
|                                     | • TIF District #18 Fund | • TIF District #26 Fund |                         |
|                                     | • TIF District #19 Fund | • TIF District #27 Fund |                         |
|                                     | • TIF District #20 Fund | • TIF District #28 Fund |                         |

These are not major funds.

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

### Proprietary Funds

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

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

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

## **Enterprise Funds**

The City reports the following major enterprise funds:

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

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

The remaining enterprise funds are reported in the aggregate in the other enterprise funds column on the fund financial statements: Park and Rec Enterprise Fund and Golf Fund. These are not major funds.

## **Fiduciary Funds**

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for the accumulation and distribution of various pass-through funds.

## **C. Measurement Focus and Basis of Accounting**

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

### **Measurement Focus**

#### **Government-Wide Financial Statements**

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

#### **Fund Financial Statements**

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

## **Basis of Accounting**

### **Government-Wide Financial Statements**

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

### **Fund Financial Statements**

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

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

## **D. Interfund Eliminations and Reclassifications**

### **Government-Wide Financial Statements**

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

In order to minimize the doubling up effect of internal service fund activity, certain "centralized expenses" are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the respective governmental or enterprise fund so that expenses are reported only by the function to which they relate.

## **E. Deposits and Investments**

For the purpose of financial reporting on the statements of net position and fund balance sheets, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less, investments in open-end mutual fund shares, and similar investments in external investment pools.

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

## **F. Receivables**

Receivables are composed of amounts owed to the City by municipal residents for water, sewer and other services rendered. All trade receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles on trade accounts receivables totaled \$507,199 at December 31, 2022.

Lease receivables are recorded by the City as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the City charges the lessee.

## **G. Capital Assets**

### **Primary Government**

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

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

For governmental activities capital assets, construction period interest is not capitalized in accordance with U.S. GAAP. For capital assets used in business-type activities and proprietary fund operations, construction period interest is not capitalized in accordance with U.S. GAAP.

The total December 31, 2022, balance of governmental activities capital assets includes approximately 13.61% of capital assets that are valued at estimated historical cost. These estimated original costs were primarily established by deflated current replacement costs.

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

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

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

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

Right-to-use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-touse leased assets are amortized over the shorter - of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 10 years.

### Component Unit

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

Expenditures for renewals and improvements that will significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense currently. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is computed using the straight-line method over estimated useful lives ranges based on the major asset category as listed below:

Major Asset Category	Estimated Useful Life
Land	N/A
Land improvements	5-15 years
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, direct borrowings and direct placements, lease liabilities, and accrued leave payable. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the City.

#### **I. Program Revenues**

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

1. **Charges for Services** – These arise from charges to customers, applicants or others who purchase, use or directly benefit from the goods, services or privileges provided, or are, otherwise, directly affected by the services.

2. Program-Specific Operating Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-Specific Capital Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

#### **J. Deferred Inflows and Deferred Outflows of Resources**

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

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

#### **K. Proprietary Funds Revenue and Expense Classifications**

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

#### **L. Cash and Cash Equivalents**

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



## **M. Equity Classifications**

### **Government-Wide Statements**

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

- Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

### **Fund Financial Statements**

Governmental fund equity is classified as fund balance, and may distinguish between nonspendable, restricted, committed, assigned, and unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

## **N. Application of Net Position**

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

## **O. Fund Balance Classification Policies and Procedures**

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

- Nonspendable Fund Balance – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. In addition, the component unit, Housing and Redevelopment Commission, has escrow deposits restricted by their mortgage lender and other cash deposits restricted by HUD.

- Committed Fund Balance – Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.
- Assigned Fund Balance – Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned Fund Balance – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

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

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

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

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

	General Fund	Park and Recreation Fund	Airport Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Fund Balances</b>						
Nonspendable:						
Inventory	\$ -	\$ 71,914	\$ -	\$ -	\$ 21,170	\$ 93,084
Prepaid expenses	662,968	-	-	-	-	662,968
Cemetery perpetual care	-	-	-	-	50,200	50,200
Restricted for:						
Promotion	-	-	-	-	403,660	403,660
Park & recreation	-	517,998	-	-	-	517,998
Park & recreation gift fund	-	-	-	-	812,699	812,699
Business improvement district	-	-	-	-	148	148
Parking	-	-	-	-	389,725	389,725
Storm water maintenance	-	-	-	-	89,984	89,984
Library fines	-	-	-	-	54,858	54,858
Landmark commission	9,340	-	-	-	-	9,340
Debt service	-	-	-	-	2,208,709	2,208,709
Cemetery perpetual care	-	-	-	-	178,289	178,289
Capital projects	-	-	-	-	1,879,781	1,879,781
Committed to:						
Special sales tax	-	-	-	5,966,579	-	5,966,579
COVID 19 expenses	830,197	-	-	-	-	830,197
Capital fleet purchases	3,474,018	-	-	-	-	3,474,018
Public safety personnel costs	1,000,000	-	-	-	-	1,000,000
Capital and economic development special projects	349,444	-	-	-	-	349,444
Assigned to:						
Applied to next year's budget	514,850	-	-	-	-	514,850
Airport	-	-	3,082,987	-	-	3,082,987
Unassigned	9,426,959	-	-	-	(137)	9,426,822
<b>Total fund balances</b>	<u>\$16,267,776</u>	<u>\$ 589,912</u>	<u>\$ 3,082,987</u>	<u>\$ 5,966,579</u>	<u>\$ 6,089,086</u>	<u>\$31,996,340</u>

## P. Pensions

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

## **Note 2 - Adoption of Accounting Standard**

As of January 1, 2022, the City adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right-to-use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources. As a result of implementing this standard, the City recognized a lease receivable and deferred inflow of resources in the amount of \$1,151,679 and \$1,151,679 as of January 1, 2022, respectively, within governmental activities. The City also recognized a right-of-use lease asset and lease liability of \$307,641 and \$307,641 as of January 1, 2022, respectively, within business-type activities. There was no effect on beginning net position or fund balance as a result of these adjustments. The additional disclosures required by this standard are included in Notes 8, 9, and 15.

## **Note 3 - Deposits and Investments: Fair Value Measurement, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk**

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

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

### **Deposits - Primary Government**

The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. 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.

**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 that deposits in excess of the depository insurance maximums must be collateralized 100%. The City's deposits and investments in financial institutions and the South Dakota Public Fund Investment Trust (SD FIT) were uninsured or exposed as being not subject to FDIC coverage or in excess of FDIC limits in the approximately amount of \$41,544,000 as of December 31, 2022. The City's uninsured deposits with financial institutions were adequately collateralized with securities held by the pledging financial institutions. Amounts held with SD FIT and not subject to FDIC coverage were approximately \$8,034,000 as of December 31, 2022.

### **Investments – Primary Government**

In general, SDCL 4-5-6 permits municipal funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or (c) 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.

As of December 31, 2022, the City's investments consisted solely of certificates of deposit held for investment purposes and money market account balances held with the South Dakota Public Fund Investment Trust (SD FIT). The money market accounts held with SD FIT are in the Government Cash Reserve Fund (SD FIT GCR) and are held at amortized cost and included within cash and cash equivalents on the financial statements as they are subject to daily redemption. The SD FIT GCR money market account is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SD FIT GCR money market account is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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

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

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

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

**Concentration of Credit Risk** – The City places no limit on the amount that may be invested in any one issuer. The City's investments consist solely of certificates of deposit held with local banks and money market accounts held with the SD FIT GCR.

### Deposits - Component Unit

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

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

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

At December 31, 2022, the actual bank balances were as follows:

	<u>Bank Balance</u>
Insured (FDIC)	\$ 1,822,920
Uninsured	598,297
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	<u>2,140,654</u>
Total deposits	<u>\$ 4,561,871</u>
The Commission's carrying amount of deposits at December 31, 2022	<u><u>\$ 4,501,611</u></u>

### Funded Reserves – Component Unit

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

Restricted deposits include amounts restricted by lenders or other agreements. The Commission's restricted deposits totaled \$1,433,572 as of December 31, 2022.

### Note 4 - Receivables and Payables

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

#### **Note 5 - Inventory**

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

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

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

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

#### **Note 6 - Property Taxes**

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

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

#### **Note 7 - Due from Other Governments**

- General Fund – \$371,608 and \$137,640 due from federal and state government, respectively, for grants; \$988,568 due from state government for 1% city sales tax; \$114,492 due from state government for local government highway/bridge funds; \$50,511 due from state government for liquor tax reversion and amusement tax funds; and \$64,089 due from county government for taxes and licenses.
- Promotion Fund – \$104,748 due from state government for 1% city sales tax.
- Airport Fund – \$758,789 due from federal government for grants, and \$13,586 due from state government for grants.
- Special Sales Tax Fund – \$988,568 due from state government for 1% city sales tax.
- Parks and Recreation Fund – \$2,500 due from federal government for grants.
- Business Improvement District Fund, TIF District #17 Bond Fund, TIF District #21 Bond Fund, TIF District #25 Bond Fund, TIF District #29 Bond Fund, and TIF District #30 Bond Fund – A total of \$4,389 due from county government for taxes and special assessments.

## Note 8 - Changes in Capital Assets

A summary of changes in capital assets of the primary government for the year ended December 31, 2022, is as follows:

Primary Government	Balance 1/1/22	Transfers	Increases	Decreases	Balance 12/31/22
Governmental Activities:					
Capital assets, not being depreciated:					
Land, not depreciated	\$ 12,564,620	\$ -	\$ 633,034	\$ (209,362)	\$ 12,988,292
Construction work in progress	14,285,462	-	1,095,391	(10,602,978)	4,777,875
Total capital assets, not being depreciated	26,850,082	-	1,728,425	(10,812,340)	17,766,167
Capital assets, being depreciated:					
Buildings	47,772,383	-	152,650	-	47,925,033
Improvements other than buildings	143,955,822	-	15,231,400	(679,402)	158,507,820
Machinery and equipment	26,951,287	25,990	1,777,263	(149,107)	28,605,433
Total	218,679,492	25,990	17,161,313	(828,509)	235,038,286
Less accumulated depreciation for:					
Buildings	(15,731,334)	-	(1,061,543)	-	(16,792,877)
Improvements other than buildings	(70,381,370)	-	(3,610,112)	657,230	(73,334,252)
Machinery and equipment	(16,575,630)	(20,965)	(1,573,952)	104,797	(18,065,750)
Total accumulated depreciation	(102,688,334)	(20,965)	(6,245,607)	762,027	(108,192,879)
Total capital assets, being depreciated, net	115,991,158	5,025	10,915,706	(66,482)	126,845,407
Right-to-use leased assets being amortized:					
Right-to-use lease equipment	-	-	753,628	-	753,628
Total	-	-	753,628	-	753,628
Less accumulated amortization for:					
Right-to-use lease equipment	-	-	(75,363)	-	(75,363)
Total accumulated amortization	-	-	(75,363)	-	(75,363)
Total right-to-use lease assets, being amortized, net	-	-	678,265	-	678,265
Governmental activity capital assets, net	\$ 142,841,240	\$ 5,025	\$ 13,322,396	\$ (10,878,822)	\$ 145,289,839

Depreciation and amortization expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 152,036
Public safety	788,175
Public works	3,837,300
Culture and recreation	1,543,459
Total depreciation and amortization expense - governmental activities	\$ 6,320,970



City of Aberdeen  
Notes to Financial Statements  
December 31, 2022

Primary Government	Restated Balance 1/1/22	Transfers	Increases	Decreases	Balance 12/31/22
Business-Type Activities:					
Capital assets, not being depreciated:					
Land, not depreciated	\$ 802,027	\$ -	\$ -	\$ -	\$ 802,027
Construction work in progress	1,049,940	-	3,244,015	(2,337,530)	1,956,425
Total capital assets, not being depreciated	1,851,967	-	3,244,015	(2,337,530)	2,758,452
Capital assets, being depreciated:					
Buildings	64,520,205	-	-	-	64,520,205
Improvements other than buildings	33,540,380	-	2,923,041	-	36,463,421
Machinery and equipment	8,085,821	(25,990)	792,819	(382,193)	8,470,457
Total	106,146,406	(25,990)	3,715,860	(382,193)	109,454,083
Less accumulated depreciation for:					
Buildings	(30,767,929)	-	(1,292,082)	-	(32,060,011)
Improvements other than buildings	(17,040,577)	-	(650,195)	-	(17,690,772)
Machinery and equipment	(5,520,368)	20,965	(507,413)	315,297	(5,691,519)
Total accumulated depreciation	(53,328,874)	20,965	(2,449,690)	315,297	(55,442,302)
Total capital assets, being depreciated, net	52,817,532	(5,025)	1,266,170	(66,896)	54,011,781
Right-to-use leased assets being amortized:					
Right-to-use land	307,641	-	-	-	307,641
Right-to-use lease equipment	195,539	-	-	-	195,539
Total	503,180	-	-	-	503,180
Less accumulated amortization for:					
Right-to-use land	-	-	(151,132)	-	(151,132)
Right-to-use lease equipment	(39,108)	-	(39,108)	-	(78,216)
Total accumulated amortization	(39,108)	-	(190,240)	-	(229,348)
Total right-to-use lease assets, being amortized, net	464,072	-	(190,240)	-	273,832
Business-type activity capital assets, net	\$ 55,133,571	\$ (5,025)	\$ 4,319,945	\$ (2,404,426)	\$ 57,044,065
Depreciation and amortization expense was charged to functions as follows:					
Business-type activities:					
Water					\$ 1,346,406
Sewer					1,136,589
Campground					61,617
Golf					95,318
Total depreciation and amortization expense - business-type activities					\$ 2,639,930

The City has active construction projects as of December 31, 2022, related to Wylie Park projects, golf course drainage project, and water reclamation facility expansion project. At year-end, the City has remaining contractual commitments related to these projects of approximately \$1,076,428.

A summary of changes in capital assets of the Component Unit for the year ended December 31, 2022, is as follows:

Component Unit	Balance 1/1/22	Additions	Deletions	Balance 12/31/22
Capital assets, not being depreciated				
Land	\$ 1,256,004	\$ -	\$ -	\$ 1,256,004
Total capital assets, not being depreciated	<u>1,256,004</u>	<u>-</u>	<u>-</u>	<u>1,256,004</u>
Capital assets, being depreciated:				
Buildings and improvements	30,920,659	86,030	-	31,006,689
Furniture, equipment and machinery - dwelling	1,592,073	56,078	(5,588)	1,642,563
Furniture, equipment and machinery - nondwelling	<u>346,365</u>	<u>87,053</u>	<u>(13,547)</u>	<u>419,871</u>
Total capital assets, being depreciated	<u>32,859,097</u>	<u>229,161</u>	<u>(19,135)</u>	<u>33,069,123</u>
Less accumulated depreciation for:				
Buildings and improvements	(14,994,931)	(1,003,830)	-	(15,998,761)
Furniture, equipment and machinery - dwelling	(1,433,911)	(74,737)	5,312	(1,503,336)
Furniture, equipment and machinery - nondwelling	<u>(269,888)</u>	<u>(27,128)</u>	<u>13,547</u>	<u>(283,469)</u>
Total accumulated depreciation	<u>(16,698,730)</u>	<u>(1,105,695)</u>	<u>18,859</u>	<u>(17,785,566)</u>
Total capital assets being depreciated, net	<u>16,160,367</u>	<u>(876,534)</u>	<u>(276)</u>	<u>15,283,557</u>
Capital assets, net	<u>\$ 17,416,371</u>	<u>\$ (876,534)</u>	<u>\$ (276)</u>	<u>\$ 16,539,561</u>

## Note 9 - Long-Term Liabilities

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

Primary Government	Restated January 1, 2022	Increases	Decreases	December 31, 2022	Due Within One Year	Interest Paid
<b>Governmental Activities:</b>						
Bonds payable:						
Tax increment revenue bonds #2	\$ 1,340,000	\$ -	\$ (150,000)	\$ 1,190,000	\$ 160,000	\$ 73,253
Tax increment revenue bonds #8	723,455	-	(126,011)	597,444	312,285	43,578
Tax increment revenue bonds #17	1,170,000	-	(80,000)	1,090,000	85,000	64,925
Sales tax revenue bonds, City Hall Reno	3,193,380	-	(232,365)	2,961,015	225,000	74,238
Sales tax revenue bonds, Softball	4,161,676	-	(188,426)	3,973,250	190,000	101,213
Sales tax revenue bonds, Library	4,654,949	-	(270,711)	4,384,238	270,000	146,550
Direct borrowings and direct placements:						
Tax increment revenue bonds #19	1,314,314	-	(92,147)	1,222,167	95,869	51,720
Tax increment revenue bonds #26	1,529,321	-	(80,881)	1,448,440	85,465	54,461
Tax increment revenue bonds #27	1,244,796	-	(52,132)	1,192,664	56,522	55,098
Tax increment revenue bonds #29	2,736,578	-	(117,378)	2,619,200	123,565	99,297
Tax increment revenue bonds #32	2,564,428	-	(72,889)	2,491,539	106,339	84,631
Leases	-	753,628	(87,737)	665,891	62,562	2,393
Compensated absences	1,007,083	1,325,667	(1,375,670)	957,080	957,080	-
Total government activities	25,639,980	2,079,295	(2,926,347)	24,792,928	2,729,687	851,357
<b>Business-Type Activities:</b>						
Bonds payable:						
Sewer revenue bonds	5,665,742	-	(1,054,307)	4,611,435	1,072,584	95,747
Direct borrowings and direct placements:						
Water sales tax and revenue bonds	5,879,992	-	(1,051,148)	4,828,844	1,057,904	73,922
Sewer revenue bonds	367,424	-	(161,012)	206,412	164,666	6,915
Leases	477,429	-	(177,024)	300,405	176,961	5,022
Compensated absences	93,234	146,908	(132,693)	107,449	107,449	-
Total business-type activities	12,483,821	146,908	(2,576,184)	10,054,545	2,579,564	181,606
Total primary government	<u>\$38,123,801</u>	<u>\$ 2,226,203</u>	<u>\$ (5,502,531)</u>	<u>\$ 34,847,473</u>	<u>\$ 5,309,251</u>	<u>\$ 1,032,963</u>
<b>Component Unit</b>						
Mortgages and other notes payable	\$ 4,649,027	\$ -	\$ (285,877)	\$ 4,363,150	\$ 198,786	\$ 131,860
Other long-term liabilities	132,678	-	(39,575)	93,103	-	-
Compensated absences	35,576	3,112	-	38,688	38,688	-
	<u>\$ 4,817,281</u>	<u>\$ 3,112</u>	<u>\$ (325,452)</u>	<u>\$ 4,494,941</u>	<u>\$ 237,474</u>	<u>\$ 131,860</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 by either the General Fund or enterprise funds.

Long-term liabilities payable at December 31, 2022, 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 semi-annual payments of total principal and interest ranging from \$225,450 to \$359,790, interest ranging from 5.10% to 5.5% from the Debt Service Fund, final payment due December 2022. In 2011, the Series 2003B and 2006C bonds of \$1,250,000 were refunded by Series 2011 Bonds of \$1,250,000 to change the final payment to December 2029. \$ 1,190,000

Tax Increment Revenue Bonds, District No. 8 totaling \$3,800,000 were issued in 2008. The bonds require semi-annual principal and interest payments of \$170,454 at 5.5% interest from the Debt Service Fund, maturing May 2024. 597,444

Tax Increment Revenue Bonds, District No. 17 totaling \$1,695,000 were issued in 2013. The bonds require semi-annual payments of total principal and interest ranging from \$144,925 to \$148,400, interest ranging from 4.0% to 6.0% from the Debt Service Fund, final payment due December 2032. 1,090,000

**Direct Placement Tax Increment Revenue Bonds**

Tax Increment Revenue Bonds, District No. 19 totaling \$1,935,200 were issued in 2014. The bonds require semi-annual payments of total principal and interest of \$71,934 at 4.0% interest from the Debt Service Fund, maturity June 2033. 1,222,167

Tax Increment Revenue Bonds, District No. 26 totaling \$1,935,000 were issued in 2016. The bonds require semi-annual payments of total principal and interest of \$67,671 at 4.0% interest from the Debt Service Fund, maturity June 2036. 1,448,440

Tax Increment Revenue Bonds, District No. 27 totaling \$1,440,000 were issued in 2017. The bonds require semi-annual payments of total principal and interest of \$53,615 at 4.25% interest from the Debt Service Fund, maturity June 2038. 1,192,664

Tax Increment Revenue Bonds, District No. 29 totaling \$3,103,803 were issued in 2019. The bonds require semi-annual payments of total principal and interest of \$108,338 at 3.55% interest from the Debt Service Fund, maturity December 2038. 2,619,200

Tax Increment Revenue Bonds, District No. 32 totaling \$1,850,000 were issued in 2020. In 2021, \$750,000 of additional bonds were issued. Bonds issued in 2020 require semi-annual payments of total principal and interest of \$65,635 at 3.25% interest, maturity June 2040. Bonds issued in 2021 require quarterly payments of total principal and interest of \$14,227, at 3.5% interest, maturity September 2040. Both issuances' payments from the Debt Service Fund. 2,491,539

**Sales Tax Revenue Bonds**

Sales Tax Revenue Bonds, City Hall Renovation, totaling \$3,940,000, were issued in 2014. In 2020, \$3,250,000 of bonds were issued along with existing funds to current refund these issued bonds, changing annual principal payments ranging from \$220,000 to \$285,000, plus interest ranging from 1.75% to 3.00% from the Debt Service Fund, final payment due December 2033. Balance includes unamortized premium of \$136,015.

2,961,015

Sales Tax Revenue Bonds, New Library Project, Tax-Exempt Series 2015 totaling \$6,045,000 were issued in 2016. The bonds require annual principal payments ranging from \$260,000 to \$395,000, plus interest ranging from 1.25% to 4.00% from the Debt Service Fund, final payment due December 2035. Balance includes unamortized premium of \$139,239.

4,384,238

Sales Tax Revenue Bonds, Softball Project, Tax-Exempt Series 2020 totaling \$4,275,000 were issued in 2020. The bonds require annual principal payments ranging from \$185,000 to \$275,000, plus interest ranging from 1.7% to 3.00% from the Debt Service Fund, final payment due December 2039. Balance includes unamortized premium of \$58,249.

3,973,250

Total Governmental Activities \$ 23,169,957

**Business-Type Activities:**

**Direct Placement Water Sales Tax Revenue Bonds**

The City passed Ordinance 21-0-03 in 2021 to issue refunding bonds of \$5,120,000 to refund \$5,065,000 of original issue bonds remaining from "Water Revenue Refunding Bonds Series 2012A." The 2021 bonds require annual payments of total principal and interest ranging from of \$1,033,160 to \$1,059,629, at 1.10% interest from the Water Fund, final payment due April 2026.

\$ 4,115,000

The City passed Ordinance 12-10-05 to enter into a "Drinking Water State Revolving Fund" loan agreement for up to \$1,040,000 in October 2013. The debt on the loan agreement totaling \$1,040,000 requires annual payments of \$69,340, which includes interest at 3.00% from the Water Fund, final payment due August 2035.

713,843

**Sewer Revenue Bonds**

The City passed Resolution 20-02-02 in 2020 to issue refunding bonds of \$7,290,324 along with other City funds to refund \$8,972,706 of original issue bonds remaining from CW#2, CW#1A, and CW#1NPS State Revolving Fund loans. The 2020 bonds require semi-annual payments of principal and interest ranging from \$573,325 to \$575,470, interest at 1.79% from the Sewer Fund, maturity January 2027.

4,611,435

**Direct Placement Sewer Revenue Bonds**

The City passed Ordinance 13-03-04, to enter into a "Clean Water State Revolving Fund" loan agreement for up to \$1,500,000 in March 2013. The debt requires annual payments of \$167,927, which includes interest at 2.25% from the Sewer Fund, final payment due January 2024.

206,412

Total Business-Type Activities: \$ 9,646,690

**Component Unit**

Lawson View - 6.76% Mortgage note payable with Richman Mortgage Assets Company, due in monthly installments of \$4,545, including interest, matures August 2026, secured by first position in substantially all Partnership assets net of unamortized debt issuance costs of \$7,069 based upon effective interest rate of 7.30%.	\$ 537,394
Lawson View - 0% Mortgage note payable with South Dakota Housing Development Authority, due in annual installments of varying amounts based upon cash flows, matures July 2039, secured by second position in substantially all Partnership assets.	68,505
Lawson View - 5.15% Note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, interest and principal to be paid from net operating income, with the entire balance due December 2037, secured by third position in substantially all Partnership assets.	200,000
Sunshine Park - 0% Mortgage note payable to South Dakota Housing Development Authority, payable in varying monthly installments through March 2035, secured by a mortgage on all property and equipment.	160,400
Sunshine Park - 6% Mortgage note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, annual payments based on available cash flow with entire balance due December 2039, secured by a mortgage and assignment of rents and leases.	189,159
Sunshine Park - 0% NSP loan from South Dakota Housing Development Authority, principal due July 2040, secured by a mortgage and assignment of rents and leases.	361,991
Sunshine Park - 0% TCAP mortgage note payable from South Dakota Housing Development Authority, principal due March 2050, secured by a mortgage and assignment of rents and leases, net of unamortized debt issuance costs of \$9,639 based upon an effective interest rate of 0.11%.	322,202
Jackson Heights - 5.8% Mortgage note payable to First Dakota National Bank, due in varying monthly installments, including interest through February 2031, secured by a mortgage on all property and equipment, net of unamortized debt issuance costs of \$5,781 based upon an effective interest rate of 6.39%.	467,602
Jackson Heights - 0% Note payable to South Dakota Housing Development Authority, due in varying annual installments through August 2038, secured by a mortgage on all property and equipment.	800,059
Central Villas - 6% Note payable to Horizon Bank, due in varying monthly installments including interest, secured by a mortgage on all property and equipment, net of unamortized debt issuance costs of \$5,346 based on an effective interest rate of 6.40%.	609,455
Central Villas - 0% Mortgage note payable with South Dakota Housing Development Authority with varying monthly payments through December 2042, secured by a mortgage on all property and equipment and an assignment of rents and leases.	646,383
Total Component Unit	\$ 4,363,150

The debt instruments for the sales tax revenue bonds were issued for various projects, expansions or renovations and contain provisions which pledge future sales tax revenues as security for the principal and interest payments on the related debt. The amount of the revenue pledged approximates the remaining principal and interest payments on the sales tax revenue bonds, which will not be available for other purposes until varying dates through 2039 as the bonds mature. Approximately 30% of sales tax revenues are considered pledged. Total principal and interest remaining on the sales tax revenue bonds is \$13,365,890, payable at varying dates through 2039. For the sales tax revenue bonds, principal and interest paid and sales tax revenues for 2022 were \$987,001 and \$10,705,099, respectively.

The debt instruments for both the Water Revenue Bonds and Sewer Revenue Bonds, which were issued for the purpose of improving each system, contain provisions which pledge the future revenues of the respective drinking water and wastewater systems as security for the principal and interest payments on the related debt. The amount of the revenue pledged approximates the remaining principal and interest payments on the Water Revenue and Sewer Revenue Bonds, which will not be available for other purposes until approximately 2035 and 2027, respectively. Approximately 100% of each system's usage and service revenues are considered pledged. Total principal and interest remaining on the Water and Sewer Revenue Bonds is \$5,095,906 and \$5,012,344, respectively, payable through varying dates through 2035. For the Water Revenue Bonds, principal and interest paid and total customer revenues for 2022 were \$1,125,071 and \$7,024,332, respectively. For the Sewer Revenue Bonds, principal and interest paid and total customer revenues for 2022 were \$1,317,981 and \$4,187,765, respectively.

The loan agreement for Water Revenue Sales Tax Revenue Bond #3 contains requirements for the City to comply with certain covenants relating to net revenues available for debt service. As of December 31, 2022, the City was in compliance with the net revenues available for debt service on Water Revenue Sales Tax Revenue Bond #3.

### **Tax Incremental Revenue Bonds**

In July 2002, the City passed a resolution creating Tax Increment District No. 2. In September 2003, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$3,195,000. In June 2006, a resolution was passed authorizing an additional issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$510,000. Bonds in the amount \$3,705,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 2. Incremental property taxes were projected to produce 106% of the debt service requirements over the life of the bonds. In 2011, the Series 2003B and 2006C bonds of \$1,250,000 were refunded by Series 2011 Bonds of \$1,250,000. Total principal and interest remaining on the bonds is \$1,444,100, payable through December 2029. For 2022, principal and interest paid and total incremental property tax revenues were \$223,253 and \$174,365, 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 \$637,280 payable through November 2024. For 2022, principal and interest paid and total incremental property tax revenues were \$169,589 and \$169,589, respectively.

In October 2012, the City passed a resolution creating Tax Incremental District No. 17. In January 2013, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 17 to provide funds not to exceed the amount of \$1,500,000 for project costs. Bonds in the amount of \$1,695,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 17. Incremental property taxes were projected to produce 180% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$1,464,725, payable through December 2032. For 2022, principal and interest paid and total incremental property tax revenues were \$144,925 and \$43,205, respectively.

In August 2013, the City passed a resolution creating Tax Incremental District No. 19. In September 2013, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 19 to provide funds not to exceed the amount of \$2,500,000 for project costs. Bonds in the amount of \$1,935,200 have been issued in January 2014, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 19. Incremental property taxes were projected to produce at least 105% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$1,510,605, payable through June 2033. For 2022, principal and interest paid and total incremental property tax revenues were \$143,867 and \$224,733, respectively.

In April 2016, the City passed a resolution creating Tax Incremental District No. 26. In May 2016, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 26 to provide funds not to exceed the amount of \$2,000,000 for project costs. Bonds in the amount of \$1,935,000 have been issued in July 2016, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 26. Incremental property taxes were projected to produce at least 101% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$1,827,117, payable through June 2036. For 2022, principal and interest paid and total incremental property tax revenues were \$135,342 and \$205,537, respectively.

In June 2017, the City passed a resolution creating Tax Incremental District No. 27. In August 2017, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 27 to provide funds not to exceed the amount of \$1,773,184 for project costs. Bonds in the amount of \$1,440,000 have been issued in December 2017, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 27. Incremental property taxes were projected to produce at least 147% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$1,638,304, payable through June 2038. For 2022, principal and interest paid and total incremental property tax revenues were \$107,230 and \$155,804, respectively.



In June 2018, the City passed a resolution creating Tax Incremental District No. 29. In January 2019, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 29 to provide funds not to exceed the amount of \$3,103,803 for project costs. Bonds in the amount of \$3,103,803 were issued in March 2019, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 29. Incremental property taxes were projected to produce at least 163% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$3,466,801, payable through December 2038. For 2022, principal and interest paid and total incremental property tax revenues were \$216,675 and \$68,161, respectively.

In September 2020, the City passed a resolution creating Tax Incremental District No. 32. In October 2020, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 32 to provide funds not to exceed the amount of \$4,333,678 for project costs. Bonds in the amount of \$1,850,000 and \$750,000 were issued in December 2020 and September 2021, respectively, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 32. Incremental property taxes were projected to produce at least 227% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$3,307,335, payable through September 2040. For 2022, principal and interest paid and total incremental property tax revenues were \$157,520 and \$14,411, respectively.

The Tax Increment Revenue Bonds, District Nos. 2, 8, 17, 19, 26, 27, 29, and 32 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, 8, 17, 19, 26, 27, 29, and 32.

## Maturities

The annual requirements to maturity for all debt outstanding as of December 31, 2022, excluding compensated absences and unamortized debt premiums/discounts are as follows:

Year Ending December 31	TIF Revenue Bonds		TIF Direct Placement Revenue Bonds		Sales Tax Revenue Bonds		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 557,285	\$ 155,199	\$ 467,760	\$ 323,532	\$ 685,000	\$ 302,050	\$ 198,786	\$ 121,712
2024	545,159	124,949	484,780	306,512	705,000	281,500	126,023	115,799
2025	275,000	99,663	503,213	288,079	720,000	260,350	131,271	109,351
2026	290,000	84,775	521,951	269,341	745,000	238,750	598,939	92,015
2027	305,000	69,075	541,393	249,899	765,000	216,400	116,538	64,746
2028-2032	905,000	135,000	3,024,568	931,892	4,145,000	789,585	754,505	234,152
2033-2037	-	-	2,724,759	381,285	2,675,000	269,705	1,161,720	129,383
2038-2042	-	-	705,586	29,659	545,000	22,550	971,362	21,623
2043-2047	-	-	-	-	-	-	-	-
2048-2052	-	-	-	-	-	-	331,841	-
	<u>\$ 2,877,444</u>	<u>\$ 668,661</u>	<u>\$ 8,974,010</u>	<u>\$ 2,780,199</u>	<u>\$ 10,985,000</u>	<u>\$ 2,380,890</u>	<u>\$ 4,390,985</u>	<u>\$ 888,781</u>

Year Ending December 31	Water Direct Placement Revenue Bonds		Sewer Revenue Bonds		Sewer Direct Placement Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 1,057,904	\$ 67,330	\$ 1,072,584	\$ 76,753	\$ 164,666	\$ 3,261	\$ 4,203,985	1,049,837
2024	1,074,357	54,612	1,091,184	57,429	41,747	235	4,068,250	941,036
2025	1,085,854	41,683	1,110,111	37,770	-	-	3,825,449	836,896
2026	1,097,397	28,597	1,129,372	17,771	-	-	4,382,659	731,249
2027	53,987	15,353	208,184	1,277	-	-	1,990,102	616,750
2028-2032	295,520	51,179	-	-	-	-	9,124,593	2,141,808
2033-2037	163,824	8,309	-	-	-	-	6,725,303	788,682
2038-2042	-	-	-	-	-	-	2,221,948	73,832
2043-2047	-	-	-	-	-	-	-	-
2048-2052	-	-	-	-	-	-	331,841	-
	<u>\$ 4,828,843</u>	<u>\$ 267,063</u>	<u>\$ 4,611,435</u>	<u>\$ 191,000</u>	<u>\$ 206,413</u>	<u>\$ 3,496</u>	<u>\$ 36,874,130</u>	<u>\$ 7,180,090</u>

The remaining principal and interest payments on lease liabilities are as follows:

Years Ending December 31,	Principal	Interest
2023	\$ 239,523	\$ 37,840
2024	89,186	28,337
2025	167,189	25,934
2026	70,655	19,475
2027	73,581	16,549
2028-2032	326,162	34,357
	<u>\$ 966,296</u>	<u>\$ 162,492</u>

**Note 10 - Interfund Balances and Activity**

Transfers to/from other funds during the year ended December 31, 2022, consist of the following:

		Transfers To:				
Transfers From:	General Fund	Parks and Rec Fund	Airport Fund	Special Sales Tax Fund	Water Fund	
Major Funds:						
General Fund	\$ -	\$ 4,855,335	\$ 715,350	\$ -	\$ -	
Parks and Rec Fund	-	-	-	-	-	
Special Sales Tax Fund	605,000	150,150	250,000	-	1,315,000	
Water Fund	396,564	713,236	14,874	-	-	
Sewer Fund	215,380	-	-	-	-	
Other Governmental Funds	-	193,157	-	500	-	
Other Business-Type Funds	137,455	-	-	-	-	
	<u>\$ 1,354,399</u>	<u>\$ 5,911,878</u>	<u>\$ 980,224</u>	<u>\$ 500</u>	<u>\$ 1,315,000</u>	

		Transfers To:			
Transfers From:	Sewer Fund	Other Governmental Funds	Other Business-Type Funds	Total	
Major Funds:					
General Fund	\$ -	\$ -	\$ 109,420	\$ 5,680,105	
Parks and Rec Fund	-	400,000	400,000	800,000	
Special Sales Tax Fund	-	1,785,000	150,000	4,255,150	
Water Fund	74,264	10,057	175,511	1,384,506	
Sewer Fund	-	-	-	215,380	
Other Governmental Funds	-	385,132	405	579,194	
Other Business-Type Funds	-	-	-	137,455	
	<u>\$ 74,264</u>	<u>\$ 2,580,189</u>	<u>\$ 835,336</u>	<u>\$ 13,051,790</u>	

Interfund transfers were made for the purpose of supplementing other fund sources to conduct the indispensable functions of the City.

### Note 11 - Restricted Net Position

The following table summarizes the restricted net position as shown on the government-wide statement of net position as of December 31, 2022:

Fund	Restricted By	Amount
Other purposes		
Business Improvement District Fund	State Law	\$ 5,310
Storm Water Maintenance Fund	State Law	186,369
Library Fines Fund	State Law	54,858
General Fund	State Law	9,340
Promotion Fund	State Law	505,612
Park and Recreation Fund	State Law	592,412
Park & Recreation Gift Fund	State Law	812,699
Parking District Fund	State Law	389,725
		<u>389,725</u>
Total restricted net position for other purposes		<u>\$ 2,556,325</u>

### Note 12 - Risk Management

#### Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2022, 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 \$20,000
- b. Accidental Death and Dismemberment – Maximum \$20,000
- c. Prescription Drug – Insured co-payment per prescription: 20% generic and 30% non-generic
- d. Major Medical – Unlimited Maximum

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

The City purchases commercial insurance for the life insurance and accidental death and dismemberment coverages provided. The City purchases stop loss insurance on their health insurance coverage which limits their risk to \$75,000 per individual with an aggregate of approximately \$2,208,391.

All funds of the City which pay employee wages participate in the program and make payments to the Self-Funded Insurance Fund. The Self-Funded Insurance Fund makes payments to Wellmark based on actual expenses needed to pay current claims and to purchase stop loss insurance coverage of \$75,000 per individual. Net position of \$949,186 is available as of December 31, 2022, for future claims and premium increases. The amount of claim liabilities as of December 31, 2022, 2021 and 2020, were \$460,748, \$314,455 and \$185,089, respectively.

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

	Balance at January 1	Claims and Changes in Estimates	Claim Payments	Balance at December 31
2022	\$ 314,455	\$ 3,000,713	\$ 2,854,420	\$ 460,748
2021	185,089	2,723,989	2,594,623	314,455
2020	328,456	1,680,199	1,823,566	185,089

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, 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 a members' Annual Operating Contribution to provide liability coverage detailed below, under a claims-made policy, and the premiums are accrued based in the ultimate cost of the experience-to-date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability (including public officials), automobile liability and law enforcement liability.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

The City carries the following deductibles for the coverages listed below:

Coverage	Deductible
General liability (including public officials)	\$ 250 to 5,000
Automobile liability	-
Law enforcement liability	3,000

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

### **Workers' Compensation**

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

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

### **Unemployment Benefits**

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

The City has net position in the Unemployment Compensation Fund in the amount of \$23,789 as of December 31, 2022, for the payment of future unemployment benefits.

During the year ended December 31, 2022, no claims for unemployment benefits were paid. As of December 31, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

### **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, 2022, 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 workers' compensation. The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

### **Note 13 - Retirement Plan**

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

#### **Benefits Provided**

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund Members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85, or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60% joint and survivor benefit, or a 100% joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5% of compensation funded by part of the employer contribution. The VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

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

Legislation enacted in 2021 reduced the minimum COLA from 0.5% to 0.0%.

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

### Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6% of salary; Class B judicial members, 9% of salary; and, Class B public safety members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions made to the SDRS for the years ended December 31, 2022, 2021 and 2020, were \$1,115,332, \$1,080,773 and \$1,036,153, respectively, equal to the required contributions each year.

The Component Unit's share of contributions made to the SDRS for the years ended December 31, 2022, 2021 and 2020, were \$46,219, \$42,624 and \$40,130, respectively, equal to the required contributions each year.

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

At June 30, 2022, SDRS is 100.10% funded and, accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of SDRS for the City as of this measurement period and reported by the City as of December 31, 2022, are as follows:

Proportionate share of pension liability	\$ 108,142,198
Less proportionate share of net pension restricted for pension benefits	<u>108,214,594</u>
Proportionate share of net pension liability (asset)	<u>\$ (72,396)</u>

At December 31, 2022, the City reported an asset of \$72,396 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension liability used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the City's proportion was 0.766063%, which was a decrease of 0.007474% from its proportion measured as of June 30, 2021.



For the year ended December 31, 2022, the City recognized reduction of pension expense of \$360,336. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,378,146	\$ 4,700
Changes in assumption	4,601,380	4,032,494
Net difference between projected and actual earnings on pension plan investments	-	173,499
Changes in proportion and difference between the contributions and proportionate share of contributions	11,968	14,829
Contributions subsequent to the measurement date	560,730	-
	<u>\$ 6,552,224</u>	<u>\$ 4,225,522</u>

At December 31, 2022, there was \$560,730 reported as deferred outflow of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability (or increase in the net pension asset) in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of expense) as follows:

Year Ended December 31:	Amount
2023	\$ 464,742
2024	1,008,930
2025	(1,143,336)
2026	1,435,636
	<u>\$ 1,765,972</u>

The proportionate share of the components of the net pension asset of SDRS for the Component Unit as of this measurement period and reported by the Component Unit as of December 31, 2022, are as follows:

Proportionate share of pension liability	\$ 4,335,496
Less proportionate share of net pension restricted for pension benefits	<u>4,338,399</u>
Proportionate share of net pension liability (asset)	<u>\$ (2,903)</u>

At December 31, 2022, the Component Unit reported an asset of \$2,903 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension liability used to calculate the net pension asset was based on a projection of the Component Unit's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Component Unit's proportion was 0.030712%, which was a increase of 0.0001530% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Component Unit recognized reduction of pension expense of \$16,245. At December 31, 2022, the Component Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 55,251	\$ 188
Changes in assumption	184,473	161,666
Net difference between projected and actual earnings on pension plan investments	-	6,956
Changes in proportion and difference between the contributions and proportionate share of contributions	267	327
Contributions subsequent to the measurement date	24,082	-
	<u>\$ 264,073</u>	<u>\$ 169,137</u>

At December 31, 2022, there is \$24,082 reported as deferred outflow of resources related to pensions resulting from Component Unit contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability (or increase in the net pension asset) in the year ending December 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2022, will be recognized in pension expense (reduction of expense) as follows:

Year Ended December 31:	Amount
2023	\$ 19,101
2024	40,311
2025	(46,036)
2026	57,478
	<u>\$ 70,854</u>

## Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount rate	6.50% net of pension plan investment expense This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	2.10%

### Mortality Rates

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Members: PubS-2010, 102% of rates at all ages

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
	<u>100.0%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 15,032,729	\$ (72,396)	\$ (12,417,277)
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Component Unit's proportionate share of the net pension liability (asset)	\$ 602,673	\$ (2,903)	\$ (497,817)

#### Pension Plan Fiduciary Net Position

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

#### **Note 14 - Litigation**

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

#### **Note 15 - Leases**

##### **Lessee Activities**

The City has entered into four lease agreements for ambulance equipment, water rights, and golf carts. The City is required to make principal and interest payments through March 2031. The lease liability was valued using discount rates between 2.67% and 4.14% based on the City's incremental borrowing rate at the inception of the leases or the rate implicit in the lease, if available.

##### **Lessor Activities**

The City has accrued a receivable for various land, airport hangar, building, and storage leases. The remaining receivable for these leases was \$1,101,909 for the year ended December 31, 2022. Deferred inflows related to these leases were \$1,086,936 as of December 31, 2022. Interest revenue recognized on these leases was \$147,522 for the year ended December 31, 2022. Principal receipts of \$132,549 were recognized during the fiscal year. The interest rate on these leases is 4.00%. Final receipt is expected in fiscal year 2043.

#### **Note 16 - Tax Abatements**

The City has nine active Tax Increment Financing (TIF) districts in which the City has entered into an agreement with the developer (sponsor) of the TIF district. Under each agreement, property tax increments received by the City are paid to the project sponsor as a grant to cover eligible project expenses approved by resolution by the Planning Commission and the City Council, as allowed by South Dakota Codified Law Section 11-9. The project sponsor bears the risk that increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall. When all approved project costs are paid, or the TIF is dissolved in accordance with state statutes, all property tax revenue will be distributed to the appropriate taxing entities. Increments totaling approximately \$574,917 were received by the City and paid to project sponsors during 2022.

#### **Note 17 - Deficit Fund Balance**

As of December 31, 2022, the Park and Recreation ARCC Fund and Tax Incremental District No. 18 Bond Fund had deficit fund balances in the amount of \$127 and \$10, respectively. The City Council and City management plan to address the deficit fund balances by closely monitoring departmental activity and fund balances throughout the year and allocating additional General Fund dollars to those funds with a deficit fund balance.

**Note 18 - Related Party Transactions**

The City holds long-term debt at local financial institutions in which City Council members or their spouses are also shareholders, on the board of directors, or executive management. Total long-term debt outstanding to these financial institutions as of December 31, 2022, was approximately \$6,794,361, and total principal and interest paid during the year ended December 31, 2022, was approximately \$599,949. The City also holds approximately \$8,182,986 of money market deposits and \$8,128,878 of certificates of deposit at these same local financial institutions.

**Note 19 - Subsequent Events**

In May of 2023, the City Council approved creation of Tax Increment Financing District #39 providing TIF assistance for eligible project costs in the approximate amount of \$4,175,000, plus interest computed at 4.25% per year. In July of 2023, the City Council approved creation of Tax Increment Financing District #40 providing TIF assistance for eligible project costs in the approximate amount of \$4,751,000, plus interest computed at 8.00% per year.

In August 2023, the City entered into a contract for engineering services for the design of a future public works facility with a contract amount not to exceed \$960,000.

In the normal course of the City's operations, the City approves bids and enters into contracts for the improvement, acquisition, or construction of capital assets and other infrastructure. Subsequent to year end, the City entered into contracts for certain significant projects in the approximate total amount of \$5,550,000 which are to be funded either by related grants or tax revenues.



Required Supplementary Information  
December 31, 2022

**City of Aberdeen**

City of Aberdeen  
Schedule of Proportionate Share of Net Pension Liability (Asset)  
Year Ended December 31, 2022

Pension Plan	Fiscal Year Ending *	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	City's Covered Payroll (b)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Asset
SDRS	6/30/2022	0.7661%	\$ (72,396)	\$ 16,098,680	0.45%	100.10%
SDRS	6/30/2021	0.7735%	(5,923,970)	15,478,024	38.27%	105.52%
SDRS	6/30/2020	0.7722%	(33,535)	14,955,414	0.22%	100.04%
SDRS	6/30/2019	0.7733%	(81,951)	14,598,105	0.56%	100.09%
SDRS	6/30/2018	0.7438%	(17,347)	13,771,154	0.13%	100.02%
SDRS	6/30/2017	0.7585%	(68,833)	13,741,281	0.50%	100.10%
SDRS	6/30/2016	0.7450%	2,516,685	12,616,837	19.95%	96.89%
SDRS	6/30/2015	0.7539%	(3,197,349)	12,266,657	26.07%	104.10%

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the City will present information for those years for which information is available.



City of Aberdeen  
Schedule of Pension Contributions  
Year Ended December 31, 2022

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Pension Plan	Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	12/31/2022	\$ 1,115,332	\$ 1,115,332	-	\$ 16,366,495	6.8%
SDRS	12/31/2021	1,080,773	1,080,773	-	15,846,495	6.8%
SDRS	12/31/2020	1,036,153	1,036,153	-	15,232,218	6.8%
SDRS	12/31/2019	999,441	999,441	-	14,801,338	6.8%
SDRS	12/31/2018	954,750	954,750	-	14,233,926	6.7%
SDRS	12/31/2017	908,311	908,311	-	13,481,723	6.7%
SDRS	12/31/2016	869,768	869,768	-	12,891,308	6.7%
SDRS	12/31/2015	867,351	867,351	-	12,876,352	6.7%

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Aberdeen  
Budgetary Comparison Schedule—General Fund  
Year Ended December 31, 2022

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
311 General property taxes	\$ 10,400,000	\$ 10,400,000	\$ 10,326,234	\$ (73,766)
313 General sales and use taxes	10,960,000	10,960,000	11,026,803	66,803
318 Tax deed revenue	5,000	5,000	28,307	23,307
319 Penalties and interest on delinquent taxes	20,000	20,000	22,225	2,225
320 Licenses and permits	396,000	396,000	512,122	116,122
330 Intergovernmental revenue:				
331 Federal grants	485,000	485,000	825,638	340,638
334 State grants	90,000	90,000	97,720	7,720
335 State shared revenue:				
335.01 Bank franchise tax	150,000	150,000	249,736	99,736
335.02 Motor vehicle commercial prorate	28,000	28,000	31,710	3,710
335.03 Liquor tax reversion	180,000	180,000	198,056	18,056
335.04 Motor vehicle licenses (5%)	200,000	200,000	199,436	(564)
335.06 Fire insurance premiums reversion	90,000	90,000	109,041	19,041
335.08 Local government highway and bridge fund	530,000	530,000	557,873	27,873
335.20 Other	3,000	3,000	-	(3,000)
336 State payments in lieu of taxes	8,000	8,000	9,186	1,186
338 County shared revenue:				
338.03 County wheel tax	30,000	30,000	29,579	(421)
340 Charge for goods and services:				
341 General government	50,000	50,000	39,354	(10,646)
342 Public safety	199,500	199,500	208,913	9,413
343 Highways and streets	90,000	90,000	73,571	(16,429)
344 Sanitation	1,392,000	1,392,000	1,437,370	45,370
345 Health	8,000	8,000	3,853	(4,147)
346 Culture and recreation	4,000	4,000	7,640	3,640
347 Ambulance	768,000	768,000	697,134	(70,866)
349 Other	191,500	191,500	175,277	(16,223)
350 Fines and forfeits:				
351 Court fines and costs	10,000	10,000	4,641	(5,359)
360 Miscellaneous revenue:				
361 Investment earnings	90,000	90,000	224,692	134,692
362 Rentals/Franchises	165,000	165,000	185,308	20,308
367 Contributions and donations from private sources	19,000	19,000	25,688	6,688
369 Other	577,000	577,000	541,805	(35,195)
Total revenues	27,139,000	27,139,000	27,848,912	709,912

City of Aberdeen  
Budgetary Comparison Schedule—General Fund  
Year Ended December 31, 2022

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government:				
411 Legislative	161,250	161,250	154,309	6,941
411.5 Contingency	-	450,000		
Amount transferred	-	-	-	450,000
412 Executive	279,500	324,700	308,037	16,663
414 Financial administration	1,369,800	1,344,800	1,163,925	180,875
419 Other	2,035,450	2,115,450	1,870,331	245,119
Total general government	3,846,000	4,396,200	3,496,602	899,598
420 Public safety:				
421 Police	5,985,800	6,230,600	6,051,829	178,771
422 Fire	5,342,300	5,623,800	5,540,862	82,938
423 Protective inspection	294,800	294,800	259,708	35,092
Total public safety	11,622,900	12,149,200	11,852,399	296,801
430 Public works:				
431 Highways and streets	3,573,750	4,061,750	3,729,545	332,205
432 Sanitation	1,514,700	1,536,700	1,490,915	45,785
439 Transit	829,500	845,700	821,515	24,185
Total public works	5,917,950	6,444,150	6,041,975	402,175
440 Health and welfare:				
441 Health	15,000	15,000	15,000	-
449 Other	39,900	39,900	14,900	25,000
Total health and welfare	54,900	54,900	29,900	25,000
450 Culture and recreation:				
455 Libraries	1,339,050	1,342,050	1,274,281	67,769
Total culture and recreation	1,339,050	1,342,050	1,274,281	67,769
460 Conservation and development:				
466 Economic opportunity	532,800	562,800	525,616	37,184
Total conservation and development	532,800	562,800	525,616	37,184
470 Debt service	90,130	90,130	90,130	-
Total expenditures	23,403,730	25,039,430	23,310,903	1,728,527
Excess of Revenue over Expenditures	3,735,270	2,099,570	4,538,009	2,438,439
Other Financing Sources (Uses)				
391.01 Transfers in	1,269,855	1,269,855	1,354,399	84,544
511 Transfers out	(5,680,105)	(5,680,105)	(5,680,105)	-
391.02 Lease Proceeds	-	-	753,628	753,628
391.03 Sale of municipal property	30,000	30,000	906	(29,094)
391.04 Compensation for loss or damage to capital assets	40,000	40,000	24,674	(15,326)
Total other financing sources (uses)	(4,340,250)	(4,340,250)	(3,546,498)	793,752
Net Change in Fund Balances	(604,980)	(2,240,680)	991,511	3,232,191
Fund Balance - Beginning	15,276,265	15,276,265	15,276,265	-
Fund Balance - Ending	\$ 14,671,285	\$ 13,035,585	\$ 16,267,776	\$ 3,232,191

City of Aberdeen  
 Budgetary Comparison Schedule—Special Revenue Fund—Park and Recreation Fund  
 Year Ended December 31, 2022

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
320 Licenses and permits	\$ -	\$ -	\$ 270	\$ 270
330 Intergovernmental revenue:				
331 Federal grants	20,000	20,000	183,459	163,459
334 State grants	-	-	20,000	20,000
340 Charge for goods and services:				
345 Health	85,000	85,000	76,015	(8,985)
346 Culture and recreation	628,100	628,100	685,131	57,031
348 Cemetery	41,900	41,900	54,641	12,741
360 Miscellaneous revenue:				
361 Investment earnings	-	-	5,615	5,615
362 Rentals/Franchises	-	-	3,130	3,130
367 Contributions and donations from private sources	85,000	85,000	86,642	1,642
369 Other	10,400	10,400	36,392	25,992
Total revenues	870,400	870,400	1,151,295	280,895
Expenditures				
430 Public works:				
437 Cemeteries	302,750	302,750	283,722	19,028
Total public works	302,750	302,750	283,722	19,028
440 Health and welfare:				
441 Health	300,455	300,455	295,763	4,692
449 Other	91,700	91,700	81,685	10,015
Total health and welfare	392,155	392,155	377,448	14,707
450 Culture and recreation:				
451 Recreation	2,752,860	2,835,160	2,695,926	139,234
452 Parks	2,427,970	2,773,770	2,718,742	55,028
Total culture and recreation	5,180,830	5,608,930	5,414,668	194,262
Total expenditures	5,875,735	6,303,835	6,075,838	227,997
Excess of Revenue under Expenditures	(5,005,335)	(5,433,435)	(4,924,543)	508,892
Other Financing Sources (Uses)				
391.01 Transfers in	5,005,335	5,005,335	5,911,878	906,543
511 Transfers out	-	(600,000)	(800,000)	(200,000)
391.04 Compensation for loss or damage to capital assets	-	-	9,924	9,924
Total other financing sources (uses)	5,005,335	4,405,335	5,121,802	716,467
Net Change in Fund Balances	-	(1,028,100)	197,259	1,225,359
Fund Balance - Beginning	392,653	392,653	392,653	-
Fund Balance (Deficit) - Ending	\$ 392,653	\$ (635,447)	\$ 589,912	\$ 1,225,359

City of Aberdeen  
 Budgetary Comparison Schedule—Special Revenue Fund—Airport Fund  
 Year Ended December 31, 2022

	Budgetary Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
310 Taxes:				
312 Airflight property tax	\$ 25,000	\$ 25,000	\$ 35,106	\$ 10,106
330 Intergovernmental revenue:				
331 Federal grants	3,285,000	3,285,000	2,674,519	(610,481)
334 State grants	127,750	127,750	51,000	(76,750)
335 State shared revenue:				
335.20 Other	15,000	15,000	-	(15,000)
340 Charge for goods and services:				
349 Other	450,000	450,000	522,322	72,322
360 Miscellaneous revenue:				
361 Investment earnings	-	-	32,895	32,895
369 Other	2,000	2,000	1,743	(257)
Total revenues	<u>3,904,750</u>	<u>3,904,750</u>	<u>3,317,585</u>	<u>(587,165)</u>
Expenditures				
430 Public works:				
435 Airport	<u>4,870,100</u>	<u>4,961,500</u>	<u>1,939,842</u>	<u>3,021,658</u>
Total public works	<u>4,870,100</u>	<u>4,961,500</u>	<u>1,939,842</u>	<u>3,021,658</u>
Total expenditures	<u>4,870,100</u>	<u>4,961,500</u>	<u>1,939,842</u>	<u>3,021,658</u>
Excess of Revenue under Expenditures	<u>(965,350)</u>	<u>(1,056,750)</u>	<u>1,377,743</u>	<u>2,434,493</u>
Other Financing Sources				
391.01 Transfers in	<u>965,350</u>	<u>965,350</u>	<u>980,224</u>	<u>14,874</u>
Total other financing sources	<u>965,350</u>	<u>965,350</u>	<u>980,224</u>	<u>14,874</u>
Net Change in Fund Balances	-	(91,400)	2,357,967	2,449,367
Fund Balance - Beginning	<u>725,020</u>	<u>725,020</u>	<u>725,020</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 725,020</u>	<u>\$ 633,620</u>	<u>\$ 3,082,987</u>	<u>\$ 2,449,367</u>

City of Aberdeen

Budgetary Comparison Schedule—Special Revenue Fund—Special Sales Tax Fund

Year Ended December 31, 2022

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
313 General sales and use taxes	\$ 10,600,000	\$ 10,600,000	\$ 10,705,099	\$ 105,099
330 Intergovernmental revenue:				
334 State grants	900,000	900,000	968,366	68,366
360 Miscellaneous revenue:				
361 Investment earnings	50,000	50,000	111,549	61,549
Total revenues	<u>11,550,000</u>	<u>11,550,000</u>	<u>11,785,014</u>	<u>235,014</u>
Expenditures				
410 General government:				
419 Other	350,000	350,000	6,200	343,800
Total general government	<u>350,000</u>	<u>350,000</u>	<u>6,200</u>	<u>343,800</u>
420 Public safety:				
429 Other protection	450,000	450,000	450,000	-
Total public safety	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>
430 Public works:				
431 Highways and streets	8,300,000	8,550,000	7,374,827	1,175,173
432 Sanitation	-	475,000	461,622	13,378
Total public works	<u>8,300,000</u>	<u>9,025,000</u>	<u>7,836,449</u>	<u>1,188,551</u>
460 Conservation and development:				
466 Economic opportunity	315,000	315,000	315,000	-
Total conservation and development	<u>315,000</u>	<u>315,000</u>	<u>315,000</u>	<u>-</u>
Total expenditures	<u>9,415,000</u>	<u>10,140,000</u>	<u>8,607,649</u>	<u>1,532,351</u>
Excess of Revenue over Expenditures	<u>2,135,000</u>	<u>1,410,000</u>	<u>3,177,365</u>	<u>1,767,365</u>
Other Financing Sources (Uses)				
391.01 Transfers in	56,000	56,000	500	55,500
511 Transfers out	(5,471,000)	(5,821,000)	(4,255,150)	1,565,850
Total other financing sources (uses)	<u>(5,415,000)</u>	<u>(5,765,000)</u>	<u>(4,254,650)</u>	<u>1,621,350</u>
Net Change in Fund Balances	(3,280,000)	(4,355,000)	(1,077,285)	3,388,715
Fund Balance - Beginning	<u>7,043,864</u>	<u>7,043,864</u>	<u>7,043,864</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,763,864</u>	<u>\$ 2,688,864</u>	<u>\$ 5,966,579</u>	<u>\$ 3,388,715</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 City Council 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, 2021, or December 31, 2022.

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

**Note 2 - Budget Reconciliation**

The City is reporting financial position, results of operations and changes in fund balances in conformity with GAAP while the Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. There are no major differences between the budgetary basis and the GAAP basis presented.

**Note 3 - Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions**

**Changes from Prior Valuation:**

The June 30, 2022, actuarial valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021, actuarial valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

The details of the changes since the last valuation are as follows:

**Benefit Provision Changes:**

During the 2022 legislative session, no significant SDRS benefit changes were made and gaming enforcement agents became Class B public safety members.

**Actuarial Assumption Changes:**

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees, first effective for this June 30, 2022, actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification, and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.



As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021, actuarial valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, actuarial valuation, and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, actuarial valuation.

**Actuarial Method Changes:**

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.



Supplementary Information  
December 31, 2022

**City of Aberdeen**

City of Aberdeen  
Combining Balance Sheet--Nonmajor Governmental Funds  
December 31, 2022

	Promotion Fund	Park and Recreation Gift Fund	Business Improvement District Fund	Parking District Fund	Storm Water Maintenance Fund	Library Fines Fund	Tax Increment Financing District No. 2 Bonds Fund
<b>Assets</b>							
Cash and cash equivalents	\$ 400,864	\$ 812,699	\$ -	\$ 390,876	\$ 106,390	\$ 55,715	\$ 129,009
110 Taxes receivable, delinquent	-	-	5,162	-	-	-	-
115 Accounts receivable, net	-	-	-	-	72,828	-	-
132 Due from state government	104,748	-	-	-	-	-	-
132 Due from county government	-	-	148	-	-	-	-
142 Inventory of stores purchased for resale	-	-	-	-	21,170	-	-
<b>Total assets</b>	<b>505,612</b>	<b>812,699</b>	<b>5,310</b>	<b>390,876</b>	<b>200,388</b>	<b>55,715</b>	<b>129,009</b>
<b>Deferred Outflows of Resources</b>							
198 Other deferred outflows of resources	-	-	-	-	-	-	-
	<u>\$ 505,612</u>	<u>\$ 812,699</u>	<u>\$ 5,310</u>	<u>\$ 390,876</u>	<u>\$ 200,388</u>	<u>\$ 55,715</u>	<u>\$ 129,009</u>
<b>Liabilities</b>							
202 Accounts payable	\$ -	\$ -	\$ -	\$ 1,151	\$ 5,621	\$ 857	\$ -
208 Due to General Fund	-	-	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	8,398	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,151</b>	<b>14,019</b>	<b>857</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>							
244 - Unavailable revenue - sales and use taxes	101,952	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	5,162	-	-	-	-
247 - Other deferred inflows of resources	-	-	-	-	75,215	-	-
<b>Total deferred inflows of resources</b>	<b>101,952</b>	<b>-</b>	<b>5,162</b>	<b>-</b>	<b>75,215</b>	<b>-</b>	<b>-</b>
<b>Fund Balance (Deficit)</b>							
263 Nonspendable	-	-	-	-	21,170	-	-
264 Restricted	403,660	812,699	148	389,725	89,984	54,858	129,009
267 Unassigned	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b>403,660</b>	<b>812,699</b>	<b>148</b>	<b>389,725</b>	<b>111,154</b>	<b>54,858</b>	<b>129,009</b>
	<u>\$ 505,612</u>	<u>\$ 812,699</u>	<u>\$ 5,310</u>	<u>\$ 390,876</u>	<u>\$ 200,388</u>	<u>\$ 55,715</u>	<u>\$ 129,009</u>

City of Aberdeen  
Combining Balance Sheet--Nonmajor Governmental Funds  
December 31, 2022

	Park and Rec ARCC Bonds Fund	Tax Increment Financing District No. 10 Bonds Fund	Park and Rec Softball Bonds Fund	Library Bonds Fund	Tax Increment Financing District No. 17 Bonds Fund	City Hall Remodel Bonds Fund
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 1,146	\$ 895,487	\$ 143,688	\$ 101,957
110 Taxes receivable, delinquent	-	909	-	-	97	-
115 Accounts receivable, net	-	-	-	-	-	-
132 Due from state government	-	-	-	-	-	-
132 Due from county government	-	-	-	-	478	-
142 Inventory of stores purchased for resale	-	-	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>909</b>	<b>1,146</b>	<b>895,487</b>	<b>144,263</b>	<b>101,957</b>
<b>Deferred Outflows of Resources</b>						
198 Other deferred outflows of resources	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 909</u>	<u>\$ 1,146</u>	<u>\$ 895,487</u>	<u>\$ 144,263</u>	<u>\$ 101,957</u>
<b>Liabilities</b>						
202 Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
208 Due to General Fund	127	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	-	-
<b>Total liabilities</b>	<b>127</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>						
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	909	-	-	97	-
247 - Other deferred inflows of resources	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>909</b>	<b>-</b>	<b>-</b>	<b>97</b>	<b>-</b>
<b>Fund Balance (Deficit)</b>						
263 Nonspendable	-	-	-	-	-	-
264 Restricted	-	-	1,146	895,487	144,166	101,957
267 Unassigned	(127)	-	-	-	-	-
<b>Total fund balance</b>	<b>(127)</b>	<b>-</b>	<b>1,146</b>	<b>895,487</b>	<b>144,166</b>	<b>101,957</b>
	<u>\$ -</u>	<u>\$ 909</u>	<u>\$ 1,146</u>	<u>\$ 895,487</u>	<u>\$ 144,263</u>	<u>\$ 101,957</u>

City of Aberdeen  
Combining Balance Sheet--Nonmajor Governmental Funds  
December 31, 2022

	Tax Increment Financing District No. 18 Bonds Fund	Tax Increment Financing District No. 19 Bonds Fund	Tax Increment Financing District No. 21 Bonds Fund	Tax Increment Financing District No. 24 Bonds Fund	Tax Increment Financing District No. 25 Bonds Fund	Tax Increment Financing District No. 26 Bonds Fund	Tax Increment Financing District No. 27 Bonds Fund
<b>Assets</b>							
Cash and cash equivalents	\$ -	\$ 107,936	\$ -	\$ -	\$ -	\$ 587,856	\$ 129,112
110 Taxes receivable, delinquent	-	1,443	-	6,477	738	5,209	-
115 Accounts receivable, net	-	-	-	-	-	-	-
132 Due from state government	-	-	-	-	-	-	-
132 Due from county government	-	-	1,514	-	247	-	-
142 Inventory of stores purchased for resale	-	-	-	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>109,379</b>	<b>1,514</b>	<b>6,477</b>	<b>985</b>	<b>593,065</b>	<b>129,112</b>
<b>Deferred Outflows of Resources</b>							
198 Other deferred outflows of resources	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 109,379</u>	<u>\$ 1,514</u>	<u>\$ 6,477</u>	<u>\$ 985</u>	<u>\$ 593,065</u>	<u>\$ 129,112</u>
<b>Liabilities</b>							
202 Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
208 Due to General Fund	10	-	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>							
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	1,443	-	6,477	738	5,209	-
247 - Other deferred inflows of resources	-	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>1,443</b>	<b>-</b>	<b>6,477</b>	<b>738</b>	<b>5,209</b>	<b>-</b>
<b>Fund Balance (Deficit)</b>							
263 Nonspendable	-	-	-	-	-	-	-
264 Restricted	-	107,936	1,514	-	247	587,856	129,112
267 Unassigned	(10)	-	-	-	-	-	-
<b>Total fund balance</b>	<b>(10)</b>	<b>107,936</b>	<b>1,514</b>	<b>-</b>	<b>247</b>	<b>587,856</b>	<b>129,112</b>
	<u>\$ -</u>	<u>\$ 109,379</u>	<u>\$ 1,514</u>	<u>\$ 6,477</u>	<u>\$ 985</u>	<u>\$ 593,065</u>	<u>\$ 129,112</u>

City of Aberdeen  
Combining Balance Sheet--Nonmajor Governmental Funds  
December 31, 2022

	Tax Increment Financing District No. 29 Bonds Fund	Tax Increment Financing District No. 30 Bonds Fund	Tax Increment Financing District No. 32 Bonds Fund	Cemetery Perpetual Care Fund	Moccasin Creek Project Fund	Parks and Recreation Project Fund	Tax Increment Financing District No. 32 Project Fund	Total Nonmajor Governmental Funds
<b>Assets</b>								
Cash and cash equivalents	\$ 39	\$ -	\$ 108,238	\$ 228,489	\$ 1,614,717	\$ 200,507	\$ 64,557	\$ 6,079,282
110 Taxes receivable, delinquent	3,085	394	-	-	-	-	-	23,514
115 Accounts receivable, net	-	-	-	-	-	-	-	72,828
132 Due from state government	-	-	-	-	-	-	-	104,748
132 Due from county government	1,592	410	-	-	-	-	-	4,389
142 Inventory of stores purchased for resale	-	-	-	-	-	-	-	21,170
<b>Total assets</b>	<b>4,716</b>	<b>804</b>	<b>108,238</b>	<b>228,489</b>	<b>1,614,717</b>	<b>200,507</b>	<b>64,557</b>	<b>6,305,931</b>
<b>Deferred Outflows of Resources</b>								
198 Other deferred outflows of resources	-	-	-	-	-	-	-	-
	<u>\$ 4,716</u>	<u>\$ 804</u>	<u>\$ 108,238</u>	<u>\$ 228,489</u>	<u>\$ 1,614,717</u>	<u>\$ 200,507</u>	<u>\$ 64,557</u>	<u>\$ 6,305,931</u>
<b>Liabilities</b>								
202 Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,629
208 Due to General Fund	-	-	-	-	-	-	-	137
216 Accrued wages payable	-	-	-	-	-	-	-	8,398
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,164</b>
<b>Deferred Inflows of Resources</b>								
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-	-	101,952
245 - Unavailable revenue - property taxes	3,085	394	-	-	-	-	-	23,514
247 - Other deferred inflows of resources	-	-	-	-	-	-	-	75,215
<b>Total deferred inflows of resources</b>	<b>3,085</b>	<b>394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,681</b>
<b>Fund Balance (Deficit)</b>								
263 Nonspendable	-	-	-	50,200	-	-	-	71,370
264 Restricted	1,631	410	108,238	178,289	1,614,717	200,507	64,557	6,017,853
267 Unassigned	-	-	-	-	-	-	-	(137)
<b>Total fund balance</b>	<b>1,631</b>	<b>410</b>	<b>108,238</b>	<b>228,489</b>	<b>1,614,717</b>	<b>200,507</b>	<b>64,557</b>	<b>6,089,086</b>
	<u>\$ 4,716</u>	<u>\$ 804</u>	<u>\$ 108,238</u>	<u>\$ 228,489</u>	<u>\$ 1,614,717</u>	<u>\$ 200,507</u>	<u>\$ 64,557</u>	<u>\$ 6,305,931</u>

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds  
Year Ended December 31, 2022

	Promotion Fund	Park and Recreation Gift Fund	Business Improvement District Fund	Parking District Fund	Storm Water Maintenance Fund	Library Fines Fund
<b>Revenues</b>						
310 Taxes:						
311 General property taxes	\$ -	\$ -	\$ 55,094	\$ -	\$ -	\$ -
313 General sales and use taxes	1,334,155	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	164	-	-	-
330 Intergovernmental revenue:						
331 Federal grants	-	-	-	-	-	-
340 Charges for goods and services:						
344 Sanitation	-	-	-	-	565,170	-
346 Culture and recreation	-	1,440	-	-	-	-
350 Fines and forfeits:						
354 Fines	-	-	-	-	-	63,289
360 Miscellaneous revenue:						
361 Investment earnings	1,744	5,503	-	2,039	547	-
362 Rentals	-	-	-	20,100	-	-
367 Contributions and donations from private sources	-	299,291	-	-	-	-
369 Other	-	-	-	-	-	-
<b>Total revenues</b>	<b>1,335,899</b>	<b>306,234</b>	<b>55,258</b>	<b>22,139</b>	<b>565,717</b>	<b>63,289</b>
<b>Expenditures</b>						
430 Public works:						
431 Highways and streets	-	-	-	-	51,077	-
432 Sanitation	-	-	-	-	682,425	-
436 Parking facilities	-	-	-	37,407	-	-
<b>Total public works</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,407</b>	<b>733,502</b>	<b>-</b>
450 Culture and recreation:						
452 Parks	-	794	-	-	-	-
455 Libraries	-	-	-	-	-	74,171
<b>Total culture and recreation</b>	<b>-</b>	<b>794</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,171</b>
460 Conservation and development:						
465 Economic development and assistance (industrial development)	1,060,000	-	-	-	-	-
466 Economic opportunity	-	-	56,134	-	-	-
<b>Total conservation and development</b>	<b>1,060,000</b>	<b>-</b>	<b>56,134</b>	<b>-</b>	<b>-</b>	<b>-</b>
470 Debt service	-	-	-	-	-	-
492 Other expenditures	-	-	-	-	-	-
<b>Total debt service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>1,060,000</b>	<b>794</b>	<b>56,134</b>	<b>37,407</b>	<b>733,502</b>	<b>74,171</b>
<b>Excess of revenue over (under) expenditures</b>	<b>275,899</b>	<b>305,440</b>	<b>(876)</b>	<b>(15,268)</b>	<b>(167,785)</b>	<b>(10,882)</b>
<b>Other Financing Sources (Uses)</b>						
391.01 Transfers in	-	-	-	-	10,057	-
511 Transfers out	(90,000)	(488,694)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(90,000)</b>	<b>(488,694)</b>	<b>-</b>	<b>-</b>	<b>10,057</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>185,899</b>	<b>(183,254)</b>	<b>(876)</b>	<b>(15,268)</b>	<b>(157,728)</b>	<b>(10,882)</b>
<b>Fund Balance - Beginning</b>	<b>217,761</b>	<b>995,953</b>	<b>1,024</b>	<b>404,993</b>	<b>268,882</b>	<b>65,740</b>
<b>Fund Balance - Ending</b>	<b>\$ 403,660</b>	<b>\$ 812,699</b>	<b>\$ 148</b>	<b>\$ 389,725</b>	<b>\$ 111,154</b>	<b>\$ 54,858</b>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds  
Year Ended December 31, 2022

	Tax Increment Financing District No. 2 Bonds Fund	Park and Rec ARCC Bonds Fund	Park and Rec Softball Bonds Fund	Library Bonds Fund
<b>Revenues</b>				
310 Taxes:				
311 General property taxes	\$ 174,365	\$ -	\$ -	\$ -
313 General sales and use taxes	-	-	-	-
319 Penalties and interest on delinquent taxes	422	-	-	-
330 Intergovernmental revenue:				
331 Federal grants	-	-	-	-
340 Charges for goods and services:				
344 Sanitation	-	-	-	-
346 Culture and recreation	-	-	-	-
350 Fines and forfeits:				
354 Fines	-	-	-	-
360 Miscellaneous revenue:				
361 Investment earnings	186	-	-	5,014
362 Rentals	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-
369 Other	102	-	-	-
Total revenues	175,075	-	-	5,014
<b>Expenditures</b>				
430 Public works:				
431 Highways and streets	-	-	-	-
432 Sanitation	-	-	-	-
436 Parking facilities	-	-	-	-
Total public works	-	-	-	-
450 Culture and recreation:				
452 Parks	-	-	-	-
455 Libraries	-	-	-	-
Total culture and recreation	-	-	-	-
460 Conservation and development:				
465 Economic development and assistance (industrial development)	-	-	-	-
466 Economic opportunity	-	-	-	-
Total conservation and development	-	-	-	-
470 Debt service	223,253	-	286,213	406,550
492 Other expenditures	600	-	600	660
Total debt service	223,853	-	-	407,210
Total expenditures	223,853	-	286,813	407,210
Excess of revenue over (under) expenditures	(48,778)	-	(286,813)	(402,196)
<b>Other Financing Sources (Uses)</b>				
391.01 Transfers in	-	-	285,000	410,000
511 Transfers out	-	(500)	-	-
Total other financing sources (uses)	-	(500)	285,000	410,000
Net Change in Fund Balances	(48,778)	(500)	(1,813)	7,804
Fund Balance - Beginning	177,787	373	2,959	887,683
Fund Balance - Ending	\$ 129,009	\$ (127)	\$ 1,146	\$ 895,487



# City of Aberdeen

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds Year Ended December 31, 2022

	Tax Increment Financing District No. 8 Bonds Fund	Tax Increment Financing District No. 17 Bonds Fund	City Hall Remodel Bonds Fund	Tax Increment Financing District No. 18 Bonds Fund	Tax Increment Financing District No. 19 Bonds Fund	Tax Increment Financing District No. 20 Bonds Fund
<b>Revenues</b>						
310 Taxes:						
311 General property taxes	\$ 169,589	\$ 43,205	\$ -	\$ 79,148	\$ 224,733	\$ 83,725
313 General sales and use taxes	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	22	-	-	26	-
330 Intergovernmental revenue:						
331 Federal grants	-	-	-	-	-	-
340 Charges for goods and services:						
344 Sanitation	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-
350 Fines and forfeits:						
354 Fines	-	-	-	-	-	-
360 Miscellaneous revenue:						
361 Investment earnings	-	-	-	-	-	-
362 Rentals	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	-
369 Other	-	-	-	-	-	-
<b>Total revenues</b>	<b>169,589</b>	<b>43,227</b>	<b>-</b>	<b>79,148</b>	<b>224,759</b>	<b>83,725</b>
<b>Expenditures</b>						
430 Public works:						
431 Highways and streets	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-
<b>Total public works</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
450 Culture and recreation:						
452 Parks	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-
<b>Total culture and recreation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
460 Conservation and development:						
465 Economic development and assistance (industrial development)	-	-	-	-	-	-
466 Economic opportunity	-	-	-	-	-	-
<b>Total conservation and development</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
470 Debt service	169,589	144,925	294,238	79,158	143,867	83,725
492 Other expenditures	-	660	1,200	-	-	-
<b>Total debt service</b>	<b>169,589</b>	<b>145,585</b>	<b>295,438</b>	<b>79,158</b>	<b>143,867</b>	<b>83,725</b>
<b>Total expenditures</b>	<b>169,589</b>	<b>145,585</b>	<b>295,438</b>	<b>79,158</b>	<b>143,867</b>	<b>83,725</b>
Excess of revenue over (under) expenditures	-	(102,358)	(295,438)	(10)	80,892	-
<b>Other Financing Sources (Uses)</b>						
391.01 Transfers in	-	-	345,000	-	-	-
511 Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>345,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(102,358)</b>	<b>49,562</b>	<b>(10)</b>	<b>80,892</b>	<b>-</b>
Fund Balance - Beginning	-	246,524	52,395	-	27,044	-
Fund Balance - Ending	\$ -	\$ 144,166	\$ 101,957	\$ (10)	\$ 107,936	\$ -

# City of Aberdeen

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds Year Ended December 31, 2022

	Tax Increment Financing District No. 21 Bonds Fund	Tax Increment Financing District No. 23 Bonds Fund	Tax Increment Financing District No. 24 Bonds Fund	Tax Increment Financing District No. 25 Bonds Fund	Tax Increment Financing District No. 26 Bonds Fund	Tax Increment Financing District No. 27 Bonds Fund
<b>Revenues</b>						
310 Taxes:						
311 General property taxes	\$ 132,295	\$ 61,458	\$ 102,893	\$ 27,107	\$ 205,537	\$ 155,804
313 General sales and use taxes	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	135	-	170	39	71	-
330 Intergovernmental revenue:						
331 Federal grants	-	-	-	-	-	-
340 Charges for goods and services:						
344 Sanitation	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-
350 Fines and forfeits:						
354 Fines	-	-	-	-	-	-
360 Miscellaneous revenue:						
361 Investment earnings	-	-	-	-	-	-
362 Rentals	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	-
369 Other	-	-	-	-	-	-
<b>Total revenues</b>	<b>132,430</b>	<b>61,458</b>	<b>103,063</b>	<b>27,146</b>	<b>205,608</b>	<b>155,804</b>
<b>Expenditures</b>						
430 Public works:						
431 Highways and streets	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-
<b>Total public works</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
450 Culture and recreation:						
452 Parks	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-
<b>Total culture and recreation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
460 Conservation and development:						
465 Economic development and assistance (industrial development)	-	-	-	-	-	-
466 Economic opportunity	-	-	-	-	-	-
<b>Total conservation and development</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
470 Debt service	134,318	61,458	103,834	26,899	135,342	107,230
492 Other expenditures	-	-	-	-	-	-
<b>Total debt service</b>	<b>134,318</b>	<b>61,458</b>	<b>103,834</b>	<b>26,899</b>	<b>135,342</b>	<b>107,230</b>
<b>Total expenditures</b>	<b>134,318</b>	<b>61,458</b>	<b>103,834</b>	<b>26,899</b>	<b>135,342</b>	<b>107,230</b>
<b>Excess of revenue over (under) expenditures</b>	<b>(1,888)</b>	<b>-</b>	<b>(771)</b>	<b>247</b>	<b>70,266</b>	<b>48,574</b>
<b>Other Financing Sources (Uses)</b>						
391.01 Transfers in	-	-	-	-	-	-
511 Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(1,888)</b>	<b>-</b>	<b>(771)</b>	<b>247</b>	<b>70,266</b>	<b>48,574</b>
<b>Fund Balance - Beginning</b>	<b>3,402</b>	<b>-</b>	<b>771</b>	<b>-</b>	<b>517,590</b>	<b>80,538</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,514</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 247</b>	<b>\$ 587,856</b>	<b>\$ 129,112</b>

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds  
Year Ended December 31, 2022

	Tax Increment Financing District No. 29 Bonds Fund	Tax Increment Financing District No. 30 Bonds Fund	Tax Increment Financing District No. 31 Bonds Fund	Tax Increment Financing District No. 32 Bonds Fund	Cemetery Perpetual Care Fund	Moccasin Creek Project Fund
Revenues						
310 Taxes:						
311 General property taxes	\$ 68,161	\$ 62,361	\$ 23,520	\$ 14,411	\$ -	\$ -
313 General sales and use taxes	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	145	32	21	-	-	-
330 Intergovernmental revenue:						
331 Federal grants	-	-	-	-	-	-
340 Charges for goods and services:						
344 Sanitation	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-
350 Fines and forfeits:						
354 Fines	-	-	-	-	-	-
360 Miscellaneous revenue:						
361 Investment earnings	-	-	-	-	-	8,103
362 Rentals	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	5,163	-
369 Other	-	-	-	-	-	-
Total revenues	68,306	62,393	23,541	14,411	5,163	8,103
Expenditures						
430 Public works:						
431 Highways and streets	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-
Total public works	-	-	-	-	-	-
450 Culture and recreation:						
452 Parks	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-
Total culture and recreation	-	-	-	-	-	-
460 Conservation and development:						
465 Economic development and assistance (industrial development)	-	-	-	-	-	-
466 Economic opportunity	-	-	-	-	-	-
Total conservation and development	-	-	-	-	-	-
470 Debt service	216,675	61,983	23,541	157,520	-	-
492 Other expenditures	-	-	-	-	-	-
Total debt service	216,675	61,983	23,541	-	-	-
Total expenditures	216,675	61,983	23,541	157,520	-	-
Excess of revenue over (under) expenditures	(148,369)	410	-	(143,109)	5,163	8,103
Other Financing Sources (Uses)						
391.01 Transfers in	150,000	-	-	-	-	150,000
511 Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	150,000	-	-	-	-	150,000
Net Change in Fund Balances	1,631	410	-	(143,109)	5,163	158,103
Fund Balance - Beginning	-	-	-	251,347	223,326	1,456,614
Fund Balance - Ending	\$ 1,631	\$ 410	\$ -	\$ 108,238	\$ 228,489	\$ 1,614,717

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds  
Year Ended December 31, 2022

	Parks and Recreation Project Fund	Tax Increment Financing District No. 32 Project Fund	Total Nonmajor Governmental Funds
Revenues			
310 Taxes:			
311 General property taxes	\$ -	\$ -	\$ 1,683,406
313 General sales and use taxes	-	-	1,334,155
319 Penalties and interest on delinquent taxes	-	-	1,247
330 Intergovernmental revenue:			
331 Federal grants	88,000	-	88,000
340 Charges for goods and services:			
344 Sanitation	-	-	565,170
346 Culture and recreation	-	-	1,440
350 Fines and forfeits:			
354 Fines	-	-	63,289
360 Miscellaneous revenue:			
361 Investment earnings	-	-	23,136
362 Rentals	-	-	20,100
367 Contributions and donations from private sources	-	-	304,454
369 Other	-	-	102
Total revenues	88,000	-	4,084,499
Expenditures			
430 Public works:			
431 Highways and streets	-	17,550	68,627
432 Sanitation	-	-	682,425
436 Parking facilities	-	-	37,407
Total public works	-	17,550	788,459
450 Culture and recreation:			
452 Parks	1,101,181	-	1,101,975
455 Libraries	-	-	74,171
Total culture and recreation	1,101,181	-	1,176,146
460 Conservation and development:			
465 Economic development and assistance (industrial development)	-	-	1,060,000
466 Economic opportunity	-	-	56,134
Total conservation and development	-	-	1,116,134
470 Debt service	-	-	2,860,318
492 Other expenditures	-	-	3,720
Total debt service	-	-	2,864,038
Total expenditures	1,101,181	17,550	5,944,777
Excess of revenue over (under) expenditures	(1,013,181)	(17,550)	(1,860,278)
Other Financing Sources (Uses)			
391.01 Transfers in	1,230,132	-	2,580,189
511 Transfers out	-	-	(579,194)
Total other financing sources (uses)	1,230,132	-	2,000,995
Net Change in Fund Balances	216,951	(17,550)	140,717
Fund Balance - Beginning	(16,444)	82,107	5,948,369
Fund Balance - Ending	\$ 200,507	\$ 64,557	\$ 6,089,086

City of Aberdeen  
Combining Statement of Net Position—Nonmajor Enterprise Funds  
December 31, 2022

	Proprietary Funds		
	Park and Rec Enterprise Fund	Golf Fund	Total Nonmajor Proprietary Funds
Current Assets			
Cash and cash equivalents	\$ 1,080,102	\$ 456,596	\$ 1,536,698
Total current assets	1,080,102	456,596	1,536,698
Noncurrent Assets			
189 Net pension asset	-	561	561
Capital assets:			
160 Land	-	350,500	350,500
162 Buildings	1,380,344	212,848	1,593,192
164 Improvements other than buildings	814,238	529,591	1,343,829
166 Machinery and equipment	43,816	687,397	731,213
168 Construction work in process	-	119,272	119,272
173 Right-to-use leased assets	-	195,539	195,539
Less accumulated depreciation	(788,811)	(926,501)	(1,715,312)
Less accumulated amortization	-	(78,216)	(78,216)
Total noncurrent assets	1,449,587	1,090,991	2,540,578
Total Assets	2,529,689	1,547,587	4,077,276
Deferred Outflows of Resources			
196 Pension related deferred outflows	-	47,851	47,851
Total deferred outflows of resources	-	47,851	47,851
	<u>\$ 2,529,689</u>	<u>\$ 1,595,438</u>	<u>\$ 4,125,127</u>
Current Liabilities			
202 Accounts payable	\$ 14,335	\$ 6,657	\$ 20,992
209 Due to state government	15,170	-	15,170
215 Accrued interest payable	-	2,612	2,612
216 Accrued wages payable	5,273	4,787	10,060
219 Amounts held for others	7,410	-	7,410
223 Unearned revenue	5,982	-	5,982
226 Bonds and leases payable current:			
226.04 Leases	-	23,477	23,477
230 Compensated absences payable - current	-	8,012	8,012
Total current liabilities	48,170	45,545	93,715
Noncurrent Liabilities			
234 Lease liabilities	-	123,445	123,445
Total noncurrent liabilities	-	123,445	123,445
Total Liabilities	48,170	168,990	217,160
Deferred Inflows of Resources			
248 Pension related deferred inflows	-	27,206	27,206
Net Position			
253.10 Net investment in capital assets	1,449,587	943,508	2,393,095
253.20 Restricted for:			
253.29 SDRS pension purposes	-	21,206	21,206
253.90 Unrestricted net position	1,031,932	434,528	1,466,460
Total net position	2,481,519	1,399,242	3,880,761
	<u>\$ 2,529,689</u>	<u>\$ 1,595,438</u>	<u>\$ 4,125,127</u>

City of Aberdeen

Combining Statement of Revenues, Expenses and Changes in Net Position—Nonmajor Enterprise Funds  
Year Ended December 31, 2022

	Proprietary Funds		
	Park and Rec Enterprise Fund	Golf Fund	Total Nonmajor Proprietary Funds
Operating Revenue			
370/380 Charges for goods and services	\$ 1,613,882	\$ 444,848	\$ 2,058,730
369 Miscellaneous	4,158	20	4,178
Total operating revenue	1,618,040	444,868	2,062,908
Operating Expenses			
410 Personal services	469,355	217,181	686,536
420 Other current expenses	704,219	431,209	1,135,428
453 Amortization	-	39,108	39,108
457 Depreciation	61,617	56,210	117,827
Total operating expenses	1,235,191	743,708	1,978,899
Operating Income (Loss)	382,849	(298,840)	84,009
Nonoperating Revenue (Expense)			
330 Operating grants	16,500	-	16,500
361 Investment earnings	4,961	-	4,961
(429) 369.01 Other	2,750	-	2,750
442 Interest expense	-	(4,121)	(4,121)
Total nonoperating revenue (expense)	24,211	(4,121)	20,090
Income (Loss) Before Contributions and Transfers	407,060	(302,961)	104,099
391.1 Transfers in	405	834,931	835,336
511 Transfers out	(122,905)	(14,550)	(137,455)
Change in Net Position	284,560	517,420	801,980
Net Position - Beginning	2,196,959	881,822	3,078,781
Net Position - Ending	\$ 2,481,519	\$ 1,399,242	\$ 3,880,761

City of Aberdeen  
Combining Statement of Cash Flows–Nonmajor Enterprise Funds  
Year Ended December 31, 2022

	Proprietary Funds		
	Park and Rec Enterprise Fund	Golf Fund	Total Nonmajor Proprietary Funds
Cash Flows from (used for) Operating Activities			
Receipt from customers	\$ 1,525,881	\$ 444,868	\$ 1,970,749
Payments to suppliers	(716,347)	(353,675)	(1,070,022)
Payments to employees	(467,605)	(220,802)	(688,407)
Cash payments for interfund services used	-	(87,511)	(87,511)
Net Cash from (used for) Operating Activities	341,929	(217,120)	124,809
Cash Flows from (used for) Noncapital Financing Activities			
Transfers from other funds	405	834,931	835,336
Transfers to other funds	(122,905)	(14,550)	(137,455)
Operating grants	16,500	-	16,500
Other noncapital receipts	2,750	-	2,750
Net Cash from (used for) Noncapital Financing Activities	(103,250)	820,381	717,131
Cash Flows used for Capital and Related Financing Activities			
Purchase of capital assets	-	(119,272)	(119,272)
Principal paid on lease liabilities	-	(22,866)	(22,866)
Interest paid on lease liabilities	-	(4,527)	(4,527)
Net Cash used for Capital and Related Financing Activities	-	(146,665)	(146,665)
Cash Flows from Investing Activities			
Interest earnings	4,961	-	4,961
Net Cash from Investing Activities	4,961	-	4,961
Net Change in Cash and Cash Equivalents	243,640	456,596	700,236
Cash and Cash Equivalents, Beginning	836,462	-	836,462
Cash and Cash Equivalents, Ending	\$ 1,080,102	\$ 456,596	\$ 1,536,698
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities:			
Operating income (loss)	\$ 382,849	\$ (298,840)	\$ 84,009
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:			
Depreciation and amortization expense	61,617	95,318	156,935
Changes in assets and liabilities:			
Prepaid expenses	240	-	240
Accounts and other payables	(12,368)	(9,977)	(22,345)
Due to state government	(75,456)	-	(75,456)
Accrued wages payable	1,750	(294)	1,456
Amounts held for others	1,034	-	1,034
Unearned revenue	(17,737)	-	(17,737)
Accrued leave payable	-	588	588
Pension related deferred outflows	-	10,245	10,245
Pension asset	-	58,516	58,516
Pension related deferred inflows	-	(72,676)	(72,676)
Net Cash from (used for) Operating Activities	\$ 341,929	\$ (217,120)	\$ 124,809

City of Aberdeen  
Statement of Cash Flows—Discretely Presented Component Unit  
Year Ended December 31, 2022

	<u>Housing and Redevelopment Commission</u>
Operating Activities	
Receipts from tenant payments	\$ 2,340,530
Receipts for management fees and other	348,496
Receipts from HUD subsidies	2,956,567
Payments to employees	(768,304)
Housing assistance payments	(2,325,795)
Payments to suppliers and others	<u>(1,865,824)</u>
Net Cash from Operating Activities	<u>685,670</u>
Noncapital Financing Activities	
HUD capital contributions	<u>251,901</u>
Net Cash from Noncapital Financing Activities	<u>251,901</u>
Capital and Related Financing Activities	
Purchase of property and equipment	(229,162)
Purchase of other assets	(30,908)
Payment on other liabilities	(8,667)
Payments for interest	(128,407)
Principal payments on long-term debt	(289,331)
Equity distributions	<u>(26,580)</u>
Net Cash used for Capital and Related Financing Activities	<u>(713,055)</u>
Investing Activities	
Payments received on notes receivable	1,328
Interest received	<u>30,301</u>
Net Cash from Investing Activities	<u>31,629</u>
Net Change in Cash	256,145
Cash, Beginning of Year	<u>4,245,466</u>
Cash, End of Year	<u><u>\$ 4,501,611</u></u>
Cash Consists of:	
Cash	\$ 2,926,098
Funded security deposits	141,941
Restricted deposits	<u>1,433,572</u>
	<u><u>\$ 4,501,611</u></u>



City of Aberdeen  
Statement of Cash Flows—Discretely Presented Component Unit  
Year Ended December 31, 2022

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	<u>Housing and Redevelopment Commission</u>
Reconciliation of Operating Loss to Net Cash from	
Operating Activities:	
Operating loss	\$ (435,610)
Adjustments to reconcile operating loss to net cash from	
operating activities:	
Depreciation and amortization	1,119,460
Change in assets and liabilities:	
Rental accounts receivable	(3,238)
Other receivables	21,021
Prepaid expenses	3,329
Accounts payable and other accrued liabilities	(3,621)
Tenant security deposits	2,459
Developer fee payable	-
Pension asset/liability, deferred inflows and outflows	(16,249)
Unearned revenues	<u>(1,881)</u>
Net Cash from Operating Activities	<u>\$ 685,670</u>



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

The City Council  
City of Aberdeen  
Aberdeen, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 25, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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 that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, 2022-003, 2022-004, and 2022-005 that we consider to be a material weaknesses.

## **Report Compliance and Other Matters**

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

## **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

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

Aberdeen, South Dakota  
September 25, 2023



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

To the City Council  
City of Aberdeen  
Aberdeen, South Dakota

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited the City of Aberdeen's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2022. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Aberdeen, South Dakota  
September 25, 2023

Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Expenditures
Environmental Protection Agency			
Brownfields, Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818		\$ 23,368
Total Environmental Protection Agency			23,368
Department of the Interior			
Outdoor Recreation - Acquisition, Development and Planning	15.916		160,000
Total Department of the Interior			160,000
Department of Transportation			
Airport Improvement Program	20.106		568,206
COVID 19 - Airport Improvement Program	20.106		688,275
Total Airport Improvement Program			1,256,481
Passed through SD Department of Transportation			
Federal Transit Cluster			
Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	20.526	UM3422	32,575
Total Federal Transit Cluster			32,575
Transit Services Programs Cluster			
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	UM1619, UM1622	16,072
Total Transit Services Programs Cluster			16,072
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	UMPL19(01)3771P	1,477
Formula Grants for Rural Areas and Tribal Transit Program	20.509	UM1822, UM1823	552,148
Passed through SD Department of Public Safety			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMEP21	25,193
Total Department of Transportation			1,883,946
Department of Health and Human Services			
Passed through SD Department of Transportation			
Aging Cluster			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	UM111B(01)	14,241
Total Aging Cluster			14,241
Total Department of Health and Human Services			14,241
National Endowment for the Arts			
Passed through SD Arts Council			
Promotion of the Arts - Partnership Agreements	45.025	*****	42,459
Total National Endowment for the Arts			42,459

Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Expenditures
Department of Homeland Security			
Law Enforcement Officer Reimbursement Agreement Program	97.090		12,420
Passed through SD Department of Public Safety		HLS 2019, HLS 2020,	
Homeland Security Grant Program	97.067	HLS 2021	82,857
Total Department of Homeland Security			95,277
Department of Justice			
Coronavrius Emergency Supplemental Funding Program	16.034		51,935
Bulletproof Vest Partnership Program	16.607		1,186
Edward Byrne Memorial Justice Assistance Grant Program	16.738		8,040
Total Department of Justice			61,161
Total Federal Financial Assistance			\$ 2,280,452

\*\*\*\*\* Denotes Pass-Through Entity Identifying Number Not Provided

### Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Aberdeen (the City) under programs of the federal government for the year ended December 31, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in net position and fund balance, or cash flows of the City.

### Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

### Note 3 — Indirect Cost Rate

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



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

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for the major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

**Identification of the major program:**

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

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**Section II – Financial Statement Findings**

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**Finding 2022-001 – Auditor Assistance in Preparation of Financial Statements and Schedule of Expenditures of Federal Awards**

**Material Weakness**

*Criteria:* An organization's internal control structure should provide for the preparation of financial statements and schedule of expenditures of federal awards in accordance with generally accepted accounting principles and Uniform Guidance.

*Condition:* During the course of our engagement, we assisted with drafting the financial statements and made certain corrections to the schedule of expenditures of federal awards.

*Cause:* The City does not have an internal control system adequately designed to provide for the complete and accurate preparation of the financial statements without auditor-provided assistance, and existing internal controls did not provide for the accurate preparation of the schedule of expenditures of federal awards.

*Effect:* The assistance with the preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by City personnel. Additionally, errors and misstatements in the schedule of expenditures of federal awards can impact major program determination and lead to the identification and testing of a federal program in error or inaccurate federal expenditures reported for the City's respective federal programs.

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

*Views of Responsible Officials:* Management agrees with the finding.

**Finding 2022-002 – Audit Adjustments and Passed Audit Adjustments**

**Material Weakness**

*Criteria:* An organization's internal control structure should provide for the complete and accurate recording of all necessary material and immaterial adjustments.

*Condition:* During the course of our engagement, we proposed numerous audit adjustments, both material and non-material, to the City's recorded account balances which, if not recorded, would have resulted in misstatements of the City's financial statements. There were also certain misstatements identified, not material but more than trivial in amount, that were not corrected within the financial statements by the election of management as they were deemed immaterial to the financial statements as a whole and each individual opinion unit.

*Cause:* The City does not have an internal control system adequately designed to provide for the complete and accurate recording of all transactions and proper review and oversight of the accounting for all transactions. The current system of internal controls lacks actual controls in place for the review of balance sheet accounts and reconciliations or, if review is being performed, lacks formal documentation to evidence the thoroughness of such review, therefore, this lack of strong review and oversight contributed to the fact that not all relevant and material adjustments necessary to ensure that financial information is properly recorded in accordance with generally accepted accounting principles were recorded by management as evidenced by identified and proposed audit adjustments.

*Effect:* The need for numerous proposed audit adjustments, material or immaterial, indicates that the City's interim financial information is not materially correct, which may affect management decisions made during the course of the year. Additionally, these potential misstatements can impact amounts on the schedule of expenditures of federal awards, which impacts major program determination and can lead to the identification and testing of a federal program in error or inaccurate federal expenditures reported for the City's respective federal programs.

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

*Views of Responsible Officials:* Management agrees with the finding.

**Finding 2022-003 – Lack of Review of Account Reconciliations**

**Material Weakness**

*Criteria:* An organization's internal control structure should provide for the preparation of account reconciliations and the related review of these account reconciliations by an individual separate from the preparer.

*Condition:* During the course of our engagement, we identified various account balances that were not properly reconciled and the account reconciliations were not reviewed or lacked documentation regarding review if a review was performed. This lack of review of these account reconciliations resulted in numerous audit adjustments identified which, if not recorded, would have resulted in misstatements of the City's financial statements.

*Cause:* The current system of internal controls lacks formal and specifically designed review controls over key balance sheet account reconciliations to be performed by an individual separate from the preparer to potentially identify and correct errors or misstatements prior to audit.

*Effect:* The lack of a review control designed and functioning properly increases the risk of incorrectly recorded transactions and material financial statement misstatements present within the financial statements and accounting records and increases audit risk.

*Recommendation:* We recommend implementing appropriate review and control processes related to the reconciliation of account balances and continued training specific to governmental accounting principles so that applicable staff are able ensure transactions and balances are properly recorded and reconciled. In addition, a thorough review of the transactions and balances in each fund should take place prior to the beginning of the audit to ensure that generally accepted accounting principles have been followed for each fund type, especially for transaction types that are infrequent in occurrence.

*Views of Responsible Officials:* Management agrees with the finding.

**Finding 2022-004 – Pooled Cash**

**Material Weakness**

*Criteria:* An organization's internal control structure should provide for the preparation of cash bank account reconciliations on a timely basis and the review of those cash bank account reconciliations by an individual separate from the preparer.

*Condition:* During the course of our engagement, we identified that the City's monthly pooled cash account reconciliation was not properly reconciled to the general ledger for multiple months out of the fiscal year and, ultimately, management was unable to identify a unreconciled difference in cash so management recorded an adjustment to cash to balance. The adjustment to balance was an approximate \$36,000 increase to cash on the general ledger to balance the pooled cash reconciliation. The unreconciled pooled cash resulted in delays in our audit testing over cash balances and, ultimately, a delay in our audit issuance.

*Cause:* The internal controls over the pooled cash reconciliation are not designed properly and effectively to ensure the timely and accurate reconciliation of pooled cash on a monthly basis. Review and oversight over the pooled cash reconciliation did not ensure that issues and errors were addressed timely and prior to the beginning of the fiscal year audit.

*Effect:* The existence of unreconciled pooled cash increases the risk of misstatements present in the financial statements and potential for unrecorded financial transactions impacting cash balances. Furthermore, unreconciled pooled cash precludes an accurate picture of each fund's respective actual cash balances for management to exercise proper financial decisions.

*Recommendation:* We recommend that the City provide additional training, as necessary, to ensure the recording of all cash transactions and preparation of the pooled cash bank reconciliation is accurate, and, also, to implement a timely review control of the prepared reconciliation by an individual separate from the preparer to ensure any unreconciled differences are addressed and corrected promptly.

*Views of Responsible Officials:* Management agrees with the finding.

**Finding 2022-005 – Capital Assets**

**Material Weakness**

*Criteria:* An organization's internal control structure should provide for the complete and accurate recording of all capital asset transactions and should provide for adequate controls to ensure capital assets are properly reconciled to the general ledger and supporting listings and schedules.

*Condition:* During the course of our engagement, numerous issues and errors related to the recording of capital assets were identified which resulted in numerous and material audit adjustments. Additionally, capital asset schedules were not prepared by management correctly and were not properly reconciled to the general ledger, thus needing significant revision and correction. The errors in capital assets and unreconciled capital assets resulted in delays in our audit testing over capital asset balances and, ultimately, a delay in our audit issuance.

*Cause:* An overall lack of experience in accounting and reconciliation of capital assets and use of the accounting system in that process, combined with the lack of adequate training and lack of a review/oversight control over the accounting and reconciliation of capital assets, resulted in numerous errors being left undetected and, ultimately, discovered by audit procedures.

*Effect:* The identification of numerous adjustments and the need for correction of capital asset reconciliations and schedules that are management's responsibility increases the risk that additional misstatements within capital asset accounts are present and remain undetected within the financial statements.

*Recommendation:* We recommend that the City provides increased training to accounting personnel regarding the accounting and reconciliation of capital assets and a review control be implemented to review all individual capital asset additions and disposals entered into the accounting system for accuracy, as well as a review of all of the year-end schedules and reconciliation of capital assets to the general ledger for financial reporting prior to the audit for accuracy and completeness.

*Views of Responsible Officials:* Management agrees with the finding.

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**Section III – Federal Award Findings and Questioned Costs**

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No findings reported in the current year.



# **CITY OF ABERDEEN**

123 South Lincoln Street  
Aberdeen, SD 57401-4215

Finance Office

605-626-7026

Management's Response to Auditor's Findings:  
Summary Schedule of Prior Audit Findings and  
Corrective Action Plan  
December 31, 2022

Prepared by Management of  
**City of Aberdeen**



**2021-001 – Auditor Assistance in Preparation of Financial Statements and Schedule of Expenditures of Federal Awards, Propensity for Audit Adjustments**

*Initial Fiscal Year Finding Occurred: 2013*

*Finding Summary:* The City does not have an internal control system designed to provide for the full preparation of the financial statements including required footnotes and disclosures without auditor assistance. During the course of the audit engagement, the auditors were requested to assist with drafting financial statements and accompanying notes to those financial statements and they also proposed material audit adjustments to the City's recorded account balances. The auditors also made corrections and adjustments to schedule of expenditures of federal awards.

*Status:* This finding has not been resolved as of December 31, 2022. The reason for the finding's recurrence is that the City's staffing model does not allow for a cost-effective solution. Planned actions include management annually reviewing the draft financial statements and footnotes prepared by the auditor and reviewing all recommended adjusting entries proposed by the auditor and any corrections and adjustments to the schedule of expenditures of federal awards.

## Corrective Action Plan

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### *Finding 2022-001*

*Finding Summary:* Eide Bailly LLP assisted in preparing the full financial statements and accompanying footnotes, as well as assisted with and identified corrections to the schedule of expenditures of federal awards.

*Responsible Individuals:* Jordan McQuillen, Finance Officer

*Corrective Action Plan:* Due to cost considerations and staffing model, we will continue to request Eide Bailly LLP assist in preparing our audited financial statements and accompanying notes as part of their annual audit. Management will annually review the drafted financial statements and accompanying notes, any recommended financial statement adjustments and corrections to the schedule of expenditures of federal awards, and we have reviewed and agree with the financial statement adjustments and corrections to the schedule of expenditures of federal awards proposed during the audit.

*Anticipated Completion Date:* Ongoing

### *Finding 2022-002*

*Finding Summary:* Eide Bailly LLP identified and proposed audit adjustments during the course of their audit that would not have been identified because of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements. Additionally, there were certain misstatements identified, not material but more than trivial in amount, that were not corrected within the financial statements as they were deemed immaterial to the financial statements as a whole and each individual opinion unit.

*Responsible Individuals:* Jordan McQuillen, Finance Officer

*Corrective Action Plan:* To address this issue and enhance our controls we intend to conduct a comprehensive review of our existing controls to identify gaps and weaknesses. After review, we will develop and implement a control enhancement plan, prioritizing key control areas and addressing identified deficiencies promptly.

*Anticipated Completion Date:* September 2023

## Corrective Action Plan

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### *Finding 2022-003*

*Finding Summary:* Eide Bailly LLP identified there to be a lack of review of certain significant account reconciliations as a control measure to prevent and detect misstatements during the course of their audit. This lack of review and oversight control in place contributed to the volume of audit adjustments identified and proposed during the course of the audit.

*Responsible Individuals:* Jordan McQuillen, Finance Officer

*Corrective Action Plan:* To address this issue and enhance our financial controls we will establish a comprehensive review process for all significant account reconciliations to prevent and detect misstatements and implement a documented review procedure to ensure thorough oversight.

*Anticipated Completion Date:* May 2023

### *Finding 2022-004*

*Finding Summary:* It was identified during the course of the audit that the City's pooled cash reconciliation was not properly reconciled to the general ledger for multiple months out of the fiscal year. This reconciliation not being completed and reviewed timely resulted in delays in the audit process and ultimately an immaterial unreconciled difference was adjusted for by management to balance the pooled cash reconciliation.

*Responsible Individuals:* Jordan McQuillen, Finance Officer

*Corrective Action Plan:* Conduct a thorough reconciliation of pooled cash for all periods, addressing any discrepancies promptly. We have established a stringent review process to ensure that the reconciliation is completed and reviewed in a timely manner going forward.

*Anticipated Completion Date:* June 2023

## Corrective Action Plan

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### *Finding 2022-005*

*Finding Summary:* Eide Bailly LLP identified there to be issues and errors related to the recording of capital assets which required auditor correction and adjustment during the course of their audit procedures. Capital asset schedules for audit purposes were not prepared correctly and capital asset activity was not properly reconciled to general ledger accounts.

*Responsible Individuals:* Jordan McQuillen, Finance Officer

*Corrective Action Plan:* Review and enhance capital asset recording procedures to ensure accuracy and compliance with accounting standards. Provide comprehensive training to staff responsible for capital asset recording to improve their understanding of proper recording and reconciliation processes. Develop a robust reconciliation process to regularly compare capital asset activity with general ledger accounts. Maintain accurate and detailed records of capital asset transactions for audit and reporting purposes.

*Anticipated Completion Date:* July 2023