



Financial Statements
December 31, 2018
City of Aberdeen

City Council

Expires

Mayor.....	Mike Levsen.....	2019
NE District Council Member.....	Mark Remily.....	2022
NE District Council Member.....	Rob Ronayne.....	2023
NW District Council Member.....	Dave Lunzman.....	2022
NW District Council Member.....	Jennifer Slight-Hansen.....	2019
SE District Council Member.....	Clint Rux.....	2022
SE District Council Member.....	Dennis “Mike” Olson.....	2020
SW District Council Member.....	David Bunsness.....	2020
SW District Council Member.....	Alan Johnson.....	2023

Appointive Officers

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

Governing Boards

Parks and Recreation Board (5 Years)

Expires

Matt Prehn, President.....	2021
Nick Gehrts	2023
Sara Christensen-Blair	2022
David Sandvig.....	2021
Doug Farrand	2020
Renita Kainz.....	2020
Josh Rife	2019
David Bunsness, City Council Member	

Mike Levsen, Mayor

Airport Board (5 Years)

Expires

Lonald Gellhaus, Chairperson.....	2022
Tom Seyer.....	2021
Carl Perry	2019
John Aman	2023
Mike Erickson.....	2022
Alan Johnson, City Council Member	
Doug Fjeldheim, County Commissioner	

Library Board (3 Years)

Expires

Dr. Peter Ramey, President.....	2019
Melissa Francom.....	2020
Paul McDonald	2021
Troy McQuillen	2019
Sharon Bain.....	2020
Clint Rux, City Council Member	

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	4
Statement of Net Position–Exhibit I	17
Statement of Activities–Exhibit II	19
Balance Sheet–Governmental Funds–Exhibit III.....	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances–Exhibit IV.....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide Statement of Activities	24
Statement of Net Position–Proprietary Funds–Exhibit V	26
Statement of Revenues, Expenses and Changes in Net Position–Proprietary Funds–Exhibit VI.....	28
Statement of Cash Flows–Proprietary Funds–Exhibit VII.....	29
Statement of Net Position–Fiduciary Funds–Exhibit VIII.....	31
Notes to Financial Statements.....	32
Required Supplementary Information	
Schedule of Proportionate Share of Net Pension Liability (Asset).....	69
Schedule of Pension Contributions	70
Budgetary Comparison Schedule–General Fund	71
Budgetary Comparison Schedule–Special Revenue Fund–Park and Recreation Fund	73
Budgetary Comparison Schedule–Special Revenue Fund–Airport Fund	74
Budgetary Comparison Schedule–Special Revenue Fund–Special Sales Tax Fund	75
Notes to Required Supplementary Information	76
Supplementary Information	
Combining Balance Sheet–Nonmajor Governmental Funds	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds.....	82
Combining Statement of Net Position–Nonmajor Enterprise Funds	87
Combining Statement of Revenues, Expenses and Changes in Net Position–Nonmajor Enterprise Funds	88
Combining Statement of Cash Flows–Nonmajor Enterprise Funds	89
Statement of Cash Flows–Discretely Presented Component Unit.....	90
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	92
Independent Auditor’s Report on Compliance Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance.....	94
Schedule of Expenditures of Federal Awards.....	96
Notes to Schedule of Expenditures of Federal Awards	97
Schedule of Findings and Questioned Costs.....	98



Independent Auditor's Report

The City Council
City of Aberdeen
Aberdeen, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the City's share of net pension liability (asset), schedule of the City's pension contributions, and budgetary comparison information on pages 4 through 16 and 69 through 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise the City of Aberdeen, South Dakota's basic financial statements. The schedule of municipal officials, combining nonmajor fund financial statements and discretely presented component unit's statement of cash flows are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

The schedule of municipal officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2019 on our consideration of the City of Aberdeen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 of Aberdeen'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 of Aberdeen's internal control over financial reporting and compliance.

Eide Sallee LLP

Aberdeen, South Dakota
May 30, 2019

The following is a discussion and analysis of the City of Aberdeen's (herein after referred to as the City) financial performance and position, providing an overview of the City's financial activities for the fiscal year ended December 31, 2018. 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 \$177.332 million (reported as net position), an increase of \$4.814 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 \$22.556 million, with \$5,726,526 reported as unassigned, \$2,018,529 reported as assigned, \$5,976,688 reported as committed, \$8,167,993 reported as restricted, and the remaining amount of \$665,781 reported as nonspendable. At the end of the fiscal year, the fund balance for the General Fund was \$6,916,411, of which \$5,999,146 was unassigned, \$363,335 was assigned, and \$553,930 was reported as nonspendable.

Proprietary funds reported a total net position at year-end of \$48.273 million, an increase of approximately \$1.539 million during the year.

Long-Term Debt

The primary government's total long-term outstanding loans and bonded debt totaled \$50.673 million, a decrease of \$4.899 million from the previous year. Of the total outstanding loans and bonded debt, \$41.436 million is backed by the City. The decrease represents principal payments of \$6,101,545 of previous outstanding debt. Although unpledged, water charges are assumed to be responsible for repayment of the State Revolving Loan for water treatment improvements. Conversely, sewer charges have been pledged and will make the repayment of the State Revolving Loan for sewer treatment improvement. Sales tax revenues have been pledged for the repayment of the State Revolving Loan for automated water meter upgrades.

Overview of the Financial Statements

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

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

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

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

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

- **Governmental Activities.** The governmental activities of the City include general government; parks, recreation, and forestry; airport; public works; public safety; health and welfare; library; conservation and economic development; 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, Wylie Campground, Lee Park Golf, and Ambulance Fund are examples of business-type activities.
- **Discretely Presented Component Unit.** Component units are legally separate organizations for which the City is financially accountable, or the nature and significance of the unit's relationship with the City is such that exclusion of the unit would cause the City's financial statements to be misleading, or incomplete. The following entity is included in the component unit column of the City's government-wide financial statements:
 - ✓ Housing and Redevelopment Commission

Fund Financial Statements and Component Unit Financial Statements

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

Governmental Funds

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

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

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

Proprietary Funds

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

Activities (e.g., Water Fund) that largely involve customers outside of city government are accounted for in 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 six individual proprietary funds, of which the City presents two (Water and Sewer) as major funds. The proprietary funds are as follows: Water Fund, Sewer Fund, Wylie Campground Fund, Lee Park Golf, Old Federal Building and Ambulance Fund. These proprietary funds are presented separately in the proprietary funds statement of net position and statement of revenues, expenses, and changes in fund net position.

Fiduciary Funds

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

Component Unit

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

Notes to the Financial Statements

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

Required Supplementary Information

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

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

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Net Position

As presented in the following table, total assets and deferred outflows of the City on December 31, 2018 were \$231.817 million, while total liabilities and deferred inflows were \$54.485 million, resulting in combined net position (governmental and business-type activities) of \$177.332 million.

	City of Aberdeen Net Position					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 27,650,701	\$ 27,262,464	\$ 9,527,862	\$ 8,982,935	\$ 37,178,563	\$ 36,245,399
Capital Assets	129,656,441	127,790,329	58,972,603	59,887,826	188,629,044	187,678,155
Total Assets	157,307,142	155,052,793	68,500,465	68,870,761	225,807,607	223,923,554
Deferred Outflows of Resources	5,056,777	6,184,513	953,037	1,171,952	6,009,814	7,356,465
	162,363,919	161,237,306	69,453,502	70,042,713	231,817,421	231,280,019
Noncurrent Liabilities Outstanding	30,271,817	33,078,485	20,401,562	22,494,331	50,673,379	55,572,816
Other Liabilities	1,920,610	1,241,218	552,443	583,905	2,473,053	1,825,123
Total Liabilities	32,192,427	34,319,703	20,954,005	23,078,236	53,146,432	57,397,939
Deferred Inflows of Resources	1,111,921	1,133,132	226,614	230,936	1,338,535	1,364,068
	33,304,348	35,452,835	21,180,619	23,309,172	54,484,967	58,762,007
Net Position:						
Net Investment in Capital Assets	108,574,502	104,826,421	38,732,918	37,533,719	147,307,420	142,360,140
Restricted	12,517,725	13,506,925	2,311,060	2,523,630	14,828,785	16,030,555
Unrestricted	7,967,344	7,451,125	7,228,905	6,676,192	15,196,249	14,127,317
Total Net Position	\$129,059,571	\$125,784,471	\$48,272,883	\$46,733,541	\$177,332,454	\$172,518,012

The largest component of the City's net position, 83.1% (up from 82.5% in 2017), is investments in capital assets (land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress), less depreciation and all outstanding debt that was issued to buy or build those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets comprise 8.4% (a decrease from 9.3% in 2017) 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, \$15.196 million, is unrestricted net assets that may be used to meet the City's ongoing obligations to citizens and creditors. However, certain resources within this balance have internally imposed limitations as explained below. These assets are not reported as restricted net assets because the limitations are imposed internally by the City, not externally imposed by sources such as creditors. Internally imposed limitations on the use of unrestricted assets include, but may not be limited to, funding fiscal year 2019 appropriations in the General Fund (\$363,335).

Changes in Net Position

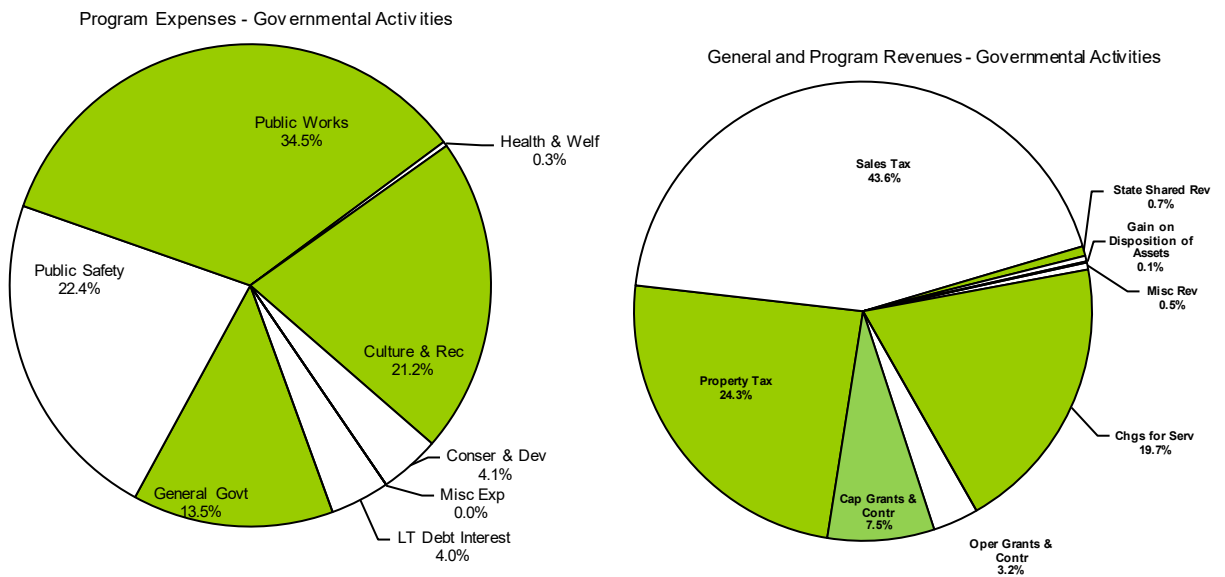
The following table summarizes financial information derived from the government-wide statement of activities and reflects how the City's net position changed during fiscal years 2018 and 2017.

	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 8,619,846	\$ 8,227,115	\$ 12,158,212	\$ 11,873,346	\$ 20,778,058	\$ 20,100,461
Operating Grants and Contributions	1,413,327	1,297,164	-	-	1,413,327	1,297,164
Capital Grants and Contributions	3,300,364	4,360,147	359,599	1,234,588	3,659,963	5,594,735
General Revenues:						
Property Taxes	10,653,983	10,208,271	-	-	10,653,983	10,208,271
Sales Taxes	19,132,106	18,412,892	-	-	19,132,106	18,412,892
State Shared Revenues	294,585	282,717	-	-	294,585	282,717
Unrestricted Investment Earnings	178,035	120,947	78,479	70,401	256,514	191,348
Gain on Disposition of Assets	34,704	-	-	-	34,704	-
Miscellaneous	218,221	169,146	155,394	169,645	373,615	338,791
Total Revenues	<u>43,845,171</u>	<u>43,078,399</u>	<u>12,751,684</u>	<u>13,347,980</u>	<u>56,596,855</u>	<u>56,426,379</u>
Program Expenses:						
General Government	5,546,862	4,515,389	-	-	5,546,862	4,515,389
Public Safety	9,202,494	7,019,458	-	-	9,202,494	7,019,458
Public Works	14,175,457	13,532,893	-	-	14,175,457	13,532,893
Health and Welfare	131,982	153,523	-	-	131,982	153,523
Cultural and Recreation	8,710,904	8,193,125	-	-	8,710,904	8,193,125
Conservation and Development	1,677,484	1,823,816	-	-	1,677,484	1,823,816
Interest on Long-term Debt	1,634,453	1,694,995	-	-	1,634,453	1,694,995
Water	-	-	5,126,560	5,065,709	5,126,560	5,065,709
Sewer	-	-	3,260,198	3,121,861	3,260,198	3,121,861
Old Federal Building	-	-	143,947	170,624	143,947	170,624
Campground	-	-	348,736	240,609	348,736	240,609
Golf	-	-	635,219	619,077	635,219	619,077
Ambulance	-	-	1,445,175	1,119,289	1,445,175	1,119,289
Total Expenses	<u>41,079,636</u>	<u>36,933,199</u>	<u>10,959,835</u>	<u>10,337,169</u>	<u>52,039,471</u>	<u>47,270,368</u>
Excess (Deficiency) Before Transfers and Extraordinary Items	2,765,535	6,145,200	1,791,849	3,010,811	4,557,384	9,156,011
SDPAA Methodology Change	257,058	-	-	-	257,058	-
Transfers	252,507	516,441	(252,507)	(516,441)	-	-
Change in Net Position	<u>3,275,100</u>	<u>6,661,641</u>	<u>1,539,342</u>	<u>2,494,370</u>	<u>4,814,442</u>	<u>9,156,011</u>
Net Position - Beginning	<u>125,784,471</u>	<u>119,122,830</u>	<u>46,733,541</u>	<u>44,239,171</u>	<u>172,518,012</u>	<u>163,362,001</u>
Net Position - Ending	<u>\$129,059,571</u>	<u>\$125,784,471</u>	<u>\$48,272,883</u>	<u>\$46,733,541</u>	<u>\$177,332,454</u>	<u>\$172,518,012</u>

Governmental Activities

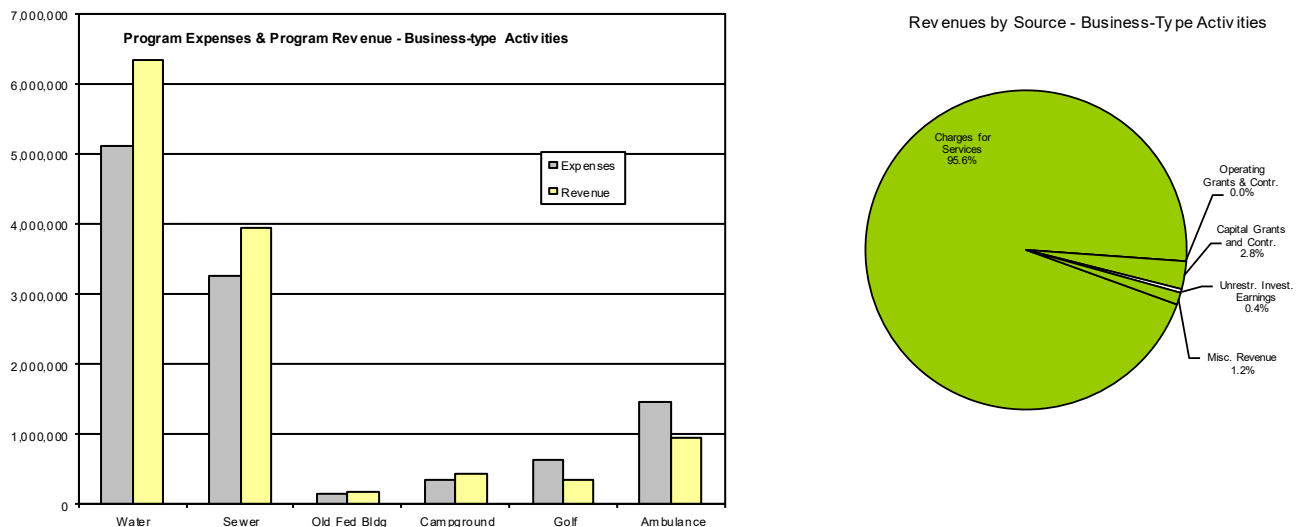
Governmental activities increased the City's net position by \$3,275,100. Factors contributing to these results include:

- An increase in charges for services of \$392,731, property tax of \$445,712, sales tax of \$719,214;
- Capital and operating grant revenue of \$4.714 million;
- An overall increase of governmental expenses of \$4.146 million.



Business-Type Activities

Net position of the business-type activities increased by \$1,539,342 during 2018, as compared to an increase of \$2,494,370 during 2017. Factors contributing to these results include capital grants of \$359,599 and an overall increase in expenses of approximately \$622,600.



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 2018, the City's governmental funds reported combined ending fund balances of \$22.556 million, an increase of approximately \$707,000 in comparison with the prior year.

Approximately 2.95%, or \$665,781 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 36.21%, or \$8,167,993 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 26.50%, or \$5,976,688 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 8.95%, or \$2,018,529 of the combined ending fund balances, is reported as assigned to indicate that it is intended to be used for specific purposes that are neither considered restricted or committed. \$363,335 of this amount is assigned to be used only for 2019 appropriations.

The remaining 25.39%, or \$5,726,526 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 2018 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 \$6.362 million, of which \$363,335 was assigned only to be used to fund 2019 appropriations. Total fund balance at the end of the current fiscal year was \$6.916 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 34.34% (35.9% in 2017) of the total General Fund operating expenditures.

Overall, the fund balance of the City's General Fund increased by \$447,481 (From Exh. IV) during the current fiscal year. This is a 6.9% increase from the prior year's ending fund balance. The increase primarily resulted from lower than expected spending in General Government (approximately \$418,000) offset by higher than expected transfers out to other funds (approximately \$152,000), plus a change in methodology of the calculation of vested amounts in the SDPAA (approximately \$257,000).

The Special Sales Tax Fund is the fund maintained by the City to account for the proceeds from the second penny sales tax. The City has adopted ordinances to designate the use of these proceeds to capital improvements, land acquisition, and certain public safety uses. At the end of the fiscal year, committed fund balance of the Special Sales Tax Fund was \$5,976,688. Total fund balance at the end of the current fiscal year was also \$5,976,688.

Overall, the fund balance of the City's Special Sales Tax Fund decreased by \$825,194 during the current fiscal year. This is a 12.13% decrease in fund balance from the prior year. The decrease primarily resulted from the intentional use of unexpended fund balance of \$1,527,000 for large projects, higher than expected state grant revenue (approximately \$912,000), lower than expected street project costs (approximately \$2 million), and lower than expected federal grant revenue (approximately \$2.6 million).

The Park and Recreation Fund is the fund created by the City to account for the activities associated with those departments. At the end of the fiscal year, nonspendable fund balance of the Park and Recreation Fund was \$40,821 and the unassigned fund balance deficit was \$272,620. Total fund balance at the end of the current fiscal year was a deficit of \$231,799.

The Airport Fund is the fund created by the City to account for the activities associated with that department. At the end of the fiscal year, nonspendable fund balance of the Airport Fund was \$200 and the assigned fund balance was \$1,655,194. Total fund balance at the end of the current fiscal year was \$1,655,394.

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 2018:

Water Fund

At the end of fiscal year 2018, the Water Fund reported total net position of \$21.870 million, an increase of approximately \$931,726 (4.45%) in comparison with the prior year. During 2018, the Water Fund produced an operating income (before contributions and operating transfers) in the amount of \$1,578,290 on total operating revenue of \$6.463 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$1,295,322 on total operating revenue of \$6.343 million. The increase in total net position was largely the result of increased water consumption due to dry summer conditions and increased production at New Angus, Inc.

Sewer Fund

At the end of fiscal year 2018, the Sewer Fund reported total net position of \$22.434 million, an increase of \$665,739 (3.06%) in comparison with the prior year. During 2018, the Sewer Fund produced operating income (before contributions and operating transfers) in the amount of \$1,018,068 on total operating revenue of \$3.980 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$1,011,422 on total operating revenue of \$3.809 million. The increase in total net position was largely the result of increased production at New Angus, Inc.

Budgetary Highlights – General Fund

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

General Fund

The difference between the original budget and the final amended budget was \$588,700 (or 2.93%) of increases in operational appropriations and can be summarized as follows:

- \$13,300 in supplemental appropriations to General Government for nuisance abatement expenses.
- \$267,300 in supplemental appropriations to Public Safety for 1) Fire Department expenses covered by grants and water consumption, and 2) Police salaries, vehicle maintenance and water consumption.
- \$255,250 in supplemental appropriations to Public Works departments for 1) personal services, 2) water consumption expenses, 3) snow removal expenses, and 4) recycling expenses due to new contract.
- \$47,750 in supplemental appropriations to Culture and Recreation departments for 1) unanticipated heating costs, 2) furniture, and 3) water consumption at the Library.
- \$5,100 in supplemental appropriations Economic Development for a HAPI CDBG grant.

Actual spending was less than the original budget for General Fund total operating expenditures by \$571,290 and was less than the final amended budget by \$859,990.

Overall, there was one instance of over-spending in the General Government of \$26,593 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, 2018 is \$188.629 million (net of accumulated depreciation) as compared to \$187.678 million the previous year. This investment in capital assets includes land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress.

	City of Aberdeen					
	Capital Assets - Primary Government					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 11,305,029	\$ 9,842,078	\$ 903,277	\$ 903,027	\$ 12,208,306	\$ 10,745,105
Buildings	46,429,623	46,089,185	64,611,281	63,247,744	111,040,904	109,336,929
Improvements other than Buildings	136,514,577	132,332,274	32,234,072	31,455,840	168,748,649	163,788,114
Machinery and Equipment	22,060,890	20,969,902	8,576,659	8,278,509	30,637,549	29,248,411
Construction in Progress	101,607	92,397	-	1,177,362	101,607	1,269,759
Total Capital Assets	<u>216,411,726</u>	<u>209,325,836</u>	<u>106,325,289</u>	<u>105,062,482</u>	<u>322,737,015</u>	<u>314,388,318</u>
Accumulated Depreciation	<u>86,755,285</u>	<u>81,535,507</u>	<u>47,352,686</u>	<u>45,174,656</u>	<u>134,107,971</u>	<u>126,710,163</u>
Total Capital Assets, Net	<u>\$129,656,441</u>	<u>\$127,790,329</u>	<u>\$58,972,603</u>	<u>\$59,887,826</u>	<u>\$188,629,044</u>	<u>\$187,678,155</u>

The City's investment in capital assets (net of accumulated depreciation) changed from fiscal year 2017 to 2018 by 0.54%. Governmental capital projects completed during 2018 include a new fire ladder truck at a total cost of about \$908,784, street improvements at a total cost of about \$437,500, street lights at a total cost of about \$460,025, traffic signals at a total cost of about \$470,532, and storm sewer mains at a total cost of \$77,920. Business-type capital projects completed during 2018 include water mains at a total cost of about \$430,758, water reclamation SCADA and building improvements at a total cost of about \$556,137, and a new ambulance at a total cost of \$184,830. The governmental Construction in Progress includes \$92,397 for 3rd Avenue bridge reconstruction and \$9,210 for Kuhnert Trail improvements.

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

Debt Administration

The authority of the City to incur debt is described in South Dakota Codified Law Section 9-25-1. Generally, the State Constitution prohibits the City from having general obligation indebtedness in excess of 5% of the assessed valuation of the taxable property within the City for the year preceding that in which the indebtedness is incurred. Currently, all of the City's debt is classified as general-purpose debt. The 2018, general-purpose debt limitation for the City is \$89,340,963, which is \$59,169,879 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 \$30,271,817 and business-type activities had total note and bonded debt outstanding of \$20,401,562. During the current fiscal year, the City incurred no new bonds under governmental or business-type activities. The City retired \$4,971,579 of general obligation debt which included the annual principal payments associated with TIF revenue bonds, the ARCC Renovations bonds, Aquatics Center bonds, Public Safety Improvements bonds, campground expansion bonds, Old Federal Building bonds, Library bonds, and State Revolving Loan associated with the Water and Wastewater Treatment Plants improvements. It should be noted, the City has a commitment from the Library Foundation Board to provide \$622,450 to pay the debt service on the taxable portion of the Library bonds in 2019 and 2020.

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

Economic Condition and Outlook

Steady economic and property growth annually from fiscal years 2011 to 2015 helped to maintain steady revenue streams for the City; however, 2016 was the first time since 2010 that Aberdeen saw a decrease in sales tax revenue amounting to about a 0.80% decrease. Sales tax revenue for 2017 and 2018 increased by about 1.3% and 4.2%, respectively. The general sales tax revenue increased in 2011, 2012, 2013, 2014 and 2015 by about 2.1%, 7.57%, 3.2%, 0.1%, and 3.4%, respectively. The construction of the Ag Processing, Inc. soybean processing plant is expected to increase sales tax revenue slightly, with up to 50% of the sales tax related to construction to be refunded in accordance with City Ordinance Section 50. The recent Supreme Court decision allowing sales tax on internet sales was effective in late in 2018, however estimates of the impact of the increase are hard to calculate. Aberdeen's growth in property tax valuation due to new construction and changes to existing property has consistently averaged between 2.5 - 3% annually, with slower growth of approximately 1.36% in 2016, 1.44% in 2017, and 1.76% in 2018. Again, the construction of the soybean processing plant is expected to increase property tax valuation significantly in the next 5-7 years.

Future Construction Activity

During 2018, 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) 626-7027.

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

City of Aberdeen
Statement of Net Position—Exhibit I
December 31, 2018

	Primary Government		Total	Component Unit Housing and Redevelopment Commission
	Governmental Activities	Business-Type Activities		
Assets				
Cash and cash equivalents	\$ 12,622,766	\$ 3,397,515	\$ 16,020,281	\$ 1,675,943
Investments	11,114,861	4,500,000	15,614,861	-
Internal balances	113,985	(113,985)	-	-
Accounts receivable, net	3,168,999	1,168,678	4,337,677	524,709
Funded security deposits	-	-	-	133,052
Inventories	43,696	572,566	616,262	-
Other assets	25,215	-	25,215	305,505
Restricted assets:				
Deposits and funded reserves	546,770	-	546,770	1,709,347
Prepaid expenses	-	150	150	41,571
Net pension asset	14,409	2,938	17,347	699
Capital assets:				
Land, improvements, and construction in progress	11,406,636	903,277	12,309,913	1,250,971
Other capital assets, net of depreciation	118,249,805	58,069,326	176,319,131	18,935,594
Total assets	157,307,142	68,500,465	225,807,607	24,577,391
Deferred Outflows of Resources				
Deferred charge on refunding	380,532	-	380,532	-
Pension related deferred outflows	4,676,245	953,037	5,629,282	226,178
Total deferred outflows of resources	5,056,777	953,037	6,009,814	226,178
	<u>\$ 162,363,919</u>	<u>\$ 69,453,502</u>	<u>\$ 231,817,421</u>	<u>\$ 24,803,569</u>

City of Aberdeen
Statement of Net Position—Exhibit I
December 31, 2018

	Primary Government		Total	Component Unit Housing and Redevelopment Commission
	Governmental Activities	Business-Type Activities		
Liabilities				
Accounts payable	\$ 1,479,035	\$ 358,043	\$ 1,837,078	\$ 88,479
Other current liabilities	425,538	194,400	619,938	254,610
Unearned revenue	16,037	-	16,037	10,805
Noncurrent liabilities:				
Due within one year	3,523,387	2,327,138	5,850,525	375,853
Due in more than one year	26,748,430	18,074,424	44,822,854	5,538,651
Total liabilities	<u>32,192,427</u>	<u>20,954,005</u>	<u>53,146,432</u>	<u>6,268,398</u>
Deferred Inflows of Resources				
Pension related deferred inflows	1,111,921	226,614	1,338,535	54,871
Total deferred inflows of resources	<u>1,111,921</u>	<u>226,614</u>	<u>1,338,535</u>	<u>54,871</u>
Net Position				
Net investment in capital assets	108,574,502	38,732,918	147,307,420	14,478,543
Restricted for:				
Capital projects purposes	1,375,102	-	1,375,102	-
Debt service purposes	4,185,552	1,581,699	5,767,251	-
SDRS pension	3,578,733	729,361	4,308,094	172,006
Permanently restricted purposes:				
Expendable	156,364	-	156,364	-
Nonexpendable	50,100	-	50,100	-
Other purposes	779,187	-	779,187	-
Other purposes - Promotion Fund	150,625	-	150,625	-
Other purposes - Park and Recreation Gift Fund	1,151,678	-	1,151,678	-
Other purposes - Parking District Fund	543,614	-	543,614	-
Other purposes - General Fund - SD Public Assurance Alliance	546,770	-	546,770	-
Other purposes - Component Unit	-	-	-	1,509,347
Unrestricted	7,967,344	7,228,905	15,196,249	2,320,404
Total net position	<u>129,059,571</u>	<u>48,272,883</u>	<u>177,332,454</u>	<u>18,480,300</u>
	<u>\$ 162,363,919</u>	<u>\$ 69,453,502</u>	<u>\$ 231,817,421</u>	<u>\$ 24,803,569</u>

City of Aberdeen
Statement of Activities—Exhibit II
Year Ended December 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Housing and Redevelopment Commission
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government								
Governmental activities:								
General government	\$ 5,546,862	\$ 4,006,531	\$ -	\$ -	\$ (1,540,331)	\$ -	\$ (1,540,331)	\$ -
Public safety	9,202,494	141,098	229,220	-	(8,832,176)	-	(8,832,176)	-
Public works	14,175,457	2,886,266	-	3,081,816	(8,207,375)	-	(8,207,375)	-
Health and welfare	131,982	128,638	335,892	-	332,548	-	332,548	-
Culture and recreation	8,710,904	1,457,313	848,215	213,417	(6,191,959)	-	(6,191,959)	-
Conservation and development	1,677,484	-	-	5,131	(1,672,353)	-	(1,672,353)	-
Interest and bond issuance costs on long-term debt	1,634,453	-	-	-	(1,634,453)	-	(1,634,453)	-
Total governmental activities	41,079,636	8,619,846	1,413,327	3,300,364	(27,746,099)	-	(27,746,099)	-
Business-type activities:								
Water	5,126,560	6,361,353	-	209,500	-	1,444,293	1,444,293	-
Sewer	3,260,198	3,935,200	-	89,652	-	764,654	764,654	-
Old Federal Building	143,947	174,128	-	-	-	30,181	30,181	-
Campground	348,736	420,755	-	60,447	-	132,466	132,466	-
Golf	635,219	331,833	-	-	-	(303,386)	(303,386)	-
Ambulance	1,445,175	934,943	-	-	-	(510,232)	(510,232)	-
Total business-type activities	10,959,835	12,158,212	-	359,599	-	1,557,976	1,557,976	-
Total primary government	\$ 52,039,471	\$ 20,778,058	\$ 1,413,327	\$ 3,659,963	(27,746,099)	1,557,976	(26,188,123)	-
Component Unit								
Housing and Redevelopment Commission	\$ 5,236,638	\$ 2,490,221	\$ 1,976,801	\$ 383,385				(386,231)
General Revenues								
Taxes:								
Property taxes					10,653,983	-	10,653,983	-
Sales taxes					19,132,106	-	19,132,106	-
State shared revenue					294,585	-	294,585	-
Unrestricted investment earnings					178,035	78,479	256,514	36,142
Gain on disposition of assets					34,704	-	34,704	-
Miscellaneous revenue					218,221	155,394	373,615	20,340
SDPAA vested amount methodology change					257,058	-	257,058	-
Transfers					252,507	(252,507)	-	-
Total general revenues and transfers					31,021,199	(18,634)	31,002,565	56,482
Change in Net Position					3,275,100	1,539,342	4,814,442	(329,749)
Net Position - Beginning					125,784,471	46,733,541	172,518,012	18,810,049
Net Position - Ending					\$ 129,059,571	\$ 48,272,883	\$ 177,332,454	\$ 18,480,300

City of Aberdeen
Balance Sheet—Governmental Funds—Exhibit III
December 31, 2018

	General Fund	Park and Recreation Fund	Airport Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 187,160	\$ -	\$ 1,762,691	\$ 1,360,733	\$ 8,156,073	\$ 11,466,657
151 Investments	6,400,000	-	-	4,500,000	214,861	11,114,861
110 Taxes receivable, delinquent	205,316	-	-	-	8,180	213,496
115 Accounts receivable, net	63,085	16,523	65,067	-	47,987	192,662
121 Special assessments receivable, current	29,238	-	-	-	-	29,238
122 Special assessments receivable, delinquent	17,710	827	-	-	-	18,537
131 Due from other funds	166,278	-	-	-	-	166,278
132 Due from federal government	70,952	-	140,187	-	5,000	216,139
132 Due from state government	1,234,032	-	7,788	1,084,995	128,143	2,454,958
132 Due from county government	43,366	-	-	-	603	43,969
142 Inventories	-	36,709	-	-	6,987	43,696
154 Deposits - Public Assurance Alliance	546,770	-	-	-	-	546,770
155 Prepaid expenses	7,160	4,112	200	-	13,743	25,215
	<u>\$ 8,971,067</u>	<u>\$ 58,171</u>	<u>\$ 1,975,933</u>	<u>\$ 6,945,728</u>	<u>\$ 8,581,577</u>	<u>\$ 26,532,476</u>
Liabilities						
202 Accounts payable	\$ 569,314	\$ 177,995	\$ 137,918	\$ 126,707	\$ 166,350	\$ 1,178,284
208 Due to General Fund	-	52,293	-	-	-	52,293
216 Accrued wages payable	250,620	42,332	10,103	-	6,968	310,023
223 Unearned revenue	-	-	-	-	16,037	16,037
	<u>819,934</u>	<u>272,620</u>	<u>148,021</u>	<u>126,707</u>	<u>189,355</u>	<u>1,556,637</u>
Deferred Inflows of Resources						
244 Unavailable revenue - sales and use taxes	842,333	-	-	842,333	90,962	1,775,628
245 Unavailable revenue - property taxes	205,316	-	-	-	8,181	213,497
246 Unavailable revenue - special assessments	41,927	827	-	-	-	42,754
247 Unavailable revenue - other deferred inflows of resources	145,146	16,523	172,518	-	54,256	388,443
	<u>1,234,722</u>	<u>17,350</u>	<u>172,518</u>	<u>842,333</u>	<u>153,399</u>	<u>2,420,322</u>
Fund Balances (Deficit)						
263 Nonspendable	553,930	40,821	200	-	70,830	665,781
264 Restricted	-	-	-	-	8,167,993	8,167,993
265 Committed	-	-	-	5,976,688	-	5,976,688
266 Assigned	363,335	-	1,655,194	-	-	2,018,529
267 Unassigned	5,999,146	(272,620)	-	-	-	5,726,526
	<u>6,916,411</u>	<u>(231,799)</u>	<u>1,655,394</u>	<u>5,976,688</u>	<u>8,238,823</u>	<u>22,555,517</u>
	<u>\$ 8,971,067</u>	<u>\$ 58,171</u>	<u>\$ 1,975,933</u>	<u>\$ 6,945,728</u>	<u>\$ 8,581,577</u>	<u>\$ 26,532,476</u>

City of Aberdeen
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended December 31, 2018

	Total
Total Fund Balances - Governmental Funds	\$ 22,555,517
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.	14,409
Pension related deferred outflows are components of pension asset and, therefore, are not reported in the funds.	4,676,245
Assets such as taxes receivable (delinquent) and special receivables (current, delinquent and deferred) are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,420,322
Pension related deferred inflows are components of pension asset and, therefore, are not reported in the funds.	(1,111,921)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	129,656,441
Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(30,021,223)
Unamortized balance of debt premiums are not due and payable in the current period and, therefore, are not reported in the funds.	(250,594)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(84,419)
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.	380,532
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.	824,262
Net Position - Governmental Activities	\$ 129,059,571

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2018

	General Fund	Park and Recreation Fund	Airport Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
310 Taxes:						
311 General property taxes	\$ 8,908,118	\$ -	\$ -	\$ -	\$ 1,662,890	\$ 10,571,008
312 Airflight property taxes	-	-	24,929	-	-	24,929
313 General sales and use taxes	9,183,986	-	-	8,851,628	1,123,755	19,159,369
318 Tax deed revenue	2,734	-	-	-	-	2,734
319 Penalties and interest on delinquent taxes	31,441	-	-	-	892	32,333
320 Licenses and permits	649,887	-	-	-	-	649,887
330 Intergovernmental revenue:						
331 Federal grants	359,361	20,700	1,519,857	-	204,917	2,104,835
334 State grants	111,464	22,331	84,437	911,949	10,000	1,140,181
335 State shared revenue:						
335.01 Bank franchise tax	126,862	-	-	-	-	126,862
335.02 Motor vehicle commercial prorata	28,551	-	-	-	-	28,551
335.03 Liquor tax reversion	114,789	-	-	-	-	114,789
335.04 Motor vehicle licenses (5%)	191,814	-	-	-	-	191,814
335.06 Fire insurance premiums reversion	85,952	-	-	-	-	85,952
335.08 Local government highway and bridge fund	519,873	-	-	-	-	519,873
335.20 Other	2,964	-	-	-	-	2,964
336 State payments in lieu of taxes	8,225	-	-	-	-	8,225
338 County shared revenue:						
338.03 County wheel tax	29,545	-	-	-	-	29,545
340 Charges for goods and services:						
341 General government	37,321	-	-	-	-	37,321
342 Public safety	131,191	-	-	-	-	131,191
343 Highways and streets	114,969	-	-	-	-	114,969
344 Sanitation	1,284,580	-	-	-	545,400	1,829,980
345 Health	128,638	-	-	-	-	128,638
346 Culture and recreation	-	643,285	-	-	797,505	1,440,790
348 Cemetery	4,765	42,014	-	-	-	46,779
349 Other	184,492	-	447,936	-	-	632,428
350 Fines and forfeits:						
351 Court fines and costs	10,951	-	-	-	-	10,951
360 Miscellaneous revenue:						
361 Investment earnings	101,701	184	1,209	64,233	10,708	178,035
362 Rentals/Franchises	455,823	-	-	-	22,285	478,108
367 Contributions and donations from private sources	74,650	3,617	-	-	795,067	873,334
369 Other	125,506	816	335	-	24,144	150,801
Total revenues	<u>23,010,153</u>	<u>732,947</u>	<u>2,078,703</u>	<u>9,827,810</u>	<u>5,197,563</u>	<u>40,847,176</u>
Expenditures						
410 General government:						
411 Legislative	143,034	-	-	-	-	143,034
412 Executive	229,368	-	-	-	-	229,368
414 Financial administration	1,258,593	-	-	-	-	1,258,593
419 Other	1,767,868	-	-	66,832	-	1,834,700
Total general government	<u>3,398,863</u>	<u>-</u>	<u>-</u>	<u>66,832</u>	<u>-</u>	<u>3,465,695</u>

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2018

	General Fund	Park and Recreation Fund	Airport Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
420 Public safety:						
421 Police	4,916,412	-	-	-	-	4,916,412
422 Fire	3,778,763	-	-	-	-	3,778,763
423 Protective inspection	225,619	-	-	-	-	225,619
429 Other protection	-	-	-	267,131	-	267,131
Total public safety	<u>8,920,794</u>	<u>-</u>	<u>-</u>	<u>267,131</u>	<u>-</u>	<u>9,187,925</u>
430 Public works:						
431 Highways and streets	3,321,154	-	-	5,578,433	200,569	9,100,156
432 Sanitation	1,309,106	-	-	375,608	562,430	2,247,144
435 Airport	-	-	1,246,128	-	-	1,246,128
436 Parking facilities	-	-	-	-	2,588	2,588
437 Cemeteries	-	211,312	-	-	-	211,312
439 Transit	721,547	-	-	-	-	721,547
Total public works	<u>5,351,807</u>	<u>211,312</u>	<u>1,246,128</u>	<u>5,954,041</u>	<u>765,587</u>	<u>13,528,875</u>
440 Health and welfare:						
441 Health	66,174	-	-	-	-	66,174
445 Drug education	45,000	-	-	-	-	45,000
449 Other	20,808	-	-	-	-	20,808
Total health and welfare	<u>131,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,982</u>
450 Culture and recreation						
451 Recreation	28,935	3,437,237	-	-	309,916	3,776,088
452 Parks	-	1,810,205	-	-	1,500,797	3,311,002
455 Libraries	1,197,553	-	-	-	48,128	1,245,681
Total culture and recreation	<u>1,226,488</u>	<u>5,247,442</u>	<u>-</u>	<u>-</u>	<u>1,858,841</u>	<u>8,332,771</u>
460 Conservation and development:						
465 Economic development	500,841	-	-	-	1,113,657	1,614,498
466 Economic opportunity	-	-	-	-	62,986	62,986
Total conservation and development	<u>500,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,176,643</u>	<u>1,677,484</u>
470 Debt service	-	-	-	-	4,448,244	4,448,244
Total expenditures	<u>19,530,775</u>	<u>5,458,754</u>	<u>1,246,128</u>	<u>6,288,004</u>	<u>8,249,315</u>	<u>40,772,976</u>
Excess of Revenue over (under) Expenditures	<u>3,479,378</u>	<u>(4,725,807)</u>	<u>832,575</u>	<u>3,539,806</u>	<u>(3,051,752)</u>	<u>74,200</u>
Other Financing Sources (Uses)						
391.01 Transfers in	1,614,675	4,377,033	626,760	236,000	3,470,658	10,325,126
511 Transfers out	(4,987,511)	-	-	(4,601,000)	(484,108)	(10,072,619)
391.03 Sale of municipal property	33,821	-	22,500	-	-	56,321
391.04 Compensation for loss or damage to capital assets	50,060	17,360	-	-	-	67,420
Total other financing sources (uses)	<u>(3,288,955)</u>	<u>4,394,393</u>	<u>649,260</u>	<u>(4,365,000)</u>	<u>2,986,550</u>	<u>376,248</u>
391.05 SDPAA vested amount methodology change	<u>257,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,058</u>
Net Change in Fund Balances	447,481	(331,414)	1,481,835	(825,194)	(65,202)	707,506
Fund Balance - Beginning	<u>6,468,930</u>	<u>99,615</u>	<u>173,559</u>	<u>6,801,882</u>	<u>8,304,025</u>	<u>21,848,011</u>
Fund Balance (Deficit) - Ending	<u>\$ 6,916,411</u>	<u>\$ (231,799)</u>	<u>\$ 1,655,394</u>	<u>\$ 5,976,688</u>	<u>\$ 8,238,823</u>	<u>\$ 22,555,517</u>

City of Aberdeen
 Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide
 Statement of Activities
 Year Ended December 31, 2018

	Total
Net Change in Fund Balances - Total Governmental Funds	\$ 707,506
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays/contributions were exceeded by depreciation in the current period.	(134,762)
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.	2,022,491
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.	(21,617)
Repayment of other long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,838,832
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(50,487)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,328,931)
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	10,230
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)

City of Aberdeen
Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide
Statement of Activities
Year Ended December 31, 2018

Changes in pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.	(1,095,701)
Governmental funds report the effect of premiums and discounts when debt is first issued; whereas, these amounts are reported as part of debt and amortized in the statement of activities. This is the current year amortization of the premium on debt.	18,323
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>362,810</u>
Change in Net Position of Governmental Activities	<u>\$ 3,275,100</u>

City of Aberdeen
Statement of Net Position—Proprietary Funds—Exhibit V
December 31, 2018

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Current Assets					
Cash and cash equivalents	\$ 1,834,787	\$ 1,427,501	\$ 135,227	\$ 3,397,515	\$ 1,156,109
151 Investments	1,500,000	3,000,000	-	4,500,000	-
115 Accounts receivable, net	150,392	55,234	356,700	562,326	-
117 Unbilled accounts receivable	356,118	240,437	-	596,555	-
121 Special assessments receivable, current	7,785	-	-	7,785	-
122 Special assessments receivable, delinquent	1,875	-	-	1,875	-
132 Due from federal/state/county governments	137	-	-	137	-
141 Inventory of supplies	529,585	42,981	-	572,566	-
155 Prepaid expenses	-	-	150	150	-
Total current assets	<u>4,380,679</u>	<u>4,766,153</u>	<u>492,077</u>	<u>9,638,909</u>	<u>1,156,109</u>
Noncurrent Assets					
189 Net pension asset	1,100	779	1,059	2,938	-
Capital assets:					
160 Land	391,808	59,719	451,750	903,277	-
162 Buildings	27,775,644	34,702,167	2,133,470	64,611,281	-
164 Improvements other than buildings	19,467,281	11,710,699	1,056,092	32,234,072	-
166 Machinery and equipment	4,362,879	2,466,030	1,747,750	8,576,659	-
Less accumulated depreciation	<u>(25,382,442)</u>	<u>(20,011,678)</u>	<u>(1,958,566)</u>	<u>(47,352,686)</u>	<u>-</u>
Total noncurrent assets	<u>26,616,270</u>	<u>28,927,716</u>	<u>3,431,555</u>	<u>58,975,541</u>	<u>-</u>
Deferred Outflows of Resources					
196 Pension related deferred outflows	<u>356,896</u>	<u>252,754</u>	<u>343,387</u>	<u>953,037</u>	<u>-</u>
Total deferred outflows of resources	<u>356,896</u>	<u>252,754</u>	<u>343,387</u>	<u>953,037</u>	<u>-</u>
	<u>\$ 31,353,845</u>	<u>\$ 33,946,623</u>	<u>\$ 4,267,019</u>	<u>\$ 69,567,487</u>	<u>\$ 1,156,109</u>

City of Aberdeen
Statement of Net Position—Proprietary Funds—Exhibit V
December 31, 2018

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Current Liabilities					
201 Claims payable	\$ 2,422	\$ -	\$ -	\$ 2,422	\$ 300,506
202 Accounts payable	136,620	178,776	40,225	355,621	245
208 Due to General Fund	-	-	113,985	113,985	-
213 Incurred but not reported claims	-	-	-	-	31,096
215 Accrued interest payable	46,208	58,079	-	104,287	-
216 Accrued wages payable	22,228	18,851	20,206	61,285	-
223 Unearned revenue	28,828	-	-	28,828	-
226 Bonds payable current:					
226.02 Revenue	1,068,860	1,096,401	-	2,165,261	-
230 Compensated absences payable - current	58,349	60,526	43,002	161,877	-
Total current liabilities	1,363,515	1,412,633	217,418	2,993,566	331,847
Noncurrent Liabilities					
231 Bonds payable:					
231.02 Revenue	8,035,287	10,039,137	-	18,074,424	-
Total noncurrent liabilities	8,035,287	10,039,137	-	18,074,424	-
Deferred Inflows of Resources					
248 Pension related deferred inflows	84,863	60,100	81,651	226,614	-
Total deferred inflows of resources	84,863	60,100	81,651	226,614	-
Net Position					
253.10 Net investment in capital assets	17,511,023	17,791,399	3,430,496	38,732,918	-
253.20 Restricted net position, restricted for:					
253.21 Revenue bond debt service	111,017	1,470,682	-	1,581,699	-
253.29 SDRS pension purposes	273,133	193,433	262,795	729,361	-
253.90 Unrestricted net position	3,975,007	2,979,239	274,659	7,228,905	824,262
Total net position	21,870,180	22,434,753	3,967,950	48,272,883	824,262
	\$ 31,353,845	\$ 33,946,623	\$ 4,267,019	\$ 69,567,487	\$ 1,156,109

City of Aberdeen
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds—Exhibit VI
Year Ended December 31, 2018

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Operating Revenue					
380 Charges for goods and services	\$ 6,175,661	\$ 1,848,063	\$ 1,861,659	\$ 9,885,383	\$ 2,201,212
380 Debt service surcharge	185,692	2,087,137	-	2,272,829	-
369 Miscellaneous	101,864	44,674	5,716	152,254	113
Total operating revenue	<u>6,463,217</u>	<u>3,979,874</u>	<u>1,867,375</u>	<u>12,310,466</u>	<u>2,201,325</u>
Operating Expenses					
410 Personal services	1,256,716	1,084,619	1,222,681	3,564,016	-
420 Other current expenses	2,445,067	857,189	1,051,417	4,353,673	1,839,501
457 Depreciation	1,183,144	1,019,998	277,955	2,481,097	-
Total operating expenses	<u>4,884,927</u>	<u>2,961,806</u>	<u>2,552,053</u>	<u>10,398,786</u>	<u>1,839,501</u>
Operating Income (Loss)	<u>1,578,290</u>	<u>1,018,068</u>	<u>(684,678)</u>	<u>1,911,680</u>	<u>361,824</u>
Nonoperating Revenue (Expense)					
361 Investment earnings	28,526	49,753	200	78,479	986
442 Interest expense	(241,633)	(295,139)	-	(536,772)	-
492 Loss on disposition of assets	-	(3,253)	(21,024)	(24,277)	-
Total nonoperating revenue (expense)	<u>(213,107)</u>	<u>(248,639)</u>	<u>(20,824)</u>	<u>(482,570)</u>	<u>986</u>
Income (Loss) Before Contributions and Transfers	1,365,183	769,429	(705,502)	1,429,110	362,810
391.07 Capital contributions	209,500	89,652	60,447	359,599	-
391.04 Compensation for loss or damage to capital assets	3,140	-	-	3,140	-
391.1 Transfers in	180,000	23,838	739,542	943,380	-
511 Transfers out	(826,097)	(217,180)	(152,610)	(1,195,887)	-
Change in Net Position	<u>931,726</u>	<u>665,739</u>	<u>(58,123)</u>	<u>1,539,342</u>	<u>362,810</u>
Net Position - Beginning	<u>20,938,454</u>	<u>21,769,014</u>	<u>4,026,073</u>	<u>46,733,541</u>	<u>461,452</u>
Net Position - Ending	<u>\$ 21,870,180</u>	<u>\$ 22,434,753</u>	<u>\$ 3,967,950</u>	<u>\$ 48,272,883</u>	<u>\$ 824,262</u>

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2018

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ 6,078,360	\$ 3,992,473	\$ 1,795,374	\$ 11,866,207	\$ 2,201,325
Payments to suppliers	(2,473,565)	(883,422)	(1,042,421)	(4,399,408)	(1,627,971)
Payments to employees	(1,166,180)	(1,017,320)	(1,130,248)	(3,313,748)	-
Cash payments for interfund services used	-	(23,838)	(93,945)	(117,783)	-
Cash receipts from interfund services provided	396,961	-	-	396,961	-
Net Cash from (used for) Operating Activities	<u>2,835,576</u>	<u>2,067,893</u>	<u>(471,240)</u>	<u>4,432,229</u>	<u>573,354</u>
Cash Flows from (used for) Noncapital Financing Activities					
Transfers from other funds	180,000	23,838	739,542	943,380	-
Transfers to other funds	(826,097)	(217,180)	(152,610)	(1,195,887)	-
Internal balances	-	-	113,985	113,985	-
Net Cash from (used for) Noncapital Financing Activities	<u>(646,097)</u>	<u>(193,342)</u>	<u>700,917</u>	<u>(138,522)</u>	<u>-</u>
Cash Flows used for Capital and Related Financing Activities					
Purchase of capital assets	(605,071)	(202,940)	(389,814)	(1,197,825)	-
Principal paid on capital debt	(1,044,805)	(1,069,617)	-	(2,114,422)	-
Interest paid on capital debt	(246,451)	(302,048)	-	(548,499)	-
Other receipts	3,140	-	-	3,140	-
Net Cash used for Capital and Related Financing Activities	<u>(1,893,187)</u>	<u>(1,574,605)</u>	<u>(389,814)</u>	<u>(3,857,606)</u>	<u>-</u>
Cash Flows from Investing Activities					
Interest earnings	28,526	49,753	200	78,479	986
Net Cash from Investing Activities	<u>28,526</u>	<u>49,753</u>	<u>200</u>	<u>78,479</u>	<u>986</u>
Net Change in Cash and Cash Equivalents	324,818	349,699	(159,937)	514,580	574,340
Balances - Beginning	<u>3,009,969</u>	<u>4,077,802</u>	<u>295,164</u>	<u>7,382,935</u>	<u>581,769</u>
Balances - Ending	<u>\$ 3,334,787</u>	<u>\$ 4,427,501</u>	<u>\$ 135,227</u>	<u>\$ 7,897,515</u>	<u>\$ 1,156,109</u>

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2018

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 1,834,787	\$ 1,427,501	\$ 135,227	\$ 3,397,515	\$ 1,156,109
Investments	1,500,000	3,000,000	-	4,500,000	-
	<u>\$ 3,334,787</u>	<u>\$ 4,427,501</u>	<u>\$ 135,227</u>	<u>\$ 7,897,515</u>	<u>\$ 1,156,109</u>
Cash from (used for) Operating Activities					
Operating income (loss)	\$ 1,578,290	\$ 1,018,068	\$ (684,678)	\$ 1,911,680	\$ 361,824
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:					
Depreciation expense	1,183,144	1,019,998	277,955	2,481,097	-
Change in assets and liabilities:					
Receivables	10,154	12,599	(72,001)	(49,248)	-
Inventories	(91,448)	(12,202)	(150)	(103,800)	-
Pension related deferred outflows	81,980	58,059	78,876	218,915	-
Accounts and other payables	62,950	(37,869)	(84,799)	(59,718)	211,530
Accrued wages payable	724	838	3,744	5,306	-
Accrued leave payable	6,187	7,236	8,230	21,653	-
Pension asset	3,264	2,312	3,140	8,716	-
Pension related deferred inflows	(1,619)	(1,146)	(1,557)	(4,322)	-
Unearned revenue	1,950	-	-	1,950	-
Net Cash from (used for) Operating Activities	<u>\$ 2,835,576</u>	<u>\$ 2,067,893</u>	<u>\$ (471,240)</u>	<u>\$ 4,432,229</u>	<u>\$ 573,354</u>
Noncash Investing, Capital and Financing Activities:					
Capital assets received through capital contributions	\$ 209,500	\$ 89,652	\$ 60,447	\$ 359,599	\$ -
Purchases of property and equipment in accounts payable	-	139,025	-	139,025	-

City of Aberdeen
Statement of Net Position—Fiduciary Funds—Exhibit VIII
Year Ended December 31, 2018

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 944,720</u>
Liabilities	
Accounts payable and other payables	\$ 19,847
Amounts held for others	<u>924,873</u>
	<u>\$ 944,720</u>

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

The following table describes the City’s component unit:

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

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

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

B. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

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

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

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

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

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

The City has the following capital project funds which are reported in the aggregate in the other governmental funds column on the fund financial statements: Parks and Recreation Project Fund, Moccasin Creek Project Fund, TIF #26 Project Fund, and TIF #27 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, Parks and Rec AARC Bonds Funds, Parks and Rec Aquatic Center Bonds Fund, Public Safety Bonds Fund, City Hall Remodel Bonds Fund, Wylie Park Campground Expansion Bonds Fund, Old Federal Building Bonds Fund, TIF District #2 Fund, TIF District #3 Fund, TIF District #4 Fund, TIF District #8 Fund, TIF District #10 Fund, TIF District #17 Fund, TIF District #18 Fund, TIF District #19 Fund, TIF District #20 Fund, TIF District #21 Fund, TIF District #22 Fund, TIF District #23 Fund, TIF District #25 Fund, TIF District #26 Fund, and TIF District #27 Fund. These are not major funds.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City’s programs – that is for the benefit of the City and its citizenry. The City has the following permanent funds which is reported in the aggregate in the other governmental funds column on the fund financial statements: Cemetery Perpetual Care Fund. This fund is to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the 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: Campground Fund, Golf Fund, Ambulance Fund, Old Federal Building Fund. These are not major funds.

Fiduciary Funds

Agency Fund – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has four agency funds in which amounts are held until funds are refunded back to the payer or remitted to party entitled to the 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.

Fund Financial Statements

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

E. Deposits and Investments

For the purpose of financial reporting 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

Business-type activities receivables are composed of amounts owed the City by municipal residents for water, sewer and other services rendered. All trade receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles on trade accounts receivables totals \$564,973 at December 31, 2018.

G. Capital Assets

Primary Government

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

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

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

The total December 31, 2018 balance of governmental activities capital assets includes approximately 16.6% of capital assets that are valued at estimated historical cost. These estimated original costs were primarily established by deflated current replacement costs.

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

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

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

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

Component Unit

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

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

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

H. Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of sales tax revenue bonds payable, tax increment financing (TIF) bonds payable, 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 proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. In addition, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

I. Program Revenues

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

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

J. Deferred Inflows and Deferred Outflows of Recourses

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

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

K. Proprietary Funds Revenue and Expense Classifications

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

L. Cash and Cash Equivalents

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

M. Equity Classifications

Government-Wide Statements

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

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

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

Fund Financial Statements

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

N. Application of Net Position

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

O. Fund Balance Classification Policies and Procedures

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

- Nonspendable Fund Balance – 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 City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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

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

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

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

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

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances						
Nonspendable:						
Public assurance alliance reserve	\$ 553,930	\$ -	\$ -	\$ -	\$ -	\$ 553,930
Inventory	-	36,709	-	-	6,987	43,696
Prepaid expenses	-	4,112	-	200	13,743	18,055
Cemetery perpetual care	-	-	-	-	50,100	50,100
Restricted for:						
Promotion	-	-	-	-	45,915	45,915
Park & recreation gift fund	-	-	-	-	1,146,679	1,146,679
Business improvement district	-	-	-	-	73	73
Parking	-	-	-	-	541,629	541,629
Storm water maintenance	-	-	-	-	660,020	660,020
Library fines	-	-	-	-	51,622	51,622
Landmark commission	-	-	-	-	9,340	9,340
Debt service	-	-	-	-	4,181,249	4,181,249
Cemetery perpetual care	-	-	-	-	156,364	156,364
Capital projects	-	-	-	-	1,375,102	1,375,102
Committed to:						
Special sales tax	-	-	5,976,688	-	-	5,976,688
Assigned to:						
Applied to next year's budget	363,335	-	-	-	-	363,335
Airport	-	-	-	1,655,194	-	1,655,194
Unassigned	5,999,146	(272,620)	-	-	-	5,726,526
	\$ 6,916,411	\$ (231,799)	\$ 5,976,688	\$ 1,655,394	\$ 8,238,823	\$ 22,555,517
Total fund balances						

P. Rounding

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

Q. Pensions

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

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

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

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

Deposits - Primary Government

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

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

The actual bank balances at December 31, 2018 were as follows:

Primary Government	Bank Balance
Insured (FDIC/NCUA)	\$ 7,995,613
Uninsured, collateral jointly held by State’s/City's agent in the name of the State and the pledging financial institution	<u>17,860,670</u>
Total deposits	<u><u>\$ 25,856,283</u></u>

The carrying amount of deposits on the December 31, 2018 statement of net position was \$24,920,281.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City’s deposit policy follows state statute which requires deposits in excess of the Depository Insurance maximums must be collateralized 100%. The City’s deposits in financial institutions were not exposed to custodial credit risk as of December 31, 2018, all being insured by the FDIC or adequately collateralized by pledging financial institutions.

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 in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

As of December 31, 2018, the City had the following investments:

Investment	Credit Rating	Maturities	Fair Value Level	Fair Value
Wells Fargo Advisors - Negotiable CDs, each \$250,000 or less	Not Rated	2018-2022	2	\$ 6,500,000
US Bank - U.S. Treasury Note	AAA	5/31/2019	2	<u>214,861</u>
Total investments				<u>\$ 6,714,861</u>

The City has the following recurring fair value measurements as of December 31, 2018:

- Negotiable Certificates of Deposit and U.S. Treasury securities classified in Level 2 of the fair value hierarchy are valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market rate assumptions.

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

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

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

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

Deposits - Component Unit

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

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

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

At December 31, 2018, the actual bank balances were as follows:

	<u>Bank Balance</u>
Insured (FDIC)	\$ 500,000
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	861,941
Total deposits	\$ 1,361,941
The Commission's carrying amount of deposits at December 31	\$ 1,347,573

Funded Reserves – Component Unit

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

The Commission, through Sherman Apartments, is required under the regulatory agreement with South Dakota Housing Development Authority (SDHDA) to maintain various mortgage escrows and reserve deposits for mortgage payments, payments in lieu of taxes (PILOT-property taxes), hazard insurance, property and equipment replacements, and residual receipts. SDHDA invests these restricted deposits in securities limited to direct general obligations of the U.S. Government, U.S. Government Agencies, direct and general obligations of any state within the United States rated in the two highest categories by a national rating agency, mutual funds invested in securities mentioned above and investment agreements secured by securities mentioned above. Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have a credit risk. In addition to SDHDA requirements, restricted deposits also include other amounts restricted by lenders or other agreements. The Commission's restricted deposits totaled \$1,709,347 as of December 31, 2018.

Note 3 - Receivables and Payables

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

Note 4 - Inventory

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

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

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

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

Note 5 - Property Taxes

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

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

Note 6 - Due from Other Governments

- General Fund - \$70,952 due from federal government for grants; \$1,084,996 due from state government for 1% city sales tax; \$104,327 due from state government for local government highway/bridge funds; \$44,709 due from state government for liquor tax reversion funds; and \$43,366 due from county government for taxes and licenses.
- Promotion Fund - \$128,143 due from state government for 1% city sales tax.
- Airport Fund - \$140,187 due from federal government for grants and \$7,788 due from state government for grants.
- Special Sales Tax Fund - \$1,084,995 due from state government for 1% city sales tax.
- Park and Recreation Gift Fund - \$5,000 due from federal government for grants.
- Business Improvement District Fund, Parking District Fund, and TIF District #3 Bond Fund – a total of \$603 due from county government for taxes.

Note 7 - Changes in Capital Assets

A summary of changes in capital assets of the primary government for the year ended December 31, 2018 is as follows:

<u>Primary Government</u>	<u>Balance 1/1/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/18</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 9,842,078	\$ 1,462,951	\$ -	\$ 11,305,029
Construction work in progress	92,397	9,210	-	101,607
Total capital assets, not being depreciated	<u>9,934,475</u>	<u>1,472,161</u>	<u>-</u>	<u>11,406,636</u>
Capital assets, being depreciated:				
Buildings	46,089,185	418,804	(78,366)	46,429,623
Improvements other than buildings	132,332,274	4,479,408	(297,105)	136,514,577
Machinery and equipment	20,969,902	2,125,255	(1,034,267)	22,060,890
Total	<u>199,391,361</u>	<u>7,023,467</u>	<u>(1,409,738)</u>	<u>205,005,090</u>
Less accumulated depreciation for:				
Buildings	(12,465,174)	(1,064,969)	49,796	(13,480,347)
Improvements other than buildings	(56,003,823)	(4,213,336)	297,105	(59,920,054)
Machinery and equipment	(13,066,510)	(1,249,650)	961,276	(13,354,884)
Total accumulated depreciation	<u>(81,535,507)</u>	<u>(6,527,955)</u>	<u>1,308,177</u>	<u>(86,755,285)</u>
Total capital assets, being depreciated, net	<u>117,855,854</u>	<u>495,512</u>	<u>(101,561)</u>	<u>118,249,805</u>
Governmental activity capital assets, net	<u>\$ 127,790,329</u>	<u>\$ 1,967,673</u>	<u>\$ (101,561)</u>	<u>\$ 129,656,441</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 137,611
Public safety	421,480
Public works	4,712,462
Culture and recreation	1,256,402
Total depreciation expense - governmental activities	<u>\$ 6,527,955</u>

City of Aberdeen
Notes to Financial Statements
December 31, 2018

Primary Government	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
Business-Type Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 903,027	\$ 250	\$ -	\$ 903,277
Construction work in progress	1,177,362	150,989	(1,328,351)	-
Total capital assets, not being depreciated	2,080,389	151,239	(1,328,351)	903,277
Capital assets, being depreciated:				
Buildings	63,247,744	1,373,351	(9,814)	64,611,281
Improvements other than buildings	31,455,840	789,345	(11,113)	32,234,072
Machinery and equipment	8,278,509	627,840	(329,690)	8,576,659
Total	102,982,093	2,790,536	(350,617)	105,422,012
Less accumulated depreciation for:				
Buildings	(25,678,844)	(1,269,878)	4,989	(26,943,733)
Improvements other than buildings	(14,779,956)	(578,833)	11,113	(15,347,676)
Machinery and equipment	(4,715,856)	(632,386)	286,965	(5,061,277)
Total accumulated depreciation	(45,174,656)	(2,481,097)	303,067	(47,352,686)
Total capital assets, being depreciated, net	57,807,437	309,439	(47,550)	58,069,326
Business-type activity capital assets, net	\$ 59,887,826	\$ 460,678	\$ (1,375,901)	\$ 58,972,603
Depreciation expense was charged to functions as follows:				
Business-type activities:				
Water				\$ 1,183,144
Sewer				1,019,998
Old Federal Building				1,027
Campground				102,155
Golf				63,598
Ambulance				111,175
Total depreciation expense - business-type activities				\$ 2,481,097

The City has active construction projects as of December 31, 2018. At year end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Kuhnert Trail	\$ 9,210	\$ -
3rd Avenue Bridge	92,397	243,434
	\$ 101,607	\$ 243,434

A summary of changes in capital assets of the component unit for the year ended December 31, 2018 is as follows:

<u>Component Unit</u>	<u>Balance 1/1/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/18</u>
Capital assets, not being depreciated				
Land	\$ 1,250,971	\$ -	\$ -	\$ 1,250,971
Total capital assets, not being depreciated	<u>1,250,971</u>	<u>-</u>	<u>-</u>	<u>1,250,971</u>
Capital assets, being depreciated:				
Buildings and improvements	30,308,376	125,478	-	30,433,854
Furniture, equipment and machinery - dwelling	1,429,194	74,237	(1,353)	1,502,078
Furniture, equipment and machinery - nondwelling	<u>300,378</u>	<u>11,860</u>	<u>(18,725)</u>	<u>293,513</u>
Total capital assets, being depreciated	<u>32,037,948</u>	<u>211,575</u>	<u>(20,078)</u>	<u>32,229,445</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,830,322)	(1,060,927)	-	(11,891,249)
Furniture, equipment and machinery - dwelling	(1,039,918)	(125,563)	6,361	(1,159,120)
Furniture, equipment and machinery - nondwelling	<u>(233,503)</u>	<u>(23,233)</u>	<u>13,254</u>	<u>(243,482)</u>
Total accumulated depreciation	<u>(12,103,743)</u>	<u>(1,209,723)</u>	<u>19,615</u>	<u>(13,293,851)</u>
Total capital assets being depreciated, net	<u>19,934,205</u>	<u>(998,148)</u>	<u>(463)</u>	<u>18,935,594</u>
Capital assets, net	<u>\$ 21,185,176</u>	<u>\$ (998,148)</u>	<u>\$ (463)</u>	<u>\$ 20,186,565</u>

Note 8 - Long-Term Liabilities

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

Primary Government	January 1, 2018	Increases	Decreases	December 31, 2018	Due Within One Year	Interest Paid
Governmental activities:						
Tax increment revenue bonds #2	\$ 2,000,000	\$ -	\$ (215,000)	\$ 1,785,000	\$ 140,000	\$ 106,820
Tax increment revenue bonds #4	47,991	-	(10,889)	37,102	11,597	3,119
Tax increment revenue bonds #8	1,596,096	-	(301,602)	1,294,494	263,722	83,695
Tax increment revenue bonds #17	1,465,000	-	(70,000)	1,395,000	70,000	77,325
Tax increment revenue bonds #19	1,649,991	-	(78,646)	1,571,345	81,824	65,221
Tax increment revenue bonds #26	1,831,789	-	(71,853)	1,759,936	74,389	63,489
Tax increment revenue bonds #27	1,440,000	-	(45,844)	1,394,156	47,665	61,386
Sales tax revenue bonds, ARCC	700,000	-	(225,000)	475,000	235,000	21,600
Sales tax revenue bonds, aquatic center	4,075,000	-	(475,000)	3,600,000	485,000	91,385
Sales tax revenue bonds, public safety buildings	6,276,127	-	(567,613)	5,708,514	575,000	145,928
Sales tax revenue bonds, campground expansion	340,000	-	(35,000)	305,000	40,000	14,163
Sales tax revenue bonds, City Hall Reno	3,940,000	-	-	3,940,000	-	127,805
Sales tax revenue bonds, Old Fed. Bldg.	410,000	-	(205,000)	205,000	205,000	10,968
Sales tax revenue bonds, Library	6,612,790	-	(555,710)	6,057,080	550,000	178,738
Compensated absences	693,701	1,007,107	(956,618)	744,190	744,190	-
Total government activities	33,078,485	1,007,107	(3,813,775)	30,271,817	3,523,387	1,051,642
Business-type activities:						
Water sales tax and revenue bonds	10,148,952	-	(1,044,805)	9,104,147	1,068,860	246,631
Sewer revenue bonds	12,205,155	-	(1,069,617)	11,135,538	1,096,401	302,049
Compensated absences	140,224	195,001	(173,348)	161,877	161,877	-
Total business-type activities	22,494,331	195,001	(2,287,770)	20,401,562	2,327,138	548,680
Total primary government	\$ 55,572,816	\$ 1,202,108	\$ (6,101,545)	\$ 50,673,379	\$ 5,850,525	\$ 1,600,322
Component Unit						
Mortgages & other notes payable	\$ 6,040,230	\$ -	\$ (373,863)	\$ 5,666,367	\$ 344,089	\$ 175,264
Other long-term liabilities	435,825	-	(219,452)	216,373	-	-
Compensated absences	22,425	9,339	-	31,764	31,764	-
	<u>\$ 6,498,480</u>	<u>\$ 9,339</u>	<u>\$ (593,315)</u>	<u>\$ 5,914,504</u>	<u>\$ 375,853</u>	<u>\$ 175,264</u>

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

Liabilities payable at December 31, 2018 is comprised of the following (excluding compensated absences):

Primary Government

Governmental Activities

Tax Increment Revenue Bonds

Tax Increment Revenue Bonds, District No. 2 totaling \$3,195,000 were issued in 2003. Additional Tax Increment Revenue Bonds, District No. 2 totaling \$510,000 were issued in 2006. The bonds require annual payments ranging from \$140,000 to \$215,000, including interest ranging from 5.10% to 5.5% from the Debt Service Fund, final payment due December 2022. In 2011 the Series 2003B and 2006C bonds of \$1,250,000 were refunded by Series 2011 Bonds of \$1,250,000 to change the final payment of \$80,000 plus interest to December 2029. \$ 1,785,000

Tax Increment Revenue Bonds, District No. 4 totaling \$136,829 were issued in 2004. The bonds require annual payments ranging from \$11,597 to \$13,154, including interest at 6.5% from the Debt Service Fund, final payment due August 2021. 37,102

Tax Increment Revenue Bonds, District No. 8 totaling \$3,800,000 were issued in 2008. The bonds require semi-annual payments ranging from \$130,072 to \$161,599, including interest at 5.5% from the Debt Service Fund, final payment due November 2023. 1,294,494

Tax Increment Revenue Bonds, District No. 17 totaling \$1,695,000 were issued in 2013. The bonds require annual payments ranging from \$70,000 to \$140,000, including interest ranging from 4.0% to 6.0% from the Debt Service Fund, final payment due December 2032. 1,395,000

Tax Increment Revenue Bonds, District No. 19 totaling \$1,935,200 were issued in 2014. The bonds require semi-annual payments ranging from \$40,507 to \$70,523, including interest of 4.0% from the Debt Service Fund, final payment due June 2033. 1,571,345

Tax Increment Revenue Bonds, District No. 26 totaling \$1,935,000 were issued in 2016. The bonds require semi-annual payments ranging from \$36,872 to \$66,507, including interest at 4.0% from the Debt Service Fund, final payment due June 2036. 1,759,936

Tax Increment Revenue Bonds, District No. 27 totaling \$1,440,000 were issued in 2017. The bonds require semi-annual payments ranging from \$23,660 to \$51,863, including interest at 4.25% from the Debt Service Fund, final payment due June 2038. 1,394,156

Sales Tax Revenue Bonds

Sales Tax Revenue Bonds, Park and Recreation ARCC renovations, totaling \$2,835,000 were issued in 2005. In 2011, \$1,755,000 of bonds were issued to advance refund \$1,650,000 of these bonds, requiring annual payments ranging from \$235,000 to \$240,00, including interest ranging from 3% to 3.25%, and final payment due January 2020. 475,000

<p>Sales Tax Revenue Bonds, Park and Recreation aquatic center, totaling \$7,505,000 were issued in 2005. In 2013, \$5,305,000 of bonds were issued to advance refund \$4,600,000 of these bonds, changing annual payments ranging from \$485,000 to \$550,000, including interest ranging from 1.8% to 2.70%, final payment due November 2025.</p>	3,600,000
<p>Sales Tax Revenue Bonds, Public Safety projects (police and fire), totaling \$9,865,000 were issued in 2007. In 2015, \$6,200,000 of bonds were issued to advance refund \$6,010,000 of these bonds, changing annual payments ranging from \$575,000 to \$690,000, including interest ranging from 3.75% to 5.5% from the Debt Service Fund, final payment due November 2027. Balance includes unamortized premium of \$76,127.</p>	5,708,514
<p>Sales Tax Revenue Bonds, Parks and Recreation Wylie Park campground expansion, totaling \$580,000, were issued in 2010. The bonds require annual payments ranging from \$40,000 to \$50,000, including interest ranging from 4% to 4.25% from the Debt Service Fund, final payment due December 2025.</p>	305,000
<p>Sales Tax Revenue Bonds, City Hall Renovation, totaling \$3,940,000, were issued in 2014. The bonds require annual principal payments ranging from \$215,000 to \$330,000, beginning December 2020. The bonds also require semi-annual interest payments, interest ranging from 1.7% to 4.00% from the Debt Service Fund, final payment due December 2034.</p>	3,940,000
<p>Sales Tax Revenue Bonds, Old Federal Building, totaling \$1,140,000, were issued in 2014. The bonds require annual principal payments of \$205,000. The bonds also require semi-annual interest payments, interest ranging from 1.00% to 2.90% from the Debt Service Fund, final payment due December 2019.</p>	205,000
<p>Sales Tax Revenue Bonds, New Library Project, Tax-Exempt Series 2015 totaling \$6,045,000 were issued in 2016. The bonds require annual principal payments ranging from \$250,000 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 \$182,080.</p>	5,452,080
<p>Sales Tax Revenue Bonds, New Library Project, Taxable Series 2015 totaling \$1,500,000 were issued in 2016. The bonds require annual principal payments ranging from \$300,000 to \$305,000, plus interest ranging from 1.75% to 2.00% from the Debt Service Fund, final payment due December 2020.</p>	605,000
<p>Total Governmental Activities</p>	<u><u>\$ 29,527,627</u></u>

Business-Type Activities:

Water Revenue Bonds

The City passed Resolution 03-05-04R, amended in January 2004, to enter into a "Drinking Water State Revolving Fund" loan agreement for up to \$16,760,000 in July 2003. In 2012, \$12,945,000 of bonds were issued to refund \$12,696,325 of the loan agreement balance remaining. The bonds require annual payments ranging from \$900,000 to \$1,065,000, including interest ranging from 2% to 2.90% from the Water Fund, final payment due April 2026. Balance is net of unamortized discount of \$16,613. \$ 7,806,105

Water Sales Tax Revenue Bonds

The City passed Ordinance 09-08-04, to enter into a "Drinking Water State Revolving Fund" loan agreement for up to \$1,750,000 in September 2009. The debt on the loan agreement totaling \$1,197,106, requires annual principal and interest payments of \$134,018, interest at 2.25% from the Water Fund, final payment due October 2021. 387,731

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 payment of \$69,340, which includes interest at 3.00% from the Water Fund, final payment due August 2035. 910,311

Sewer Revenue Bonds

The City passed Resolution 05-02-02R, to enter into a "Clean Water State Revolving Fund" loan agreement for up to \$13,218,859 in April 2005. The debt requires annual payment of \$839,159, interest at 2.25% from the Sewer Fund, final payment due October 2027. 6,819,568

The City passed Resolution 07-04-04R, to enter into a "Clean Water State Revolving Fund" loan agreement for up to \$6,000,000 in April 2007. The debt requires annual payment of \$364,580, interest at 3.25% from the Sewer Fund, final payment due April 2030. 3,486,628

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 payment of \$167,927, interest at 2.25% from the Sewer Fund, final payment due January 2024. 829,342

Business-Type Activities: \$ 20,239,685

Component Unit

Sherman Apartments - SDHDA Project No. SD 99-H001-089, 8.5% mortgage payable in monthly installments of \$14,295, including principal and interest, through May 2021. \$ 373,385

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 \$15,148 based upon effective interest rate of 7.30%. 591,312

Lawson View - 0% Mortgage note payable with South Dakota Housing Development Authority, due in annual installments of varying amounts, matures July 2039, secured by second position in substantially all Partnership assets. 272,208

Lawson View - 5.15% Note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, interest and principal to be paid from net operating income, with the entire balance due December 2037, secured by third position in substantially all Partnership assets.	200,000
Sunshine Park - 0% HOME loan from South Dakota Housing Development Authority, payable in varying annual installments through March 2035, secured by a mortgage on all property and equipment.	254,600
Sunshine Park - 6% mortgage note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, annual payments beginning April 2011, to the extent of available cash flow with entire balance due December 2039, secured by a mortgage and assignment of rents and leases.	190,487
Sunshine Park - 0% NSP loan from South Dakota Housing Development Authority, principal due July 2040, secured by a mortgage and assignment of rents and leases.	361,991
Sunshine Park - 0% TCAP mortgage note payable from South Dakota Housing Development Authority, principal due March 2050, secured by a mortgage and assignment of rents and leases, net of unamortized debt issuance costs of \$11,024 based upon an effective interest rate of 0.11%.	320,817
Meadow Wood - 0% HOME loan from South Dakota Housing Development Authority, annual payments beginning July 2014, to the extent of available cash flow with entire balance due July 2033, secured by a mortgage on all property and equipment and an assignment of rents and leases.	233,515
Jackson Heights - 5.8% mortgage note payable to First Dakota National Bank, due in varying monthly installments, including interest, beginning March 2015 through February 2031, secured by a mortgage on all property and equipment net of unamortized debt issuance costs of \$8,670 based upon an effective interest rate of 6.39%.	644,521
Jackson Heights - 0% note payable to South Dakota Housing Development Authority, due in varying annual installments, beginning January 2015 through August 2038, secured by a mortgage on all property and equipment.	815,659
Central Villas - 4% note payable to Horizon Bank beginning May 2016 through January 10, 2018 then 6% through February 2036, due in varying monthly installments, secured by a mortgage on all property and equipment, net of unamortized debt issuance costs of \$6,813 based upon an effective interest rate of 6.05%.	706,290
Central Villas - 0% mortgage note payable with South Dakota Housing Development Authority with varying monthly payments beginning January 2018 through December 2042, secured by a mortgage on all property and equipment and an assignment of rents and leases.	701,582

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 from December 2019 to December 2035 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 \$24,244,739, payable at varying dates through 2035. For the sales tax revenue bonds, principal and interest paid and sales tax revenues for 2018 were \$2,640,087 and \$8,851,628, 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 2026 and 2030, 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 \$10,242,094 and \$12,465,677, respectively, payable through varying dates through 2035. For the Water Revenue Bonds, principal and interest paid and total customer revenues for 2018 were \$1,291,436 and \$6,361,353, respectively. For the Sewer Revenue Bonds, principal and interest paid and total customer revenues for 2018 were \$1,371,666 and \$3,935,200, respectively.

The loan agreements for the Sewer Revenue Bonds contain requirements for the City to comply with certain covenants relating to net revenues available for debt service. As of December 31, 2018, the City was in compliance with the net revenues available for debt service on the Sewer Revenue Bonds.

Tax Incremental Revenue Bonds

In July 2002, the City passed a resolution creating Tax Increment District No. 2. In September 2003, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$3,195,000. In June 2006, a resolution was passed authorizing an additional issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$510,000. Bonds in the amount \$3,705,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 2. Incremental property taxes were projected to produce 106% of the debt service requirements over the life of the bonds. In 2011, the Series 2003B and 2006C bonds of \$1,250,000 were refunded by Series 2011 Bonds of \$1,250,000 to change the final payment of \$80,000 plus interest due to December 2029. Total principal and interest remaining on the bonds is \$2,404,415, payable through December 2029. For 2018, principal and interest paid and total incremental property tax revenues were \$322,420 and \$227,517, respectively.

In October 2003, the City passed a resolution creating Tax Increment District No. 4. In February 2004, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 4 in the amount of \$136,829. Bonds in the amount \$136,829 have been issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 4. Incremental property taxes were projected to produce 107% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$42,026, payable through August 2021. For 2018, principal and interest paid and total incremental property tax revenues were \$14,008 and \$12,141, 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 \$1,519,300, payable through November 2023. For 2018, principal and interest paid and total incremental property tax revenues were \$385,296 and \$385,296, 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 \$2,049,625, payable through December 2032. For 2018, principal and interest paid and total incremental property tax revenues were \$147,925 and \$144,197, 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 \$2,086,074, payable through June 2033. For 2018, principal and interest paid and total incremental property tax revenues were \$143,867 and \$142,105, 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 \$2,368,485, payable through June 2036. For 2018, principal and interest paid and total incremental property tax revenues were \$135,342 and \$26,780, 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 \$2,067,224, payable through June 2038. For 2018, principal and interest paid and total incremental property tax revenues were \$107,230 and \$0, respectively.

The Tax Increment Revenue Bonds, District Nos. 2, 4, 8, 17, 19, 26, and 27 do not pledge the general credit or taxing powers of the City of Aberdeen. The bonds are payable solely from the tax increment payments received and other revenues derived by the City from the Tax Increment Revenue Bonds, District Nos. 2, 4, 8, 17, 19, 26, and 27.

Maturities

The annual requirements to maturity for all debt outstanding as of December 31, 2018, excluding compensated absences and unamortized debt premiums/discounts are as follows:

Year Ending December 31	Tax Increment Revenue Bonds		Sales Tax Revenue Bonds		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 689,197	\$ 439,169	\$ 2,090,000	\$ 547,913	\$ 344,089	\$ 193,386
2020	727,502	405,925	2,125,000	499,788	386,656	150,136
2021	762,309	370,468	1,615,000	460,945	292,190	132,911
2022	769,199	322,864	1,650,000	424,310	206,010	127,611
2023	630,913	282,765	1,695,000	385,063	145,357	122,330
2024-2028	2,786,924	1,014,822	6,565,000	1,254,705	1,215,535	443,756
2029-2033	2,134,912	393,050	3,195,000	572,015	846,067	212,059
2034-2038	736,077	61,053	1,105,000	60,000	1,048,616	109,712
2039-2043	-	-	-	-	891,660	11,429
2044-2048	-	-	-	-	-	-
2049-2050	-	-	-	-	331,842	-
	<u>\$ 9,237,033</u>	<u>\$ 3,290,116</u>	<u>\$ 20,040,000</u>	<u>\$ 4,204,739</u>	<u>\$ 5,708,022</u>	<u>\$ 1,503,330</u>

Year Ending December 31	Water Revenue Bonds		Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 1,068,860	\$ 221,916	\$ 1,096,401	\$ 275,265
2020	1,093,017	196,634	1,123,875	247,791
2021	1,117,278	170,775	1,152,058	219,608
2022	1,011,493	146,206	1,180,969	190,697
2023	1,032,904	121,024	1,210,627	381,557
2024-2028	3,377,220	219,006	4,839,960	15,221
2029-2033	304,486	42,213	531,648	-
2034-2035	115,502	3,560	-	-
	<u>\$ 9,120,760</u>	<u>\$ 1,121,334</u>	<u>\$ 11,135,538</u>	<u>\$ 1,330,139</u>

Note 9 - Conduit Debt

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

As of December 31, 2018, there were two revenue bond issues of this type outstanding. The balance of one revenue bond issued after July 1, 1995, was \$2,968,079. The aggregate outstanding balance of the other remaining revenue bond issued before July 1, 1995, could not be practically determined; however, the original issue totaled \$500,000.

Note 10 - Interfund Balances and Activity

Transfers to/from other funds during the year ended December 31, 2018 consist of the following:

Transfers From:	Transfers To:							Other Business- Type Funds	Total
	General Fund	Parks and Rec Fund	Airport Fund	Special Sales Tax Fund	Water Fund	Sewer Fund	Other Governmental Funds		
Major Funds:									
General Fund	\$ -	\$ 3,914,161	\$ 553,350	\$ -	\$ -	\$ -	\$ -	\$ 520,000	\$ 4,987,511
Special Sales Tax Fund	970,000	150,000	68,450	-	180,000	-	3,104,550	128,000	4,601,000
Water Fund	316,885	207,272	4,960	180,000	-	23,838	1,600	91,542	826,097
Sewer Fund	217,180	-	-	-	-	-	-	-	217,180
Other Governmental Funds	-	63,600	-	56,000	-	-	364,508	-	484,108
Other Business-Type Funds	110,610	42,000	-	-	-	-	-	-	152,610
	<u>\$ 1,614,675</u>	<u>\$ 4,377,033</u>	<u>\$ 626,760</u>	<u>\$ 236,000</u>	<u>\$ 180,000</u>	<u>\$ 23,838</u>	<u>\$ 3,470,658</u>	<u>\$ 739,542</u>	<u>\$ 11,268,506</u>

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

As of December 31, 2018, amounts of \$43,671, \$25,317, \$44,997, and \$52,293 were due to the General Fund from the Campground Fund, Golf Fund, Ambulance Fund, and Park and Recreation Fund, respectively, relating to internal cash borrowings between funds to cover temporary expenditures in excess of pooled cash balances.

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, 2018:

Fund	Restricted By	Amount
Other purposes		
Business improvement district fund	State Law	\$ 1,962
Storm water maintenance fund	State Law	716,264
Library fines fund	State Law	51,622
Aberdeen landmark commission	State Law	9,339
Promotion fund	State Law	150,625
Park & recreation gift fund	State Law	1,151,678
Parking district fund	State Law	543,614
General fund - SD public assurance alliance	Contractual Agreement	546,770
		<u>\$ 3,171,874</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, 2018, the City managed its risks as follows:

Employee Health Insurance

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

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

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

All funds of the City which pay employee wages participate in the program and make payments to the Self-Funded Insurance Fund. The Self-Funded Insurance Fund makes payments to 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 \$802,864 is available as of December 31, 2018 for future claims and premium increases. The amount of claim liabilities for the years ended December 31, 2018, 2017, and 2016 were \$331,602, \$119,465, and \$340,461, 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
2018	\$ 119,465	\$ 2,036,233	\$ 1,824,096	\$ 331,602
2017	340,461	1,679,682	1,900,678	119,465
2016	110,000	1,801,104	1,570,643	340,461

Liability Insurance

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City’s responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an 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 January 1, 2018, the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool’s total contributions, along with the member’s total contributions, current losses, unpaid losses, and loss expenses, the member’s loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

Years	Percentage
1	55%
2	50%
3	40%
4	35%
5	30%
6+	20%

All refunds shall be paid to the withdrawing Member over a five-year term. The amount available for refund to the City is considered a deposit for financial reporting purposes.

As of December 31, 2018, the City’s balance available to be refunded per the SDPAA was \$546,770, which was an increase of \$257,058 from the previous year. The change in the amount available for refund was accounted for as an extraordinary item in the current period due to the change in the methodology of determining the amount available for refund. In future periods the change in the amount available for refund will be accounted for as an increase or decrease in the insurance expenditure/expense.

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.

Worker's Compensation

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

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

Unemployment Benefits

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

The City has net position in the Unemployment Compensation Fund in the amount of \$21,398 as of December 31, 2018 for the payment of future unemployment benefits.

During the year ended December 31, 2018, no claim benefits were incurred and there were no outstanding claims.

Component Unit

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2018, the Commission managed its risks by purchasing liability insurance from a commercial carrier for risks related to torts, theft or damage of property, and errors and omissions; and liability insurance for workmen's compensation. The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 13 - Retirement Plan

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

Benefits Provided

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund 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 retirements that do not meet the above criteria may be payable at a reduced level.

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 percent joint and survivor benefit, or a 100 percent 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 percent of compensation funded by part of the employer contribution. 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, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by State statute to contribute the following percentages of their salary to the plan; Class A members, 6% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Member, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions made to the SDRS for the years ended December 31, 2018, 2017 and 2016 were \$954,750, \$908,311, and \$869,768, 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, 2018, 2017 and 2016 were \$38,227, \$36,891, and \$36,013, 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, 2018, SDRS is 100.02% 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, 2018 are as follows:

Proportionate share of pension liability	\$ 90,987,859
Less proportionate share of net pension restricted for pension benefits	<u>91,005,206</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (17,347)</u></u>

At December 31, 2018, the City reported an asset of \$17,347 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018 and the total pension liability (asset) used to calculate the net pension liability (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, 2018, the City's proportion was 0.7438%, which was an decrease of 0.0147% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$1,319,002. At December 31, 2018, 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	\$ 655,629	\$ -
Changes in assumption	4,403,937	-
Net difference between projected and actual earnings on pension plan investments	-	1,310,980
Changes in proportion and difference between the contributions and proportionate share of contributions	90,699	27,555
Contributions subsequent to the measurement date	479,017	-
	\$ 5,629,282	\$ 1,338,535

At December 31, 2018, there was \$479,017 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, 2019. 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
2019	\$ 2,386,477
2020	1,775,810
2021	(212,373)
2022	(138,184)
	\$ 3,811,730

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, 2018 are as follows:

Proportionate share of pension liability	\$ 3,665,380
Less proportionate share of net pension restricted for pension benefits	3,666,079
Proportionate share of net pension liability (asset)	\$ (699)

At December 31, 2018, the Component Unit reported an asset of \$699 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018 and the total pension liability (asset) used to calculate the net pension liability (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, 2018, the Component Unit's proportion was 0.02996% which was a decrease of 0.00031% from its proportion measured as of June 30, 2017 of 0.03027%.

For the year ended December 31, 2018, the Component Unit recognized pension expense of \$53,339. At December 31, 2018, the Component Unit reported deferred outflows or 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	\$ 26,412	\$ -
Changes in assumption	177,409	-
Net difference between projected and actual earnings on pension plan investments	-	52,812
Changes in proportion and difference between the contributions and proportionate share of contributions	3,314	2,059
Contributions subsequent to the measurement date	19,043	-
	\$ 226,178	\$ 54,871

At December 31, 2018, there is \$19,043 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, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2018 will be recognized in pension expense (reduction of expense) as follows:

Year Ended December 31:	Amount
2019	\$ 95,314
2020	71,258
2021	(8,601)
2022	(5,707)
	\$ 152,264

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	6.50% at entry to 3.0% after 25 years of service
Discount rate	6.50%, net of pension plan investment expense

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

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, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

The following presents the City's and Component Unit's proportionate share 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 share 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:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset)	\$ 13,101,367	\$ (17,347)	\$ (10,688,707)
	1% Decrease	Current Discount Rate	1% Increase
Component Unit's proportionate share of the net pension liability (asset)	\$ 527,779	\$ (699)	\$ (430,587)

Pension Plan Fiduciary Net Position

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

Note 14 - Litigation

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

Note 15 - Leases

The City leases various equipment under short and long term operating leases. The leases expire at various dates through 2022.

Future minimum lease payments by fund are as follows:

	Governmental	Enterprise	Enterprise
	Airport Fund	Golf Fund	Ambulance Fund
Years Ending December 31,			
2019	\$ 32,630	\$ 24,000	\$ 26,000
2020	32,630	24,000	29,753
2021	32,630	24,000	29,753
2022	-	-	29,753
	\$ 97,890	\$ 72,000	\$ 115,259
Total minimum lease payments			

Total lease expense across all funds for the year ended December 31, 2018 totaled approximately \$82,630.

Note 16 - Tax Abatements

The City has seven 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 \$517,286 were received by the City and paid to project sponsors during 2018.

The City has enacted a sales tax refund program, as allowed by SDCL 10-52-10, allowing a business to apply and obtain a refund of up to 50% of the sales tax paid on construction of certain projects defined in Aberdeen Ordinance Section 50. Ag Processing, Inc. (AGP) has applied and been approved for the sales tax refund. During the year ended December 31, 2018, \$513,428 had been reduced from sales tax revenues in accordance with the sales tax refund program. As of December 31, 2018, a total of \$867,017 of sales taxes are being held in trust and will be refunded upon approval of the Finance Officer at completion of the project.

Note 17 - Violation of Finance Related Legal and Contractual Provisions

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. In the Park and Recreation Fund, the Recreation activity within the Culture and Recreation Function, expenditures exceeded approved appropriations by approximately \$57,000.

Note 18 - Deficit Fund Balance

As of December 31, 2018, the Park and Recreation Fund had a deficit fund balance in the amount of \$231,799. The Governing Board plans to address the deficit fund balance 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 19 - Subsequent Events

Subsequent to year end, the City council approved the sale of the former Alexander Mitchell Library for \$525,000 less applicable closing costs. Additionally, subsequent to year end the City council approved the issuance and sale of Tax Increment Financing (TIF) District #29 bonds with a maximum allowable issuance amount of \$3,104,000.



Required Supplementary Information
December 31, 2018

City of Aberdeen

City of Aberdeen
 Schedule of Proportionate Share of Net Pension Liability (Asset)
 Year Ended December 31, 2018

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	6/30/2018	0.7438%	\$ (17,347)	\$ 13,771,154	0.13%	100.02%
SDRS	6/30/2017	0.7585%	(68,833)	13,741,281	0.5%	100.10%
SDRS	6/30/2016	0.7450%	2,516,685	12,616,837	19.9%	96.89%
SDRS	6/30/2015	0.7539%	(3,197,349)	12,266,657	26.1%	104.10%

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

City of Aberdeen
 Schedule of Pension Contributions
 Year Ended December 31, 2018

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	12/31/2018	\$ 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%

City of Aberdeen
 Budgetary Comparison Schedule—General Fund
 Year Ended December 31, 2018

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
311 General property taxes	\$ 9,001,000	\$ 9,001,000	\$ 8,908,118	\$ (92,882)
313 General sales and use taxes	9,124,000	9,124,000	9,183,986	59,986
318 Tax deed revenue	-	-	2,734	2,734
319 Penalties and interest on delinquent taxes	20,000	20,000	31,441	11,441
320 Licenses and permits	413,500	413,500	649,887	236,387
330 Intergovernmental revenue:				
331 Federal grants	590,000	590,000	359,361	(230,639)
334 State grants	95,000	95,000	111,464	16,464
335 State shared revenue:				
335.01 Bank franchise tax	105,000	105,000	126,862	21,862
335.02 Motor vehicle commercial prorate	27,000	27,000	28,551	1,551
335.03 Liquor tax reversion	170,000	170,000	114,789	(55,211)
335.04 Motor vehicle licenses (5%)	190,000	190,000	191,814	1,814
335.06 Fire insurance premiums reversion	75,000	75,000	85,952	10,952
335.08 Local government highway and bridge fund	550,000	550,000	519,873	(30,127)
335.20 Other	3,000	3,000	2,964	(36)
336 State payments in lieu of taxes	-	-	8,225	8,225
338 County shared revenue:				
338.03 County wheel tax	10,000	10,000	29,545	19,545
340 Charge for goods and services:				
341 General government	63,000	63,000	37,321	(25,679)
342 Public safety	100,000	100,000	131,191	31,191
343 Highways and streets	97,000	97,000	114,969	17,969
344 Sanitation	1,238,500	1,238,500	1,284,580	46,080
345 Health	58,000	58,000	128,638	70,638
348 Cemetery	3,000	3,000	4,765	1,765
349 Other	190,000	190,000	184,492	(5,508)
350 Fines and forfeits:				
351 Court fines and costs	30,000	30,000	10,951	(19,049)
360 Miscellaneous revenue:				
361 Investment earnings	200,000	200,000	101,701	(98,299)
362 Rentals/Franchises	490,000	490,000	455,823	(34,177)
367 Contributions and donations from private sources	19,500	19,500	74,650	55,150
369 Other	66,000	66,000	125,506	59,506
Total revenues	<u>22,928,500</u>	<u>22,928,500</u>	<u>23,010,153</u>	<u>81,653</u>

City of Aberdeen
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2018

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government:				
411 Legislative	146,650	146,650	143,034	3,616
411.5 Contingency	300,000	300,000	-	300,000
Amount transferred	-	-	-	-
412 Executive	240,300	240,300	229,368	10,932
414 Financial administration	1,232,000	1,232,000	1,258,593	(26,593)
419 Other	1,898,100	1,911,400	1,767,868	143,532
Total general government	<u>3,817,050</u>	<u>3,830,350</u>	<u>3,398,863</u>	<u>431,487</u>
420 Public safety:				
421 Police	4,856,000	5,032,300	4,916,412	115,888
422 Fire	3,866,050	3,957,050	3,778,763	178,287
423 Protective inspection	243,000	243,000	225,619	17,381
Total public safety	<u>8,965,050</u>	<u>9,232,350</u>	<u>8,920,794</u>	<u>311,556</u>
430 Public works:				
431 Highways and streets	3,201,650	3,373,150	3,321,154	51,996
432 Sanitation	1,428,650	1,491,650	1,309,106	182,544
439 Transit	781,050	801,800	721,547	80,253
Total public works	<u>5,411,350</u>	<u>5,666,600</u>	<u>5,351,807</u>	<u>314,793</u>
440 Health and welfare:				
441 Health	78,050	78,050	66,174	11,876
445 Drug education	45,000	45,000	45,000	-
449 Other	25,050	25,050	20,808	4,242
Total health and welfare	<u>148,100</u>	<u>148,100</u>	<u>131,982</u>	<u>16,118</u>
450 Culture and recreation:				
451 Recreation	29,215	29,215	28,935	280
455 Libraries	1,208,500	1,256,250	1,197,553	58,697
Total culture and recreation	<u>1,237,715</u>	<u>1,285,465</u>	<u>1,226,488</u>	<u>58,977</u>
460 Conservation and development:				
466 Economic opportunity	522,800	527,900	500,841	27,059
Total conservation and development	<u>522,800</u>	<u>527,900</u>	<u>500,841</u>	<u>27,059</u>
Total expenditures	<u>20,102,065</u>	<u>20,690,765</u>	<u>19,530,775</u>	<u>1,159,990</u>
Excess of Revenue over Expenditures	<u>2,826,435</u>	<u>2,237,735</u>	<u>3,479,378</u>	<u>1,241,643</u>
Other Financing Sources (Uses)				
391.01 Transfers in	1,586,540	1,586,540	1,614,675	28,135
511 Transfers out	(4,739,975)	(5,139,975)	(4,987,511)	152,464
391.03 Sale of municipal property	25,000	25,000	33,821	8,821
391.04 Compensation for loss or damage to capital assets	40,000	40,000	50,060	10,060
Total other financing sources (uses)	<u>(3,088,435)</u>	<u>(3,488,435)</u>	<u>(3,288,955)</u>	<u>199,480</u>
391.05 SDPAA vested amount methodology change	-	-	257,058	257,058
Net Change in Fund Balances	(262,000)	(1,250,700)	447,481	1,698,181
Fund Balance - Beginning	<u>6,468,930</u>	<u>6,468,930</u>	<u>6,468,930</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 6,206,930</u>	<u>\$ 5,218,230</u>	<u>\$ 6,916,411</u>	<u>\$ 1,698,181</u>

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Park and Recreation Fund
 Year Ended December 31, 2018

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
330 Intergovernmental revenue:				
331 Federal grants	\$ 50,000	\$ 50,000	\$ 20,700	\$ (29,300)
334 State grants	40,000	40,000	22,331	(17,669)
340 Charge for goods and services:				
346 Culture and recreation	654,690	654,690	643,285	(11,405)
348 Cemetery	39,000	39,000	42,014	3,014
360 Miscellaneous revenue:				
361 Investment earnings	50	50	184	134
367 Contributions and donations from private sources	-	-	3,617	3,617
369 Other	-	-	816	816
Total revenues	<u>783,740</u>	<u>783,740</u>	<u>732,947</u>	<u>(50,793)</u>
Expenditures				
430 Public works:				
437 Cemeteries	216,650	216,650	211,312	5,338
Total public works	<u>216,650</u>	<u>216,650</u>	<u>211,312</u>	<u>5,338</u>
450 Culture and recreation:				
451 Recreation	3,107,570	3,380,300	3,437,237	(56,937)
452 Parks	1,528,575	1,859,475	1,810,205	49,270
Total culture and recreation	<u>4,636,145</u>	<u>5,239,775</u>	<u>5,247,442</u>	<u>(7,667)</u>
Total expenditures	<u>4,852,795</u>	<u>5,456,425</u>	<u>5,458,754</u>	<u>(2,329)</u>
Excess of Revenue under Expenditures	<u>(4,069,055)</u>	<u>(4,672,685)</u>	<u>(4,725,807)</u>	<u>(53,122)</u>
Other Financing Sources (Uses)				
391.01 Transfers in	4,016,625	4,016,625	4,377,033	360,408
391.04 Compensation for loss or damage to capital assets	-	-	17,360	17,360
Total other financing sources (uses)	<u>4,016,625</u>	<u>4,016,625</u>	<u>4,394,393</u>	<u>377,768</u>
Net Change in Fund Balances	(52,430)	(656,060)	(331,414)	324,646
Fund Balance - Beginning	99,615	99,615	99,615	-
Fund Balance (Deficit) - Ending	<u>\$ 47,185</u>	<u>\$ (556,445)</u>	<u>\$ (231,799)</u>	<u>\$ 324,646</u>

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Airport Fund
 Year Ended December 31, 2018

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
312 Airflight property tax	\$ 30,000	\$ 30,000	\$ 24,929	\$ (5,071)
330 Intergovernmental revenue:				
331 Federal grants	1,232,100	1,232,100	1,519,857	287,757
334 State grants	68,450	68,450	84,437	15,987
340 Charge for goods and services:				
349 Other	407,000	407,000	447,936	40,936
360 Miscellaneous revenue:				
361 Investment earnings	-	-	1,209	1,209
369 Other	2,000	2,000	335	(1,665)
Total revenues	<u>1,739,550</u>	<u>1,739,550</u>	<u>2,078,703</u>	<u>339,153</u>
Expenditures				
430 Public works:				
435 Airport	2,461,350	2,467,350	1,246,128	1,221,222
Total public works	<u>2,461,350</u>	<u>2,467,350</u>	<u>1,246,128</u>	<u>1,221,222</u>
Total expenditures	<u>2,461,350</u>	<u>2,467,350</u>	<u>1,246,128</u>	<u>1,221,222</u>
Excess of Revenue under Expenditures	<u>(721,800)</u>	<u>(727,800)</u>	<u>832,575</u>	<u>1,560,375</u>
Other Financing Sources				
391.01 Transfers in	621,800	621,800	626,760	4,960
391.03 Sale of municipal property	-	-	22,500	22,500
Total other financing sources	<u>621,800</u>	<u>621,800</u>	<u>649,260</u>	<u>27,460</u>
Net Change in Fund Balances	(100,000)	(106,000)	1,481,835	1,587,835
Fund Balance - Beginning	173,559	173,559	173,559	-
Fund Balance - Ending	<u>\$ 73,559</u>	<u>\$ 67,559</u>	<u>\$ 1,655,394</u>	<u>\$ 1,587,835</u>

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Special Sales Tax Fund
 Year Ended December 31, 2018

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
313 General sales and use taxes	\$ 8,764,000	8,764,000	\$ 8,851,628	\$ 87,628
330 Intergovernmental revenue:				
331 Federal grants	2,600,000	2,600,000	-	(2,600,000)
334 State grants	-	-	911,949	911,949
360 Miscellaneous revenue:				
361 Investment earnings	71,000	71,000	64,233	(6,767)
Total revenues	<u>11,435,000</u>	<u>11,435,000</u>	<u>9,827,810</u>	<u>(1,607,190)</u>
Expenditures				
410 General government:				
419 Other	25,000	57,000	66,832	(9,832)
Total general government	<u>25,000</u>	<u>57,000</u>	<u>66,832</u>	<u>(9,832)</u>
420 Public safety:				
429 Other protection	450,000	450,000	267,131	182,869
Total public safety	<u>450,000</u>	<u>450,000</u>	<u>267,131</u>	<u>182,869</u>
430 Public works:				
431 Highways and streets	7,572,000	7,572,000	5,578,433	1,993,567
432 Sanitation	350,000	350,000	375,608	(25,608)
Total public works	<u>7,922,000</u>	<u>7,922,000</u>	<u>5,954,041</u>	<u>1,967,959</u>
460 Conservation and development:				
465 Economic development and assistance	200,000	200,000	-	200,000
Total conservation and development	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total expenditures	<u>8,597,000</u>	<u>8,629,000</u>	<u>6,288,004</u>	<u>2,340,996</u>
Excess of Revenue over Expenditures	<u>2,838,000</u>	<u>2,806,000</u>	<u>3,539,806</u>	<u>733,806</u>
Other Financing Sources (Uses)				
391.01 Transfers in	236,000	236,000	236,000	-
511 Transfers out	(4,601,000)	(4,601,000)	(4,601,000)	-
Total other financing sources (uses)	<u>(4,365,000)</u>	<u>(4,365,000)</u>	<u>(4,365,000)</u>	<u>-</u>
Net Change in Fund Balances	(1,527,000)	(1,559,000)	(825,194)	733,806
Fund Balance - Beginning	6,801,882	6,801,882	6,801,882	-
Fund Balance - Ending	<u>\$ 5,274,882</u>	<u>\$ 5,242,882</u>	<u>\$ 5,976,688</u>	<u>\$ 733,806</u>

Note 1 - Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular Board meeting in September of each year or within ten days thereafter, the City Council introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the City Council, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total municipal budget and may be transferred by resolution of the City Council to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the City Council.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue funds and capital projects funds.

The City did not encumber any amounts at either December 31, 2017 or December 31, 2018.

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. The major difference between the budgetary basis and the GAAP basis is that all capital outlay expenditures are recorded with other functional expenses for budget purposes rather than as a separate line item for GAAP purposes. There is no effect on the net change in fund balance.

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

Changes of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% 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%. That condition existed as of June 30, 2017 and exists again this year as of June 30, 2018. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.89% as of June 30, 2017 and is 2.03% as of June 30, 2018.



Supplementary Information
December 31, 2018
City of Aberdeen

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2018

	Promotion Fund	Park and Recreation Gift Fund	Business Improvement District Fund	Parking District Fund	Storm Water Maintenance Fund	Library Fines Fund	Landmark Commission Fund
Assets							
Cash and cash equivalents	\$ 8,739	\$ 1,186,798	\$ 3,651	\$ 541,615	\$ 672,120	\$ 51,622	\$ 9,340
151 Investments	-	-	-	-	-	-	-
110 Taxes receivable, delinquent	-	-	1,889	1,985	-	-	-
115 Accounts receivable, net	-	-	-	-	47,987	-	-
132 Due from federal government	-	5,000	-	-	-	-	-
132 Due from state government	128,143	-	-	-	-	-	-
132 Due from county government	-	-	72	112	-	-	-
142 Inventory of stores purchased for resale	-	-	-	-	6,987	-	-
155 Prepaid expenses	13,743	-	-	-	-	-	-
Total assets	150,625	1,191,798	5,612	543,712	727,094	51,622	9,340
	<u>\$ 150,625</u>	<u>\$ 1,191,798</u>	<u>\$ 5,612</u>	<u>\$ 543,712</u>	<u>\$ 727,094</u>	<u>\$ 51,622</u>	<u>\$ 9,340</u>
Liabilities							
202 Accounts payable	\$ -	\$ 21,630	\$ 3,651	\$ 98	\$ 6,315	\$ -	\$ -
216 Accrued wages payable	-	2,453	-	-	4,515	-	-
223 Unearned revenue	-	16,037	-	-	-	-	-
Total liabilities	-	40,120	3,651	98	10,830	-	-
Deferred Inflows of Resources							
244 - Unavailable revenue - sales and use taxes	90,962	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	1,889	1,985	-	-	-
247 - Other deferred inflows of resources	-	5,000	-	-	49,256	-	-
Total deferred inflows of resources	90,962	5,000	1,889	1,985	49,256	-	-
Fund Balances							
263 Nonspendable	13,743	-	-	-	6,987	-	-
264 Restricted	45,920	1,146,678	72	541,629	660,021	51,622	9,340
Total fund balances	59,663	1,146,678	72	541,629	667,008	51,622	9,340
	<u>\$ 150,625</u>	<u>\$ 1,191,798</u>	<u>\$ 5,612</u>	<u>\$ 543,712</u>	<u>\$ 727,094</u>	<u>\$ 51,622</u>	<u>\$ 9,340</u>

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2018

	Tax Increment Financing District No. 2 Bonds Fund	Tax Increment Financing District No. 4 Bonds Fund	Park and Rec ARCC Bonds Fund	Tax Increment Financing District No. 10 Bonds Fund	Park and Rec Aquatic Center Bonds Funds	Library Bonds Fund	Tax Increment Financing District No. 17 Bonds Fund	Public Safety Building Bonds Fund
Assets								
Cash and cash equivalents	\$ 64,768	\$ 11,818	\$ 270,056	\$ 59,713	\$ 616,647	\$ 562,679	\$ 575,226	\$ 804,238
151 Investments	214,861	-	-	-	-	-	-	-
110 Taxes receivable, delinquent	-	-	-	-	-	-	613	-
115 Accounts receivable, net	-	-	-	-	-	-	-	-
132 Due from federal government	-	-	-	-	-	-	-	-
132 Due from state government	-	-	-	-	-	-	-	-
132 Due from county government	-	-	-	-	-	-	-	-
142 Inventory of stores purchased for resale	-	-	-	-	-	-	-	-
155 Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	<u>279,629</u>	<u>11,818</u>	<u>270,056</u>	<u>59,713</u>	<u>616,647</u>	<u>562,679</u>	<u>575,839</u>	<u>804,238</u>
	<u>\$ 279,629</u>	<u>\$ 11,818</u>	<u>\$ 270,056</u>	<u>\$ 59,713</u>	<u>\$ 616,647</u>	<u>\$ 562,679</u>	<u>\$ 575,839</u>	<u>\$ 804,238</u>
Liabilities								
202 Accounts payable	\$ -	\$ -	\$ -	\$ 59,713	\$ -	\$ -	\$ -	\$ -
216 Accrued wages payable	-	-	-	-	-	-	-	-
223 Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources								
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	-	-	-	-	614	-
247 - Other deferred inflows of resources	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>614</u>	<u>-</u>
Fund Balances								
263 Nonspendable	-	-	-	-	-	-	-	-
264 Restricted	279,629	11,818	270,056	-	616,647	562,679	575,225	804,238
Total fund balances	<u>279,629</u>	<u>11,818</u>	<u>270,056</u>	<u>-</u>	<u>616,647</u>	<u>562,679</u>	<u>575,225</u>	<u>804,238</u>
	<u>\$ 279,629</u>	<u>\$ 11,818</u>	<u>\$ 270,056</u>	<u>\$ 59,713</u>	<u>\$ 616,647</u>	<u>\$ 562,679</u>	<u>\$ 575,839</u>	<u>\$ 804,238</u>

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2018

	City Hall Remodel Bonds Fund	Wylie Park Campground Expansion Bonds Fund	Tax Increment Financing District No. 21 Bonds Fund	Tax Increment Financing District No. 22 Bonds Fund	Tax Increment Financing District No. 19 Bonds Fund	Old Federal Building Bonds Fund	Tax Increment Financing District No. 23 Proj. Fund	Tax Increment Financing District No. 3 Bonds Fund
Assets								
Cash and cash equivalents	\$ 482,463	\$ 28,694	\$ 691	\$ 38,448	\$ 4,097	\$ 114,332	\$ 19,917	\$ 14,265
151 Investments	-	-	-	-	-	-	-	-
110 Taxes receivable, delinquent	-	-	-	-	-	-	-	3,693
115 Accounts receivable, net	-	-	-	-	-	-	-	-
132 Due from federal government	-	-	-	-	-	-	-	-
132 Due from state government	-	-	-	-	-	-	-	-
132 Due from county government	-	-	-	-	-	-	-	419
142 Inventory of stores purchased for resale	-	-	-	-	-	-	-	-
155 Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	<u>482,463</u>	<u>28,694</u>	<u>691</u>	<u>38,448</u>	<u>4,097</u>	<u>114,332</u>	<u>19,917</u>	<u>18,377</u>
	<u>\$ 482,463</u>	<u>\$ 28,694</u>	<u>\$ 691</u>	<u>\$ 38,448</u>	<u>\$ 4,097</u>	<u>\$ 114,332</u>	<u>\$ 19,917</u>	<u>\$ 18,377</u>
Liabilities								
202 Accounts payable	\$ -	\$ -	\$ -	\$ 38,448	\$ -	\$ -	\$ 19,917	\$ -
216 Accrued wages payable	-	-	-	-	-	-	-	-
223 Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,448</u>	<u>-</u>	<u>-</u>	<u>19,917</u>	<u>-</u>
Deferred Inflows of Resources								
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	-	-	-	-	-	3,693
247 - Other deferred inflows of resources	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,693</u>
Fund Balances								
263 Nonspendable	-	-	-	-	-	-	-	-
264 Restricted	482,463	28,694	691	-	4,097	114,332	-	14,684
Total fund balances	<u>482,463</u>	<u>28,694</u>	<u>691</u>	<u>-</u>	<u>4,097</u>	<u>114,332</u>	<u>-</u>	<u>14,684</u>
	<u>\$ 482,463</u>	<u>\$ 28,694</u>	<u>\$ 691</u>	<u>\$ 38,448</u>	<u>\$ 4,097</u>	<u>\$ 114,332</u>	<u>\$ 19,917</u>	<u>\$ 18,377</u>

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2018

	Tax Increment Financing District No. 25 Bonds Fund	Tax Increment Financing District No. 26 Bonds Fund	Tax Increment Financing District No. 27 Bonds Fund	Cemetery Perpetual Care Fund	Moccasin Creek Proj. Fund	Tax Increment Financing District No. 26 Proj. Fund	Parks and Recreation Project Fund	Total Nonmajor Governmental Funds
Assets								
Cash and cash equivalents	\$ 15,214	\$ 165,000	\$ 235,778	\$ 206,464	\$ 1,038,897	\$ 320,291	\$ 32,492	\$ 8,156,073
151 Investments	-	-	-	-	-	-	-	214,861
110 Taxes receivable, delinquent	-	-	-	-	-	-	-	8,180
115 Accounts receivable, net	-	-	-	-	-	-	-	47,987
132 Due from federal government	-	-	-	-	-	-	-	5,000
132 Due from state government	-	-	-	-	-	-	-	128,143
132 Due from county government	-	-	-	-	-	-	-	603
142 Inventory of stores purchased for resale	-	-	-	-	-	-	-	6,987
155 Prepaid expenses	-	-	-	-	-	-	-	13,743
Total assets	<u>15,214</u>	<u>165,000</u>	<u>235,778</u>	<u>206,464</u>	<u>1,038,897</u>	<u>320,291</u>	<u>32,492</u>	<u>8,581,577</u>
	<u>\$ 15,214</u>	<u>\$ 165,000</u>	<u>\$ 235,778</u>	<u>\$ 206,464</u>	<u>\$ 1,038,897</u>	<u>\$ 320,291</u>	<u>\$ 32,492</u>	<u>\$ 8,581,577</u>
Liabilities								
202 Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,578	\$ 166,350
216 Accrued wages payable	-	-	-	-	-	-	-	6,968
223 Unearned revenue	-	-	-	-	-	-	-	16,037
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,578</u>	<u>189,355</u>
Deferred Inflows of Resources								
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-	-	90,962
245 - Unavailable revenue - property taxes	-	-	-	-	-	-	-	8,181
247 - Other deferred inflows of resources	-	-	-	-	-	-	-	54,256
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,399</u>
Fund Balances								
263 Nonspendable	-	-	-	50,100	-	-	-	70,830
264 Restricted	15,214	165,000	235,778	156,364	1,038,897	320,291	15,914	8,167,993
Total fund balances	<u>15,214</u>	<u>165,000</u>	<u>235,778</u>	<u>206,464</u>	<u>1,038,897</u>	<u>320,291</u>	<u>15,914</u>	<u>8,238,823</u>
	<u>\$ 15,214</u>	<u>\$ 165,000</u>	<u>\$ 235,778</u>	<u>\$ 206,464</u>	<u>\$ 1,038,897</u>	<u>\$ 320,291</u>	<u>\$ 32,492</u>	<u>\$ 8,581,577</u>

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds
Year Ended December 31, 2018

	Promotion Fund	Park and Recreation Gift Fund	Business Improvement District Fund	Parking District Fund	Storm Water Maintenance Fund	Library Fines Fund	Landmark Commission Fund
Revenues							
310 Taxes:							
311 General property taxes	\$ -	\$ -	\$ 62,710	\$ 96,240	\$ -	\$ -	\$ -
313 General sales and use taxes	1,123,755	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	56	74	-	-	-
330 Intergovernmental revenue:							
331 Federal grants	-	1,500	-	-	-	-	-
334 State grants	-	-	-	-	-	-	-
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	545,400	-	-
346 Culture and recreation	-	797,505	-	-	-	-	-
360 Miscellaneous revenue:							
361 Investment earnings	20	1,077	-	450	643	-	8
362 Rentals	-	-	-	22,285	-	-	-
367 Contributions and donations from private sources	-	486,577	-	-	-	-	-
369 Other	2,165	-	-	-	-	21,929	50
Total revenues	1,125,940	1,286,659	62,766	119,049	546,043	21,929	58
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	520,922	-	-
436 Parking facilities	-	-	-	2,588	-	-	-
Total public works	-	-	-	2,588	520,922	-	-
450 Culture and recreation:							
451 Recreation	-	59,469	-	-	-	-	-
452 Parks	-	1,020,858	-	-	-	-	-
455 Libraries	-	-	-	-	-	48,128	-
Total culture and recreation	-	1,080,327	-	-	-	48,128	-
460 Conservation and development:							
465 Economic development and assistance (industrial development)	1,113,657	-	-	-	-	-	-
466 Economic opportunity	-	-	62,986	-	-	-	-
Total conservation and development	1,113,657	-	62,986	-	-	-	-
470 Debt service	-	-	-	-	-	-	-
Total expenditures	1,113,657	1,080,327	62,986	2,588	520,922	48,128	-
Excess of revenue over (under) expenditures	12,283	206,332	(220)	116,461	25,121	(26,199)	58
Other Financing Sources (Uses)							
391.01 Transfers in	-	-	-	-	1,600	-	-
511 Transfers out	-	(85,100)	-	-	-	-	-
Total other financing sources (uses)	-	(85,100)	-	-	1,600	-	-
Net Change in Fund Balances	12,283	121,232	(220)	116,461	26,721	(26,199)	58
Fund Balance - Beginning	47,380	1,025,446	292	425,168	640,287	77,821	9,282
Fund Balance - Ending	\$ 59,663	\$ 1,146,678	\$ 72	\$ 541,629	\$ 667,008	\$ 51,622	\$ 9,340

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds
Year Ended December 31, 2018

	Tax Increment Financing District No. 2 Bonds Fund	Tax Increment Financing District No. 4 Bonds Fund	Park and Rec ARCC Bonds Fund	Tax Increment Financing District No. 10 Bonds Fund	Park and Rec Aquatic Center Bonds Fund	Library Bonds Fund	Tax Increment Financing District No. 17 Bonds Fund
Revenues							
310 Taxes:							
311 General property taxes	\$ 227,517	\$ 12,141	\$ -	\$ 124,478	\$ -	\$ -	\$ 144,197
313 General sales and use taxes	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	25	-	-	43
330 Intergovernmental revenue:							
331 Federal grants	-	-	-	-	-	-	-
334 State grants	-	-	-	-	-	-	-
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-	-
360 Miscellaneous revenue:							
361 Investment earnings	5,656	4	235	-	377	-	532
362 Rentals	-	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	304,697	-
369 Other	-	-	-	-	-	-	-
Total revenues	233,173	12,145	235	124,503	377	304,697	144,772
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-	-
Total public works	-	-	-	-	-	-	-
450 Culture and recreation:							
451 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	322,420	14,008	247,200	124,503	566,985	724,738	147,925
Total expenditures	322,420	14,008	247,200	124,503	566,985	724,738	147,925
Excess of revenue over (under) expenditures	(89,247)	(1,863)	(246,965)	-	(566,608)	(420,041)	(3,153)
Other Financing Sources (Uses)							
391.01 Transfers in	-	-	250,000	-	570,000	410,000	-
511 Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	250,000	-	570,000	410,000	-
Net Change in Fund Balances	(89,247)	(1,863)	3,035	-	3,392	(10,041)	(3,153)
Fund Balance - Beginning	368,876	13,681	267,021	-	613,255	572,720	578,378
Fund Balance - Ending	\$ 279,629	\$ 11,818	\$ 270,056	\$ -	\$ 616,647	\$ 562,679	\$ 575,225

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds
Year Ended December 31, 2018

	Public Safety Building Bonds Fund	Tax Increment Financing District No. 8 Bonds Fund	City Hall Remodel Bonds Fund	Tax Increment Financing District No. 18 Bonds Fund	Wylie Park Campground Expansion Bonds Fund	Tax Increment Financing District No. 20 Bonds Fund	Tax Increment Financing District No. 21 Bonds Fund
Revenues							
310 Taxes:							
311 General property taxes	\$ -	\$ 385,296	\$ -	\$ 66,877	\$ -	\$ 43,667	\$ 30,341
313 General sales and use taxes	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	90	-	-	22
330 Intergovernmental revenue:							
331 Federal grants	-	-	-	-	-	-	-
334 State grants	-	-	-	-	-	-	-
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-	-
360 Miscellaneous revenue:							
361 Investment earnings	475	-	336	-	53	-	-
362 Rentals	-	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	-	-
369 Other	-	-	-	-	-	-	-
Total revenues	475	385,296	336	66,967	53	43,667	30,363
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-	-
Total public works	-	-	-	-	-	-	-
450 Culture and recreation:							
451 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	706,428	385,296	128,405	66,967	49,763	43,667	31,028
Total expenditures	706,428	385,296	128,405	66,967	49,763	43,667	31,028
Excess of revenue over (under) expenditures	(705,953)	-	(128,069)	-	(49,710)	-	(665)
Other Financing Sources (Uses)							
391.01 Transfers in	740,000	-	160,000	-	56,000	-	-
511 Transfers out	-	-	-	-	(56,000)	-	-
Total other financing sources (uses)	740,000	-	160,000	-	-	-	-
Net Change in Fund Balances	34,047	-	31,931	-	(49,710)	-	(665)
Fund Balance - Beginning	770,191	-	450,532	-	78,404	-	1,356
Fund Balance - Ending	\$ 804,238	\$ -	\$ 482,463	\$ -	\$ 28,694	\$ -	\$ 691

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds
Year Ended December 31, 2018

	Tax Increment Financing District No. 22 Bonds Fund	Tax Increment Financing District No. 19 Bonds Fund	Old Federal Building Bonds Fund	Tax Increment Financing District No. 23 Bonds Fund	Tax Increment Financing District No. 3 Bonds Fund	Tax Increment Financing District No. 25 Bonds Fund	Tax Increment Financing District No. 26 Bonds Fund
Revenues							
310 Taxes:							
311 General property taxes	\$ 76,752	\$ 142,105	\$ -	\$ 30,204	\$ 178,371	\$ 15,214	\$ 26,780
313 General sales and use taxes	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	301	231	-	50
330 Intergovernmental revenue:							
331 Federal grants	-	-	-	-	-	-	-
334 State grants	-	-	-	-	-	-	-
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-	-
360 Miscellaneous revenue:							
361 Investment earnings	-	-	87	-	36	-	-
362 Rentals	-	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	-	-
369 Other	-	-	-	-	-	-	-
Total revenues	76,752	142,105	87	30,505	178,638	15,214	26,830
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-	-
Total public works	-	-	-	-	-	-	-
450 Culture and recreation:							
451 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	76,752	143,867	216,568	30,505	178,647	-	135,342
Total expenditures	76,752	143,867	216,568	30,505	178,647	-	135,342
Excess of revenue over (under) expenditures	-	(1,762)	(216,481)	-	(9)	15,214	(108,512)
Other Financing Sources (Uses)							
391.01 Transfers in	-	-	215,000	-	-	-	-
511 Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	215,000	-	-	-	-
Net Change in Fund Balances	-	(1,762)	(1,481)	-	(9)	15,214	(108,512)
Fund Balance - Beginning	-	5,859	115,813	-	14,693	-	273,512
Fund Balance - Ending	\$ -	\$ 4,097	\$ 114,332	\$ -	\$ 14,684	\$ 15,214	\$ 165,000

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2018

	Tax Increment Financing District No. 27 Bonds Fund	Cemetery Perpetual Care Fund	Moccasin Creek Project Fund	Tax Increment Financing District No. 26 Project Fund	Tax Increment Financing District No. 27 Project Fund	Parks and Recreation Project Fund	Total Nonmajor Governmental Funds
Revenues							
310 Taxes:							
311 General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,662,890
313 General sales and use taxes	-	-	-	-	-	-	1,123,755
319 Penalties and interest on delinquent taxes	-	-	-	-	-	-	892
330 Intergovernmental revenue:							
331 Federal grants	-	-	-	-	-	203,417	204,917
334 State grants	-	-	-	-	-	10,000	10,000
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	-	-	545,400
346 Culture and recreation	-	-	-	-	-	-	797,505
360 Miscellaneous revenue:							
361 Investment earnings	-	-	719	-	-	-	10,708
362 Rentals	-	-	-	-	-	-	22,285
367 Contributions and donations from private sources	-	3,793	-	-	-	-	795,067
369 Other	-	-	-	-	-	-	24,144
Total revenues	<u>-</u>	<u>3,793</u>	<u>719</u>	<u>-</u>	<u>-</u>	<u>213,417</u>	<u>5,197,563</u>
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	200,569	-	200,569
432 Sanitation	-	-	41,508	-	-	-	562,430
436 Parking facilities	-	-	-	-	-	-	2,588
Total public works	<u>-</u>	<u>-</u>	<u>41,508</u>	<u>-</u>	<u>200,569</u>	<u>-</u>	<u>765,587</u>
450 Culture and recreation:							
451 Recreation	-	-	-	-	-	250,447	309,916
452 Parks	-	-	-	-	-	479,939	1,500,797
455 Libraries	-	-	-	-	-	-	48,128
Total culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>730,386</u>	<u>1,858,841</u>
460 Conservation and development:							
465 Economic development and assistance (industrial development)	-	-	-	-	-	-	1,113,657
466 Economic opportunity	-	-	-	-	-	-	62,986
Total conservation and development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,176,643</u>
470 Debt service	107,230	-	-	-	-	-	4,448,244
Total expenditures	<u>107,230</u>	<u>-</u>	<u>41,508</u>	<u>-</u>	<u>200,569</u>	<u>730,386</u>	<u>8,249,315</u>
Excess of revenue over (under) expenditures	<u>(107,230)</u>	<u>3,793</u>	<u>(40,789)</u>	<u>-</u>	<u>(200,569)</u>	<u>(516,969)</u>	<u>(3,051,752)</u>
Other Financing Sources (Uses)							
391.01 Transfers in	343,008	-	299,700	-	-	425,350	3,470,658
511 Transfers out	-	-	-	-	(343,008)	-	(484,108)
Total other financing sources (uses)	<u>343,008</u>	<u>-</u>	<u>299,700</u>	<u>-</u>	<u>(343,008)</u>	<u>425,350</u>	<u>2,986,550</u>
Net Change in Fund Balances	235,778	3,793	258,911	-	(543,577)	(91,619)	(65,202)
Fund Balance - Beginning	-	202,671	779,986	320,291	543,577	107,533	8,304,025
Fund Balance - Ending	<u>\$ 235,778</u>	<u>\$ 206,464</u>	<u>\$ 1,038,897</u>	<u>\$ 320,291</u>	<u>\$ -</u>	<u>\$ 15,914</u>	<u>\$ 8,238,823</u>

City of Aberdeen
Combining Statement of Net Position—Nonmajor Enterprise Funds
December 31, 2018

	Proprietary Funds				Total Nonmajor Proprietary Funds
	Old Federal Building Fund	Campground Fund	Golf Fund	Ambulance Fund	
Current Assets					
Cash and cash equivalents	\$ 135,227	\$ -	\$ -	\$ -	\$ 135,227
115 Accounts receivable, net	14,550	-	-	342,150	356,700
155 Prepaid expenses	-	1	149	-	150
Total current assets	<u>149,777</u>	<u>1</u>	<u>149</u>	<u>342,150</u>	<u>492,077</u>
Noncurrent Assets					
189 Net pension asset	-	-	108	951	1,059
Capital assets:					
160 Land	101,250	-	350,500	-	451,750
162 Buildings	607,559	1,313,063	212,848	-	2,133,470
164 Improvements other than buildings	-	798,844	257,248	-	1,056,092
166 Machinery and equipment	-	43,816	614,112	1,089,822	1,747,750
Less accumulated depreciation	<u>(41,771)</u>	<u>(539,039)</u>	<u>(808,891)</u>	<u>(568,865)</u>	<u>(1,958,566)</u>
Total noncurrent assets	<u>667,038</u>	<u>1,616,684</u>	<u>625,925</u>	<u>521,908</u>	<u>3,431,555</u>
Total Assets	816,815	1,616,685	626,074	864,058	3,923,632
Deferred Outflows of Resources					
196 Pension related deferred outflows	-	-	34,902	308,485	343,387
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>34,902</u>	<u>308,485</u>	<u>343,387</u>
	<u>\$ 816,815</u>	<u>\$ 1,616,685</u>	<u>\$ 660,976</u>	<u>\$ 1,172,543</u>	<u>\$ 4,267,019</u>
Current Liabilities					
202 Accounts payable	\$ 4,985	\$ 2,368	\$ 3,493	\$ 29,379	\$ 40,225
208 Due to General Fund	-	43,671	25,317	44,997	113,985
216 Accrued wages payable	1,321	-	2,418	16,467	20,206
230 Compensated absences payable - current	-	-	4,296	38,706	43,002
Total current liabilities	<u>6,306</u>	<u>46,039</u>	<u>35,524</u>	<u>129,549</u>	<u>217,418</u>
Deferred Inflows of Resources					
248 Pension related deferred inflows	-	-	8,299	73,352	81,651
Net Position					
253.10 Net investment in capital assets	667,038	1,616,684	625,817	520,957	3,430,496
253.20 Restricted for:					
253.29 SDRS pension purposes	-	-	26,711	236,084	262,795
253.90 Unrestricted net position	<u>143,471</u>	<u>(46,038)</u>	<u>(35,375)</u>	<u>212,601</u>	<u>274,659</u>
Total net position	<u>810,509</u>	<u>1,570,646</u>	<u>617,153</u>	<u>969,642</u>	<u>3,967,950</u>
	<u>\$ 816,815</u>	<u>\$ 1,616,685</u>	<u>\$ 660,976</u>	<u>\$ 1,172,543</u>	<u>\$ 4,267,019</u>

City of Aberdeen

Combining Statement of Revenues, Expenses and Changes in Net Position—Nonmajor Enterprise Funds
Year Ended December 31, 2018

	Proprietary Funds				Total Nonmajor Proprietary Funds
	Old Federal Building Fund	Campground Fund	Golf Fund	Ambulance Fund	
Operating Revenue					
370/380 Charges for goods and services	\$ 174,128	\$ 420,755	\$ 331,833	\$ 934,943	\$ 1,861,659
369 Miscellaneous	-	345	200	5,171	5,716
Total operating revenue	<u>174,128</u>	<u>421,100</u>	<u>332,033</u>	<u>940,114</u>	<u>1,867,375</u>
Operating Expenses					
410 Personal services	48,726	42,177	213,569	918,209	1,222,681
420 Other current expenses	94,194	199,579	358,052	399,592	1,051,417
457 Depreciation	1,027	102,155	63,598	111,175	277,955
Total operating expenses	<u>143,947</u>	<u>343,911</u>	<u>635,219</u>	<u>1,428,976</u>	<u>2,552,053</u>
Operating Income (Loss)	<u>30,181</u>	<u>77,189</u>	<u>(303,186)</u>	<u>(488,862)</u>	<u>(684,678)</u>
Nonoperating Revenue (Expense)					
361 Investment earnings	-	198	1	1	200
492 Loss on disposition of assets	-	(4,825)	-	(16,199)	(21,024)
Total nonoperating revenue (expense)	<u>-</u>	<u>(4,627)</u>	<u>1</u>	<u>(16,198)</u>	<u>(20,824)</u>
Income (Loss) Before Contributions and Transfers	30,181	72,562	(303,185)	(505,060)	(705,502)
397.07 Capital contributions	-	60,447	-	-	60,447
391.1 Transfers in	-	-	236,542	503,000	739,542
511 Transfers out	-	(81,320)	(21,610)	(49,680)	(152,610)
Change in Net Position	<u>30,181</u>	<u>51,689</u>	<u>(88,253)</u>	<u>(51,740)</u>	<u>(58,123)</u>
Net Position - Beginning	<u>780,328</u>	<u>1,518,957</u>	<u>705,406</u>	<u>1,021,382</u>	<u>4,026,073</u>
Net Position - Ending	<u>\$ 810,509</u>	<u>\$ 1,570,646</u>	<u>\$ 617,153</u>	<u>\$ 969,642</u>	<u>\$ 3,967,950</u>

City of Aberdeen
Combining Statement of Cash Flows–Nonmajor Enterprise Funds
Year Ended December 31, 2018

	Proprietary Funds				Total Nonmajor Proprietary Funds
	Old Federal Building Fund	Campground Fund	Golf Fund	Ambulance Fund	
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ 174,013	\$ 421,100	\$ 332,033	\$ 868,228	\$ 1,795,374
Payments to suppliers	(103,863)	(255,996)	(269,979)	(412,583)	(1,042,421)
Payments to employees	(48,500)	(42,177)	(203,220)	(836,351)	(1,130,248)
Cash payments for interfund services used	(2,403)	-	(91,542)	-	(93,945)
Net Cash from (used for) Operating Activities	<u>19,247</u>	<u>122,927</u>	<u>(232,708)</u>	<u>(380,706)</u>	<u>(471,240)</u>
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	-	-	236,542	503,000	739,542
Transfers to other funds	-	(81,320)	(21,610)	(49,680)	(152,610)
Internal balances	-	43,671	25,317	44,997	113,985
Net Cash from Noncapital Financing Activities	<u>-</u>	<u>(37,649)</u>	<u>240,249</u>	<u>498,317</u>	<u>700,917</u>
Cash Flows used for Capital and Related Financing Activities					
Purchase of capital assets	-	(137,308)	(47,587)	(204,919)	(389,814)
Net Cash used for Capital and Related Financing Activities	<u>-</u>	<u>(137,308)</u>	<u>(47,587)</u>	<u>(204,919)</u>	<u>(389,814)</u>
Cash Flows from Investing Activities					
Interest earnings	-	198	1	1	200
Net Cash from Investing Activities	<u>-</u>	<u>198</u>	<u>1</u>	<u>1</u>	<u>200</u>
Net Change in Cash and Cash Equivalents	19,247	(51,832)	(40,045)	(87,307)	(159,937)
Balance - Beginning	<u>115,980</u>	<u>51,832</u>	<u>40,045</u>	<u>87,307</u>	<u>295,164</u>
Balance - Ending	<u>\$ 135,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,227</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities:					
Operating income (loss)	\$ 30,181	\$ 77,189	\$ (303,186)	\$ (488,862)	\$ (684,678)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:					
Depreciation expense	1,027	102,155	63,598	111,175	277,955
Changes in assets and liabilities:					
Receivables	(115)	-	-	(71,886)	(72,001)
Prepaid expenses	-	(1)	(149)	-	(150)
Accounts and other payables	(12,072)	(56,416)	(3,320)	(12,991)	(84,799)
Accrued wages payable	226	-	(154)	3,672	3,744
Accrued leave payable	-	-	2,325	5,905	8,230
Pension related deferred outflows	-	-	8,017	70,859	78,876
Pension liability/asset	-	-	319	2,821	3,140
Pension related deferred inflows	-	-	(158)	(1,399)	(1,557)
Net Cash from (used for) Operating Activities	<u>\$ 19,247</u>	<u>\$ 122,927</u>	<u>\$ (232,708)</u>	<u>\$ (380,706)</u>	<u>\$ (471,240)</u>
Noncash Investing, Capital and Financing Activities:					
Capital assets received through capital contributions	\$ -	\$ 60,447	\$ -	\$ -	\$ 60,447

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2018

	Housing and Redevelopment Commission
Operating Activities	
Receipts from tenant payments	\$ 2,147,258
Receipts for management fees and other	472,808
Receipts from HUD subsidies	1,976,801
Payments to employees	(614,727)
Housing assistance payments	(1,649,623)
Payments to suppliers and others	(1,728,431)
Net Cash from Operating Activities	604,086
Noncapital Financing Activities	
HUD capital contributions	154,340
Net Cash from Noncapital Financing Activities	154,340
Capital and Related Financing Activities	
Purchase of property and equipment	(201,219)
Payment on other liabilities	(8,667)
Payments for interest	(187,495)
Payment of tax credit fees	(2,500)
Principal payments on long-term debt	(377,317)
Equity contributions	238,341
Equity distributions	(9,296)
Net Cash used for Capital and Related Financing Activities	(548,153)
Investing Activities	
Advance to another entity	(176)
Interest received	23,870
Net Cash from Investing Activities	23,694
Net Change in Cash	233,967
Cash Beginning of Year	3,284,375
Cash End of Year	\$ 3,518,342
Cash Consists of:	
Cash	\$ 1,675,943
Funded security deposits	133,052
Restricted deposits	1,709,347
	\$ 3,518,342

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2018

	<u>Housing and Redevelopment Commission</u>
Reconciliation of Operating Loss to Net Cash from	
Operating Activities:	
Operating loss	\$ (559,273)
Adjustments to reconcile operating loss to net cash from	
operating activities:	
Depreciation and amortization	1,223,903
Change in assets and liabilities:	
Rental accounts receivable	(299)
Other receivables	101,710
Prepaid expenses	(1,950)
Accounts payable and other accrued liabilities	(13,284)
Tenant security deposits	3,890
Developer fee payable	(210,785)
Pension asset/liability, deferred inflows and outflows	53,337
Unearned revenues	<u>6,837</u>
Net Cash from Operating Activities	<u>\$ 604,086</u>
Non Cash Investing and Financing Activities	
Purchase of property and equipment included in accounts payable	\$ 10,355



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

The City Council
City of Aberdeen
Aberdeen, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated May 30, 2019.

Internal Control over Financial Reporting

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

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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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



Aberdeen, South Dakota
May 30, 2019



Independent Auditor’s Report on Compliance Each 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 Each 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 programs for the year ended December 31, 2018. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

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

Aberdeen, South Dakota
May 30, 2019

City of Aberdeen
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number For Indirect Programs	Expenditures	Amounts Passed- Through to Subrecipients
Department of Housing and Urban Development Indirect Federal Funding: SD Governor's Office of Economic Development, Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	1414-105, 1717-110	\$ 5,131	\$ 5,131
Department of Transportation Direct Federal Funding: Airport Improvement Program (3-46-0001-36,37,38,39)	20.106		139,619	-
Indirect Federal Funding: SD Department of Public Safety: Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0526-18	37,410	-
SD Department of Transportation: Highway and Planning Construction Cluster Highway Planning and Construction	20.205	PTAPU 13, 9	203,417	-
Federal Transit Cluster Bus and Bus Facilities Formula Program	20.526	UM3415583752P, UM3415043752P UM3415043752P	16,711	-
Formula Grants for Rural Areas	20.509	UM18183794P, UM18180137492P UM1818013766P	243,372	-
Transit Services Programs Cluster Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	UM161701	8,783	-
Total Department of Transportation			<u>649,312</u>	<u>-</u>
Department of Health and Human Services Indirect Federal Funding: SD Department of Transportation: Aging Cluster Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	UMIIB01N	14,137	-
National Endowment for the Arts Indirect Federal Funding: SD Arts Council: Promotion of the Arts - Partnership Agreements	45.025	01X18AC0032	23,200	-
Department of Agriculture Indirect Federal Funding: SD Department of Agriculture: Cooperative Forestry Assistance Grant	10.664	2018-UCF-001	1,500	-
Department of Homeland Security Direct Federal Funding: Law Enforcement Officer Reimbursement Agreement Program	97.090		27,642	-
Indirect Federal Funding: SD Department of Public Safety: Homeland Security Grant Program	97.067	HLS-2018-0622	27,971	-
Total Department of Homeland Security			<u>55,613</u>	<u>-</u>
Department of Justice Direct Federal Funding: Bulletproof Vest Partnership Program	16.607		9,081	-
Total Expenditures of Federal Awards			<u>\$ 757,974</u>	<u>\$ 5,131</u>

Note A – 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, 2018. 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 B – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. 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.

Note C — Indirect Cost Rate

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

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of the major program:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Airport Improvement Program	20.106
Highway Planning and Construction (Federal-Aid Highway Program)	20.205
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2018-001 – Auditor Assistance in Preparation of Financial Statements and Schedule of Expenditures of Federal Awards, and Propensity for Audit Adjustments

Material Weakness

Criteria: An organization’s internal control structure should provide for the complete and accurate recording of all necessary material adjustments, as well as 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 material corrections to the schedule of expenditures of federal awards. In addition, we proposed 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.

Cause: The City does not have an internal control system 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. Lastly, the current system of internal controls did not identify all relevant and material adjustments necessary to ensure that financial information is properly recorded in accordance with generally accepted accounting principles, as evidenced by proposed and recorded audit adjustments.

Effect: The assistance with the preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by City personnel. The need for proposed audit adjustments 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, 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.

Section III – Federal Award Findings and Questioned Costs

No findings reported in the current year.



CITY OF ABERDEEN

123 South Lincoln
Aberdeen, South Dakota 57401-4215

AUDITOR
(605) 626-7012
FAX (605)626-3527

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

COMPUTER
(605) 626-7044

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2018

Prepared by Management of
City of Aberdeen

Summary Schedule of Prior Audit Findings

Finding 2017-A

Initial Fiscal Year Finding Occurred: 2013

Finding Summary: Eide Bailly LLP assisted in preparing our draft financial statements. As part of this process, Eide Bailly LLP proposed various audit adjustments to those draft financial statements and the prior year financial statements were restated to correct an error discovered in previously issued financial statements.

Status: Ongoing. Due to cost considerations and staffing model, we will continue to have Eide Bailly LLP assist in preparing our draft financial statements. Management will annually review the draft financial statements and all recommended adjusting entries proposed by the auditor as part of this process.

Finding 2017-B

Initial Fiscal Year Finding Occurred: 2017

Finding Summary: Eide Bailly LLP identified various reconciliations performed and general journal entries recorded to which there was no direct evidence of an independent review for accuracy and reasonableness being performed. In relation to this noted deficiency, various adjusting journal entries were proposed, both material and non-material, in part as a result of an inadequate detailed review of these various reconciliations and general journal entries recorded.

Status: Corrective action was adequately taken

Finding 2017-C

Initial Fiscal Year Finding Occurred: 2017

Finding Summary: Eide Bailly LLP identified errors and inconsistencies in supporting documentation utilized to reconcile capital asset activity which resulted in the need for auditor proposed adjusting journal entries to correct identified misstatements related to capital assets.

Status: Corrective action was taken

Finding 2017-D

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: Eide Bailly LLP identified that the City is currently holding negotiable certificates of deposit that are not held in banks within South Dakota as required by SDCL 9-22-6 and do not meet all requirements of SDCL 4-5-6.1, which allows certain deposits to be held in banks outside of South Dakota. These deposits however, are all fully insured by FDIC coverage.

Status: Finding unresolved as of December 31, 2018. Management will continue to transition these certificates of deposit to investments that follow all the statutory requirements of SDCL as they mature to avoid realized losses due to current market conditions.

Summary Schedule of Prior Audit Findings

Finding 2017-001

Federal Agency Name: U.S. Department of Transportation

Program Name: Airport Improvement Program

CFDA #20.106, AIP Project No. 3-46-0001-036-2016

Initial Fiscal Year Finding Occurred: 2017

Finding Summary: Eide Bailly LLP identified certain costs that were submitted for reimbursement within the grant closeout relating to costs incurred on various other projects that did not appear to be applicable costs under the grant description or application for AIP 36, however these certain costs were verbally discussed between the City and the FAA throughout the process as being allowable under the grant. No physical documentation of this approval existed to support these costs being allowable other than verbal discussion at the time audit procedures were performed.

Status: Corrective action was taken

Corrective Action Plan

Finding 2018-001

Finding Summary: Eide Bailly LLP assisted in preparing our draft financial statements and the schedule of expenditures of federal awards. They also proposed material audit adjustments that would not have been identified because of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

Responsible Individuals: Karl Alberts, Finance Officer

Corrective Action Plan: It is currently not cost effective to have an internal control system designed to provide for the full preparation of the financial statements. We requested that our auditors, Eide Bailly LLP, assist in preparing the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and schedule of expenditures of federal awards, and we have reviewed with and agree with the adjustments proposed during the audit.

Anticipated Completion Date: Ongoing