

# **CITY OF YANKTON**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended**

**December 31, 2012**



# CITY OF YANKTON, SOUTH DAKOTA

## ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2012

PREPARED BY:  
FINANCE DEPARTMENT

AL VIERECK  
FINANCE OFFICER

Member of Government Finance Officers Association of the United States and Canada

CITY OF YANKTON  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2012  
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FINANCIAL SECTION



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## INDEPENDENT AUDITORS' REPORT

The Mayor and Members of the  
City Commission  
City of Yankton, 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 YANKTON, SOUTH DAKOTA, as of and for the year ended December 31, 2012, 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 U.S. generally accepted accounting principles; 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 did not audit the financial statements of the Yankton Housing and Redevelopment Commission (a discretely presented component unit), which statements reflect total assets of \$363,998 and total revenues of \$582,200 as of and for the year ended June 30, 2012. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the Yankton Housing and Redevelopment Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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, based on our audit, and the report of other auditors, 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 Yankon, South Dakota as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### **Emphasis of Matter**

As described in Note 18 to the financial statements, in 2012, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis, OPEB schedule of funding progress and budgetary comparison information 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and budgetary compliance schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor fund financial statements and budgetary compliance schedules 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 U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements and budgetary compliance schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 18, 2013, on our consideration of the City of Yankton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Yankton's internal control over financial reporting and compliance.

Yankton, South Dakota  
July 18, 2013

*Williams & Company, P.C.*  
Certified Public Accountants

## **Management Discussion and Analysis December 31, 2012**

This discussion and analysis of the City of Yankton's financial performance provides an overview of the City's financial activities for the year ending December 31, 2012. We encourage the readers to consider the information presented here in conjunction with the City's financial statements, which follow this report, as well as the separately issued financial statements of the Yankton Housing and Redevelopment Commission, a discretely presented component unit of the City.

### **Financial Highlights**

- The assets of the City of Yankton exceeded liabilities at December 31, 2012 by \$83,933,005. Of this amount \$15,053,038 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$2,334,867 during the year. Of this amount the net position of our Governmental Activities increased \$1,695,887 and the net position of our Business-Type Activities increased by \$638,980. The governmental net position and the business type net position increased in large part due to decreases in liabilities at years end, particularly long term debt.
- The City's Governmental Fund Balances decreased \$680,233 in 2012. Exhibit 4 details a decrease in Debt Service Funds as these were used to retire Sales Tax Revenue Bonds.
- The City's long-term debt decreased \$3,012,109 in 2012. This decrease occurred from decreases in long term debt from annual debt service payments in the USDA Rural Development Notes, the Solid Waste Loans, the Wastewater Revenue Bonds, the Water Revenue Bonds and the Certificates of Participation for construction of the North Fire Station as well as the early retirement of the Sales Tax Revenue Bonds 2004 Series

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the governmental-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as an agent for the benefit of those outside of the government. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### **REPORTING THE CITY AS A WHOLE**

#### **The Statement of Net Position and the Statement of Activities**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is, "Is the City of Yankton in a better financial position at the end of this fiscal year, compared to last year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net position, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure are also important in making this determination.

The government-wide financial statements of the City are reported in three categories:

- **Governmental Activities** -- This category includes most of the City's basic services, such as police, fire, public works, parks department, cemetery and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-Type Activities** -- The City charges a fee to customers to help cover the costs of certain services it provides. The City's Water, Wastewater, Solid Waste Collection, Transfer Station, and Golf Course are included here.
- **Component Units** -- The City includes one other entity in its report -- the Housing and Redevelopment Commission. Although legally separate, this "component unit" is important because the City is financially accountable for them.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds -- not the City as a whole. Some funds are required to be established by State law or by bond resolution. The City Commission also established funds to control and manage money for particular purposes (such as construction projects) and show that it is properly using certain revenues. The City has the following types of funds:

- **Governmental Funds** -- Most of the City's basic services are included in the governmental funds, which focus on how money moves into and out of funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** -- When the City charges customers for the service it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The major differences between the proprietary funds report and the business type activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary funds report.

## THE CITY AS TRUSTEE

The City has two agency funds: the Employee Benefits Fund to account for the deductions and disbursements of employee benefits; and the Sales Tax Fund, to account for sales tax charged on services for the State of South Dakota. Monthly payments are made to insurance companies for employee benefits, and to the state of South Dakota for sales taxes.

## THE CITY AS A WHOLE

As stated earlier, net position may serve over time as a useful indicator of government's financial position. The largest part of the City's net position reflects its investment in capital assets (land, buildings and improvements and equipment); less any related debt used to acquire those assets that are still outstanding. 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 the capital assets themselves cannot be used to liquidate these liabilities.

### CITY OF YANKTON'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 11,654,611	\$ 12,249,719	\$ 9,706,465	\$ 8,503,775	\$ 21,361,076	\$ 20,753,494
Capital Assets	<u>53,948,656</u>	<u>53,909,145</u>	<u>30,225,068</u>	<u>31,829,678</u>	<u>84,173,724</u>	<u>85,738,823</u>
Total Assets	<u>65,603,267</u>	<u>66,158,864</u>	<u>39,931,533</u>	<u>40,333,453</u>	<u>105,534,800</u>	<u>106,492,317</u>
Long-term Liabilities Outstanding	5,296,702	6,853,930	13,659,911	14,648,724	18,956,613	21,502,654
Other Liabilities	<u>861,779</u>	<u>1,401,163</u>	<u>1,783,403</u>	<u>1,755,096</u>	<u>2,645,182</u>	<u>3,156,259</u>
Total Liabilities	<u>6,158,481</u>	<u>8,255,093</u>	<u>15,443,314</u>	<u>16,403,820</u>	<u>21,601,795</u>	<u>24,658,913</u>
Net Position:						
Net Investment in Capital Assets	51,873,002	49,763,859	15,753,839	16,379,318	67,626,841	66,143,177
Restricted	1,229,735	7,587,678	23,391	29,728	1,253,126	7,617,406
Unrestricted	<u>6,342,049</u>	<u>552,234</u>	<u>8,710,989</u>	<u>7,520,587</u>	<u>15,053,038</u>	<u>8,072,821</u>
Total Net Position	<u>\$ 59,444,786</u>	<u>\$ 57,903,771</u>	<u>\$ 24,488,219</u>	<u>\$ 23,929,633</u>	<u>\$ 83,933,005</u>	<u>\$ 81,833,404</u>

This summary reflects an increase in net position of 2.66% for the Governmental Activities and an increase of 2.25% in the Business-Type Activities. The increase in Governmental Activities Net Position was largely Property Held for Resale as the City invested in a purchase of land on the Human Services Center property from the State of South Dakota. The overall liabilities of the City of Yankton decreased by \$3,057,118 or 12.3%, due mainly to the early retirement of the 2004 Sales Tax Revenue Bonds.

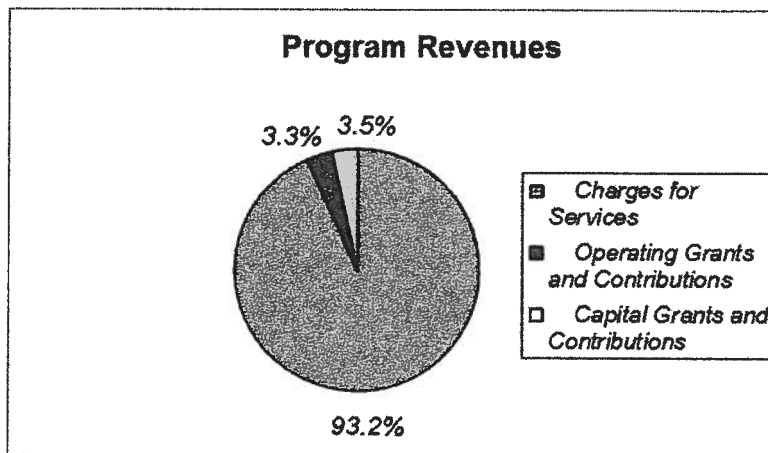
Total revenue reported in 2012 was \$25,678,036, an increase of \$1,814,227 or 7.60%. The largest increase in revenues was in Charges for Services; an increase of \$1,514,360 or 13.2%. The Property Tax revenues increased \$105,564 or 4.6%, Sales Tax revenues increased \$530,367 or 6.6%, and Operating Grants and Contributions increased \$68,594 or 17.4%. The following table breaks down revenues collected for Governmental Activities and Business-Type Activities:

**CITY OF YANKTON  
CHANGES IN NET POSITION**

Revenue Sources	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 3,484,430	\$ 3,054,625	\$ 9,476,159	\$ 8,391,604	\$12,960,589	\$11,446,229
Operating Grants and Contributions	462,791	394,197	-	-	462,791	394,197
Capital Grants and Contributions	428,290	613,924	51,846	90,454	480,136	704,378
<b>General Revenues:</b>						
Property Taxes	2,422,433	2,316,869	-	-	2,422,433	2,316,869
Sales Taxes	8,571,038	8,040,671	-	-	8,571,038	8,040,671
Other Taxes	524,697	507,714	-	-	524,697	507,714
Other	182,723	323,726	73,629	130,025	256,352	453,751
<b>Total Revenues</b>	<b>16,076,402</b>	<b>15,251,726</b>	<b>9,601,634</b>	<b>8,612,083</b>	<b>25,678,036</b>	<b>23,863,809</b>
<b>Expenses:</b>						
General Government	1,707,736	1,610,665	-	-	1,707,736	1,610,665
Public Safety	3,301,201	3,128,242	-	-	3,301,201	3,128,242
Public Works	5,554,518	3,613,934	-	-	5,554,518	3,613,934
Culture & Recreation	3,078,638	2,898,553	-	-	3,078,638	2,898,553
Community & Economic Development	572,187	3,004,440	-	-	572,187	3,004,440
Interest on Long-term Debt	241,399	273,828	-	-	241,399	273,828
Water	-	-	3,115,680	2,733,128	3,113,680	2,733,128
Wastewater	-	-	3,124,819	3,273,586	3,124,819	3,273,586
Golf	-	-	888,063	795,530	888,063	795,530
Non-Major Enterprise Funds	-	-	1,758,928	1,767,710	1,758,928	1,767,710
<b>Total Expenses</b>	<b>14,455,679</b>	<b>14,529,662</b>	<b>8,887,490</b>	<b>8,569,954</b>	<b>23,343,169</b>	<b>23,099,616</b>
<b>Increase (Decrease) in Net Position</b>						
Before Transfers	1,620,723	722,064	714,144	42,129	2,334,867	764,193
Transfers	75,164	(176,124)	(75,164)	176,124	-	-
<b>Increase in Net Position</b>	<b>1,695,887</b>	<b>545,940</b>	<b>638,980</b>	<b>218,253</b>	<b>2,334,867</b>	<b>764,193</b>
Net Position January 1	57,903,771	57,357,831	23,929,633	23,711,380	81,833,404	81,069,211
Prior Period Adjustment	(154,872)		(80,394)		(235,266)	
<b>Net Position December 31</b>	<b>\$59,444,786</b>	<b>\$57,903,771</b>	<b>\$24,488,219</b>	<b>\$23,929,633</b>	<b>\$83,933,005</b>	<b>\$81,833,404</b>

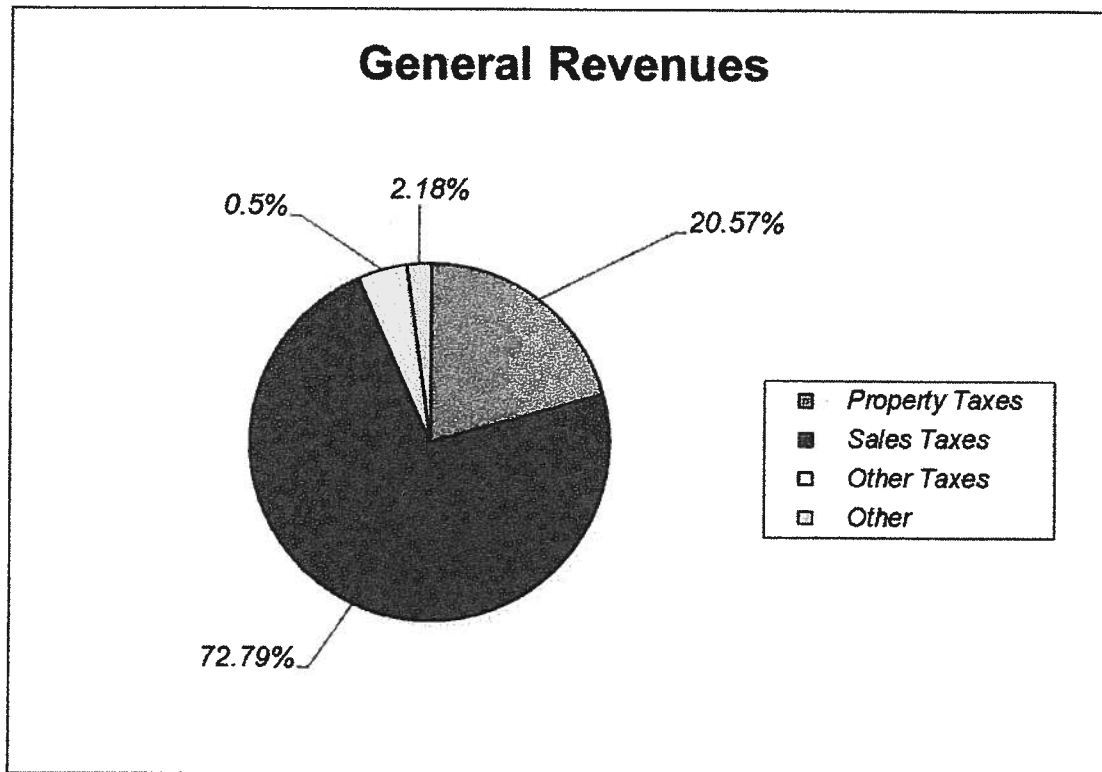
Charges for Services in the Business-Type Activities increased \$1,084,555 or 12.9% due in most part to rate increases in water, wastewater, and solid waste collection as well as increased consumption in water due to a lingering drought, to offset increased operating expenses and an increase in debt service expenses for the wastewater system capital expenditures. Business-Type Activities Capital Grants and Contributions decreased by \$38,608 or 42.7%.

Program Revenues total \$13,903,516 for 2012. Governmental Activities provided \$4,375,511 and Business-Type Activities provided \$9,528,005. Revenue collected for Charges for Services during 2012 was \$12,960,589 accounting for 93.2% of the total program revenues. Revenue collected for Capital Grants and Contributions accounts for 3.5% of the total program revenues. The following chart breaks down program revenues by sources:



General Revenues for 2012 totaled \$11,774,520. Governmental Activities provided \$11,700,891 and Business-Type Activities provided \$73,629. Sales Tax Revenues for 2012 totaled \$8,571,038 and Property Tax Revenue totaled \$2,422,433. The Sales Tax Revenues accounted for 72.79% and Property Tax Revenues were 20.57% of General Revenues. The following chart breaks down General Revenues by source:

### GENERAL REVENUES



Expenses for 2012 totaled \$23,343,169, an increase of 1.15%. Expenses for Governmental Activities totaled \$14,455,679 accounting for 61.9% of the total expenses. Expenses for Business-Type Activities totaled \$8,887,490 accounting for 38.1% of total expenses.



The following table shows the activities included within each program level:

Program Level	Activity
General Government	City Commission, City Manager, City Attorney, Finance Office, Information Systems, Contingency, Special Appropriations
Public Safety	Police Department, Custody of Prisoners, Animal Control, Fire Department, Civil Defense, Safety Center
Public Works	Engineering & Inspection, Streets & Highways, Snow & Ice Removal, City Hall, Traffic Control, Chan Gurney Airport
Culture & Recreation	Parks, Summit Activity Center, Marne Creek, Memorial Pool, Senior Citizens Center, Yankton Community Library
Community Development	Casualty Reserve, Tax Increment District
Capital Projects	Chan Gurney Airport Federal Capital Projects, Federal and State Pass Through Grants

### Governmental Activities

To aid in the understanding of the Statement of Activities (Exhibit 2) some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$3,301,201 and received \$33,332 in charges for services, \$105,781 in operating grants and contributions, and \$4,293 in capital grants and contributions thus leaving a cost to the taxpayers of \$3,157,795 to be funded by various other methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

General Government	Liquor licenses, cable television franchise, tower lease
Public Safety	Parking fines, prisoner reimbursement (work release)
Public Works	Street repairs, building permit fees,
Culture & Recreation	Recreation program fees, swimming pool fees

The total cost of governmental activities this year was \$14,455,679. Of these costs, \$3,484,430 was paid by those who directly benefited from the programs (Charges for Services). Costs paid by other governments and organizations that subsidized certain programs with operating grants and contributions were \$462,791, and costs paid by other governments and organizations that subsidized certain programs with capital grants and contributions were \$428,290, leaving a Net Expense of \$10,080,168 for governmental activities. The Statement of Activities (Exhibit 2) in the financial statements provides further detail.

Total resources available during the year to finance governmental operations were \$73,900,465, consisting of Net Position at January 1, 2012 of \$57,748,899, General Revenues and transfers of \$11,776,055, and Program Revenues of \$4,375,511. Total Governmental Activities during the year expended \$14,455,679; thus, Net Position was increased by \$1,695,887 to \$59,444,786.

## **Business Type Activities**

Business-Type Activities increased the City's net assets by \$638,980.

The cost of all Business-Type Activities this year was \$8,887,490. As shown in the Statement of Activities, the amounts paid by users of the systems were \$9,476,159 and \$51,846 was funded from capital grants and contributions, resulting in a net gain for Business-Type Activities of \$640,515.

Total resources available during the year to finance Business-Type Activities were \$32,718,164 consisting of Net Position at January 1, 2012 of \$23,849,239, Program Revenues of \$9,528,005 and General Revenues and transfers of (\$1,535). Total Business-Type Activities during the year expended \$8,887,490; thus Net Position was increased by \$638,980 to \$24,488,219.

## **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. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending as the end of a fiscal year. The City's governmental funds reported combined ending fund balances of \$10,271,000 (4.7% non-spendable, 11.4% restricted, 53.1% committed, 1.3% assigned, and 29.6% unassigned). The combined Governmental Funds fund balance decreased (\$680,223) from the prior year. The fund balance amount consists of \$480,686 of non-spendable funds committed for 1) perpetual care for cemetery \$50,000, 2) \$270,270 in vested reserve in our insurance carrier the South Dakota Public Assurance Association or SDPAA, 3) inventory of land for resale \$27,247, 4) long-term advances \$111,619 and 5) notes receivable \$21,550; \$1,169,844 of restricted funds; \$5,452,690 of committed funds; \$130,027 of assigned funds, and \$3,037,753 of unassigned funds.

The general fund is the chief operating fund of the City of Yankton. At the end of the current fiscal year total general fund balance was \$4,217,959, an increase of \$284,901. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33.4 percent of total general fund expenditures, while total fund balance represents 38.5 percent of that same amount.

General fund revenues in 2012 increased \$387,606 or 3.6%, and expenditures increased \$1,221,851 or 12.6%. The increase in expenditures included an increase of \$811,366 in current expenditures or an increase of 9.4%, and an increase of \$410,485 in capital outlay or an increase of 39.0% over 2011's expenditures.

The Special Capital Improvements Fund showed an increase in fund balance of \$1,070,646. This reflects an increase in revenues of \$260,340 and an increase in expenditures of \$200,966.

The Debt Service Fund balance decreased \$1,835,909 to end 2012 at \$195,543; a result of using excess reserves to retire the 2004 Sales Tax Redemption Bonds.

The Other Governmental Funds end of year balance decreased \$259,666 to \$312,503.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the 2012 original (adopted) General Fund budget of \$11,173,512 to the final budget amount of \$12,880,810 shows a net increase of \$1,707,298. However, actual expenditures were \$226,640 less than the original adopted budget. Supplemental changes that would have resulted in actual expenditures higher than the original budget were offset by less expenditures than originally budgeted in various departments.

The City complied with statutory requirements for expenditures not exceeding the budget appropriation on all programs.

## CAPITAL ASSETS

The City's investment in capital assets, including land, construction in progress, building and structures, equipment, streets, water system, wastewater system, transfer station and recycling facilities, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The net investment in capital assets as of December 31, 2012 was \$67,626,841 (net of accumulated depreciation and outstanding financings). This was an increase of \$1,483,664 or 2.2%. The comparative totals for capital assets for 2011 and 2012 are as follows:

### CITY OF YANKTON CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,356,881	\$ 3,263,654	\$ 815,123	\$ 815,123	\$ 4,172,004	\$ 4,078,777
Construction in Progress	4,029,405	3,947,206	124,419	3,221,777	4,153,824	7,168,983
Buildings & Structures / Infrastructure	40,597,185	41,175,640	25,465,377	24,008,929	66,062,562	65,184,569
Land Improvements	-	-	2,137,477	2,140,584	2,137,477	2,140,584
Furniture and Equipment	<u>5,965,185</u>	<u>5,522,645</u>	<u>1,682,672</u>	<u>1,643,265</u>	<u>7,647,857</u>	<u>7,165,910</u>
Total	<u>\$ 53,948,656</u>	<u>\$ 53,909,145</u>	<u>\$ 30,225,068</u>	<u>\$ 31,829,678</u>	<u>\$ 84,173,724</u>	<u>\$ 85,738,823</u>

Construction in Progress was the major decrease in capital outlays for 2012. This corresponds to an increase in Buildings and Structures as some outstanding projects were finished in 2012. See notes 6 and 7 in the financial statements for more information on the City's capital assets.

## **DEBT ADMINISTRATION**

At year end the City had \$19,143,650 of debt outstanding, a net decrease of \$3,107,109. This decrease in debt was accomplished through normal debt service payments as well as the early retirement of the 2004 Sales Tax Redemption Bonds to arrive at the net decrease in debt outstanding city-wide.

Of the total debt, \$4,685,654 or 24.5% is to be paid from governmental activities including \$2,610,000 specifically from sales tax funds, \$2,040,000 from property tax opt-out dollars, and \$35,654 from general fund revenues; and \$14,457,996 or 75.5% in business type activities including \$6,655,745 to be repaid from water user fees, \$251,957 to be paid from landfill revenues and \$7,550,294 to be repaid from wastewater user fees.

The City continues to operate well under the State legal debt margins. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of taxable property in the city. Thus the debt capacity is \$37,938,000 with outstanding debt (less debt service reserves) of \$16,884,716, leaving an unused balance of \$21,053,284 or 55% of the legal debt limit available. More detailed information on debt administration is provided in Notes 8 and 9 of the financial statements.

## **ECONOMIC FACTORS**

The total building permit value for 2012 was \$30,053,617. It was an increase of \$815,496 or 2.8% of the 2011 total of \$29,238,121. The average annual building permit value for the last ten years was \$26,841,232 and the 2012 total value was 12.0% more than that average. New construction building permits included the Neighborhood Dental Building, Ability Building Service Apartments, Olson Self Storage, and the City of Yankton Maintenance Hanger. Commercial additions and remodels included the National Field Archery addition, Christ the King Lutheran Church addition, Trinity Lutheran Church addition, Avera Sacred Heart Northern Lights addition, and Koletzky Implement addition. There were twelve new home-building permits issued during the year, a decrease of ten from 2011.

The City continues to reinvest in its infrastructure with street improvements, and the water utility continues to replace water mains to improve the reliability of the water supply.

Another indicator of economic activity is the taxable sales for Yankton that are reported by the South Dakota Department of Revenue. Our 2012 sales were up 7.9% over 2011s figures and totaled \$458,008,528.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers and 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 questions about this report or need additional financial information contact the City Finance Office at 605-668-5241.

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## BASIC FINANCIAL STATEMENTS

**CITY OF YANKTON, SOUTH DAKOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 7,013,326	\$ 8,355,680	\$ 15,369,006	\$ 360,333
Receivables:				
Taxes	41,850	-	41,850	-
Accounts	119,497	878,917	998,414	1,622
Special Assessments	193,023	-	193,023	-
Notes Receivable	21,550	-	21,550	-
Other Receivables	-	-	-	531
Due from Other Governmental Agencies	1,337,473	20,407	1,357,880	-
Prepaid Expenses	105,173	61,807	166,980	1,512
Property Held for Resale, At Cost	1,986,625	-	1,986,625	-
Inventories	167,095	365,633	532,728	-
Restricted Assets:				
Cash and Cash Equivalents	398,729	24,021	422,750	-
Deposits	270,270	-	270,270	-
Land	3,356,881	815,123	4,172,004	-
Construction in Progress	4,029,405	124,419	4,153,824	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	46,562,370	29,285,526	75,847,896	-
<b>Total Assets</b>	<b>65,603,267</b>	<b>39,931,533</b>	<b>105,534,800</b>	<b>363,998</b>
<b>LIABILITIES</b>				
Accounts Payable	363,714	318,817	682,531	276
Accrued Wages	289,983	83,579	373,542	3,619
Accrued Interest Payable	14,897	90,054	104,951	-
Revenue Collected in Advance	6,371	59,318	65,689	-
Due to Other Funds	(118,754)	118,754	-	-
Payables from Restricted Assets:				
Customer Deposits	670	-	670	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	1,089,999	1,089,999	-
General Obligation Bonds	105,000	-	105,000	-
Capital Lease	95,000	-	95,000	-
Notes Payable	35,654	-	35,654	-
Compensated Absences	69,264	22,882	92,146	2,374
Due in more than one year:				
Revenue Bonds Payable	-	13,381,230	13,381,230	-
Capital Lease	1,945,000	-	1,945,000	-
General Obligation Bonds	2,515,436	-	2,515,436	-
Estimated Postemployment Benefit Obligation	443,772	149,007	592,779	-
Compensated Absences	392,494	129,874	522,368	2,280
<b>Total Liabilities</b>	<b>6,158,481</b>	<b>15,443,314</b>	<b>21,601,795</b>	<b>8,549</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	51,873,002	15,753,839	67,626,841	-
Restricted for:				
Housing Vouchers	-	-	-	118,141
Debt Service	180,646	23,391	204,037	-
Lodging Sales Tax	454,313	-	454,313	-
Cumulative Reserve-SDPAA	270,270	-	270,270	-
Other Purposes	165,279	-	165,279	-
Perpetual Care				
Expendable	109,227	-	109,227	-
Nonexpendable	50,000	-	50,000	-
Unrestricted	6,342,049	8,710,989	15,053,038	237,308
<b>Total Net Position</b>	<b>\$ 59,444,786</b>	<b>\$ 24,488,219</b>	<b>\$ 83,933,005</b>	<b>\$ 355,449</b>

**CITY OF YANKTON, SOUTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
General Government	\$ 1,707,736	\$ 1,935,265	\$ -
Public Safety	3,301,201	33,332	105,781
Public Works	5,554,518	920,844	266,127
Culture and Recreation	3,078,638	594,989	90,883
Community Development	572,187	-	-
Interest on Long-Term Debt	241,399	-	-
Total Governmental Activities	<u>14,455,679</u>	<u>3,484,430</u>	<u>462,791</u>
<b>Business-Type Activities:</b>			
Water	3,115,680	4,037,072	-
Wastewater	3,124,819	2,815,458	-
Solid Waste	793,347	837,443	-
Joint Powers- Landfill	965,581	997,697	-
Golf Course	888,063	788,489	-
Total Business-Type Activities	<u>8,887,490</u>	<u>9,476,159</u>	<u>-</u>
<b>Component Units:</b>			
Housing & Redevelopment	545,923	-	551,207
Total Component Unit	<u>\$ 545,923</u>	<u>\$ -</u>	<u>\$ 551,207</u>
<b>General Revenues:</b>			
Property taxes			
Sales and other Taxes			
Lodging Sales Tax			
Interest			
Reimbursements			
Miscellaneous			
Interfund Transfers			
Total General Revenues and Transfers			
Change in Net Position			
Net Position - Beginning			
Prior Period Adjustment			
Net Position - beginning, as restated			
Net Position - Ending			



EXHIBIT 2

Program Revenues	Net (Expense) Revenue and Changes in Net Position			Component Unit Housing & Redevelopment
	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
\$ -	\$ 227,529		\$ 227,529	-
4,293	(3,157,795)		(3,157,795)	-
417,392	(3,950,155)		(3,950,155)	-
6,455	(2,386,311)		(2,386,311)	-
150	(572,037)		(572,037)	-
-	(241,399)		(241,399)	-
<u>428,290</u>	<u>(10,080,168)</u>		<u>(10,080,168)</u>	<u>-</u>
19,775		\$ 941,167	941,167	-
32,071		(277,290)	(277,290)	-
-		44,096	44,096	-
-		32,116	32,116	-
-		(99,574)	(99,574)	-
<u>51,846</u>		<u>640,515</u>	<u>640,515</u>	<u>-</u>
-	-	-	-	\$ 5,284
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,284</u>
	2,422,433	-	2,422,433	-
	8,571,038	-	8,571,038	-
	524,697	-	524,697	-
	45,504	30,280	75,784	-
	136,941	-	136,941	-
	278	43,349	43,627	30,993
	75,164	(75,164)	-	-
	<u>11,776,055</u>	<u>(1,535)</u>	<u>11,774,520</u>	<u>30,993</u>
	1,695,887	638,980	2,334,867	36,277
	57,903,771	23,929,633	81,833,404	319,172
	(154,872)	(80,394)	(235,266)	-
	<u>57,748,899</u>	<u>23,849,239</u>	<u>81,598,138</u>	<u>319,172</u>
	<u>\$ 59,444,786</u>	<u>\$ 24,488,219</u>	<u>\$ 83,933,005</u>	<u>\$ 355,449</u>

**CITY OF YANKTON, SOUTH DAKOTA**  
**BALANCE SHEET**  
**Governmental Funds**  
**December 31, 2012**

	General	Special Capital Improvements	
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 2,859,266	\$ 3,187,328	
Receivables (Net where applicable, of allowance for uncollectibles):			
Taxes	41,850	-	
Accounts	117,961	-	
Special Assessments	19,268	-	
Notes Receivable	21,550	-	
Due from Other Funds	260,754	2,003,731	
Due from Other Governmental Agencies	672,946	381,159	
Advances to Other Funds	596,343	111,619	
Property Held for Resale, At Cost	27,247	-	
Restricted Assets:			
Cash and Cash Equivalents	245,482	-	
Deposits	270,270	-	
Total Assets	5,132,937	5,683,837	
 <b><u>Liabilities</u></b>			
Accounts Payable	196,654	34,806	
Accrued Wages	261,038	-	
Unearned Revenue	6,330	-	
Due to Other Funds	24,071	-	
Customer Deposits	670	-	
Advances from Other Funds	111,619	-	
Total Liabilities	600,382	34,806	
 <b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue- property taxes	41,850	-	
Unavailable revenue- special assessments	19,268	-	
Unavailable revenue- other taxes	204,423	84,722	
Unavailable revenue- other	49,055	-	
Total Deferred Inflows of Resources	314,596	84,722	
 <b><u>Fund Balances</u></b>			
Non-Spendable:			
Perpetual Care	-	-	
Cumulative Reserve-SDPAA	270,270	-	
Property Held for Resale	27,247	-	
Notes Receivable	21,550	-	
Restricted:			
Debt Service	-	-	
Lodging Sales Tax	-	-	
Capital Projects	245,482	-	
Perpetual Care	-	-	
Other Purposes	-	-	
Committed:			
Special Capital Improvements (sales tax)	-	5,564,309	
Assigned:			
Capital Projects	-	-	
Unassigned	3,653,410	-	
Total Fund Balances (Deficits)	4,217,959	5,564,309	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 5,132,937	\$ 5,683,837	

EXHIBIT 3

Public Improvement	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,584	\$ 195,543	\$ 738,969	\$ 6,985,690
-	-	-	41,850
-	-	979	118,940
-	-	173,755	193,023
-	-	-	21,550
-	-	-	2,264,485
1,235	-	273,162	1,328,502
-	-	-	707,962
1,959,378	-	-	1,986,625
-	-	153,247	398,729
-	-	-	270,270
<u>1,965,197</u>	<u>195,543</u>	<u>1,340,112</u>	<u>14,317,626</u>
4,851	-	111,288	347,599
-	-	23,990	285,028
-	-	-	6,330
1,979,660	-	142,000	2,145,731
-	-	-	670
-	-	596,343	707,962
<u>1,984,511</u>	<u>-</u>	<u>873,621</u>	<u>3,493,320</u>
-	-	-	41,850
-	-	142,539	161,807
-	-	11,449	300,594
-	-	-	49,055
-	-	153,988	553,306
-	-	50,000	50,000
-	-	-	270,270
-	-	-	27,247
-	-	-	21,550
-	195,543	-	195,543
-	-	454,313	454,313
-	-	-	245,482
-	-	109,227	109,227
-	-	165,279	165,279
-	-	-	5,564,309
-	-	130,027	130,027
(19,314)	-	(596,343)	3,037,753
(19,314)	195,543	312,503	10,271,000
<u>\$ 1,965,197</u>	<u>\$ 195,543</u>	<u>\$ 1,340,112</u>	<u>\$ 14,317,626</u>

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**CITY OF YANKTON, SOUTH DAKOTA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**December 31, 2012**

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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 18)	\$ 10,271,000
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	53,820,007
Deferred revenues that do not provide current financial resources for governmental activities	553,306
Accrued expenses from the balance sheet that do not require current financial resources for governmental activities	(14,897)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	103,551
Long-term liabilities, such as Bonds and Notes Payable as well as Capital Leases and Accrued Compensated Absences are not due and payable in the current period and therefore are not reported in the funds	(5,155,388)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds	(434,997)
Internal Service Funds are used by management to charge the costs of certain activities, such as the central garage to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	<u>302,204</u>
Total Net Position - Governmental Activities (page 14)	<u>\$ 59,444,786</u>

**CITY OF YANKTON, SOUTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended December 31, 2012**

	<u>General</u>	<u>Special Capital Improvements</u>	<u>Public Improvement</u>
Revenue:			
Property Taxes	\$ 2,366,742	\$ -	\$ -
Sales and Other Taxes	5,059,512	2,670,203	-
Special Assessments	-	-	-
Licenses and Permits	252,950	-	77,589
Intergovernmental	482,758	-	104,229
Charges for Services	2,946,914	-	-
Fines and Forfeits	13,796	-	-
Interest on Investments	12,918	27,472	83
Contributions	4,920	-	-
Miscellaneous	91,561	-	-
Total Revenue	<u>11,232,071</u>	<u>2,697,675</u>	<u>181,901</u>
Current Expenditures:			
General Government	1,675,443	-	17,600
Public Safety	2,566,417	-	-
Public Works	2,787,469	-	-
Culture and Recreation	2,455,431	-	-
Community Development	-	-	104,496
Capital Outlay:			
Public Works	368,522	2,000,260	-
Culture and Recreation	264,723	-	-
General Government	37,015	-	-
Public Safety	555,653	-	-
Debt Service	236,199	-	-
Total Expenditures	<u>10,946,872</u>	<u>2,000,260</u>	<u>122,096</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>285,199</u>	<u>697,415</u>	<u>59,805</u>
Other Financing Sources (Uses):			
Proceeds From Sale of Fixed Assets	13,901	-	-
Transfers In	891,003	641,999	-
Transfers Out	(905,202)	(268,768)	-
Total Other Financing Sources (Uses)	<u>(298)</u>	<u>373,231</u>	<u>-</u>
Net Change in Fund Balance	284,901	1,070,646	59,805
Fund Balances -Beginning of Year	<u>3,933,058</u>	<u>4,493,663</u>	<u>(79,119)</u>
Fund Balances- End of Year	<u>\$ 4,217,959</u>	<u>\$ 5,564,309</u>	<u>\$ (19,314)</u>

EXHIBIT 4

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 53,871	\$ 2,420,613
747,465	551,942	9,029,122
-	40,558	40,558
-	-	330,539
-	261,541	848,528
-	27,627	2,974,541
-	-	13,796
155	4,881	45,509
-	17,333	22,253
-	2,217	93,778
<u>747,620</u>	<u>959,970</u>	<u>15,819,237</u>
-	-	1,693,043
-	463,931	3,030,348
-	53,805	2,841,274
-	95,470	2,550,901
1,500	462,352	568,348
-	213,172	2,581,954
-	45,351	310,074
-	-	37,015
-	-	555,653
2,201,252	-	2,437,451
<u>2,202,752</u>	<u>1,334,081</u>	<u>16,606,061</u>
<u>(1,455,132)</u>	<u>(374,111)</u>	<u>(786,824)</u>
-	-	13,901
261,222	938,713	2,732,937
<u>(641,999)</u>	<u>(824,268)</u>	<u>(2,640,237)</u>
<u>(380,777)</u>	<u>114,445</u>	<u>106,601</u>
(1,835,909)	(259,666)	(680,223)
<u>2,031,452</u>	<u>572,169</u>	<u>10,951,223</u>
<u>\$ 195,543</u>	<u>\$ 312,503</u>	<u>\$ 10,271,000</u>

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**CITY OF YANKTON, SOUTH DAKOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2012**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21) \$ (680,223)

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current year:

	\$ 2,277,997	
Expenditures for capital assets		
Depreciation Expense	(2,334,884)	(56,887)

Capital Contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds. 81,920

Revenues reported in the funds that are not available to provide current financial resources: 141,937

Accrued interest expense that does not require current financial resources: 65,840

Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied. 147

Governmental funds report the proceeds from the sale of fixed assets as revenue, whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities. (15,101)

Internal service funds are used by management to charge the costs of certain activities, such as the central garage to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 33,161

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources: 1,872

The effect of bond issuance premiums are shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and accreted in the Statement of Activities: 580

Other Post-Employment Benefits that do not require current financial resources. 25,302

Compensated absences that do not require current financial resources. (32,293)

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was: 2,129,632

Change in net position of governmental activities (page 16) \$ 1,695,887

**CITY OF YANKTON, SOUTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**Proprietary Funds**  
**December 31, 2012**

	<u>Business-Type</u>	
	<u>Water</u>	<u>Wastewater</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 5,116,185	\$ 2,235,120
Receivables (Net where applicable, of allowance for uncollectibles):		
Accounts	318,096	356,775
Due from Other Governmental Agencies	-	20,407
Prepaid Insurance	17,915	21,219
Inventories	179,849	130,450
Total Current Assets	<u>5,632,045</u>	<u>2,763,971</u>
<b>Noncurrent Assets:</b>		
<b>Restricted Assets:</b>		
Cash and Cash Equivalents	-	-
Land	128,117	66,666
Construction in Progress	89,656	34,763
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	14,348,808	10,736,163
Total Noncurrent Assets	<u>14,566,581</u>	<u>10,837,592</u>
Total Assets	<u>20,198,626</u>	<u>13,601,563</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	111,327	158,487
Accrued Wages	29,674	22,451
Accrued Interest Payable	47,883	41,541
Accrued Compensated Absences	8,791	5,347
Unearned Revenue	-	-
Due to Other Funds	-	-
Revenue Bonds Payable- Current	354,238	719,176
Total Current Liabilities	<u>551,913</u>	<u>947,002</u>
<b>Noncurrent Liabilities:</b>		
Revenue Bonds Payable	6,301,507	6,844,351
Accrued Compensated Absences	49,818	30,302
Estimated Postemployment Benefit Obligation	41,929	38,043
Total Noncurrent Liabilities	<u>6,393,254</u>	<u>6,912,696</u>
Total Liabilities	<u>6,945,167</u>	<u>7,859,698</u>
<b>NET POSITION</b>		
Net investment in capital assets,	7,910,836	3,274,065
Restricted for:		
Debt Service	-	-
Unrestricted	5,342,623	2,467,800
Total Net Position	<u>\$ 13,253,459</u>	<u>\$ 5,741,865</u>

EXHIBIT 5

<u>Business-Type</u>		<u>Governmental</u>
<u>Non-Major</u>		<u>Activities-</u>
<u>Enterprise Funds</u>	<u>Totals</u>	<u>Internal</u>
		<u>Service Fund</u>
\$ 1,004,375	\$ 8,355,680	\$ 28,842
204,046	878,917	557
-	20,407	8,971
22,673	61,807	1,622
55,334	365,633	167,095
<u>1,286,428</u>	<u>9,682,444</u>	<u>207,087</u>
24,021	24,021	-
620,340	815,123	7,000
-	124,419	-
4,200,555	29,285,526	121,649
<u>4,844,916</u>	<u>30,249,089</u>	<u>128,649</u>
<u>6,131,344</u>	<u>39,931,533</u>	<u>335,736</u>
49,003	318,817	17,321
31,454	83,579	4,935
630	90,054	-
8,744	22,882	369
59,318	59,318	41
118,754	118,754	-
16,585	1,089,999	-
<u>284,488</u>	<u>1,783,403</u>	<u>22,666</u>
235,372	13,381,230	-
49,554	129,674	2,091
69,035	149,007	8,775
<u>353,961</u>	<u>13,659,911</u>	<u>10,866</u>
<u>638,449</u>	<u>15,443,314</u>	<u>33,532</u>
4,568,938	15,753,839	128,649
23,391	23,391	-
900,566	8,710,989	173,555
<u>\$ 5,492,895</u>	<u>\$ 24,488,219</u>	<u>\$ 302,204</u>

**CITY OF YANKTON, SOUTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Proprietary Funds**  
**For the Year Ended December 31, 2012**

	<u>Business-Type</u>	
	<u>Water</u>	<u>Waste- water</u>
Operating Revenues:		
Charges for Services	\$ 4,037,072	\$ 2,815,458
Operating Expenses:		
Personal Services	613,590	543,729
Insurance	50,045	81,148
Professional Services	47,971	74,133
Tipping Fees		
State Fees	5,000	12,500
Repairs and Maintenance	332,830	297,014
Cost of Sales and Service		
Supplies and Materials	312,300	32,464
Travel and Conference	1,355	1,380
Utilities	331,315	160,462
Billing and Administration	625,004	601,392
Other Current Expenses		
Depreciation	579,543	1,083,072
Total Operating Expenses	<u>2,898,953</u>	<u>2,887,294</u>
Operating Income (Loss)	1,138,119	(71,836)
Non-Operating Income (Expense):		
Interest Income	17,648	8,610
Intergovernmental Revenue	-	20,407
Miscellaneous, net	11,367	7,737
Interest Expense	(216,727)	(237,525)
Total Non-Operating Income (Expenses)	<u>(187,712)</u>	<u>(200,771)</u>
Income (Loss) Before Contributions and Transfers	950,407	(272,607)
Transfers (Out)	(52,000)	(40,700)
Capital Contributions	37,311	11,664
Change in Net Position	935,718	(301,643)
Net Position - Beginning	12,317,741	6,123,902
Prior Period Adjustment	-	(80,394)
Net Position- Beginning as Restated	<u>12,317,741</u>	<u>6,043,508</u>
Net Position - Ending	<u>\$ 13,253,459</u>	<u>\$ 5,741,865</u>

EXHIBIT 6

<u>Business-Type</u>		<u>Governmental</u>
<u>Non-Major</u>		<u>Activities-</u>
<u>Enterprise Funds</u>	<u>Totals</u>	<u>Internal</u>
		<u>Service Fund</u>
\$ 2,623,629	\$ 9,476,159	\$ 784,410
888,706	2,046,025	105,442
24,462	155,655	-
53,519	175,623	2,910
134,905	134,905	-
-	17,500	-
300,288	930,132	5,636
561,219	561,219	-
64,319	409,083	588,046
3,662	6,397	-
54,732	546,509	14,431
311,170	1,537,566	-
-	-	22,518
242,049	1,904,664	12,266
<u>2,639,031</u>	<u>8,425,278</u>	<u>751,249</u>
(15,402)	1,050,881	33,161
4,022	30,280	-
-	20,407	-
24,245	43,349	-
(7,960)	(462,212)	-
<u>20,307</u>	<u>(368,176)</u>	<u>-</u>
4,905	682,705	33,161
-	(92,700)	-
-	48,975	-
4,905	638,980	33,161
5,487,990	23,929,633	269,043
-	(80,394)	-
<u>5,487,990</u>	<u>23,849,239</u>	<u>269,043</u>
<u>\$ 5,492,895</u>	<u>\$ 24,488,219</u>	<u>\$ 302,204</u>

**CITY OF YANKTON, SOUTH DAKOTA**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended December 31, 2012**

	<b>Business-Type</b>	
	<b>Water</b>	<b>Waste- Water</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 3,845,855	\$ 2,757,850
Cash Received from Interfund Services Provided	184,250	27,284
Cash Paid to Suppliers for Goods and Services	(1,737,378)	(1,128,021)
Cash Paid to Employees for Services	(610,595)	(539,226)
Cash Paid for Interfund Services	(16,565)	(33,083)
Other Nonoperating Revenues	11,367	7,737
Net Cash Provided from Operating Activities	1,876,934	1,092,541
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(188,414)	(60,637)
Proceeds from Bond Sales	88,668	-
Principal Paid on Notes, Bonds and Leases	(339,647)	(705,755)
Interest Paid on Notes and Bonds	(219,282)	(240,710)
Net Cash (Used) by Capital and Related Financing Activities	(658,675)	(1,007,102)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Due to Other Funds	-	-
Transfers (Out)	(52,000)	(40,700)
Net Cash Provided (Used) by Non-Capital Financing Activities	(52,000)	(40,700)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and Dividends on Investments	17,648	8,610
Net Cash Provided from Investing Activities	17,648	8,610
Net Increase (Decrease) in Cash and Cash Equivalents	983,907	53,349
Cash and Cash Equivalents at Beginning of Year	4,132,278	2,181,771
Cash and Cash Equivalents at End of Year	5,116,185	2,235,120
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	1,138,119	(71,836)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	579,543	1,083,072
Other Non-Operating Income (Expense)	11,367	7,737
(Increase) Decrease in Assets:		
Accounts Receivable	(6,967)	(30,324)
Prepaid Expenses	(367)	(358)
Inventories	8,659	(22,840)
Increase (Decrease) in Liabilities:		
Accounts Payable	(56,415)	122,587
Accrued Wages	2,660	1,451
Accrued Compensated Absences	2,590	4,806
Estimated Postemployment Benefit Obligation	(2,255)	(1,754)
Unearned Revenue	-	-
Total Adjustments	538,815	1,164,377
Net Cash Provided by Operating Activities	1,876,934	1,092,541
<b>Supplemental Schedule of Noncash Capital and Related Financing Activities:</b>		
Developers and City Contribution of Distribution System	37,311	11,664
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>		
Cash and Cash Equivalents	5,116,185	2,235,120
Restricted Cash and Cash Equivalents	-	-
	\$ 5,116,185	\$ 2,235,120

EXHIBIT 7

<u>Business-Type</u>		<u>Governmental</u>
<u>Nonmajor</u>		<u>Activities-</u>
<u>Enterprise Funds</u>	<u>Totals</u>	<u>Internal</u>
		<u>Service Fund</u>
\$ 2,645,486	\$ 9,249,191	\$ 133,216
6,154	217,688	650,349
(1,314,251)	(4,179,650)	(634,351)
(887,564)	(2,037,385)	(111,296)
(217,469)	(267,117)	(1,539)
24,245	43,349	-
<u>256,601</u>	<u>3,026,076</u>	<u>36,379</u>
(227,709)	(476,760)	(41,845)
-	88,668	-
(22,398)	(1,067,800)	-
(8,016)	(468,008)	-
<u>(258,123)</u>	<u>(1,923,900)</u>	<u>(41,845)</u>
118,754	118,754	-
-	(92,700)	-
<u>118,754</u>	<u>26,054</u>	<u>-</u>
4,022	30,280	-
<u>4,022</u>	<u>30,280</u>	<u>-</u>
121,254	1,158,510	(5,466)
907,142	7,221,191	34,308
<u>1,028,396</u>	<u>8,379,701</u>	<u>28,842</u>
(15,402)	1,050,881	33,161
242,049	1,904,664	12,266
24,245	43,349	-
(28,807)	(66,098)	(886)
(583)	(1,308)	(43)
(22,580)	(36,761)	(5,308)
(281)	65,891	3,002
4,362	8,473	948
537	7,933	(6,301)
(3,757)	(7,766)	(501)
56,818	56,818	-
<u>272,003</u>	<u>1,975,195</u>	<u>3,218</u>
<u>256,601</u>	<u>3,026,076</u>	<u>36,379</u>
-	48,975	-
1,004,375	8,355,680	28,842
24,021	24,021	-
<u>\$ 1,028,396</u>	<u>\$ 8,379,701</u>	<u>\$ 28,842</u>

EXHIBIT 8

CITY OF YANKTON, SOUTH DAKOTA  
STATEMENT OF NET POSITION  
Fiduciary Funds  
December 31, 2012

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 13,033
Prepaid Expenses	31
Total Assets	<u>13,064</u>
<b>Liabilities</b>	
Accounts Payable	434
Other Accrued Expenses	12,630
Total Liabilities	<u>13,064</u>
<b>Net Position</b>	
Unrestricted	<u>-</u>
Total Net Position	<u>\$ -</u>



**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Yankton was incorporated June 8, 1869, under the provisions of South Dakota Codified Law, as amended. The City operates under a Commission-Manager form of government.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) that apply to governmental units. All funds created under the authority of the South Dakota Codified Law, the operations of which are under the control of the City's governing body, and by financial reporting standards for governmental units are included herewith. The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

The reporting entity of the City of Yankton consists of the primary government (which includes all of the funds, organizations, institutions, agencies, department and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board/City Commission 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.

Proprietary Fund-type Discretely Presented The Yankton Housing and Redevelopment Commission is a proprietary fund-type discretely presented component unit of the City of Yankton. In October of 1994, the City of Yankton adopted a resolution to establish the Yankton Housing and Redevelopment Commission to administer the United States Department of Housing and Urban Development, Section 8 Existing Certificate, Voucher, and Moderate Rehabilitation Program. The program became operational in November 1994. The governing board of the commission is made up of five residents of the City of Yankton who have been appointed by the Mayor of the City of Yankton and with the approval of the City Commission. The City of Yankton retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to enter into any housing development involving the use of eminent domain, which gives the City the ability to impose its will on the Commission. The report may be obtained by writing to the Yankton Housing and Redevelopment Commission, PO Box 176, Yankton, South Dakota 57078.

Joint Ventures A joint powers agreement between the City of Yankton, City of Vermillion, Yankton County and Clay County was adopted. The purpose of this agreement is to provide for the joint ownership, administration and operation of a solid waste disposal and recycling system including; a solid waste transfer station or stations, the transportation of solid waste, a sanitary landfill licensed by the State of South Dakota, a recycling program and facilities, establishing and collecting such fees as are necessary to support the joint operation and such other operations and facilities as are necessary to exercise the primary responsibilities established under the joint powers agreement. It is not the purpose of the agreement to create a separate entity. The membership of the Advisory Board consists of: one member of the governing body of each participating government, the city managers

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

of the Cities of Yankton and Vermillion, and one citizen chosen by each participating governing body. The undivided interest in the joint agreement is reported as Joint Power Landfill as an enterprise fund. A separately issued financial statement for the joint venture is not issued.

**B. Basic Financial Statements – Government-Wide Statement**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, and capital project funds are classified as governmental activities. The City's internal service fund is classified as a governmental-type activity.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net positions are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The City first uses restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (general government, public works, public safety, health & welfare, culture & recreation, community development) and business-type activities. The functions are supported by general government revenues and related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through an internal service fund on a cost-reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

**C. Basis of Accounting**

Basis of accounting refers to the point when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 30 days after year-end. A 30-day availability period is also used for revenue recognition for all other governmental fund revenues. The exception to this would be for receivables derived from reimbursement grant arrangements where the revenue would be recognized in the same period as the expenditure.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

**D. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City can electively add a fund, as a major fund, which have a specific community focus. The nonmajor funds are combined in a column in the fund financial statements. The various funds reported in the financial statements are grouped into fund types as follows:

Governmental Fund Types – The focus of the governmental funds’ measurement (in the fund statements) is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental fund types of the City:

General Fund – The General fund is the general operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds - The Special Revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Debt Service Fund - The Debt Service fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs not being financed by proprietary or nonexpendable trust funds.

Capital Project Funds - The Capital Project funds account for the acquisition of fixed assets or construction of major capital projects not being financed by Proprietary Funds or Fiduciary Funds.

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Permanent Fund – Account for resources that are legally restricted to allow the earnings (and not principal) to be used to support the government's programs.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets.

Enterprise Funds - Enterprise funds are used to account for those operations (a) that are financed and operated in a manner similar to private business or 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 account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

The City's internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the governmental-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the City's internal service funds are as follows:

Central Garage Fund – To account for the cost of supplying the fuel, repairs and maintenance of equipment used by all City departments, and fuel for the Yankton County automotive equipment. All purchases are billed at cost plus nominal overhead to defray administrative, equipment and shop maintenance and depreciation costs.

Copies and Postage – This fund has been established to record all charges for copies and postage by all departments prior to allocating these charges to the respective departments.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements.

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

The City has the following agency funds:

Employee Benefits – This fund has been established as a clearing account used to account for withholding of taxes, insurance, flex plan and retirement from the employees' payroll, and the corresponding City match.

Sales Tax – This fund has been established to record taxes collected for remittance to the State of South Dakota on taxable operations of the City.

The City reports the following major governmental funds:

General Fund – See the description above. The General Fund is always considered to be a major fund.

Debt Service Fund:

2004 Sales Tax Revenue Refunding Bond Debt Service Fund – The 2004 Sales Tax Revenue Refunding Bond Debt Service Fund is used to account for the accumulation of resources and payment of sales tax refunding bond principal and interest from proceeds of the second one-cent sales tax. These bonds were paid in full in 2012.

2011 Sales Tax Bonds – Used to account for the collection of funds and repayment of the 2011 bonds. The City intends to fund these payments through the collection of TID Funds.

Capital Projects Funds:

Special Capital Improvement Fund – This Fund is used to account for the revenues and expenditures of the additional one percent (1%) sales and use tax. All revenues received from the collection of the tax are used only for the purpose of capital improvements, land acquisition, debt retirement for a joint building project with the city school district including parking, street improvements, and utility improvements attendant thereto, and for street construction and storm sewer improvements.

Public Improvement – This fund is used for present and future public improvements that are grant related or pass-through grants.

The City reports the following major enterprise funds:

Water Fund – This fund is used to account for water service to the residents of the City.

Wastewater Fund – This fund is used to account for wastewater collection service for residents.

**E. Cash and Investments**

The City combines all cash to participate in an entity-wide cash and investment pool except for specific bond indenture investments required to be separately invested. 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, including, without limitations, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

redeemable at the option of the holder within eighteen months from the date of purchase; of (b) repurchase agreements fully collateralized by securities described in (a) and meeting the requirements of SDCL 4-5-9, if the repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the one hundred largest United States commercial banks, as measured by domestic deposits; or (c) in shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933 and whose only investments are in securities described in (a) and repurchase agreements described in (b). The component unit maintains their own cash.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in a cash and investment pool and allocated to each fund based on month-end deposit and investment balances.

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

The City uses the following methods of determining the reported amounts.

<u>Type</u>	<u>Method</u>
Non-negotiable Certificates of Deposit U.S. Treasury Notes, State and Local Government Series	Cost Fair Value Determined based on Quoted Market Price

**F. Cash Flows**

The City pools its cash resources for depositing and investing purposes. The proprietary funds essentially have access to their cash resources on demand. The component unit maintains their own cash and is not part of the City's pool.

**G. Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**H. Advance to Other Funds**

Noncurrent portions of long-term interfund loans are reported as advances and are offset equally by a non-spendable fund balance, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

**I. Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. In the government-wide financial statements and proprietary fund statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. In the governmental fund financial statements, purchases of inventory items are recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a "non-spendable" fund balance classification, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

The only governmental fund inventory recorded is that of the General Fund and Public Improvement Fund, which consists of commercial, residential, and industrial land held for resale.

**J. Deferred Outflow/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City currently has no items that qualify for reporting in this category.

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 inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, special assessments, other taxes and other income. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**K. Restricted Assets**

Certain proceeds of bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Part of the proceeds from cemetery lot sales are permanently set aside in the perpetual care account as required by state statutes, and only income from the restricted investments are used for care and maintenance of the cemetery.

**L. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensation time hours for subsequent use or for payment upon termination, death or retirement. This liability as well as the corresponding employee benefits, is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for the portion which is expected to be liquidated with expendable available financial resources. This amount normally consists of payments to employees who had resigned or retired at year end, but had not yet been compensated for the accrued absences. The compensated absences liability has been computed based on rates of pay in effect at December 31, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund, with small portions being paid by the Central Garage. All accrued sick leave time accumulated is forfeited upon separation from service. Such amounts therefore do not constitute a liability. Sick leave earned over maximum accumulation is paid for, on the basis of one hour pay for each two hours earned, with the first pay day in the next January. These amounts have been accrued at year end.

**M. Amortization of Bond Discounts and Premiums**

For governmental fund types, bond premiums and discounts, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. For proprietary fund types, bond premiums and discounts, are deferred and amortized over

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

the life of the bonds based on interest expense which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**N. Equity Classifications**

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

1. 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.
2. Restricted Net Position – Consists of net position with constraints places on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; of (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

**O. 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 positions are available.

**P. Fund Equity**

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.

In accordance with Government Accounting Standards Board (GASB) No.54, Fund Balance Reporting and Governmental Fund Type Definitions, the Municipality classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that can only be used for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balances may be assigned by action of the City Commission.
- Unassigned – 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.



**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

The Municipality 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 Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**Q. Fixed Assets**

Assets with an initial individual cost of \$500 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been retroactively capitalized using historical or estimated historical cost as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Land Improvements	30 Years
Buildings and Structures	10 – 50 Years
Machinery and Equipment	5 – 25 Years
Infrastructure	15 – 75 Years

Interest costs for capital-asset construction within enterprise funds are capitalized. Interest costs incurred during 2012 were \$699,768 of which none has been capitalized.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The City maintains a cash and investment pool that is available for use by all funds. Earnings from the pooled investments are allocated monthly to each participating fund based on the month-end cash balances. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The municipal 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 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish revocable 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 better or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

At year-end, the City's deposits in banks were covered by federal depository insurance, and the accounts which exceeded FDIC coverage were properly collateralized per state statutes. The City's bank deposits, per banks, at December 31, 2012 were \$15,301,809. At year-end, the Yankton Housing and Redevelopment Commission's deposits were fully insured or collateralized.

Investments – The City's only investment during the year consisted of U.S. Treasury notes which were not held at year end. Per the above, credit and concentration risk disclosures are not necessary per GASB 40. At year end the Housing Commission had no investments.

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 2 - CASH AND CASH EQUIVALENTS -- (CONTINUED)**

Interest Rate Risk -- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City had no exposure to interest rate risk at year end.

**NOTE 3 - PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the city taxes and remits them to the City. City property tax revenues are recognized to the extent that they are used to finance each year's appropriations.

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

General Fund	\$27
Bond Redemption Funds	As Required by Bond Agreement
Judgment Fund (Upon Judgment Being Made)	\$10

State statute allows the tax rates to be raised by special election of the voters.

**NOTE 4 - ESTIMATED UNCOLLECTIBLE RECEIVABLES**

An allowance for uncollectible taxes, utility accounts receivable and special assessments is provided based upon analysis of historical trends. The allowance for uncollectible receivables at December 31, 2012, consisted of the following:

	Utility Accounts Receivable	Special Assessment Receivable
Fund:		
Infrastructure Improvement Revolving	\$ -	\$ 42,000
Water Fund	7,796	-
Wastewater Fund	7,649	-
Solid Waste Fund	7,984	-
	\$ 23,429	\$ 42,000

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 5 - DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments at December 31, 2012, include the following:

	General	Public Improvement Fund	Special Capital Improvement Fund	Non-Major Governmental Funds	Wastewater Fund
County Remitted Taxes	\$ 15,159	\$ -	\$ -	\$ -	\$ -
County share of Senior Center and Others	12,559	-	-	15,000	-
County and Other Garage Charges	-	-	-	-	-
State Remitted Sales Tax	505,258	-	381,159	51,877	-
State Remitted Liquor and Other Taxes	20,354	-	-	-	-
State Road Aid	49,726	-	-	-	-
Federal Grants	41,076	1,235	-	174,485	20,407
Other	28,814	-	-	31,800	-
	<u>\$ 672,946</u>	<u>\$ 1,235</u>	<u>\$ 381,159</u>	<u>\$ 273,162</u>	<u>\$ 20,407</u>

	Internal Service	Total
County Remitted Taxes	\$ -	\$ 15,159
County share of Airport and Senior Center	-	27,559
County and Other Garage Charges	8,971	8,971
State Remitted Sales Tax	-	938,294
State Remitted Liquor and Other Taxes	-	20,354
State Road Aid	-	49,726
Federal Grants	-	237,203
Other Grants	-	60,614
	<u>\$ 8,971</u>	<u>\$ 1,357,880</u>

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 6 - CAPITAL ASSETS**

A summary of the changes in the capital assets for the year ended December 31, 2012, is as follows:

	Balance January 1, 2012	Additions	Deletions	Reclassification	Balance December 31, 2012
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 3,263,654	\$ 93,227	\$ -	\$ -	\$ 3,356,881
Construction in Progress	3,947,206	87,199	5,000	-	4,029,405
<b>Total capital assets not being depreciated</b>	<b>7,210,860</b>	<b>180,426</b>	<b>5,000</b>	<b>-</b>	<b>7,386,286</b>
Capital assets being depreciated:					
Buildings & Structures/Infrastructure	59,358,999	1,050,963	85,275	-	60,324,687
Furniture & Equipment	12,382,602	1,186,030	401,373	16,128	13,183,387
<b>Total capital assets being depreciated:</b>	<b>71,741,601</b>	<b>2,236,993</b>	<b>486,648</b>	<b>16,128</b>	<b>73,508,074</b>
Less: Accumulated Depreciation for:					
Buildings & Structures/Infrastructure	18,183,359	1,628,651	84,508	-	19,727,502
Furniture & Equipment	6,859,957	718,499	376,382	16,128	7,218,202
<b>Total Accumulated Depreciation</b>	<b>25,043,316</b>	<b>2,347,150</b>	<b>460,890</b>	<b>16,128</b>	<b>26,945,704</b>
<b>Total Capital Assets being depreciated, net</b>	<b>46,698,285</b>	<b>(110,157)</b>	<b>25,758</b>	<b>-</b>	<b>46,562,370</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 53,909,145</b>	<b>\$ 70,269</b>	<b>\$ 30,758</b>	<b>\$ -</b>	<b>\$ 53,948,656</b>

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 6 - CAPITAL ASSETS – (CONTINUED)**

	Balance January 1, 2012	Additions	Deletions	Reclassification	Balance December 31, 2012
<b>Business-Type Activities:</b>					
<b>Capital Assets not being depreciated:</b>					
Land	\$ 815,123	\$ -	\$ -	\$ -	\$ 815,123
Construction in Progress	3,221,777	93,129	3,190,487	-	124,419
<b>Total capital assets not being depreciated:</b>	<b>4,036,900</b>	<b>93,129</b>	<b>3,190,487</b>	<b>-</b>	<b>939,542</b>
<b>Capital Assets being depreciated:</b>					
Buildings and Structures	47,328,684	3,334,290	227,916	-	50,435,058
Land Improvements	2,190,047	-	-	-	2,190,047
Furniture & Equipment	4,878,737	288,802	36,017	(16,128)	5,115,394
<b>Total capital assets, being depreciated</b>	<b>54,397,468</b>	<b>3,623,092</b>	<b>263,933</b>	<b>(16,128)</b>	<b>57,740,499</b>
<b>Less: Accumulated Depreciation for:</b>					
Buildings and Structures	23,319,755	1,652,162	2,236	-	24,969,681
Land Improvements	49,463	3,107	-	-	52,570
Furniture & Equipment	3,235,472	249,395	36,017	(16,128)	3,432,722
<b>Total Accumulated Depreciation</b>	<b>26,604,690</b>	<b>1,904,664</b>	<b>38,253</b>	<b>(16,128)</b>	<b>28,454,973</b>
<b>Total Capital Assets, being depreciated, net</b>	<b>27,792,778</b>	<b>1,718,428</b>	<b>225,680</b>	<b>-</b>	<b>29,285,526</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 31,829,678</b>	<b>\$ 1,811,557</b>	<b>\$ 3,416,167</b>	<b>\$ -</b>	<b>\$ 30,225,068</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 23,391
Community Development	1,295
Public Safety	219,599
Public Works	1,607,443
Culture & Recreation	478,156
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,334,884</b>

Depreciation expense of \$12,266 was charged to the Internal Service Fund and is not included in the total shown above.

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 6 - CAPITAL ASSETS – (CONTINUED)**

Business-Type Activities:	
Water	\$ 579,543
Wastewater	1,083,072
Solid Waste	56,351
Golf Course	57,883
Joint Powers Landfill	<u>127,815</u>
Total depreciation expense - business-type activities	<u>\$ 1,904,664</u>

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Component Unit:				
Capital Assets, being depreciated				
Furniture & Equipment	\$ 4,633	\$ -	\$ -	\$ 4,633
Total capital assets, being depreciated	<u>4,633</u>	<u>-</u>	<u>-</u>	<u>4,633</u>
Less: Accumulated Depreciation	<u>4,633</u>	<u>-</u>	<u>-</u>	<u>4,633</u>
Component unit capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-Type Activities
Land	\$ 3,356,881	\$ 815,123
Construction in Progress	4,029,405	124,419
Capital Assets (Net of Accumulated Depreciation)	46,562,370	29,285,526
Less: Revenue Bonds	-	14,471,229
Notes Payable	35,654	-
Capital Leases	<u>2,040,000</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 51,873,002</u>	<u>\$ 15,753,839</u>

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 7 - COMMITMENTS**

During the year ended December 31, 2012, the City had entered into several construction contracts totaling approximately \$4,334,253 of which approximately \$4,191,003 had been expended to date. The remaining balance will be paid as work progresses.

**NOTE 8 - CAPITAL LEASE**

The following is a summary of the Capital Lease Activity for the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases Payable	\$2,135,000	\$ -	\$ (95,000)	\$2,040,000

An agreement was entered with The First Dakota National Bank in Sioux Falls (Lessor/Trustee) for the financing to construct a new city fire station. The Declaration of Trust Agreement, the Lease-Purchase Agreement and Ground Lease Agreement between the City and The First Dakota National Bank along with the issuance of \$2,420,000 of Certificates of Participation were completed in February 2009. These agreements are evidence of the Bank's ownership interest in the lease-purchase assets with the City of Yankton. The City is the agent for the Bank for the construction of the fire station building. The bid was awarded and construction began on the fire station building in January 2009 and was completed in 2010. The interest rate on the Certificates of Participation varies from 2.10% to 5.00% and the lease payment terms match the terms of the certificates with final payment December 1, 2028. Property tax funds have been pledged to make the lease payments over the term of the lease.

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of December 31, 2012.

Year Ending December 31,	Principal	Interest	Total
2013	\$ 95,000	\$ 90,710	\$ 185,710
2014	100,000	87,480	187,480
2015	100,000	84,080	184,080
2016	105,000	80,280	185,280
2017	110,000	76,290	186,290
2018 – 2022	620,000	307,660	927,660
2023 – 2027	770,000	151,518	921,518
2028	140,000	7,000	147,000
<b>Totals</b>	<b>\$2,040,000</b>	<b>\$ 885,018</b>	<b>\$ 2,925,018</b>

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 9 - LONG-TERM DEBT**

A. Bonds Payable/Notes Payable:

The following is a summary of debt transactions of the City for the year ended December 31, 2012 (in thousands of dollars):

	Governmental			Enterprise				Total
	2004 Sales Tax Refunding Bonds	2011 Sales Tax Bond	Rural Development Notes Payable	Water Revenue (SRF)	Wastewater Revenue (SRF)	2011 Wastewater Refunding Bonds	Joint Power Landfill Revenue Loans (SWMP) (RLA)	
Notes/Bonds Payable at January 1, 2012	\$ 1,940	\$ 2,670	\$ 70	\$ 6,907	\$ 4,159	\$ 4,095	\$ 274	\$ 20,115
Notes/Bonds Issued	-	-	-	89	-	-	-	89
Notes/Bonds Retired	(1,940)	(60)	(34)	(340)	(284)	(420)	(22)	(3,100)
Notes/Bonds Payable at December 31, 2012	\$ -	\$ 2,610	\$ 36	\$ 6,656	\$ 3,875	\$ 3,675	\$ 252	\$ 17,104

Debt outstanding at December 31, 2012, is comprised of the following individual issues:

	Due Within One Year	Due After One Year	Total
USDA Rural Development Note Payable maturing June 1, 2014, with an interest rate of 4.25% per annum, to be paid from General Funds with the Senior Citizens Center and Yankton County contributing to the City to fund a portion of the debt.	\$ 35,654	\$ -	\$ 35,654
2011 Sales Tax Revenue Bonds – Dated June 1, 2011, maturing December 1, 2012-2031, with an average interest rate of 3.71%. Funds were used to provide economic development incentives and are to be paid by the Debt Service Fund, using TID generated taxes.	105,000	2,505,000	2,610,000
2011 Wastewater Revenue Refunding Bonds – Dated April 1, 2011, maturing December 1, 2011-2020, with an average interest rate of 2.63%, paid by the Wastewater Fund.	425,000	3,250,000	3,675,000
Solid Waste Management Program (SWMP) and Regional Landfill Assistance (RLA) loans maturing June 1, 2012, June 1, 2025, and June 1, 2026 with an interest rate of 3% per annum, paid by the Joint Powers Landfill Fund.	16,585	235,372	251,957
Water Revenue Bonds (SRF) maturing October 1, 2023, July 15, 2029, April 15, 2031 and October 15, 2031 with interest rates of 3.5%, 3.25%, 3.0% and 3.0% per annum, paid by the Water Fund.	354,238	6,301,507	6,655,745
Wastewater Revenue Bonds (SRF) maturing October 1, 2023, with an interest rate of 3.5% per annum, paid by the Wastewater Fund.	294,176	3,581,118	3,875,294
<b>Totals</b>	<b>\$1,230,653</b>	<b>\$15,872,997</b>	<b>\$17,103,650</b>



**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 9 - LONG-TERM DEBT – (CONTINUED)**

The above governmental bonds are shown net of \$10,436 of unaccreted bond premiums and the business-type activity revenue bonds net of \$13,233 of unaccreted bond premiums on the Statement of Net Assets.

On May 11, 2009 the Board of Commissioners approved the issuance of, not to exceed \$3,000,000 of drinking water state revolving fund loans for various water improvements. At December 31, 2012, there had been \$1,969,001 drawn on this loan, with the remaining to be drawn as work progresses.

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for the governmental-type activities and the business-type activities.

In April, 2011, the City issued \$4,325,000 of Wastewater Revenue Refunding Bonds, Series 2011B, which were used in addition to approximately \$285,000 of existing City funds to refund Clean Water State Revolving Loans #1 and #2. The 2011 bonds have an average interest rate of 2.63% and the bonds being refunded had an average interest rate of 4.68%. As a result of this refunding the City will reduce its debt service payments over the next ten years by \$635,867 and obtain an economic gain of \$839,610.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

**B. Annual Debt Service Requirements**

The annual requirements to amortize all debt outstanding as of December 31, 2012, including interest payments of \$4,249,457 are as follows:

Year Ending December 31	2011 Sales Tax Bonds		Rural Development Note Payable		Wastewater Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 105,000	\$ 87,065	\$ 35,654	\$ 806	\$ 719,176	\$ 223,390
2014	110,000	84,965	-	-	739,608	204,458
2015	110,000	82,765	-	-	760,410	184,956
2016	115,000	80,565	-	-	776,595	164,871
2017	115,000	78,265	-	-	798,177	143,164
2018-2022	625,000	346,380	-	-	3,339,507	341,297
2023-2027	730,000	237,695	-	-	416,821	9,158
2028-2031	700,000	77,530	-	-	-	-
	<u>\$2,610,000</u>	<u>\$1,075,230</u>	<u>\$ 35,654</u>	<u>\$ 806</u>	<u>\$7,550,294</u>	<u>\$1,271,294</u>

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 9 - LONG-TERM DEBT (CONTINUED)**

Year Ending December 31	Water Revenue		Joint Power Landfill (RLA) (SWMP)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 354,238	\$ 209,901	\$ 16,585	\$ 7,435	\$ 1,230,653	\$ 528,597
2014	365,946	198,193	17,087	6,934	1,232,641	494,550
2015	378,042	186,098	17,603	6,418	1,266,055	460,237
2016	390,542	173,599	18,135	5,885	1,300,272	424,920
2017	403,456	160,684	18,683	5,337	1,335,316	387,450
2018-2022	2,226,528	594,171	102,237	17,867	6,293,272	1,299,715
2023-2027	1,571,533	267,570	61,627	3,036	2,779,981	517,459
2028-2031	965,460	58,999	-	-	1,665,460	136,529
	<u>\$6,665,745</u>	<u>\$1,849,215</u>	<u>\$ 251,957</u>	<u>\$ 52,912</u>	<u>\$17,103,650</u>	<u>\$ 4,249,457</u>

**C. Accrued Compensated Absences and OPEB Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 435,766	\$ 362,993	\$ 337,001	\$ 461,758	\$ 69,264
Other Post Employment Benefit Obligation	469,575	26,899	52,702	443,772	-
Business-Type Activities:					
Compensated Absences	144,623	120,471	112,538	152,556	22,882
Other Post Employment Benefit Obligation	156,774	8,096	15,863	149,007	-
Total Accrued Compensated Absences and OPEB Liabilities	<u>\$ 1,206,738</u>	<u>\$ 518,459</u>	<u>\$ 518,104</u>	<u>\$1,207,093</u>	<u>\$ 92,146</u>

For the governmental activities, compensated absences and OPEB liabilities are primarily liquidated by the general fund, however, a small portion is also liquidated by the Central garage and dispatch funds.

**NOTE 10 - INTERFUND ASSETS/LIABILITIES**

The purpose of the City's interfund balances is to help finance short-term cash flow shortages of various funds. Individual short-term interfund receivable and payable balances at December 31, 2012 were as follows:

	Interfund Receivables	Interfund Payables
Due From/To Other Funds:		
General Fund	\$ 260,754	\$ 24,071
Capital Projects – Special Capital Improvements	2,003,731	-
Capital Projects – Public Improvement	-	1,979,660
Non-major Governmental Funds	-	142,000
Non-major Enterprise Fund	-	118,754
	<u>\$ 2,264,485</u>	<u>\$ 2,264,485</u>

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 10 - INTERFUND ASSETS/LIABILITIES – (CONTINUED)**

As of December 31, 2012, long-term advances were as follows:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
Advances From/To Other funds:		
General Fund	\$ 596,343	\$ 111,619
Special Capital Improvements	111,619	-
Non-major Governmental Funds	-	596,343
	\$ 707,962	\$ 707,962

The long-term advances were used as internal financing for equipment purchases for the general fund and interim borrowing to the TID #5 fund until property tax revenues are available for repayment. Currently, the equipment loan carries a repayment term of ten years and interest rates of 6 percent and the TID loan is variable.

**NOTE 11 - DEFICIT FUND BALANCES/RETAINED EARNINGS**

As of December 31, 2012, the following funds had deficit fund balances in the amounts shown:

Capital Projects:	
Public Improvement Capital Project	\$ 19,314
Special Revenue:	
TID #5	596,343

The Public Improvement Capital Project Fund balance deficit will be funded through revenues obtained from future property transactions. TID #5 deficit will be refunded through future TID property tax collections.

**NOTE 12 - RETIREMENT PLAN**

All employees, except for part-time employees with less than twenty hours per week and temporary employees, 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 by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary for a Class A member and 8 percent for Class B public safety members to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2012, 2011, and 2010 were \$392,805, \$380,628 and \$381,709 respectively, equal to the required contributions each year.

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 13 - TRANSFERS**

The following is a summary of transfers between funds:

	General	Debt Service Fund	Nonmajor Governmental	Special Capital Improvement	Total Transfer Out
General	\$ -	\$ -	\$ 905,202	\$ -	\$ 905,202
Nonmajor Governmental	592,557	198,200	33,511	-	824,268
Special Cap. Improvements	205,746	63,022	-	-	268,768
Debt Service Fund	-	-	-	641,999	641,999
Wastewater	40,700	-	-	-	40,700
Water	52,000	-	-	-	52,000
Transfer In	<u>\$ 891,003</u>	<u>\$ 261,222</u>	<u>\$ 938,713</u>	<u>\$ 641,999</u>	<u>\$ 2,732,937</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During the year ended December 31, 2012, the City made the following one-time transfers:

Transfer from the General Fund to the Airport Capital Improvement Fund of \$16,969 to pay the matching share of the airport improvements.

Transfer from the Infrastructure Revolving Fund to the Infrastructure Improvement Capital Fund of \$33,510 to help cash flow special assessment projects.

Transfer to the Debt Service Fund from the TID #5 Fund of \$390,598 to fund the annual debt service on the 2011 sales tax bonds.

**NOTE 14 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2012, the City managed its risks as follows:

Employee Health Insurance: The City purchases health insurance for its employees from a commercial insurance carrier.

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 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 cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE 14 - RISK MANAGEMENT (CONTINUED)**

City pays an annual premium to the pool to provide coverage for general liability, official's liability, auto liability, law enforcement liability, property, and boiler and machinery.

The agreement with the SDPAA provides that the above coverages will be provided to a \$2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of City's First Full Year	50%
End of City's Second Full Year	60%
End of City's Third Full Year	70%
End of City's Fourth Full Year	80%
End of City's Fifth Full Year	90%
End of City's Sixth Full Year and Thereafter	100%

As of December 31, 2012 the City has vested balance in the cumulative reserve fund of \$270,270.

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 purchases liability insurance for worker's compensation from a commercial carrier.

Unemployment Benefits: The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

There was no significant reduction in insurance coverage from the prior year. There were also no settlements, which exceeded insurance coverage in the past three years.

**NOTE 15 - VIOLATIONS OF FINANCE-RELATED LEGAL REQUIREMENTS**

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. In 2012 there were no overdrafts of the expenditures compared to appropriations.

**NOTE 16 - OTHER POST EMPLOYMENT BENEFITS**

During fiscal 2008, the City adopted the provisions of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer. Accordingly, a prospective liability is recorded at December 31, 2012 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

*Plan Description.* The City of Yankton's Other Post-Employment Benefit Plan is a single-employer defined benefit healthcare plan administered by the Municipality. Under the plan an employee who has a minimum of 15 years' service and who has been insured through the City's group health insurance for a minimum of 5 years is eligible to continue with the City's health insurance plan until they reach the age of Medicare eligibility with the City paying 50% of the premium. The retiree's spouse may also continue on the City's plan with the City paying 50% of the premium. The retiree's spouse may also continue on the City's plan with the City paying 50% if the spouse was added to the group prior to retirement. Authority for providing such benefits are found in South Dakota Codified Law 6-1-16 and 9-14-35. Benefit provisions were established and may be amended by the City Board of Commissioners. Premiums are

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

based on the full active employee premium rate. The plan does not issue separately stated standalone financial statements. Following January 1, 2014, no new retirees shall be admitted into the program.

*Funding Policy.* The contribution requirements of plan members and the City are established and may be amended by the City Board of Commissioners.

*Annual OPEB Cost and NET OPEB Obligation.* The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

<i>Annual required contribution</i>	\$ 44,933
<i>Interest on net OPEB obligation</i>	32,992
<i>Adjustment to annual required contribution</i>	
<i>Annual OPEB cost (Expense)</i>	<u>(42,930)</u>
	34,995
<i>Contributions made</i>	<u>(68,565)</u>
<i>Decrease in net OPEB obligation</i>	(33,570)
<i>Net OPEB obligation – beginning of year</i>	<u>626,349</u>
<i>Net OPEB obligation – end of year</i>	<u>\$ 592,779</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 - 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 289,513	24.02%	\$ 219,973
2009	289,511	24.02%	439,944
2010	289,511	24.02%	659,915
2011	(34,999)	195.91%	626,349
2012	(34,995)	195.93%	592,779

*Funded Status and Funding Progress.* The funded status of the plan as of December 31, 2012 as follows:

Actuarial accrued liability (AAL)	\$ 670,952
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 670,952</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 6,079,945
UAAL as a percentage of covered payroll	11.04%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5% interest discount rate and an annual medical healthcare cost trend rate of 7% initially, reduced by decrements to an ultimate rate of 5% after 2 years. Assumptions include a 3.0% growth in payroll per annum. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years from establishment. Differences between the expected and actual UAAL in future years will be amortized over 30 years.

**NOTE 17 – SAFETY CENTER AGREEMENT**

The City of Yankton has entered into a lease agreement with Yankton County for space occupied in the County's Public Safety Center. The lease is an annual lease, set to renew January 1 of each year automatically unless notice is given by either party prior to June 1. The lease may be amended or canceled by either party acting in formal session.

There are two components to the lease. The first being an operations and maintenance cost component in which the County and City will share the costs of operations and maintenance of the facility at a rate of 89.25% and 10.75% respectively. This percentage is based upon the actual square footage used by the City as well as one half of various mutually agreed upon shared areas. Changes to the space allocation will be reviewed each April, and any changes resulting in cost changes will be approved by both parties. The amount paid by the City to the County for 2012 for this component was \$20,678.

The second component is the capital improvement component. The City's payment for this component will be equal to the pro rata share of the debt service of the County's GO Bonds issued to finance the Safety Center Addition as determined by the space occupied by the City Police Department, one-half of the dispatch area, and one-half of any other mutually agreed upon areas. This percentage will be determined by using actual construction costs of the specified areas. At such time the County's debt is retired, the City will have no future obligation for this component of the lease. Beginning in 2011, the annual cost was \$62,963 for this component and will remain at that amount until the bonds are paid.

Lastly, the City agreed to continue to provide dispatch services for the County, with the County agreeing to pay the City an annually agreed upon amount, associated with the costs of providing the service. For 2009, 2010, 2011 and 2012, it was agreed the County would pay \$60,000 per year for dispatch services, which was appropriately paid.

**NOTE 18 – ACCOUNTING CHANGE/RESTATEMENT**

Governmental Accounting Standards Board Statement No 65, Items Previously Reported as Assets and Liabilities, was implemented during the year ended December 31, 2012. Prior to implementing this

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**NOTE 18 – ACCOUNTING CHANGE/RESTATEMENT – (CONTINUED)**

standard bond issuance costs were deferred and amortized over the term of the bonds. GASB 65 requires these costs to be expensed in the period the loan was originated. A prior period adjustment was reported on the financial statements to recognize the effect of the removal of the unamortized bond issue costs. The effect of these changes is as follows:

	<b>Waste Water Fund</b>	<b>Government-wide Financial Statements</b>
Balances December 31, 2011 as previously reported	\$6,123,902	\$ 57,903,771
Change per implementation of GASB 65	(80,394)	(154,872)
Balances January 1, 2012 as restated	\$ 6,043,508	\$ 57,748,899

**NOTE 19 – SUBSEQUENT EVENTS**

A resolution authorizing the issuance and sale of wastewater revenue refunding bonds, in the amount of \$3,915,000, was approved on March 25, 2013. The proceeds will be used to refund clean water revenue bonds, Series 2002.

A resolution authorizing application for drinking water state revolving loan funds, in the amount of \$26,000,000, was approved June 24, 2013. The proceeds will be used to fund a project involving construction of a new collector well.



REQUIRED SUPPLEMENTARY INFORMATION  
(unaudited)

In accordance with the Governmental Accounting Standards Statements No. 25, No. 27 and No. 34, the following information is a required part of the financial statements.

**CITY OF YANKTON, SOUTH DAKOTA**  
**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACUTAL**  
**General Fund**  
**For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes - Current Property	\$ 2,196,490	\$ 2,196,490	\$ 2,366,742	\$ 170,252
Taxes - Sales and Other	4,732,475	4,732,475	5,059,512	327,037
Licenses and Permits	349,300	349,300	252,950	(96,350)
Intergovernmental	683,486	787,997	482,758	(305,239)
Charges for Service	2,593,576	2,390,506	2,946,914	556,408
Fines and Forfeits	26,800	26,800	13,796	(13,004)
Interest	600	600	12,918	12,318
Miscellaneous	39,300	39,300	96,481	57,181
<b>Total Revenues</b>	<b>10,622,027</b>	<b>10,523,468</b>	<b>11,232,071</b>	<b>708,603</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Board of City Commission	122,935	159,420	135,014	24,406
Office of City Manager	298,996	298,996	233,699	65,297
City Attorney	49,433	52,683	40,374	12,309
Department of Finance	565,147	565,147	518,742	46,405
Information Systems	252,834	279,834	199,757	80,077
Community Development	333,034	333,034	296,372	36,662
Contingency	200,000	200,000	-	200,000
Casulty Reserve Fund	5,000	5,000	2,301	2,699
Special Appropriations	283,468	293,468	286,198	7,270
<b>Total General Government</b>	<b>2,110,847</b>	<b>2,187,582</b>	<b>1,712,457</b>	<b>475,125</b>
<b>Public Safety:</b>				
Police Department	2,425,238	2,432,238	2,281,263	150,975
Animal Control	57,846	57,846	50,339	7,507
Fire Department	651,163	1,122,845	967,351	155,494
Civil Defense	6,025	16,025	12,912	3,113
<b>Total Public Safety</b>	<b>3,140,272</b>	<b>3,628,954</b>	<b>3,311,865</b>	<b>317,089</b>
<b>Public Works:</b>				
Engineering and Inspection	576,466	576,466	516,595	59,871
Streets and Highways	1,523,372	1,523,372	1,333,617	189,755
Snow and Ice Removal	143,353	143,353	73,820	69,533
City Hall	198,291	198,291	171,122	27,169
Traffic Control	327,990	458,990	413,858	45,132
Chan Gurney Airport	204,717	883,068	656,483	226,585
<b>Total Public Works</b>	<b>2,974,189</b>	<b>3,783,540</b>	<b>3,165,495</b>	<b>618,045</b>

(continued)

**CITY OF YANKTON, SOUTH DAKOTA**  
**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACUTAL**  
**General Fund**  
**For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Positive (Negative)
	Original	Final		
<b>Culture and Recreation:</b>				
Marne Creek	209,096	336,626	146,434	190,192
Summit Activities Center	705,196	705,196	658,944	46,252
Memorial Park Pool	193,361	193,361	164,684	28,677
Parks and Recreation	1,008,984	1,200,384	1,099,533	100,851
Senior Citizens Center	145,154	149,254	94,448	54,806
Yankton Community Library	686,413	695,913	593,012	102,901
<b>Total Culture and Recreation</b>	<b>2,948,204</b>	<b>3,280,734</b>	<b>2,757,055</b>	<b>523,679</b>
<b>Total Expenditures</b>	<b>11,173,512</b>	<b>12,880,810</b>	<b>10,946,872</b>	<b>1,933,938</b>
<b>Excess of Revenues over Expenditures</b>	<b>(551,485)</b>	<b>(2,357,342)</b>	<b>285,199</b>	<b>2,642,541</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	968,394	991,413	891,003	(100,410)
Operating Transfers (Out)	(1,100,993)	(1,131,983)	(905,202)	226,781
Proceeds from Sale of Fixed Assets	-	-	13,901	13,901
<b>Total Other Financing Sources (Uses)</b>	<b>(132,599)</b>	<b>(140,570)</b>	<b>(298)</b>	<b>140,272</b>
<b>Excess (Deficiency) of Revenues over Expenditures and Other Uses</b>	<b>(684,084)</b>	<b>(2,497,912)</b>	<b>284,901</b>	<b>2,782,813</b>
<b>Fund Balances at Beginning of Year</b>	<b>3,933,058</b>	<b>3,933,058</b>	<b>3,933,058</b>	<b>-</b>
<b>Fund Balances at End of Year</b>	<b>\$ 3,248,974</b>	<b>\$ 1,435,146</b>	<b>\$ 4,217,959</b>	<b>\$ 2,782,813</b>

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Exhibit 10**

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

1. On or before August 1, the City Manager submits to the Board of City Commissioners a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Commission Chambers to obtain taxpayer comments.
3. By the first September meeting of the City Commission, or within ten days thereafter, the annual appropriation ordinance is introduced, with final action to be taken at the second and final reading of the ordinance.
4. The level of control (the level on which expenditures may not legally exceed appropriations) is by fund, except by department within the General Fund. Any revision that alters the total expenditures of any fund or any department within the General Fund must be approved by the Board of City Commissioners with a supplemental appropriation ordinance.

Revisions made during the fiscal year ending December 31, 2012 to the original appropriations by fund were as follows for the General Fund:

	<b>Original Appropriations</b>	<b>Total Revisions</b>	<b>Revised Appropriations</b>
<b>General Fund:</b>			
<b>General Government:</b>			
Information Systems	\$ 252,834	\$ 27,000	\$ 279,834
Board of City Commissioners	122,935	36,485	159,420
Special Appropriations	283,468	10,000	293,468
City Attorney	49,433	3,250	52,683
<b>Public Safety:</b>			
Fire Department	651,163	471,682	1,122,845
Police Department	2,425,238	7,000	2,432,238
Civil Defense	6,025	10,000	16,025
<b>Public Works:</b>			
Traffic Control	327,990	131,000	458,990
Chan Gurney Airport	204,717	678,351	883,068
<b>Culture and Recreation:</b>			
Senior Citizens Center	145,154	4,100	149,254
Community Library	686,413	9,500	695,913
Parks and Recreation	1,008,984	191,400	1,200,384
Mame Creek	209,096	127,530	336,626
Transfers Out	2,648,754	222,400	2,871,154

5. A line item for contingencies may be included in the annual budget. Such a line item may not exceed five percent of the total municipal budget and may be transferred, by resolution of the governing board, to any other appropriation amount that is deemed insufficient during the year.
6. Unexpended appropriations lapse at year-end. A supplemental appropriation ordinance was approved in the subsequent year by the Commission to provide additional funds for certain purchase orders outstanding at year-end.

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, capital projects funds, and all special revenue funds, with the exception of the Library Trust and Historic Easement Trust Funds. The municipality did not encumber any amounts at December 31, 2012.

**CITY OF YANKTON, SOUTH DAKOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Exhibit 10**

- 
7. Formal budgetary integration is employed as a management control device during the year for the General Fund, capital projects funds, and all special revenue funds, with the exception of the Library Trust and Historic Easement Trust Funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through bond indenture provisions. The City Manager is authorized to transfer budgeted amounts between departments within any fund, except the General Fund. The component unit does not have a formal budget.
  8. Budgets for the General Fund, special revenue funds, and capital projects funds are adopted on a basis consistent with U.S. generally accepted accounting principals (GAAP).
  9. The City is prohibited by statute from spending in excess of appropriated amounts at the department level. No overspending was noted for the budget year ended December 31, 2012.
  10. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with U.S. generally accepted accounting principals present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

CITY OF YANKTON, SOUTH DAKOTA  
 POST EMPLOYMENT HEALTHCARE BENEFITS  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

EXHIBIT 11

Audit Period	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2008	1/1/2008 *	\$ -	\$ 2,605,358	\$ 2,605,358	0.00%	\$ 5,036,433	51.7%
12/31/2009	1/1/2008	-	2,605,358	2,605,358	0.00%	5,583,033	46.6%
12/31/2010	1/1/2008	-	2,605,358	2,605,358	0.00%	5,912,008	44.1%
12/31/2011	1/1/2011	-	670,952	670,952	0.00%	5,887,184	11.3%
12/31/2012	1/1/2011	-	670,952	670,952	0.00%	6,079,945	11.0%

\* Fiscal 2008 was the first year for calculating the Post Employment Benefit Obligation so information from previous years in not available.

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OTHER SUPPLEMENTARY INFORMATION



**CITY OF YANKTON, SOUTH DAKOTA  
COMBINING AND INDIVIDUAL FUND STATEMENTS  
GOVERNMENTAL FUNDS**

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**SPECIAL REVENUE FUNDS** – Special Revenue funds are used to account for revenues derived from special tax levies and other earmarked revenue sources. These funds are utilized to finance allowable functions, which may be for either capital outlays or current expenditures or both.

The following funds included in this fund type and their purposes are as follows:

**Non-Major Funds:**

**Bridge and Street** – This fund finances expenditures on bridge and street projects approved and shared by the South Dakota Department of Transportation.

**Lodging Sales Tax** – The purpose of this appropriation is to account for the revenues received from the City's 1% municipal sales tax on lodging as is passed on to the Convention Visitor Bureau to promote the City's facilities and attractions.

**Library Trust** – This fund is administered by the Yankton Public Library Advisory Board and is used solely to fund various "special" library projects.

**Historic Easement Trust** – This account is a reserve fund held for the purpose of paying inspection costs and fees related to a historic facade preservation easement.

**Dispatch Fund** – This fund is mandated by the State of South Dakota as they receive state funds to run a dispatch operation.

**Tax Increment District #2 Morgan Square** – This fund is used to account for expenditures for improvements in the Morgan Square TIF District and the corresponding TIF revenues.

**Tax Increment District #5** – This fund accounts for collection of property taxes and expenditures related to tax rebates and the servicing of debt related to economic development projects within the District.

**DEBT SERVICE FUND** – Debt Service Funds account for the accumulation of resources and payment of general long-term obligation bond principal and interest from governmental resources. The City only has one debt service fund as follows:

**Major Fund:**

**Debt Service Fund-** This fund accounts for the accumulation of funds and is expended for the annual debt service of the City's outstanding general obligation bonds.

**CITY OF YANKTON, SOUTH DAKOTA  
COMBINING AND INDIVIDUAL FUND STATEMENTS  
GOVERNMENTAL FUNDS**

---

**CAPITAL PROJECTS FUNDS** – Capital Projects Funds are established to account for financial resources and expenditures for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The following funds included in this fund type and their purposes are as follows:

**Major Funds:**

**Special Capital Improvement Fund** – This fund is used to account for the revenues and expenditures of the additional one percent (1%) sales and use tax. All revenues received from the collection of the tax are used only for the purpose of capital improvements, land acquisition, debt retirement for a joint building project with the city school district including parking, street improvements, and utility improvements attendant thereto, and for street construction and storm sewer improvements. (Reported in Exhibits 3 and 4)

**Public Improvement** – This fund is used for present and future public improvements that are grant related or pass-through grants.

**Non-Major Funds:**

**Airport Capital Improvement** – This fund is used for present and future public improvements that are grant related or pass-through grants.

**Park** – This fund is used for capital improvements to the various parks throughout the City of Yankton that include formation and initial equipment, or the expansion of existing facilities.

**Infrastructure Improvement** - This fund was created to help fund special assessment construction projects in the City of Yankton that improve the City's infrastructure.

**Infrastructure Improvement Revolving** – This fund helps finance special assessment construction projects that are paid for by the citizens who receive the direct benefits of these projects. Most repayments are in the form of a revolving loan established by the City of Yankton.

**PERMANENT FUNDS** – Account for resources that are legally restricted to allow the earnings (and not principal) to be used to support the government's programs.

**Non Major Fund:**

**Cemetery Perpetual Care** – This fund accounts for the operations and restricted funds of the cemetery.

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**CITY OF YANKTON, SOUTH DAKOTA**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**December 31, 2012**

	<u>Special Revenue</u>			
	<u>Dispatch</u>	<u>TID #5</u>	<u>TID #2 Morgan Square</u>	<u>Bridge &amp; Street</u>
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 14,162	\$ 63,500	\$ -	\$ 115,657
Receivables (Net where applicable, of allowance for uncollectibles):				
Accounts	-	-	-	-
Special Assessments	-	-	-	-
Due from Other Governmental Agencies	15,000	-	-	-
Restricted Assets:				
Cash and Cash Equivalents	-	-	-	-
Total Assets	<u>29,162</u>	<u>63,500</u>	<u>-</u>	<u>115,657</u>
<b><u>Liabilities</u></b>				
Accounts Payable	2,308	63,500	-	-
Accrued Wages	21,854	-	-	-
Due to Other Funds	-	-	-	-
Advances from Other Funds	-	596,343	-	-
Total Liabilities	<u>24,162</u>	<u>659,843</u>	<u>-</u>	<u>-</u>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue- property taxes	-	-	-	-
Unavailable revenue- special assessments	-	-	-	-
Unavailable revenue- other taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Fund Balances</u></b>				
Reserved for:				
Non-Spendable:				
Perpetual Care	-	-	-	-
Restricted:				
Dispatch	5,000	-	-	-
Perpetual Care	-	-	-	-
Lodging Sales Tax	-	-	-	-
Library	-	-	-	-
Road and Bridge Funds	-	-	-	115,657
Historic Easement Trust	-	-	-	-
Assigned:				
Capital Projects	-	-	-	-
Unassigned	0	(596,343)	-	-
Total Fund Balances (Deficits)	<u>5,000</u>	<u>(596,343)</u>	<u>-</u>	<u>115,657</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 29,162</u>	<u>\$ 63,500</u>	<u>\$ -</u>	<u>\$ 115,657</u>

EXHIBIT A-1

	Special Revenue		Capital Projects	Permanent	Total Governmental Nonmajor Funds	
	Lodging Sales Tax	Library Trust	Historic Easement Trust	Non-Major Capital Projects	Perpetual Care Cemetery	
\$	413,885	\$ 24,014	\$ 21,759	\$ 78,319	\$ 7,673	\$ 738,969
	-	-	-	-	979	979
	-	-	-	173,755	-	173,755
	51,877	-	-	206,285	-	273,162
	-	-	-	-	153,247	153,247
	<u>465,762</u>	<u>24,014</u>	<u>21,759</u>	<u>458,359</u>	<u>161,899</u>	<u>1,340,112</u>
	-	1,151	-	43,793	536	111,288
	-	-	-	-	2,136	23,990
	-	-	-	142,000	-	142,000
	-	-	-	-	-	596,343
	-	<u>1,151</u>	-	<u>185,793</u>	<u>2,672</u>	<u>873,621</u>
	-	-	-	-	-	-
	-	-	-	142,539	-	142,539
	<u>11,449</u>	-	-	-	-	<u>11,449</u>
	<u>11,449</u>	-	-	<u>142,539</u>	-	<u>153,988</u>
	-	-	-	-	50,000	50,000
	-	-	-	-	-	5,000
	-	-	-	-	109,227	109,227
	454,313	-	-	-	-	454,313
	-	22,863	-	-	-	22,863
	-	-	21,759	-	-	115,657
	-	-	-	-	-	21,759
	-	-	-	130,027	-	130,027
	<u>454,313</u>	<u>22,863</u>	<u>21,759</u>	<u>130,027</u>	<u>159,227</u>	<u>312,503</u>
	<u>\$ 465,762</u>	<u>\$ 24,014</u>	<u>\$ 21,759</u>	<u>\$ 458,359</u>	<u>\$ 161,899</u>	<u>\$ 1,340,112</u>

**CITY OF YANKTON, SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended December 31, 2012**

	Special Revenue			
	Dispatch	TID #5	TID #2 Morgan Square	Bridge & Street
<b>Revenue:</b>				
Taxes	\$ -	\$ 66	\$ 53,805	\$ -
Sales and Other Taxes	-	-	-	21,397
Special Assessments	-	-	-	-
Intergovernmental	62,588	-	-	-
Charges for Services	-	-	-	-
Interest on Investments	391	-	-	419
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenue</b>	<u>62,979</u>	<u>66</u>	<u>53,805</u>	<u>21,816</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public Safety	483,931	-	-	-
Public Works	-	-	53,805	-
Culture and Recreation	-	-	-	-
Community Development	-	205,811	-	-
<b>Capital Outlay:</b>				
Public Works	-	-	-	-
Culture-Recreation	-	-	-	-
<b>Total Expenditures</b>	<u>463,931</u>	<u>205,811</u>	<u>53,805</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(400,952)</u>	<u>(205,745)</u>	<u>-</u>	<u>21,816</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	423,923	-	-	-
Transfers Out	-	(390,598)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>423,923</u>	<u>(390,598)</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	22,971	(596,343)	-	21,816
<b>Fund Balances (Deficits) - Beginning of Year</b>	(17,971)	-	-	93,841
<b>Fund Balances (Deficits)- End of Year</b>	<u>\$ 5,000</u>	<u>\$ (596,343)</u>	<u>\$ -</u>	<u>\$ 115,657</u>

EXHIBIT A-2

Special Revenue			Capital Projects	Permanent	Total Governmental Nonmajor Funds
Lodging Sales Tax	Library Trust	Historic Easement Trust	Non-Major Capital Projects	Perpetual Care Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,871
530,545	-	-	-	-	551,942
-	-	-	40,558	-	40,558
-	-	-	198,953	-	281,541
57	-	-	-	27,570	27,627
2,950	95	91	142	793	4,881
-	15,128	-	2,205	-	17,333
150	-	-	-	2,067	2,217
<u>533,702</u>	<u>15,223</u>	<u>91</u>	<u>241,858</u>	<u>30,430</u>	<u>959,970</u>
-	-	-	-	-	463,931
-	-	-	-	-	53,805
-	13,344	-	-	82,126	95,470
256,541	-	-	-	-	462,352
-	-	-	213,172	-	213,172
-	-	-	45,351	-	45,351
<u>256,541</u>	<u>13,344</u>	<u>-</u>	<u>258,523</u>	<u>82,126</u>	<u>1,334,081</u>
<u>277,161</u>	<u>1,879</u>	<u>91</u>	<u>(16,665)</u>	<u>(51,696)</u>	<u>(374,111)</u>
-	-	-	463,092	51,698	938,713
(400,160)	-	-	(33,510)	-	(824,268)
<u>(400,160)</u>	<u>-</u>	<u>-</u>	<u>429,582</u>	<u>51,698</u>	<u>114,445</u>
(122,999)	1,879	91	412,917	2	(259,666)
577,312	20,984	21,668	(282,890)	159,225	572,169
<u>\$ 454,313</u>	<u>\$ 22,863</u>	<u>\$ 21,759</u>	<u>\$ 130,027</u>	<u>\$ 159,227</u>	<u>\$ 312,503</u>

**CITY OF YANKTON, SOUTH DAKOTA**  
**COMBINING BALANCE SHEET**  
**Nonmajor Capital Projects Funds**  
**December 31, 2012**

	<b>Infrastructure Improvement</b>	<b>Park Capital Projects</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 31,437	\$ 7,847
Due from Other Governments		
Special Assessments		
Total Assets	31,437	7,847
<b><u>Liabilities</u></b>		
Accounts Payable		4,888
Due to Other Funds		
Total Liabilities	-	4,888
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable revenue- special assessments		
Total Deferred Inflows of Resources	-	-
<b><u>Fund Balances</u></b>		
Assigned:		
Capital Projects	31,437	2,959
Total Fund Balances	31,437	2,959
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 31,437	\$ 7,847



EXHIBIT A-3

<u>Airport Capital Improvement</u>	<u>Infrastructure Improvement Revolving</u>	<u>Totals</u>
\$ 39,035	\$ -	\$ 78,319
206,285	-	206,285
<u>245,320</u>	<u>173,755</u>	<u>173,755</u>
<u>245,320</u>	<u>173,755</u>	<u>458,359</u>
38,905		43,793
142,000		142,000
<u>180,905</u>	-	<u>185,793</u>
	142,539	142,539
-	<u>142,539</u>	<u>142,539</u>
64,415	31,216	130,027
<u>64,415</u>	<u>31,216</u>	<u>130,027</u>
<u>\$ 245,320</u>	<u>\$ 173,755</u>	<u>\$ 458,359</u>

**CITY OF YANKTON, SOUTH DAKOTA  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 Nonmajor Capital Projects Funds  
 For the Year Ended December 31, 2012**

	<u>Infrastructure Improvement</u>	<u>Park Capital Projects</u>
Revenues:		
Special Assessments	\$ -	\$ -
Intergovernmental		
Interest		
Contributions		2,205
Total Revenues	<u>-</u>	<u>2,205</u>
Expenditures:		
Capital Outlay:		
Public Works	25,005	
Culture-Recreation		45,351
Total Expenditures	<u>25,005</u>	<u>45,351</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(25,005)</u>	<u>(43,146)</u>
Other Financing Sources (Uses):		
Transfers In	33,510	412,613
Transfers (out)		
Total Other Financing Sources (Uses)	<u>33,510</u>	<u>412,613</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	8,505	369,467
Fund Balances (Deficits) at Beginning of Year	<u>22,932</u>	<u>(366,508)</u>
Fund Balances at End of Year	<u>\$ 31,437</u>	<u>\$ 2,959</u>

EXHIBIT A-4

Airport Capital Improvement	Infrastructure Improvement Revolving	Totals
\$ -	\$ 40,558	\$ 40,558
198,953		198,953
	142	142
		2,205
<u>198,953</u>	<u>40,700</u>	<u>241,858</u>
188,167		213,172
		45,351
<u>188,167</u>	<u>-</u>	<u>258,523</u>
<u>10,786</u>	<u>40,700</u>	<u>(16,665)</u>
16,969		463,092
	(33,510)	(33,510)
<u>16,969</u>	<u>(33,510)</u>	<u>429,582</u>
27,755	7,190	412,917
<u>36,660</u>	<u>24,026</u>	<u>(282,890)</u>
<u>\$ 64,415</u>	<u>\$ 31,216</u>	<u>\$ 130,027</u>

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**CITY OF YANKTON, SOUTH DAKOTA  
COMBINING AND INDIVIDUAL FUND STATEMENTS  
PROPRIETARY FUNDS**

**PROPRIETARY FUNDS** – The proprietary funds are established to account for the financing of self-supporting activities of governmental units which render services on a user charge basis to the general public or to other departments of the government.

**Non-Major Enterprise Funds:**

**Solid Waste** – This fund accounts for the operations of a solid waste pickup (collection) for the residents of the City of Yankton.

**Joint Powers Landfill** – On April 9, 1994 the City of Vermillion, City of Yankton, Clay County and Yankton County entered into a joint powers operation for landfill and recycling. The operating activities of the landfill and recycling center located in Vermillion are accounted for by the City of Vermillion while the transfer station and recycling in Yankton are accounted for by the City of Yankton in this fund.

**Golf Course** – This fund was established to account for the operations of an 18-hole municipal, public play golf course.

**Internal Service Funds:**

**Copies and Postage** – This fund has been established to record all charges for copies and postage by all departments prior to allocating these charges to the respective departments.

**Central Garage Fund** – To account for the cost of supplying the fuel, repairs and maintenance of equipment used by all City departments, and fuel for the Yankton County automotive equipment, all purchases are billed at cost plus nominal overhead to defray administrative, equipment and shop maintenance and depreciation costs.

**CITY OF YANKTON, SOUTH DAKOTA**  
**COMBINING STATEMENT OF NET POSITION**  
**Nonmajor Enterprise Funds**  
**December 31, 2012**

	Golf Course	Solid Waste	Joint Powers Landfill	Totals
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 104,993	\$ 528,365	\$ 371,017	\$ 1,004,375
Accounts Receivable (Net of allowance for uncollectibles)	14,792	121,191	68,063	204,046
Prepaid Expenses	3,422	14,092	5,159	22,673
Inventory	55,334	-	-	55,334
Total Current Assets	<u>178,541</u>	<u>663,648</u>	<u>444,239</u>	<u>1,286,428</u>
<b>Noncurrent Assets:</b>				
Restricted Assets : Cash and Cash Equivalents	-	-	24,021	24,021
Property, Plant and Equipment:				
Land	533,787	75,139	11,414	620,340
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>2,570,859</u>	<u>457,814</u>	<u>1,171,882</u>	<u>4,200,555</u>
Total Noncurrent Assets	<u>3,104,646</u>	<u>532,953</u>	<u>1,207,317</u>	<u>4,844,916</u>
Total Assets	<u>3,283,187</u>	<u>1,196,601</u>	<u>1,651,556</u>	<u>6,131,344</u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable	14,360	13,448	21,195	49,003
Accrued Interest Payable	-	-	630	630
Accrued Wages Payable	10,435	10,999	10,020	31,454
Accrued Compensated Absences	3,120	2,912	2,712	8,744
Revenue Bonds Payable	-	-	16,585	16,585
Due to other Funds	118,754	-	-	118,754
Deferred revenues	59,318	-	-	59,318
Total current liabilities	<u>205,987</u>	<u>27,359</u>	<u>51,142</u>	<u>284,488</u>
<b>Noncurrent liabilities:</b>				
Accrued Compensated Absences	17,682	16,504	15,368	49,554
Estimated Postemployment Benefit Obligation	17,549	31,212	20,274	69,035
Revenue Bonds (net of current portion)	-	-	235,372	235,372
Total noncurrent liabilities	<u>35,231</u>	<u>47,716</u>	<u>271,014</u>	<u>353,961</u>
Total Liabilities	<u>241,218</u>	<u>75,075</u>	<u>322,156</u>	<u>638,449</u>
<b>Net Position</b>				
Net Investment in Capital Assets	3,104,646	532,953	931,339	4,568,938
Restricted for Debt Service	-	-	23,391	23,391
Unreserved	(62,677)	588,573	374,670	900,566
Total Net Position	<u>\$ 3,041,969</u>	<u>\$ 1,121,526</u>	<u>\$ 1,329,400</u>	<u>\$ 5,492,895</u>

**CITY OF YANKTON, SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2012**

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Operating Revenues - Charges for Service	<u>\$ 788,489</u>	<u>\$ 837,443</u>	<u>\$ 997,697</u>	<u>\$ 2,623,629</u>
Operating Expenses:				
Personal Services	325,986	298,352	264,368	888,706
Insurance	5,021	5,951	13,490	24,462
Professional Services	22,685	7,506	23,328	53,519
Tipping Fees	-	130,675	4,230	134,905
Repairs and Maintenance	78,952	45,651	175,685	300,288
Cost of Sales and Service	237,875	-	323,344	561,219
Supplies and Materials	51,644	4,637	8,038	64,319
Travel and conference	3,662	-	-	3,662
Utilities	37,015	394	17,323	54,732
Billing and Administration	67,340	243,830	-	311,170
Depreciation	57,883	56,351	127,815	242,049
Total Operating Expenses	<u>888,063</u>	<u>793,347</u>	<u>957,621</u>	<u>2,639,031</u>
Operating Income (Loss)	<u>(99,574)</u>	<u>44,096</u>	<u>40,076</u>	<u>(15,402)</u>
Nonoperating Revenues:				
Interest Income	156	2,048	1,818	4,022
Interest Expense	-	-	(7,960)	(7,960)
Miscellaneous, net	16,509	-	7,736	24,245
Total Nonoperating Revenues	<u>16,665</u>	<u>2,048</u>	<u>1,594</u>	<u>20,307</u>
Change in Net Position	(82,909)	46,144	41,670	4,905
Total Net Position - Beginning	<u>3,124,878</u>	<u>1,075,382</u>	<u>1,287,730</u>	<u>5,487,990</u>
Total Net Position - Ending	<u>\$ 3,041,969</u>	<u>\$ 1,121,526</u>	<u>\$ 1,329,400</u>	<u>\$ 5,492,895</u>

**CITY OF YANKTON, SOUTH DAKOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2012**

	Business-Type			Totals
	Golf Course	Solid Waste	Joint Powers Landfill	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 832,334	\$ 829,668	\$ 983,484	\$ 2,645,486
Cash Received for Interfund Services	-	6,154	-	6,154
Cash Paid to Suppliers for Goods and Services	(496,709)	(393,635)	(423,907)	(1,314,251)
Cash Paid to Employees for Services	(323,114)	(301,686)	(262,764)	(887,564)
Cash Paid for Interfund Services	(24,267)	(45,805)	(147,397)	(217,469)
Other Nonoperating Revenues	16,509	-	7,736	24,245
Net Cash Provided from Operating Activities	<u>4,753</u>	<u>94,696</u>	<u>157,152</u>	<u>256,601</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	(26,404)	(53,706)	(147,599)	(227,709)
Interest Paid on Bonds	-	-	(8,016)	(8,016)
Principal Paid on Notes, Bonds and Leases	-	-	(22,398)	(22,398)
Net Cash (Used) by Capital and Related Financing Activities	<u>(26,404)</u>	<u>(53,706)</u>	<u>(178,013)</u>	<u>(258,123)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Change in Due to Other Funds	118,754	-	-	118,754
Net Cash Provided from Non-Capital Financing Activities	<u>118,754</u>	<u>-</u>	<u>-</u>	<u>118,754</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and Dividends on Investments	156	2,048	1,818	4,022
Net Cash Provided from Investing Activities	<u>156</u>	<u>2,048</u>	<u>1,818</u>	<u>4,022</u>
Net Increase (decrease) in Cash and Cash Equivalents	97,259	43,038	(19,043)	121,254
Cash and Cash Equivalents at Beginning of Year	<u>7,734</u>	<u>485,327</u>	<u>414,081</u>	<u>907,142</u>
Cash and Cash Equivalents at End of Year	<u>\$ 104,993</u>	<u>\$ 528,365</u>	<u>\$ 395,038</u>	<u>\$ 1,028,396</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	\$ (99,574)	\$ 44,096	\$ 40,076	\$ (15,402)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	57,883	56,351	127,815	242,049
Other Non-Operating Income	16,509	-	7,736	24,245
(Increase) Decrease in Assets:				
Accounts Receivable	(12,973)	(1,621)	(14,213)	(28,807)
Inventory	(22,580)	-	-	(22,580)
Prepaid Expenses	(79)	(358)	(146)	(583)
Increase (Decrease) in Liabilities:				
Accounts Payable	5,877	(438)	(5,720)	(281)
Unearned Revenue	56,818	-	-	56,818
Accrued Wages Payable	1,236	1,811	1,315	4,362
Estimated Postemployment Benefit Obligation	(1,002)	(1,503)	(1,252)	(3,757)
Accrued Compensated Absences	2,638	(3,642)	1,541	537
Total Adjustments	<u>104,327</u>	<u>50,600</u>	<u>117,076</u>	<u>272,003</u>
Net Cash Provided by Operating Activities	<u>\$ 4,753</u>	<u>\$ 94,696</u>	<u>\$ 157,152</u>	<u>\$ 256,601</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:</b>				
Cash and Cash Equivalents	\$ 104,993	\$ 528,365	\$ 371,017	\$ 1,004,375
Restricted Cash and Cash Equivalents	-	-	24,021	24,021
	<u>\$ 104,993</u>	<u>\$ 528,365</u>	<u>\$ 395,038</u>	<u>\$ 1,028,396</u>



**CITY OF YANKTON, SOUTH DAKOTA  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 2012**

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash	\$ 1,206	\$ 27,636	\$ 28,842
Accounts Receivable	-	557	557
Inventory	-	167,095	167,095
Due from Other Governments	-	8,971	8,971
Prepaid Expenses	-	1,622	1,622
<b>Total Current Assets</b>	<u>1,206</u>	<u>205,881</u>	<u>207,087</u>
<b>Noncurrent Assets:</b>			
<b>Capital Assets:</b>			
Land	-	7,000	7,000
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	121,649	121,649
<b>Total Capital Assets</b>	<u>-</u>	<u>128,649</u>	<u>128,649</u>
<b>Total Assets</b>	<u>1,206</u>	<u>334,530</u>	<u>335,736</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	1,206	16,115	17,321
Accrued Wages	-	4,935	4,935
Unearned Revenue	-	41	41
Accrued Compensated Absences	-	369	369
<b>Total Current Liabilities</b>	<u>1,206</u>	<u>21,460</u>	<u>22,666</u>
<b>Noncurrent Liabilities:</b>			
Estimated Postemployment Benefit Obligation	-	8,775	8,775
Accrued Compensated Absences	-	2,091	2,091
<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>10,866</u>	<u>10,866</u>
<b>Total Liabilities</b>	<u>1,206</u>	<u>32,326</u>	<u>33,532</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	128,649	128,649
Unreserved	-	173,555	173,555
<b>Total Net Position</b>	<u>\$ -</u>	<u>\$ 302,204</u>	<u>\$ 302,204</u>

**CITY OF YANKTON, SOUTH DAKOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES  
EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
Operating Revenues:			
Charges for Goods and Services	\$ 22,518	\$ 761,892	\$ 784,410
Total Operating Revenue	<u>22,518</u>	<u>761,892</u>	<u>784,410</u>
Operating Expenses:			
Personnel Services		105,442	105,442
Professional Services		2,910	2,910
Repairs and Maintenance		5,636	5,636
Supplies and Materials		588,046	588,046
Utilities		14,431	14,431
Other Current Expenses	22,518		22,518
Depreciation		12,266	12,266
Total Operating Expenses	<u>22,518</u>	<u>728,731</u>	<u>751,249</u>
Operating Income	<u>-</u>	<u>33,161</u>	<u>33,161</u>
Change in Net Position	-	33,161	33,161
Total Net Position - Beginning	-	269,043	269,043
Total Net Position - Ending	<u>\$ -</u>	<u>\$ 302,204</u>	<u>\$ 302,204</u>

**CITY OF YANKTON, SOUTH DAKOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customer Services Provided	\$ 22,518	\$ 110,698	\$ 133,216
Cash Received from Interfund Services Provided		650,349	650,349
Cash Paid for Personal Services		(111,296)	(111,296)
Cash Paid to Suppliers	(21,312)	(613,039)	(634,351)
Cash Paid for Interfund Services		(1,539)	(1,539)
Net Cash Provided by Operating Activities	<u>1,206</u>	<u>35,173</u>	<u>36,379</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and Construction of Capital Assets	-	(41,845)	(41,845)
Net Cash (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(41,845)</u>	<u>(41,845)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,206	(6,672)	(5,466)
Cash and Cash Equivalents Beginning of Year	-	34,308	34,308
Cash and Cash Equivalents End of Year	<u>\$ 1,206</u>	<u>\$ 27,636</u>	<u>\$ 28,842</u>
<b>RENCONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ -	\$ 33,161	\$ 33,161
Adjustments to Renconcile Net Operating Income to Net Cash Provided by Operating Activities:			
Depreciation		12,266	12,266
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Accounts Receivable		(886)	(886)
Unearned Revenue		41	41
Prepaid Expenses		(43)	(43)
Inventory		(5,308)	(5,308)
Accounts Payable	1,206	1,796	3,002
Accrued Wages Payable		948	948
Estimated Postemployment Benefit Obligation		(501)	(501)
Accrued Compensated Absences		(6,301)	(6,301)
Net Cash Provided by Operating Activities	<u>\$ 1,206</u>	<u>\$ 35,173</u>	<u>\$ 36,379</u>

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**CITY OF YANKTON, SOUTH DAKOTA  
COMBINING AND INDIVIDUAL FUND STATEMENTS  
FIDUCIARY FUNDS**

**AGENCY FUNDS**

**Employee Benefits** – This fund has been established as a clearing account used to account for withholding of taxes, insurance, flex plan and retirement from the employees' payroll, and the corresponding City match.

**Sales Tax** – This fund has been established to record taxes collected for remittance for the State of South Dakota on taxable operations of the City.

**CITY OF YANKTON, SOUTH DAKOTA**  
**COMBINING STATEMENT OF NET POSITION**  
**Agency Funds**  
**December 31, 2012**

	<u>Employee Benefits</u>	<u>Sales Tax</u>	<u>Totals</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 12,599	\$ 434	\$ 13,033
Prepaid Expenses	31	-	31
Total assets	<u>12,630</u>	<u>434</u>	<u>13,064</u>
<b>Liabilities</b>			
Other accrued expenses	12,630	-	12,630
Accounts Payable	-	434	434
Total liabilities	<u>12,630</u>	<u>434</u>	<u>13,064</u>
<b>Net Position</b>			
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF YANKTON, SOUTH DAKOTA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Agency Funds**  
**For the Year Ended December 31, 2012**

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2012</u>
<b><u>Employee Benefits</u></b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 16,823	\$ 3,722,723	\$ 3,726,947	\$ 12,599
Prepaid Expenses	--	31	--	31
Total Assets	<u>16,823</u>	<u>3,722,754</u>	<u>3,726,947</u>	<u>12,630</u>
<b>LIABILITIES</b>				
Accrued Taxes Payable		1,529,824	1,529,824	-
Accrued Fringe Benefit Payable	16,823	2,194,704	2,198,897	12,630
Total Liabilities	<u>16,823</u>	<u>3,724,528</u>	<u>3,728,721</u>	<u>12,630</u>
<b><u>Sales Tax</u></b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>538</u>	<u>2,046</u>	<u>2,150</u>	<u>434</u>
<b>LIABILITIES</b>				
Accounts Payable	538	434	538	434
Due to State Government		5,169	5,169	-
Total Liabilities	<u>538</u>	<u>5,603</u>	<u>5,707</u>	<u>434</u>
<b><u>Totals - All Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	17,361	3,724,769	3,729,097	13,033
Prepaid Expenses	--	31	--	31
Total Assets	<u>17,361</u>	<u>3,724,800</u>	<u>3,729,097</u>	<u>13,064</u>
<b>LIABILITIES</b>				
Accounts Payable	538	434	538	434
Accrued Taxes Payable	-	1,529,824	1,529,824	-
Accrued Fringe Benefit Payable	16,823	2,194,704	2,198,897	12,630
Due to State Government	-	5,169	5,169	-
Total Liabilities	<u>\$ 17,361</u>	<u>\$ 3,730,131</u>	<u>\$ 3,734,428</u>	<u>\$ 13,064</u>

CITY OF YANKTON, SOUTH DAKOTA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Dispatch			TID #2 Morgan Square		
	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes:						
General Sales & Use	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Tax	-	-	-	53,805	53,805	-
Intergovernmental	60,000	62,588	2,588	-	-	-
Charges for goods & services	-	-	-	-	-	-
Interest earned	-	391	391	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenue	<u>60,000</u>	<u>62,979</u>	<u>2,979</u>	<u>53,805</u>	<u>53,805</u>	<u>-</u>
<b>EXPENDITURES</b>						
Current:						
Public works	-	-	-	53,805	53,805	-
Special Appropriations	-	-	-	-	-	-
Public Safety	579,473	463,931	115,542	-	-	-
Community Development	-	-	-	-	-	-
Total Expenditures	<u>579,473</u>	<u>463,931</u>	<u>115,542</u>	<u>53,805</u>	<u>53,805</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(519,473)</u>	<u>(400,952)</u>	<u>118,521</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES(USES)</b>						
Transfers in	519,473	423,923	(95,550)	-	-	-
Transfer (out)	-	-	-	-	-	-
Total other financing sources(uses)	<u>519,473</u>	<u>423,923</u>	<u>(95,550)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>22,971</u>	<u>22,971</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		<u>(17,971)</u>			<u>-</u>	
Fund balances - ending		<u>\$ 5,000</u>			<u>\$ -</u>	



EXHIBIT D-1

Bridge & Street			Lodging Sales Tax			TID #5		
Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
\$ 21,397	\$ 21,397	\$ -	\$ 516,545	\$ 530,545	\$ 14,000	\$ -	\$ -	\$ -
-	-	-	-	-	-	3,200	66	(3,134)
-	-	-	5,000	57	(4,943)	-	-	-
500	419	(81)	4,000	2,950	(1,050)	-	-	-
-	-	-	-	150	150	-	-	-
<u>21,897</u>	<u>21,816</u>	<u>(81)</u>	<u>525,545</u>	<u>533,702</u>	<u>8,157</u>	<u>3,200</u>	<u>66</u>	<u>(3,134)</u>
123,000	-	123,000	-	-	-	-	-	-
-	-	-	299,503	256,541	42,962	-	-	-
-	-	-	-	-	-	250,000	205,811	44,189
<u>123,000</u>	<u>-</u>	<u>123,000</u>	<u>299,503</u>	<u>256,541</u>	<u>42,962</u>	<u>250,000</u>	<u>205,811</u>	<u>44,189</u>
<u>(101,103)</u>	<u>21,816</u>	<u>122,919</u>	<u>226,042</u>	<u>277,161</u>	<u>51,119</u>	<u>(246,800)</u>	<u>(205,745)</u>	<u>41,055</u>
-	-	-	-	-	-	250,000	-	(250,000)
-	-	-	(400,160)	(400,180)	-	(3,200)	(390,598)	(387,398)
-	-	-	(400,160)	(400,160)	-	(3,200)	(390,598)	(387,398)
<u>(101,103)</u>	<u>21,816</u>	<u>122,919</u>	<u>226,042</u>	<u>(122,999)</u>	<u>51,119</u>	<u>(250,000)</u>	<u>(598,343)</u>	<u>(346,343)</u>
	<u>93,841</u>			<u>577,312</u>				
	<u>\$ 115,657</u>			<u>\$ 454,313</u>			<u>\$ (596,343)</u>	

CITY OF YANKTON, SOUTH DAKOTA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 CAPITAL PROJECT FUNDS AND PERMANENT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Capital Improvement Fund			Airport Capital Improvement		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 2,418,570	\$ 2,870,203	\$ 251,633	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-	-
Intergovernmental	2,100,000	-	(2,100,000)	859,450	188,953	(660,497)
Charges for Services	-	-	-	-	-	-
Interest	30,000	27,472	(2,528)	-	-	-
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenue	<u>4,548,570</u>	<u>2,697,675</u>	<u>(1,850,895)</u>	<u>859,450</u>	<u>188,953</u>	<u>(660,497)</u>
EXPENDITURES						
Culture and Recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
General Government	-	-	-	-	-	-
Public Works	8,119,329	2,000,260	6,119,069	885,000	188,167	696,833
Total expenditures	<u>8,119,329</u>	<u>2,000,260</u>	<u>6,119,069</u>	<u>885,000</u>	<u>188,167</u>	<u>696,833</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,570,759)</u>	<u>697,415</u>	<u>4,268,174</u>	<u>(25,550)</u>	<u>10,786</u>	<u>36,336</u>
OTHER FINANCING SOURCES(USES)						
Transfers (out)	(125,303)	(268,768)	(143,465)	-	-	-
Transfer in	-	641,999	641,999	16,969	16,969	-
Total other financing sources(uses)	<u>(125,303)</u>	<u>373,231</u>	<u>488,534</u>	<u>16,969</u>	<u>16,969</u>	<u>-</u>
Net change in fund balances	<u>(3,896,062)</u>	<u>1,070,646</u>	<u>4,766,708</u>	<u>(8,581)</u>	<u>27,755</u>	<u>36,336</u>
Fund balances - beginning		<u>4,483,663</u>			<u>36,860</u>	
Fund balances - ending		<u>\$ 5,564,309</u>		<u>\$ 64,415</u>		

EXHIBIT D-2

Public Improvement Cap. Project			Infrastructure Improvement			Park Capital		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
107,500	104,229	(3,271)	-	-	-	-	-	-
-	77,589	77,589	-	-	-	-	-	-
-	83	83	-	-	-	-	-	-
-	-	-	-	-	-	-	2,205	2,205
107,500	181,901	74,401	-	-	-	-	2,205	2,205
-	-	-	-	-	-	412,613	45,351	367,262
2,067,500	104,496	1,963,004	-	-	-	-	-	-
17,600	17,600	-	-	-	-	-	-	-
-	-	-	85,000	25,005	59,995	-	-	-
2,085,100	122,096	1,963,004	85,000	25,005	59,995	412,613	45,351	367,262
(1,977,600)	59,805	2,037,405	(85,000)	(25,005)	59,995	(412,613)	(43,148)	369,467
-	-	-	-	-	-	-	-	-
-	-	-	93,701	33,510	(60,191)	412,613	412,613	-
-	-	-	93,701	33,510	(60,191)	412,613	412,613	-
(1,977,600)	59,805	2,037,405	8,701	8,505	(196)	-	369,467	369,467
-	(79,119)	-	-	22,932	-	-	(366,508)	-
\$ (19,314)	-	-	\$ 31,437	-	-	\$ 2,959	-	-

(continued)

CITY OF YANKTON, SOUTH DAKOTA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 CAPITAL PROJECT FUNDS AND PERMANENT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Infrastructure Improvement Revolving			Permanent Fund Perpetual Care Cemetery		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	71,200	40,558	(30,642)	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	25,300	27,570	2,270
Interest	200	142	(58)	1,700	793	(907)
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	2,067	-
Total revenue	<u>71,400</u>	<u>40,700</u>	<u>(30,700)</u>	<u>27,000</u>	<u>30,430</u>	<u>3,430</u>
EXPENDITURES						
Culture and Recreation	-	-	-	112,345	82,126	30,219
Economic Development	-	-	-	-	-	-
General Government	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,345</u>	<u>82,126</u>	<u>30,219</u>
Excess (deficiency) of revenues over (under) expenditures	<u>71,400</u>	<u>40,700</u>	<u>(30,700)</u>	<u>(85,345)</u>	<u>(51,696)</u>	<u>33,649</u>
OTHER FINANCING SOURCES(USES)						
Transfers (out)	(70,000)	(33,510)	36,490	-	-	-
Transfer in	-	-	-	84,860	51,698	(33,162)
Total other financing sources(uses)	<u>(70,000)</u>	<u>(33,510)</u>	<u>36,490</u>	<u>84,860</u>	<u>51,698</u>	<u>(33,162)</u>
Net change in fund balances	<u>1,400</u>	<u>7,190</u>	<u>5,790</u>	<u>(485)</u>	<u>2</u>	<u>487</u>
Fund balances - beginning		<u>24,026</u>			<u>159,225</u>	
Fund balances - ending		<u>\$ 31,216</u>			<u>\$ 159,227</u>	

## SCHEDULE OF FINDINGS

CITY OF YANKTON, SOUTH DAKOTA  
Schedule of Findings  
For the Year Ended December 31, 2012

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**Part I: Summary of the Independent Auditors' Results**

- (a) An unmodified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards:**

**Instances of Non-Compliance:**

No matters were noted.

**Material Weakness:**

**II-A-12 Financial Reporting**

Observation - During the audit, we identified material amounts of payables, bond issue costs and property held for resale not recorded properly in the City's financial statements. Adjustments were made by the City to properly include these changes to the financial statements. A similar condition was noted in the prior audit.

Cause - Due to the limited number of employees, the City does not have sufficient controls in place to ensure that all payables, bond issue costs and property held for resale is properly recorded and that all other applicable adjustments are made.

Possible Effect - Expenses/Expenditures may not be reported in the appropriate fiscal period and/or balance sheet amounts maybe misstated.

Recommendation - The City should implement procedures to ensure all payables, bond issue costs and property held for resale is identified and included in the City's financial statements and that any required adjustments are made.

Response - We will double check the financial statements in the future and all supporting schedules to verify that all adjustments are made properly.

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**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**

Honorable Members of the City Commission  
City of Yankton, South Dakota

We have audited, in accordance with U.S. generally accepted auditing standards 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 YANKTON, SOUTH DAKOTA as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 18, 2013. Our report includes a reference to other auditors who audited the financial statements of the Yankton Housing and Redevelopment Commission, as described in our report on the City of Yankton's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting:**

In planning and performing our audit of the financial statements, we considered the City of Yankton'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 of Yankton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Yankton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. As described in the accompanying schedule of findings we identified a certain deficiency in internal control that we consider to be a material weakness.

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



**Compliance and Other Matters:**

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

**City of Yankton's Response to Findings**

The City of Yankton's response to the finding identified in our audit is described in the accompanying schedule of findings. The City of Yankton'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**

This purpose of this 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

Yankton, South Dakota  
July 18, 2013

