

CITY OF YANKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended

December 31, 2013



CITY OF YANKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

PREPARED BY:
FINANCE DEPARTMENT

AL VIERECK
FINANCE OFFICER

CITY OF YANKTON
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2013
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FINANCIAL SECTION

This Section Contains the Following Subsections:

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AUDITORS' REPORT

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MANAGEMENT DISCUSSION AND ANALYSIS

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BASIC FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS



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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, 2013, 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 \$280,726 and total revenues of \$470,668 as of and for the year ended June 30, 2013. 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, 2013, 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.

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 basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, budgetary compliance schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to

prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements, budgetary compliance schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 14, 2014, 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 14, 2014

Williams & Company, P.C.
Certified Public Accountants

Management Discussion and Analysis December 31, 2013

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, 2013. 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, 2013 by \$88,615,875. Of this amount \$17,355,404 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$4,682,870 during the year. Of this amount the net position of our Governmental Activities increased \$4,198,385 and the net position of our Business-Type Activities increased by \$484,485. The governmental net position and the business type net position increased in large part due to increases in cash and cash equivalents, and construction in progress at years end.
- The City's Governmental Fund Balances increased \$2,144,826 in 2013. Exhibit 4 details the increases.
- The City's long-term debt decreased \$752,510 in 2013. This decrease occurred from the retirement of the USDA Rural Development Notes, and decreases in long term debt from annual debt service payments in the Solid Waste Loans, the Wastewater Revenue Bonds, and the Certificates of Participation for construction of the North Fire Station offset by an increase in Water Revenue Bonds.

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 are 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 Position 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	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 14,075,401	\$ 11,654,611	\$ 10,172,825	\$ 9,706,465	\$ 24,248,226	\$ 21,361,076
Capital Assets	<u>55,824,856</u>	<u>53,948,656</u>	<u>29,934,318</u>	<u>30,225,068</u>	<u>85,759,174</u>	<u>84,173,724</u>
Total Assets	<u>69,900,257</u>	<u>65,603,267</u>	<u>40,107,143</u>	<u>39,931,533</u>	<u>110,007,400</u>	<u>105,534,800</u>
Long-term Liabilities Outstanding	5,049,509	5,296,802	13,067,935	13,659,911	18,117,444	18,956,713
Other Liabilities	<u>1,207,577</u>	<u>861,679</u>	<u>2,066,504</u>	<u>1,783,403</u>	<u>3,274,081</u>	<u>2,645,082</u>
Total Liabilities	<u>6,257,086</u>	<u>6,158,481</u>	<u>15,134,439</u>	<u>15,443,314</u>	<u>21,391,525</u>	<u>21,601,795</u>
Net Position:						
Net Investment in Capital Assets	53,879,856	51,873,002	15,981,597	15,753,839	69,861,453	67,626,841
Restricted	1,375,585	1,229,735	23,433	23,391	1,399,018	1,253,126
Unrestricted	<u>8,387,730</u>	<u>6,342,049</u>	<u>8,967,674</u>	<u>8,710,989</u>	<u>17,355,404</u>	<u>15,053,038</u>
Ending Net Position	<u>\$ 63,643,171</u>	<u>\$ 59,444,786</u>	<u>\$ 24,972,704</u>	<u>\$ 24,488,219</u>	<u>\$ 88,615,875</u>	<u>\$ 83,933,005</u>

This summary reflects an increase in net position of 7.06% for the Governmental Activities and an increase of 1.98% in the Business-Type Activities. The increase in Governmental Activities Capital Assets was largely Cash and Cash Equivalents and Capital Assets. The overall liabilities of the City of Yankton decreased by (\$210,270) or 0.97%, due mainly to a decrease in Revenue Bonds Payable.

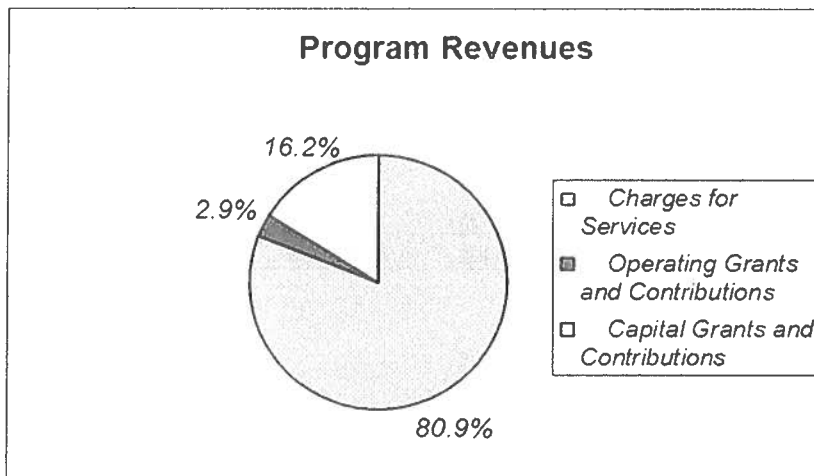
Total revenue reported in 2013 was \$27,761,695, an increase of \$2,083,659 or 8.11%. The largest increase in revenues was in Capital Grants and Contributions; an increase of \$2,089,258 or 435.1%. The Property Tax revenues increased \$177,570 or 7.33%, Sales Tax revenues decreased (\$104,387) or 1.2%. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities:

**CITY OF YANKTON
CHANGES IN NET POSITION**

Revenue Sources	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,611,976	\$ 3,484,430	\$ 9,258,080	\$ 9,476,159	\$12,870,056	\$12,960,589
Operating Grand and Contributions	466,569	462,791	-	-	466,569	462,791
Capital Grants and Contributions	2,517,165	428,290	52,229	51,846	2,569,394	480,136
General Revenues:						
Property Taxes	2,600,003	2,422,433	-	-	2,600,003	2,422,433
Sales Taxes	8,466,651	8,571,038	-	-	8,466,651	8,571,038
Other Taxes	631,782	524,697	-	-	631,782	524,697
Other	89,769	182,723	67,471	73,629	157,240	256,352
Total Revenues	18,383,915	16,076,402	9,377,780	9,601,634	27,761,695	25,678,036
Expenses:						
General Government	1,770,039	1,707,736	-	-	1,770,039	1,707,736
Public Safety	3,335,826	3,301,201	-	-	3,335,826	3,301,201
Public Works	5,315,038	5,554,518	-	-	5,315,038	5,554,518
Culture & Recreation	3,058,774	3,078,638	-	-	3,058,774	3,078,638
Community & Economic Development	627,779	572,187	-	-	627,779	572,187
Interest on Long-term Debt	186,696	241,399	-	-	186,696	241,399
Water	-	-	2,985,267	3,115,680	2,985,267	3,115,680
Wastewater	-	-	3,150,079	3,124,819	3,150,079	3,124,819
Golf	-	-	863,922	888,063	863,922	888,063
Non-Major Enterprise Funds	-	-	1,785,405	1,758,928	1,785,405	1,758,928
Total Expenses	14,294,152	14,455,679	8,784,673	8,887,490	23,078,825	23,343,169
Increase (Decrease) in Net Position						
Before Transfers	4,089,763	1,620,723	593,107	714,144	4,682,870	2,334,867
Transfers	108,622	75,164	(108,622)	(75,164)	-	-
Increase in Net Position	4,198,385	1,695,887	484,485	638,980	4,682,870	2,334,867
Net Position January 1	59,444,786	57,903,771	24,488,219	23,929,633	83,933,005	81,833,404
Prior Period Adjustment	-	(154,872)	-	(80,394)	-	(235,266)
Net Position December 31	\$63,643,171	\$59,444,786	\$24,972,704	\$24,488,219	\$88,615,875	\$83,933,005

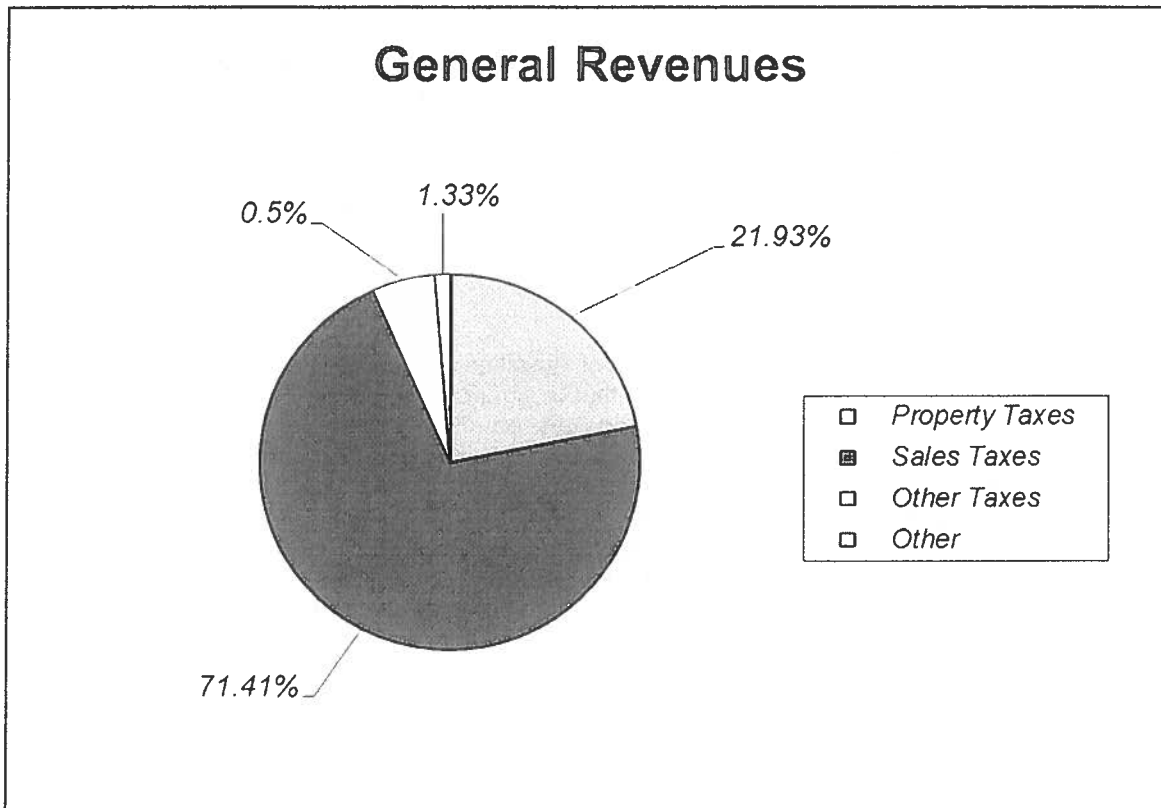
Charges for Services in the Business-Type Activities decreased (\$218,555) or 2.3% due in most part to decreased consumption in water due to an increase in rainfall. Business-Type Activities Total Expenses decreased by (\$102,817) or 1.2%.

Program Revenues total \$15,906,019 for 2013. Governmental Activities provided \$6,595,710 and Business-Type Activities provided \$9,310,309. Revenue collected for Charges for Services during 2013 was \$12,870,056 accounting for 80.9% of the total program revenues. Revenue collected for Capital Grants and Contributions accounts for 16.2% of the total program revenues. The following chart breaks down program revenues by sources:



General Revenues for 2013 totaled \$11,855,676. Governmental Activities provided \$11,788,205 and Business-Type Activities provided \$67,471. Sales Tax Revenues for 2013 totaled \$8,466,651 and Property Tax Revenue totaled \$2,600,003. The Sales Tax Revenues accounted for 71.41% and Property Tax Revenues were 21.93% of General Revenues. The following chart breaks down General Revenues by source:

GENERAL REVENUES



Expenses for 2013 totaled \$23,078,825, a decrease of 1.13%. Expenses for Governmental Activities totaled \$14,294,152 accounting for 61.9% of the total expenses. Expenses for Business-Type Activities totaled \$8,784,673 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 \$3,335,826 and received \$54,763 in charges for services, \$153,754 in operating grants and contributions, thus leaving a cost to the taxpayers of (\$3,127,309) to be funded by various other methods. The 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 \$14,294,152. Of these costs, \$3,611,976 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 \$466,569, and costs paid by other governments and organizations that subsidized certain programs with capital grants and contributions were \$2,517,165, leaving a Net Expense of (\$7,698,442) 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 \$77,937,323, consisting of Net Position January 1, 2013 of \$59,444,786, General Revenues and transfers of \$11,896,827, and Program Revenues of \$6,595,710. Total Governmental Activities during the year expended \$14,294,152; thus, Net Position was increased by \$4,198,385 to \$63,643,171.

Business Type Activities

Business-Type Activities increased the City's net position by \$484,485.

The cost of all Business-Type Activities this year was \$8,784,673. As shown in the Statement of Activities, the amounts paid by users of the systems were \$9,258,080 and \$52,229 was funded from capital grants and contributions, resulting in a net gain for Business-Type Activities of \$525,636.

Total resources available during the year to finance Business-Type Activities were \$33,757,377 consisting of Net Position January 1, 2013 of \$24,488,219, Program Revenues of \$9,310,309 and General Revenues and transfers of (\$41,151). Total Business-Type Activities during the year expended \$8,784,673; thus Net Position was increased by \$484,485 to \$24,972,704.

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 \$12,415,826 (26.8% non-spendable, 10.5% restricted, 53.8% committed, 1.4% assigned, and 7.5% unassigned). The combined Governmental Funds fund balance increased \$2,144,826 from the prior year. The fund balance amount consists of \$3,322,629 of non-spendable funds committed for 1) perpetual care for cemetery \$50,000, 2) \$95,000 for prepaid expenses, 3) \$920,734 for long term advances, 4) \$270,270 in vested reserve in our insurance carrier the South Dakota Public Assurance Association or SDPAA, and 5) inventory of land for resale \$1,986,625; \$1,307,828 of restricted funds; \$6,680,035 of committed funds; \$194,379 of assigned funds, and \$910,955 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 \$5,473,662, an increase of \$1,255,703. 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 37.7 percent of total general fund expenditures, while total fund balance represents 52.7 percent of that same amount.

General fund revenues in 2013 increased \$382,729 or 3.4% due mostly to an increase in licenses and permits. Expenditures decreased (\$551,900) or 5.0%. The decrease in expenditures included a decrease of (\$279,386) in current expenditures or a decrease of 3.0%, and a decrease of (\$272,514) in capital outlay or a decrease of 18.6% less than 2012's expenditures.

The Special Capital Improvements Fund showed an increase in fund balance of \$1,115,726. This reflects an increase in revenues of \$940,454 and an increase in expenditures of \$260,752.

The Debt Service Fund balance increased \$1,975 to end 2013 at \$197,518.

The Other Governmental Funds end of year balance decreased (\$211,245) to \$101,258.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the 2013 original (adopted) General Fund budget of \$12,884,885 to the final budget amount of \$13,411,005 shows a net increase of \$526,120. However, actual expenditures were \$2,489,913 less than the original adopted budget. Supplemental changes that would have resulted in actual expenditures higher than the original budget were offset by less expenditure than originally budgeted in various departments.

The City complied with statutory requirements for expenditures not exceeding the budget appropriation in all general fund 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, 2013 was \$69,861,453 (net of accumulated depreciation and outstanding financings). This was an increase of \$2,234,612 or 3.3%. The comparative totals for capital assets for 2012 and 2013 are as follows:

CITY OF YANKTON CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,497,853	\$ 3,356,881	\$ 815,123	\$ 815,123	\$ 4,312,976	\$ 4,172,004
Construction in Progress	5,945,025	4,029,405	1,019,538	113,799	6,964,563	4,143,204
Buildings & Structures / Infrastructure	40,506,206	40,597,185	24,458,787	25,465,377	64,964,993	66,062,562
Land Improvements	-	-	2,134,370	2,137,477	2,134,370	2,137,477
Furniture and Equipment	<u>5,875,772</u>	<u>5,965,185</u>	<u>1,506,500</u>	<u>1,682,672</u>	<u>7,382,272</u>	<u>7,647,857</u>
Total	<u>\$ 55,824,856</u>	<u>\$ 53,948,656</u>	<u>\$ 29,934,318</u>	<u>\$ 30,214,448</u>	<u>\$ 85,759,174</u>	<u>\$ 84,163,104</u>

Construction in Progress was the major increase in capital outlays for 2013 for both Governmental Activities and Business-Type Activities. 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 \$18,391,140 of debt outstanding, a net decrease of (\$752,510). This decrease in debt was accomplished through normal debt service payments offset by an increase of \$218,906 in Water Revenue Bonds.

Of the total debt, \$4,450,000 or 24.2% is to be paid from governmental activities including \$2,505,000 specifically from sales tax funds, and \$1,945,000 from property tax opt-out dollars; and \$13,941,140 or 75.8% in business type activities including \$6,874,651 to be repaid from water user fees, \$235,371 to be paid from landfill revenues and \$6,831,118 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 \$38,533,287 with outstanding debt (less debt service reserves) of \$16,225,191, leaving an unused balance of \$22,308,096 or 57.9% 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 2013 was \$12,842,385. It was a decrease of \$17,211,232 or 57.3% of the 2012 total of \$30,053,617. The average annual building permit value for the last ten years was \$26,436,438 and the 2013 total value was 51.4% less than that average. New construction building permits included AutoZone, East Eight Motel, Yogurt City, and the Yankton Area Progressive Growth Spec Building. Commercial additions and remodels included the Mount Marty Cafeteria Remodel and Science Complex Renovation, HyVee Customer Service Remodel, Yankton County EMT Storage, Shur-Co Office Renovation, and Avera Sacred Heart Dental Office Renovation. There were twenty new home-building permits issued during the year, an increase of eight from 2012.

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 2013 sales were down 0.73% over 2012's figures and totaled \$452,697,697.

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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment
ASSETS				
Cash and Cash Equivalents	\$ 9,392,667	\$ 8,800,243	\$ 18,192,910	\$ 273,706
Receivables:				
Taxes	32,649	-	32,649	-
Accounts	124,990	1,039,476	1,164,466	3,708
Special Assessments	157,125	-	157,125	-
Other Receivables	-	-	-	1,467
Due from Other Governmental Agencies	1,402,483	-	1,402,483	-
Prepaid Expenses	201,338	61,694	263,032	1,845
Internal Balances	176,501	(176,501)	-	-
Property Held for Resale, At Cost	1,986,625	-	1,986,625	-
Inventories	177,506	423,892	601,398	-
Restricted Assets:				
Cash and Cash Equivalents	153,247	24,021	177,268	-
Deposits	270,270	-	270,270	-
Land	3,497,853	815,123	4,312,976	-
Construction in Progress	5,945,025	1,019,538	6,964,563	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	46,381,978	28,099,657	74,481,635	-
Total Assets	<u>69,900,257</u>	<u>40,107,143</u>	<u>110,007,400</u>	<u>280,726</u>
LIABILITIES				
Accounts Payable	600,388	724,711	1,325,099	284
Due to Other Governments	8,575	-	8,575	-
Accrued Wages	298,348	91,738	390,086	-
Accrued Interest Payable	14,370	86,882	101,252	-
Revenue Collected in Advance	7,800	968	8,768	1,366
Payables from Restricted Assets:				
Customer Deposits	740	-	740	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	1,141,779	1,141,779	-
General Obligation Bonds	110,000	-	110,000	-
Capital Lease	100,000	-	100,000	-
Compensated Absences	67,356	20,426	87,782	1,463
Due in more than one year:				
Revenue Bonds Payable	-	12,810,942	12,810,942	-
Capital Lease	1,845,000	-	1,845,000	-
General Obligation Bonds	2,404,856	-	2,404,856	-
Estimated Postemployment Benefit Obligation	417,968	141,243	559,211	-
Compensated Absences	381,685	115,750	497,435	488
Total Liabilities	<u>6,257,086</u>	<u>15,134,439</u>	<u>21,391,525</u>	<u>3,601</u>
NET POSITION				
Net Investment in Capital Assets	53,879,856	15,981,597	69,861,453	-
Restricted for:				
Housing Vouchers	-	-	-	56,625
Debt Service	183,148	23,433	206,581	-
Lodging Sales Tax	584,541	-	584,541	-
Cumulative Reserve-SDPAA	270,270	-	270,270	-
Other Purposes	183,175	-	183,175	-
Perpetual Care				
Expendable	104,451	-	104,451	-
Nonexpendable	50,000	-	50,000	-
Unrestricted	8,387,730	8,967,674	17,355,404	220,500
Total Net Position	<u>\$ 63,643,171</u>	<u>\$ 24,972,704</u>	<u>\$ 88,615,875</u>	<u>\$ 277,125</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
General Government	\$ 1,770,039	\$ 2,010,796	\$ -
Public Safety	3,335,826	54,763	153,754
Public Works	5,315,038	973,310	270,455
Culture and Recreation	3,058,774	573,107	41,860
Community Development	627,779	-	500
Interest on Long-Term Debt	186,696	-	-
Total Governmental Activities	<u>14,294,152</u>	<u>3,611,976</u>	<u>466,569</u>
Business-Type Activities:			
Water	2,985,267	3,784,524	-
Wastewater	3,150,079	2,935,518	-
Solid Waste	832,941	870,077	-
Joint Powers- Landfill	952,464	940,452	-
Golf Course	863,922	727,509	-
Total Business-Type Activities	<u>8,784,673</u>	<u>9,258,080</u>	<u>-</u>
Component Units:			
Housing & Redevelopment	548,925	-	470,129
Total Component Unit	<u>\$ 548,925</u>	<u>\$ -</u>	<u>\$ 470,129</u>
General Revenues:			
Property taxes			
Sales and other Taxes			
Lodging Sales Tax			
Interest			
Reimbursements			
Miscellaneous			
Gain on Disposition of Assets			
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	
\$ 25	\$ 240,782		\$ 240,782	-
-	(3,127,309)		(3,127,309)	-
2,508,540	(1,562,733)		(1,562,733)	-
8,600	(2,435,207)		(2,435,207)	-
-	(627,279)		(627,279)	-
-	(186,696)		(186,696)	-
<u>2,517,165</u>	<u>(7,698,442)</u>		<u>(7,698,442)</u>	-
33,485		\$ 832,742	832,742	-
18,744		(195,817)	(195,817)	-
-		37,136	37,136	-
-		(12,012)	(12,012)	-
-		(136,413)	(136,413)	-
<u>52,229</u>		<u>525,636</u>	<u>525,636</u>	-
-	-	-	-	\$ (78,796)
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(78,796)</u>
	2,600,003	-	2,600,003	-
	8,466,651	-	8,466,651	-
	631,782	-	631,782	-
	34,989	23,276	58,265	434
	50,655	-	50,655	-
	75	41,020	41,095	105
	4,050	3,175	7,225	-
	108,622	(108,622)	-	-
	<u>11,896,827</u>	<u>(41,151)</u>	<u>11,855,676</u>	<u>539</u>
	4,198,385	484,485	4,682,870	(78,257)
	59,444,786	24,488,219	83,933,005	355,449
	-	-	-	(67)
	<u>59,444,786</u>	<u>24,488,219</u>	<u>83,933,005</u>	<u>355,382</u>
	<u>\$ 63,643,171</u>	<u>\$ 24,972,704</u>	<u>\$ 88,615,875</u>	<u>\$ 277,125</u>

CITY OF YANKTON, SOUTH DAKOTA
BALANCE SHEET
Governmental Funds
December 31, 2013

	General	Special Capital Improvements
<u>Assets</u>		
Cash and Cash Equivalents	\$ 4,056,800	\$ 4,202,696
Receivables (Net where applicable, of allowance for uncollectibles):		
Taxes	32,649	-
Accounts	108,205	-
Special Assessments	17,528	-
Due from Other Funds	285,266	2,021,540
Due from Other Governmental Agencies	584,827	559,576
Advances to Other Funds	920,734	86,104
Prepaid Expenses	95,000	-
Property Held for Resale, At Cost	27,247	-
Restricted Assets:		
Cash and Cash Equivalents	-	-
Deposits	270,270	-
Total Assets	6,398,526	6,869,916
 <u>Liabilities</u>		
Accounts Payable	288,701	105,085
Accrued Wages	268,116	-
Due To Other Governments	-	-
Unearned Revenue	7,800	-
Due to Other Funds	25,515	-
Customer Deposits	740	-
Advances from Other Funds	86,104	-
Total Liabilities	676,976	105,085
 <u>Deferred Inflows of Resources</u>		
Unavailable revenue- property taxes	32,649	-
Unavailable revenue- special assessments	17,528	-
Unavailable revenue- other taxes	191,802	84,796
Unavailable revenue- other	5,909	-
Total Deferred Inflows of Resources	247,888	84,796
 <u>Fund Balances</u>		
Non-Spendable:		
Perpetual Care	-	-
Prepaid Expenses	95,000	-
Cumulative Reserve-SDPAA	270,270	-
Property Held for Resale	27,247	-
Long Term Advances	920,734	-
Restricted:		
Debt Service	-	-
Lodging Sales Tax	-	-
Capital Projects	245,505	-
Perpetual Care	-	-
Other Purposes	-	-
Committed:		
Special Capital Improvements (sales tax)	-	6,680,035
Assigned:		
Capital Projects	-	-
Unassigned	3,914,906	-
Total Fund Balances (Deficits)	5,473,662	6,680,035
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 6,398,526	\$ 6,869,916

EXHIBIT 3

<u>Public Improvement</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,467	\$ 197,518	\$ 841,221	\$ 9,299,702
-	-	-	32,649
-	-	16,785	124,990
-	-	139,597	157,125
-	-	-	2,306,806
8,575	-	240,133	1,393,111
-	-	-	1,006,838
-	-	-	95,000
1,959,378	-	-	1,986,625
-	-	153,247	153,247
-	-	-	270,270
<u>1,969,420</u>	<u>197,518</u>	<u>1,390,983</u>	<u>16,826,363</u>
1,467	-	124,946	520,199
-	-	24,878	292,994
8,575	-	-	8,575
-	-	-	7,800
1,996,025	-	108,765	2,130,305
-	-	-	740
-	-	920,734	1,006,838
<u>2,006,067</u>	<u>-</u>	<u>1,179,323</u>	<u>3,967,451</u>
-	-	-	32,649
-	-	103,040	120,568
-	-	7,362	283,960
-	-	-	5,909
<u>-</u>	<u>-</u>	<u>110,402</u>	<u>443,086</u>
-	-	50,000	50,000
-	-	-	95,000
-	-	-	270,270
1,959,378	-	-	1,986,625
-	-	-	920,734
-	197,518	-	197,518
-	-	577,179	577,179
-	-	-	245,505
-	-	104,451	104,451
-	-	183,175	183,175
-	-	-	6,680,035
-	-	194,379	194,379
(1,996,025)	-	(1,007,926)	910,955
(36,647)	197,518	101,258	12,415,826
<u>\$ 1,969,420</u>	<u>\$ 197,518</u>	<u>\$ 1,390,983</u>	<u>\$ 16,826,363</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, 2013

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

Total Fund Balance - Governmental Funds (page 18)	\$ 12,415,826
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	55,707,041
Deferred revenues that do not provide current financial resources for governmental activities	443,086
Accrued expenses from the balance sheet that do not require current financial resources for governmental activities	(14,370)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	104,702
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	(4,905,395)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds	(409,695)
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>301,976</u>
Total Net Position - Governmental Activities (page 14)	<u>\$ 63,643,171</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended December 31, 2013

	<u>General</u>	<u>Special Capital Improvements</u>	<u>Public Improvement</u>
Revenue:			
Property Taxes	\$ 2,485,598	\$ -	\$ -
Sales and Other Taxes	5,056,962	3,399,569	-
Special Assessments	-	-	-
Licenses and Permits	410,930	-	-
Intergovernmental	551,225	-	42,061
Charges for Services	3,031,474	-	-
Fines and Forfeits	14,442	-	-
Interest on Investments	8,074	23,520	-
Contributions	1,475	2,436	-
Miscellaneous	54,620	212,604	-
Total Revenue	<u>11,614,800</u>	<u>3,638,129</u>	<u>42,061</u>
Current Expenditures:			
General Government	1,709,965	-	17,600
Public Safety	2,564,411	-	-
Public Works	2,527,289	-	-
Culture and Recreation	2,403,709	-	-
Community Development	-	-	41,794
Capital Outlay:			
Public Works	544,624	2,261,012	-
Culture and Recreation	178,895	-	-
General Government	27,736	-	-
Public Safety	207,451	-	-
Debt Service	230,892	-	-
Total Expenditures	<u>10,394,972</u>	<u>2,261,012</u>	<u>59,394</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,219,828</u>	<u>1,377,117</u>	<u>(17,333)</u>
Other Financing Sources (Uses):			
Proceeds From Sale of Fixed Assets	9,406	-	-
Transfers In	538,420	-	-
Transfers Out	(511,951)	(261,391)	-
Total Other Financing Sources (Uses)	<u>35,875</u>	<u>(261,391)</u>	<u>-</u>
Net Change in Fund Balance	1,255,703	1,115,726	(17,333)
Fund Balances -Beginning of Year	<u>4,217,959</u>	<u>5,564,309</u>	<u>(19,314)</u>
Fund Balances- End of Year	<u>\$ 5,473,662</u>	<u>\$ 6,680,035</u>	<u>\$ (36,647)</u>

EXHIBIT 4

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 123,606	\$ 2,609,204
-	645,816	9,102,347
-	40,598	40,598
-	-	410,930
-	174,208	767,494
-	23,985	3,055,459
-	-	14,442
-	3,393	34,987
-	16,277	20,188
-	1,250	268,474
<u>-</u>	<u>1,029,133</u>	<u>16,324,123</u>
-	-	1,727,565
-	506,813	3,071,224
-	55,068	2,582,357
-	100,460	2,504,169
425	604,864	647,083
-	98,106	2,903,742
-	31,724	210,619
-	-	27,736
-	-	207,451
192,565	-	423,457
<u>192,990</u>	<u>1,397,035</u>	<u>14,305,403</u>
<u>(192,990)</u>	<u>(367,902)</u>	<u>2,018,720</u>
-	-	9,406
194,965	547,298	1,280,683
-	(390,641)	(1,163,983)
<u>194,965</u>	<u>156,657</u>	<u>126,106</u>
1,975	(211,245)	2,144,826
<u>195,543</u>	<u>312,503</u>	<u>10,271,000</u>
<u>\$ 197,518</u>	<u>\$ 101,258</u>	<u>\$ 12,415,826</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, 2013

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

Net change in fund balances - total governmental funds (page 21) \$ 2,144,826

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:

Expenditures for capital assets	\$ 2,150,157	
Depreciation Expense	<u>(2,415,879)</u>	(265,722)

Transfer of Governmental Capital Assets to the City's Proprietary Funds (remaining book value). (8,078)

Capital Contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds. 2,166,190

Revenues reported in the funds that are not available to provide current financial resources: (68,981)

Accrued interest expense that does not require current financial resources: 527

Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied. (41,239)

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. (5,356)

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. (228)

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources: 1,151

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. 13,760

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: 235,653

Change in net position of governmental activities (page 16) \$ 4,198,385

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET POSITION
Proprietary Funds
December 31, 2013

	<u>Business-Type</u>	
	<u>Water</u>	<u>Wastewater</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 5,681,376	\$ 2,025,490
Receivables (Net where applicable, of allowance for uncollectibles):		
Accounts	497,192	365,457
Due from Other Governmental Agencies	-	-
Prepaid Insurance	17,862	21,062
Inventories	207,771	166,659
Total Current Assets	<u>6,404,201</u>	<u>2,578,668</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	-	-
Land	128,117	66,666
Construction in Progress	748,180	271,358
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	14,358,725	9,682,189
Total Noncurrent Assets	<u>15,235,022</u>	<u>10,020,213</u>
Total Assets	<u>21,639,223</u>	<u>12,598,881</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	543,038	115,379
Accrued Wages	30,770	20,062
Accrued Interest Payable	48,035	38,259
Accrued Compensated Absences	7,160	4,412
Revenues Collected in Advance	-	-
Due to Other Funds	-	-
Revenue Bonds Payable- Current	385,084	739,608
Total Current Liabilities	<u>1,014,087</u>	<u>917,720</u>
Noncurrent Liabilities:		
Revenue Bonds Payable	6,489,568	6,103,089
Accrued Compensated Absences	40,573	25,005
Estimated Postemployment Benefit Obligation	39,675	36,290
Total Noncurrent Liabilities	<u>6,569,816</u>	<u>6,164,384</u>
Total Liabilities	<u>7,583,903</u>	<u>7,082,104</u>
NET POSITION		
Net investment in capital assets,	8,360,370	3,177,516
Restricted for:		
Debt Service	-	-
Unrestricted	5,694,950	2,339,261
Total Net Position	<u>\$ 14,055,320</u>	<u>\$ 5,516,777</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>
\$ 1,093,377	\$ 8,800,243	\$ 92,965
176,827	1,039,476	-
-	-	9,372
22,770	61,694	1,636
49,462	423,892	177,506
<u>1,342,436</u>	<u>10,325,305</u>	<u>281,479</u>
24,021	24,021	-
620,340	815,123	7,000
-	1,019,538	-
<u>4,058,743</u>	<u>28,099,657</u>	<u>110,815</u>
<u>4,703,104</u>	<u>29,958,339</u>	<u>117,815</u>
<u>6,045,540</u>	<u>40,283,644</u>	<u>399,294</u>
66,294	724,711	80,189
40,906	91,738	5,354
588	86,882	-
8,854	20,426	526
968	968	-
176,501	176,501	-
17,087	1,141,779	-
<u>311,198</u>	<u>2,243,005</u>	<u>86,069</u>
218,285	12,810,942	-
50,172	115,750	2,976
65,278	141,243	8,273
<u>333,735</u>	<u>13,067,935</u>	<u>11,249</u>
<u>644,933</u>	<u>15,310,940</u>	<u>97,318</u>
4,443,711	15,981,597	117,815
23,433	23,433	-
933,463	8,967,674	184,161
<u>\$ 5,400,607</u>	<u>\$ 24,972,704</u>	<u>\$ 301,976</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type	
	Water	Waste- water
Operating Revenues:		
Charges for Services	\$ 3,784,524	\$ 2,935,518
Operating Expenses:		
Personal Services	591,559	542,305
Insurance	49,441	80,146
Professional Services	34,272	162,135
Tipping Fees	-	-
State Fees	5,545	12,500
Repairs and Maintenance	325,048	237,282
Cost of Sales and Service	-	-
Supplies and Materials	255,326	44,661
Travel and Conference	4,446	2,494
Utilities	254,716	175,992
Billing and Administration	625,004	601,392
Other Current Expenses	-	-
Depreciation	647,959	1,072,719
Total Operating Expenses	2,793,316	2,931,626
Operating Income (Loss)	991,208	3,892
Non-Operating Income (Expense):		
Interest Income	14,335	5,994
Gain on Disposition of Assets	-	-
Miscellaneous, net	6,784	5,435
Interest Expense	(191,951)	(218,453)
Total Non-Operating Income (Expenses)	(170,832)	(207,024)
Income (Loss) Before Contributions and Transfers	820,376	(203,132)
Transfers (Out)	(52,000)	(40,700)
Capital Contributions	33,485	18,744
Change in Net Position	801,861	(225,088)
Net Position - Beginning	13,253,459	5,741,865
Net Position - Ending	\$ 14,055,320	\$ 5,516,777

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>
\$ 2,538,038	\$ 9,258,080	\$ 753,856
883,752	2,017,616	107,637
24,455	154,042	-
74,112	270,519	1,778
135,371	135,371	-
-	18,045	-
291,574	853,904	6,091
539,500	539,500	-
65,932	365,919	587,905
2,781	9,721	-
52,290	482,998	17,375
311,170	1,537,566	-
-	-	18,696
260,996	1,981,674	14,602
<u>2,641,933</u>	<u>8,366,875</u>	<u>754,084</u>
(103,895)	891,205	(228)
2,947	23,276	-
3,175	3,175	-
28,801	41,020	-
(7,394)	(417,798)	-
<u>27,529</u>	<u>(350,327)</u>	<u>-</u>
(76,366)	540,878	(228)
(24,000)	(116,700)	-
8,078	60,307	-
(92,288)	484,485	(228)
<u>5,492,895</u>	<u>24,488,219</u>	<u>302,204</u>
<u>\$ 5,400,607</u>	<u>\$ 24,972,704</u>	<u>\$ 301,976</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended December 31, 2013

	<u>Business-Type</u>	
	<u>Water</u>	<u>Waste- Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 3,491,819	\$ 2,899,533
Cash Received from Interfund Services Provided	113,609	27,302
Cash Paid to Suppliers for Goods and Services	(1,133,566)	(1,361,308)
Cash Paid to Employees for Services	(603,593)	(552,679)
Cash Paid for Interfund Services	(16,390)	(34,454)
Other Nonoperating Revenues	6,784	5,435
Net Cash Provided from Operating Activities	<u>1,858,663</u>	<u>983,829</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(1,282,915)	(236,595)
Proceeds from Sale of Fixed Assets	-	-
Proceeds from Bond Issuance	573,145	-
Principal Paid on Notes, Bonds and Leases	(354,238)	(719,176)
Interest Paid on Notes and Bonds	(191,799)	(223,389)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,255,807)</u>	<u>(1,179,160)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Due to Other Funds	-	20,407
Transfers (Out)	(52,000)	(40,700)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(52,000)</u>	<u>(20,293)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	14,335	5,994
Net Cash Provided from Investing Activities	<u>14,335</u>	<u>5,994</u>
Net Increase (Decrease) in Cash and Cash Equivalents	565,191	(209,630)
Cash and Cash Equivalents at Beginning of Year	<u>5,116,185</u>	<u>2,235,120</u>
Cash and Cash Equivalents at End of Year	<u>5,681,376</u>	<u>2,025,490</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	<u>991,208</u>	<u>3,892</u>
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	647,959	1,072,719
Other Non-Operating Income (Expense)	6,784	5,435
(Increase) Decrease in Assets:		
Accounts Receivable	(179,096)	(8,683)
Prepaid Expenses	53	157
Inventories	(27,922)	(36,209)
Increase (Decrease) in Liabilities:		
Accounts Payable	431,711	(43,108)
Accrued Wages	1,096	(2,389)
Accrued Compensated Absences	(10,876)	(6,232)
Estimated Postemployment Benefit Obligation	(2,254)	(1,753)
Unearned Revenue	-	-
Total Adjustments	<u>867,455</u>	<u>979,937</u>
Net Cash Provided by Operating Activities	<u>1,858,663</u>	<u>983,829</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:		
Developers and City Contribution of Capital Assets	<u>33,485</u>	<u>18,744</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents	5,681,376	2,025,490
Restricted Cash and Cash Equivalents	-	-
	<u>\$ 5,681,376</u>	<u>\$ 2,025,490</u>

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>
\$ 2,500,548	\$ 8,891,900	\$ 119,425
6,361	147,272	634,546
(1,264,602)	(3,759,476)	(578,036)
(877,329)	(2,033,601)	(106,678)
(209,517)	(260,361)	(1,366)
28,801	41,020	-
<u>184,262</u>	<u>3,026,754</u>	<u>67,891</u>
(111,107)	(1,630,617)	(3,768)
3,175	3,175	-
-	573,145	-
(16,586)	(1,090,000)	-
(7,436)	(422,624)	-
<u>(131,954)</u>	<u>(2,566,921)</u>	<u>(3,768)</u>
57,747	78,154	-
(24,000)	(116,700)	-
<u>33,747</u>	<u>(38,546)</u>	<u>-</u>
2,947	23,276	-
<u>2,947</u>	<u>23,276</u>	<u>-</u>
89,002	444,563	64,123
1,028,396	8,379,701	28,842
<u>1,117,398</u>	<u>8,824,264</u>	<u>92,965</u>
(103,895)	891,205	(228)
260,996	1,981,674	14,602
28,801	41,020	-
27,221	(160,558)	156
(97)	113	(14)
5,872	(58,259)	(10,411)
17,291	405,894	62,868
9,452	8,159	419
728	(16,380)	1,042
(3,757)	(7,764)	(502)
<u>(58,350)</u>	<u>(58,350)</u>	<u>-</u>
288,157	2,135,549	68,119
<u>184,262</u>	<u>3,026,754</u>	<u>67,891</u>
8,078	60,307	-
1,093,377	8,800,243	92,965
24,021	24,021	-
<u>\$ 1,117,398</u>	<u>\$ 8,824,264</u>	<u>\$ 92,965</u>

CITY OF YANKTON, SOUTH DAKOTA
 STATEMENT OF NET POSITION
 Fiduciary Funds
 December 31, 2013

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 16,973
Prepaid Expenses	518
Total Assets	<u>17,491</u>
Liabilities	
Accounts Payable	401
Other Accrued Expenses	17,090
Total Liabilities	<u>17,491</u>
Net Position	
Unrestricted	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013**

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, 2013**

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, 2013**

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, 2013**

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:

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; 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, 2013**

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, 2013**

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, 2013. 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, 2013**

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, 2013**

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 2013 were \$623,852 of which \$20,279 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, 2013 were \$18,439,006. 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, 2013**

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, 2013, consisted of the following:

	Utility Accounts Receivable	Special Assessment Receivable
Fund:		
Infrastructure Improvement Revolving	\$ -	\$ 42,000
Water Fund	8,764	-
Wastewater Fund	8,588	-
Solid Waste Fund	8,810	-
	\$ 26,162	\$ 42,000

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2013, include the following:

	General	Public Improvement Fund	Special Capital Improvement Fund	Non-Major Governmental Funds
County Remitted Taxes	\$ 12,973	\$ -	\$ -	\$ -
County share of Senior Center and Others	10,969	-	212,604	15,000
County and Other Garage Charges	-	-	-	-
State Remitted Sales Tax	459,938	-	346,972	45,306
State Remitted Liquor and Other Taxes	27,908	-	-	-
State Road Aid	59,007	-	-	-
Federal Grants	1,076	8,575	-	178,261
Other	12,956	-	-	1,566
	\$ 584,827	\$ 8,575	\$ 559,576	\$ 240,133

	Internal Service	Total
County Remitted Taxes	\$ -	\$ 12,973
County share of Senior Center and Others	-	238,573
County and Other Garage Charges	9,372	9,372
State Remitted Sales Tax	-	852,216
State Remitted Liquor and Other Taxes	-	27,908
State Road Aid	-	59,007
Federal Grants	-	187,912
Other	-	14,522
	\$ 9,372	\$ 1,402,483

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 - CAPITAL ASSETS

A summary of the changes in the capital assets for the year ended December 31, 2013, is as follows:

	Balance January 1, 2013	Additions	Deletions	Reclassification	Balance December 31, 2013
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 3,356,881	\$ 140,972	\$ -	\$ -	\$ 3,497,853
Construction in Progress	4,029,405	2,155,791	240,171	-	5,945,025
Total capital assets not being depreciated	7,386,286	2,296,763	240,171	-	9,442,878
Capital assets being depreciated:					
Buildings & Structures/Infrastructure	60,324,687	1,562,308	171,500	-	61,715,495
Furniture & Equipment	13,183,387	701,215	188,242	(41,889)	13,654,471
Total capital assets being depreciated:	73,508,074	2,263,523	359,742	(41,889)	75,369,966
Less: Accumulated Depreciation for:					
Buildings & Structures/Infrastructure	19,727,502	1,651,986	170,199	-	21,209,289
Furniture & Equipment	7,218,202	778,495	184,187	(33,811)	7,778,699
Total Accumulated Depreciation	26,945,704	2,430,481	354,386	(33,811)	28,987,988
Total Capital Assets being depreciated, net	46,562,370	(166,958)	5,356	(8,078)	46,381,978
Governmental activities capital assets, net	\$ 53,948,656	\$ 2,129,805	\$ 245,527	\$ (8,078)	\$ 55,824,856

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

	Balance January 1, 2013	Additions	Deletions	Reclassification	Balance December 31, 2013
Business-Type Activities:					
Capital Assets not being depreciated:					
Land	\$ 815,123	\$ -	\$ -	\$ -	\$ 815,123
Construction in Progress	124,419	895,119	-	-	1,019,538
Total capital assets not being depreciated:	<u>939,542</u>	<u>895,119</u>	<u>-</u>	<u>-</u>	<u>1,834,661</u>
Capital Assets being depreciated:					
Buildings and Structures	50,435,058	702,508	13,566	-	51,124,000
Land Improvements	2,190,047	-	-	-	2,190,047
Furniture & Equipment	5,115,394	85,219	88,128	41,889	5,154,374
Total capital assets, being depreciated	<u>57,740,499</u>	<u>787,727</u>	<u>101,694</u>	<u>41,889</u>	<u>58,468,421</u>
Less: Accumulated Depreciation for:					
Buildings and Structures	24,969,681	1,709,098	13,566	-	26,665,213
Land Improvements	52,570	3,107	-	-	55,677
Furniture & Equipment	3,432,722	269,469	88,128	33,811	3,647,874
Total Accumulated Depreciation	<u>28,454,973</u>	<u>1,981,674</u>	<u>101,694</u>	<u>33,811</u>	<u>30,368,764</u>
Total Capital Assets, being depreciated, net	<u>29,285,526</u>	<u>(1,193,947)</u>	<u>-</u>	<u>8,078</u>	<u>28,099,657</u>
Business-type activities capital assets, net	<u>\$ 30,225,068</u>	<u>\$ (298,828)</u>	<u>\$ -</u>	<u>\$ 8,078</u>	<u>\$ 29,934,318</u>

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

Governmental Activities:	
General Government	\$ 32,709
Community Development	1,199
Public Safety	234,744
Public Works	1,690,225
Culture & Recreation	<u>471,604</u>
Total depreciation expense - governmental activities	<u>\$ 2,430,481</u>

Depreciation expense of \$14,602 was charged to the Internal Service Fund and is included in the Public Works total shown above.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 - CAPITAL ASSETS -- (CONTINUED)

Business-Type Activities:	
Water	\$ 647,959
Wastewater	1,072,719
Solid Waste	60,472
Golf Course	58,544
Joint Powers Landfill	<u>141,980</u>
Total depreciation expense - business-type activities	<u>\$ 1,981,674</u>

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 3,497,853	\$ 815,123
Construction in Progress	5,945,025	1,019,538
Capital Assets (Net of Accumulated Depreciation)	46,381,978	28,099,657
Less: Revenue Bonds	-	13,952,721
Capital Leases	<u>1,945,000</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 53,879,856</u>	<u>\$ 15,981,597</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 - COMMITMENTS

During the year ended December 31, 2013, the City had entered into several construction contracts totaling approximately \$756,437 of which approximately \$363,368 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	\$2,040,000	\$ -	\$ (95,000)	\$1,945,000

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, 2013.

Year Ending December 31,	Principal	Interest	Total
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	115,000	71,780	186,780
2019 – 2023	645,000	280,195	925,195
2024 – 2028	770,000	114,203	884,203
Totals	\$1,945,000	\$ 794,308	\$ 2,739,308

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013 (in thousands of dollars):

	Governmental		Enterprise				Total
	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, 2013	\$ 2,610	\$ 36	\$ 6,656	\$ 3,875	\$ 3,675	\$ 252	\$ 17,104
Notes/Bonds Issued	-	-	573	-	-	-	573
Notes/Bonds Retired	(105)	(36)	(354)	(294)	(425)	(17)	(1,231)
Notes/Bonds Payable at December 31, 2013	\$ 2,505	\$ -	\$ 6,875	\$ 3,581	\$ 3,250	\$ 235	\$ 16,446

Debt outstanding at December 31, 2013, is comprised of the following individual issues:

	Due Within One Year	Due After One Year	Total
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.	\$ 110,000	\$ 2,395,000	\$ 2,505,000
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.	435,000	2,815,000	3,250,000
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.	17,087	218,284	235,371
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.	385,084	6,489,567	6,874,651
Wastewater Revenue Bonds (SRF) maturing October 1, 2023, with an interest rate of 3.5% per annum, paid by the Wastewater Fund.	304,608	3,276,510	3,581,118
Totals	\$1,251,779	\$ 15,194,361	\$ 16,446,140

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 9 - LONG-TERM DEBT – (CONTINUED)

The above governmental bonds are shown net of \$9,857 of unaccreted bond premiums and the business-type activity revenue bonds net of \$11,579 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, 2013, there had been \$2,542,146 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, 2013, including interest payments of \$3,881,482 are as follows:

Year Ending December 31	2011 Sales Tax Bonds		Wastewater Revenue		Water Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 110,000	\$ 84,965	\$ 739,608	\$ 204,458	\$ 385,084	\$ 211,464
2015	110,000	82,765	760,410	184,956	402,135	201,602
2016	115,000	80,565	776,595	164,871	415,365	188,373
2017	115,000	78,265	798,177	143,164	429,032	174,704
2018	120,000	75,850	825,170	119,671	443,151	160,585
2019-2023	640,000	328,195	2,931,158	230,784	2,444,455	574,228
2024-2028	760,000	210,160	-	-	1,539,985	251,703
2029-2031	535,000	47,400	-	-	815,443	37,277
	<u>\$2,505,000</u>	<u>\$ 988,165</u>	<u>\$6,831,118</u>	<u>\$1,047,904</u>	<u>\$6,874,650</u>	<u>\$1,799,936</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Year Ending December 31	Joint Power Landfill (RLA) (SWMP)		Total	
	Principal	Interest	Principal	Interest
2014	\$ 17,087	\$ 6,934	\$ 1,251,779	\$ 507,821
2015	17,603	6,418	1,290,148	475,741
2016	18,135	5,885	1,325,095	439,694
2017	18,683	5,337	1,360,892	401,470
2018	19,248	4,773	1,407,569	360,879
2019-2023	105,327	14,777	6,120,940	1,147,984
2024-2028	39,288	1,353	2,339,273	463,216
2029-2031	-	-	1,350,443	84,677
	<u>\$ 235,371</u>	<u>\$ 45,477</u>	<u>\$16,446,139</u>	<u>\$ 3,881,482</u>

C. Accrued Compensated Absences and OPEB Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 461,758	\$ 366,728	\$ 379,445	\$ 449,041	\$ 67,356
Other Post Employment Benefit Obligation	443,772	26,899	52,703	417,968	-
Business-Type Activities:					
Compensated Absences	152,556	121,160	137,540	136,176	20,426
Other Post Employment Benefit Obligation	149,007	8,096	15,860	141,243	-
Total Accrued Compensated Absences and OPEB Liabilities	<u>\$ 1,207,093</u>	<u>\$ 522,883</u>	<u>\$ 585,548</u>	<u>\$1,144,428</u>	<u>\$ 87,782</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, 2013 were as follows:

	Interfund Receivables	Interfund Payables
Due From/To Other Funds:		
General Fund	\$ 285,266	\$ 25,515
Capital Projects – Special Capital Improvements	2,021,540	-
Capital Projects – Public Improvement	-	1,996,025
Non-major Governmental Funds	-	108,765
Non-major Enterprise Fund	-	176,501
	<u>\$ 2,306,806</u>	<u>\$ 2,306,806</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 10 - INTERFUND ASSETS/LIABILITIES – (CONTINUED)

As of December 31, 2013, long-term advances were as follows:

	Interfund Receivables	Interfund Payables
Advances From/To Other funds:		
General Fund	\$ 920,734	\$ 86,104
Special Capital Improvements	86,104	-
Non-major Governmental Funds	-	920,734
	\$ 1,006,938	\$ 1,006,938

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, 2013, the following funds had deficit fund balances in the amounts shown:

Capital Projects:	
Public Improvement Capital Project	\$ 36,647
Park Capital Projects	23,765
Special Revenue:	
TID #5	984,161

The Public Improvement Capital Project Fund balance deficit will be funded through revenues obtained from future property transactions. The Park Capital deficit will be funded through General Fund appropriations. 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, 2013, 2012, and 2011 were \$406,399, \$392,805 and \$380,628 respectively, equal to the required contributions each year.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 13 - TRANSFERS

The following is a summary of transfers between funds:

	General	Debt Service Fund	Nonmajor Governmental	Total Transfer Out
General	\$ -	\$ -	\$ 511,951	\$ 511,951
Nonmajor Governmental	160,329	194,965	35,347	390,641
Special Cap. Improvements	261,391	-	-	261,391
Solid Waste Fund	24,000	-	-	24,000
Wastewater	40,700	-	-	40,700
Water	52,000	-	-	52,000
Transfer In	<u>\$ 538,420</u>	<u>\$ 194,965</u>	<u>\$ 547,298</u>	<u>\$ 1,280,683</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, 2013, the City made the following one-time transfers:

Transfer from the Special Capital Improvement Fund to the General Fund of \$261,391 to pay the rebate to Menard's for half of sales tax payment.

Transfer to the Debt Service Fund from the TID #5 Fund of \$194,965 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, 2013, 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, 2013**

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, 2013, 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 2013 the City did not appropriately budget for the newly created Business Improvement District Fund.

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, 2013 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, 2013**

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>	<u>(42,930)</u>
<i>Annual OPEB cost (Expense)</i>	34,995
<i>Contributions made</i>	<u>(68,563)</u>
<i>Decrease in net OPEB obligation</i>	(33,568)
<i>Net OPEB obligation – beginning of year</i>	<u>592,779</u>
<i>Net OPEB obligation – end of year</i>	<u><u>\$ 559,211</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 - 2013 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
2013	(34,995)	195.92%	559,211

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2013 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)	\$ 6,285,630
UAAL as a percentage of covered payroll	10.67%

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, 2013**

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 2013 for this component was \$33,438.

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, 2012, and 2013, it was agreed the County would pay \$60,000 per year for dispatch services, which was appropriately paid.

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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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance
	Original	Final		Positive (Negative)
Revenues:				
Taxes - Current Property	\$2,371,023	\$ 2,371,023	\$ 2,485,598	\$ 114,575
Taxes - Sales and Other	5,211,421	5,211,421	5,056,962	(154,459)
Licenses and Permits	342,900	342,900	410,930	68,030
Intergovernmental	776,703	776,703	551,225	(225,478)
Charges for Service	2,838,686	2,981,279	3,031,474	50,195
Fines and Forfeits	13,500	13,500	14,442	942
Interest	200	200	8,074	7,874
Miscellaneous	28,500	28,500	56,095	27,595
Total Revenues	<u>11,582,933</u>	<u>11,725,526</u>	<u>11,614,800</u>	<u>(110,726)</u>
Expenditures:				
General Government:				
Board of City Commission	146,864	146,864	123,199	23,665
Office of City Manager	311,062	311,062	257,717	53,345
City Attorney	48,974	51,174	41,579	9,595
Department of Finance	586,474	586,474	514,648	71,826
Information Systems	242,387	299,387	194,699	104,688
Community Development	400,295	400,295	331,356	68,939
Contingency	200,000	200,000	-	200,000
Casulty Reserve Fund	5,000	5,000	-	5,000
Special Appropriations	286,537	286,537	274,503	12,034
Total General Government	<u>2,227,593</u>	<u>2,286,793</u>	<u>1,737,701</u>	<u>549,092</u>
Public Safety:				
Police Department	2,646,217	2,646,217	2,387,608	258,609
Animal Control	59,479	59,479	51,527	7,952
Fire Department	1,326,723	1,326,723	518,262	808,461
Civil Defense	2,240	2,240	1,175	1,065
Total Public Safety	<u>4,034,659</u>	<u>4,034,659</u>	<u>2,958,572</u>	<u>1,076,087</u>
Public Works:				
Engineering and Inspection	587,159	597,159	513,135	84,024
Streets and Highways	1,705,563	1,705,563	1,315,702	389,861
Snow and Ice Removal	168,363	193,083	116,213	76,870
City Hall	273,198	273,198	161,229	111,969
Traffic Control	340,342	340,342	292,976	47,366
Chan Gurney Airport	719,506	869,506	680,800	188,706
Total Public Works	<u>3,794,131</u>	<u>3,978,851</u>	<u>3,080,055</u>	<u>898,796</u>

(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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Positive (Negative)
	Original	Final		
Culture and Recreation:				
Marne Creek	168,355	342,355	88,193	254,162
Summit Activities Center	728,485	753,485	662,637	90,848
Memorial Park Pool	203,998	203,998	164,928	39,070
Parks and Recreation	985,961	1,055,661	997,765	57,896
Senior Citizens Center	91,314	94,814	82,444	12,370
Yankton Community Library	650,389	660,389	622,677	37,712
Total Culture and Recreation	<u>2,828,502</u>	<u>3,110,702</u>	<u>2,618,644</u>	<u>492,058</u>
Total Expenditures	<u>12,884,885</u>	<u>13,411,005</u>	<u>10,394,972</u>	<u>3,016,033</u>
Excess of Revenues over Expenditures	<u>(1,301,952)</u>	<u>(1,685,479)</u>	<u>1,219,828</u>	<u>2,905,307</u>
Other Financing Sources (Uses):				
Operating Transfers In	528,472	528,472	538,420	9,948
Operating Transfers (Out)	(932,896)	(1,058,403)	(511,951)	546,452
Proceeds from Sale of Fixed Assets	-	-	9,406	9,406
Total Other Financing Sources (Uses)	<u>(404,424)</u>	<u>(529,931)</u>	<u>35,875</u>	<u>565,806</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>(1,706,376)</u>	<u>(2,215,410)</u>	<u>1,255,703</u>	<u>3,471,113</u>
Fund Balances at Beginning of Year	<u>4,217,959</u>	<u>4,217,959</u>	<u>4,217,959</u>	<u>-</u>
Fund Balances at End of Year	<u>\$2,511,583</u>	<u>\$ 2,002,549</u>	<u>\$ 5,473,662</u>	<u>\$ 3,471,113</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013 to the original appropriations by fund were as follows for the General Fund:

	<u>Original Appropriations</u>	<u>Total Revisions</u>	<u>Revised Appropriations</u>
General Fund:			
General Government:			
Information Systems	\$ 242,387	\$ 57,000	\$ 299,387
City Attorney	48,974	2,200	51,174
Public Works:			
Snow & Ice Removal	168,363	24,720	193,083
Engineering & Inspection	587,159	10,000	597,159
Chan Gurney Airport	719,506	150,000	869,506
Culture and Recreation:			
Senior Citizens Center	91,314	3,500	94,814
Community Library	650,389	10,000	660,389
Parks and Recreation	985,691	69,700	1,055,661
Summit Activities Center	728,485	25,000	753,485
Marne Creek	168,355	174,000	342,355
Transfers Out	932,896	125,507	1,058,403

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, 2013.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013.
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, 2013

EXHIBIT 11

Audit Period	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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%
12/31/2013	1/1/2011	-	670,952	670,952	0.00%	6,285,630	10.7%

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

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OTHER SUPPLEMENTARY INFORMATION

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

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 fund 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.

Business Improvement District – This fund is used to collect lodging occupancy tax and the corresponding eligible expenses for the promotion and marketing of facilities, events, attractions and activities located in 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:

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

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.

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, 2013

	<u>Special Revenue</u>				
	<u>Dispatch</u>	<u>Business Improvement District</u>	<u>TID #5</u>	<u>TID #2 Morgan Square</u>	<u>Bridge & Street</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$ 13,563	\$ 79,741	\$ 422	\$ -	\$ 125,517
Receivables (Net where applicable, of allowance for uncollectibles):					
Accounts	-	4,882	-	-	10,699
Special Assessments	-	-	-	-	-
Due from Other Governmental Agencies	15,000	1,566	-	-	-
Restricted Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Total Assets	<u>28,563</u>	<u>86,189</u>	<u>422</u>	<u>-</u>	<u>136,216</u>
<u>Liabilities</u>					
Accounts Payable	1,645	-	63,849	-	4,040
Accrued Wages	22,013	-	-	-	-
Due to Other Funds	-	-	-	-	-
Advances from Other Funds	-	-	920,734	-	-
Total Liabilities	<u>23,658</u>	<u>-</u>	<u>984,583</u>	<u>-</u>	<u>4,040</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue- special assessments	-	-	-	-	-
Unavailable revenue- other taxes	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>					
Non-Spendable:					
Perpetual Care	-	-	-	-	-
Restricted:					
Dispatch	4,905	-	-	-	-
Perpetual Care	-	-	-	-	-
Lodging Sales Tax	-	86,189	-	-	-
Library	-	-	-	-	-
Road and Bridge Funds	-	-	-	-	132,176
Historic Easement Trust	-	-	-	-	-
Assigned:					
Capital Projects	-	-	-	-	-
Unassigned	-	-	(984,161)	-	-
Total Fund Balances (Deficits)	<u>4,905</u>	<u>86,189</u>	<u>(984,161)</u>	<u>-</u>	<u>132,176</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 28,563</u>	<u>\$ 86,189</u>	<u>\$ 422</u>	<u>\$ -</u>	<u>\$ 136,216</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	
\$ 484,746	\$ 24,702	\$ 21,822	\$ 74,977	\$ 15,731	\$ 841,221
-	-	-	-	1,204	16,785
-	-	-	139,597	-	139,597
45,306	-	-	178,261	-	240,133
-	-	-	-	153,247	153,247
<u>530,052</u>	<u>24,702</u>	<u>21,822</u>	<u>392,835</u>	<u>170,182</u>	<u>1,390,983</u>
31,700	430	-	10,416	12,866	124,946
-	-	-	-	2,865	24,878
-	-	-	108,765	-	108,765
-	-	-	-	-	920,734
<u>31,700</u>	<u>430</u>	<u>-</u>	<u>119,181</u>	<u>15,731</u>	<u>1,179,323</u>
-	-	-	103,040	-	103,040
7,362	-	-	-	-	7,362
<u>7,362</u>	<u>-</u>	<u>-</u>	<u>103,040</u>	<u>-</u>	<u>110,402</u>
-	-	-	-	50,000	50,000
-	-	-	-	-	4,905
-	-	-	-	104,451	104,451
490,990	-	-	-	-	577,179
-	24,272	-	-	-	24,272
-	-	-	-	-	132,176
-	-	21,822	-	-	21,822
-	-	-	170,614	-	170,614
-	-	-	-	-	(984,161)
<u>490,990</u>	<u>24,272</u>	<u>21,822</u>	<u>170,614</u>	<u>154,451</u>	<u>101,258</u>
<u>\$ 530,052</u>	<u>\$ 24,702</u>	<u>\$ 21,822</u>	<u>\$ 392,835</u>	<u>\$ 170,182</u>	<u>\$ 1,390,983</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, 2013

	Special Revenue				
	Dispatch	Business Improvement District	TID #5	TID #2 Morgan Square	Bridge & Street
Revenue:					
Taxes	\$ -	\$ -	\$ 68,538	\$ 55,068	\$ -
Sales and Other Taxes	-	87,448	-	-	21,397
Special Assessments	-	-	-	-	-
Intergovernmental	86,458	-	-	-	-
Charges for Services	-	-	-	-	-
Interest on Investments	517	-	-	-	352
Contributions	-	500	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenue	<u>86,975</u>	<u>87,948</u>	<u>68,538</u>	<u>55,068</u>	<u>21,749</u>
Expenditures:					
Current:					
Public Safety	506,813	-	-	-	-
Public Works	-	-	-	55,068	-
Culture and Recreation	-	-	-	-	-
Community Development	-	-	261,391	-	-
Capital Outlay:					
Public Works	-	-	-	-	5,230
Culture-Recreation	-	-	-	-	-
Total Expenditures	<u>506,813</u>	<u>-</u>	<u>261,391</u>	<u>55,068</u>	<u>5,230</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(419,838)</u>	<u>87,948</u>	<u>(192,853)</u>	<u>-</u>	<u>16,519</u>
Other Financing Sources (Uses):					
Transfers In	419,743	-	-	-	-
Transfers Out	-	(1,759)	(194,965)	-	-
Total Other Financing Sources (Uses)	<u>419,743</u>	<u>(1,759)</u>	<u>(194,965)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(95)	86,189	(387,818)	-	16,519
Fund Balances (Deficits) - Beginning of Year	5,000	-	(596,343)	-	115,657
Fund Balances (Deficits)- End of Year	<u>\$ 4,905</u>	<u>\$ 86,189</u>	<u>\$ (984,161)</u>	<u>\$ -</u>	<u>\$ 132,176</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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,606
536,971	-	-	-	-	645,816
-	-	-	40,598	-	40,598
-	-	-	87,750	-	174,208
-	-	-	-	23,985	23,985
1,751	69	63	88	553	3,393
-	10,777	-	5,000	-	16,277
-	-	-	-	1,250	1,250
<u>538,722</u>	<u>10,846</u>	<u>63</u>	<u>133,436</u>	<u>25,788</u>	<u>1,029,133</u>
-	-	-	-	-	506,813
-	-	-	-	-	55,068
-	9,437	-	-	91,023	100,460
<u>343,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>604,864</u>
-	-	-	92,876	-	98,106
-	-	-	31,724	-	31,724
<u>343,473</u>	<u>9,437</u>	<u>-</u>	<u>124,600</u>	<u>91,023</u>	<u>1,397,035</u>
<u>195,249</u>	<u>1,409</u>	<u>63</u>	<u>8,836</u>	<u>(65,235)</u>	<u>(367,902)</u>
-	-	-	67,096	60,459	547,298
<u>(158,572)</u>	<u>-</u>	<u>-</u>	<u>(35,345)</u>	<u>-</u>	<u>(390,641)</u>
<u>(158,572)</u>	<u>-</u>	<u>-</u>	<u>31,751</u>	<u>60,459</u>	<u>156,657</u>
36,677	1,409	63	40,587	(4,776)	(211,245)
<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>\$ 490,990</u>	<u>\$ 24,272</u>	<u>\$ 21,822</u>	<u>\$ 170,614</u>	<u>\$ 154,451</u>	<u>\$ 101,258</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds
December 31, 2013

	Infrastructure Improvement	Park Capital Projects
<u>Assets</u>		
Cash and Cash Equivalents	\$ 66,783	\$ -
Due from Other Governments		
Special Assessments		
Total Assets	66,783	-
 <u>Liabilities</u>		
Accounts Payable		
Due to Other Funds		23,765
Total Liabilities	-	23,765
 <u>Deferred Inflows of Resources</u>		
Unavailable revenue- special assessments		
Total Deferred Inflows of Resources	-	-
 <u>Fund Balances</u>		
Assigned:		
Capital Projects	66,783	
Unassigned		(23,765)
Total Fund Balances	66,783	(23,765)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 66,783	\$ -

EXHIBIT A-3

<u>Airport Capital Improvement</u>	<u>Infrastructure Improvement Revolving</u>	<u>Totals</u>
\$ 8,194	\$ -	\$ 74,977
178,261		178,261
	139,597	139,597
<u>186,455</u>	<u>139,597</u>	<u>392,835</u>
10,416		10,416
85,000		108,765
<u>95,416</u>	<u>-</u>	<u>119,181</u>
	103,040	103,040
<u>-</u>	<u>103,040</u>	<u>103,040</u>
91,039	36,557	194,379
		(23,765)
<u>91,039</u>	<u>36,557</u>	<u>170,614</u>
<u>\$ 186,455</u>	<u>\$ 139,597</u>	<u>\$ 392,835</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, 2013

	<u>Infrastructure Improvement</u>	<u>Park Capital Projects</u>
Revenues:		
Special Assessments	\$ -	\$ -
Intergovernmental		
Interest		
Contributions	<u>-</u>	<u>5,000</u>
Total Revenues	<u>-</u>	<u>5,000</u>
Expenditures:		
Capital Outlay:		
Public Works		
Culture-Recreation	<u>-</u>	<u>31,724</u>
Total Expenditures	<u>-</u>	<u>31,724</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(26,724)</u>
Other Financing Sources (Uses):		
Transfers In	35,346	
Transfers (out)		
Total Other Financing Sources (Uses)	<u>35,346</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	35,346	(26,724)
Fund Balances (Deficits) at Beginning of Year	<u>31,437</u>	<u>2,959</u>
Fund Balances at End of Year	<u>\$ 66,783</u>	<u>\$ (23,765)</u>

EXHIBIT A-4

Airport Capital Improvement	Infrastructure Improvement Revolving	Totals
\$ -	\$ 40,598	\$ 40,598
87,750		87,750
	88	88
		5,000
<u>87,750</u>	<u>40,686</u>	<u>133,436</u>
92,876		92,876
		31,724
<u>92,876</u>	<u>-</u>	<u>124,600</u>
<u>(5,126)</u>	<u>40,686</u>	<u>8,836</u>
31,750		67,096
	(35,345)	(35,345)
<u>31,750</u>	<u>(35,345)</u>	<u>31,751</u>
26,624	5,341	40,587
<u>64,415</u>	<u>31,216</u>	<u>130,027</u>
<u>\$ 91,039</u>	<u>\$ 36,557</u>	<u>\$ 170,614</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, 2013

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 57,741	\$ 594,550	\$ 441,086	\$ 1,093,377
Accounts Receivable (Net of allowance for uncollectibles)	532	126,509	49,786	176,827
Prepaid Expenses	3,431	14,193	5,146	22,770
Inventory	49,462	-	-	49,462
Total Current Assets	<u>111,166</u>	<u>735,252</u>	<u>496,018</u>	<u>1,342,436</u>
Noncurrent Assets:				
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	2,512,315	405,420	1,141,008	4,058,743
Total Noncurrent Assets	<u>3,046,102</u>	<u>480,559</u>	<u>1,176,443</u>	<u>4,703,104</u>
Total Assets	<u>3,157,268</u>	<u>1,215,811</u>	<u>1,672,461</u>	<u>6,045,540</u>
Liabilities				
Current Liabilities:				
Accounts Payable	11,995	16,050	38,249	66,294
Accrued Interest Payable	-	-	588	588
Accrued Wages Payable	22,090	8,504	10,312	40,906
Accrued Compensated Absences	3,328	2,586	2,940	8,854
Revenue Bonds Payable	-	-	17,087	17,087
Due to other Funds	176,501	-	-	176,501
Revenues Collected in Advance	968	-	-	968
Total current liabilities	<u>214,882</u>	<u>27,140</u>	<u>69,176</u>	<u>311,198</u>
Noncurrent liabilities:				
Accrued Compensated Absences	18,854	14,655	16,663	50,172
Estimated Postemployment Benefit Obligation	16,547	29,709	19,022	65,278
Revenue Bonds (net of current portion)	-	-	218,285	218,285
Total noncurrent liabilities	<u>35,401</u>	<u>44,364</u>	<u>253,970</u>	<u>333,735</u>
Total Liabilities	<u>250,283</u>	<u>71,504</u>	<u>323,146</u>	<u>644,933</u>
Net Position				
Net Investment in Capital Assets	3,046,102	480,559	917,050	4,443,711
Restricted for Debt Service	-	-	23,433	23,433
Unreserved	(139,117)	663,748	408,832	933,463
Total Net Position	<u>\$ 2,906,985</u>	<u>\$ 1,144,307</u>	<u>\$ 1,349,315</u>	<u>\$ 5,400,607</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, 2013

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Operating Revenues - Charges for Service	<u>\$ 727,509</u>	<u>\$ 870,077</u>	<u>\$ 940,452</u>	<u>\$2,538,038</u>
Operating Expenses:				
Personal Services	330,891	305,575	247,286	883,752
Insurance	4,944	5,848	13,663	24,455
Professional Services	30,105	19,044	24,963	74,112
Tipping Fees	-	131,051	4,320	135,371
Repairs and Maintenance	54,540	61,083	175,951	291,574
Cost of Sales and Service	231,388	-	308,112	539,500
Supplies and Materials	53,853	5,620	6,459	65,932
Travel and conference	2,781	-	-	2,781
Utilities	29,536	418	22,336	52,290
Billing and Administration	67,340	243,830	-	311,170
Depreciation	58,544	60,472	141,980	260,996
Total Operating Expenses	<u>863,922</u>	<u>832,941</u>	<u>945,070</u>	<u>2,641,933</u>
Operating Income (Loss)	<u>(136,413)</u>	<u>37,136</u>	<u>(4,618)</u>	<u>(103,895)</u>
Nonoperating Revenues:				
Interest Income	112	1,567	1,268	2,947
Interest Expense	-	-	(7,394)	(7,394)
Miscellaneous, net	1,317	-	27,484	28,801
Gain (loss) on disposition of assets	-	-	3,175	3,175
Total Nonoperating Revenues	<u>1,429</u>	<u>1,567</u>	<u>24,533</u>	<u>27,529</u>
Other Financing Sources (Uses):				
Transfers Out	-	(24,000)	-	(24,000)
Contributed Capital Revenue	-	8,078	-	8,078
Total Other Financing Sources (Uses):	<u>-</u>	<u>(15,922)</u>	<u>-</u>	<u>(15,922)</u>
Change in Net Position	(134,984)	22,781	19,915	(92,288)
Total Net Position - Beginning	<u>3,041,969</u>	<u>1,121,526</u>	<u>1,329,400</u>	<u>5,492,895</u>
Total Net Position - Ending	<u>\$2,906,985</u>	<u>\$1,144,307</u>	<u>\$1,349,315</u>	<u>\$5,400,607</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds
For the Year Ended December 31, 2013

	Business-Type			Totals
	Golf Course	Solid Waste	Joint Powers Landfill	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 683,419	\$ 858,398	\$ 958,731	\$2,500,548
Cash Received for Interfund Services	-	6,361	-	6,361
Cash Paid to Suppliers for Goods and Services	(445,163)	(403,421)	(416,018)	(1,264,602)
Cash Paid to Employees for Services	(318,858)	(311,748)	(246,723)	(877,329)
Cash Paid for Interfund Services	(25,826)	(60,972)	(122,719)	(209,517)
Other Nonoperating Revenues	1,317	-	27,484	28,801
Net Cash Provided (Used) from Operating Activities	<u>(105,111)</u>	<u>88,618</u>	<u>200,755</u>	<u>184,262</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	-	-	(111,107)	(111,107)
Proceeds from Sale of Fixed Assets	-	-	3,175	3,175
Interest Paid on Bonds	-	-	(7,436)	(7,436)
Principal Paid on Notes, Bonds and Leases	-	-	(16,586)	(16,586)
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(131,954)</u>	<u>(131,954)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Change in Due to Other Funds	57,747	-	-	57,747
Transfers Out	-	(24,000)	-	(24,000)
Net Cash Provided (Used) from Non-Capital Financing Activities	<u>57,747</u>	<u>(24,000)</u>	<u>-</u>	<u>33,747</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	112	1,567	1,268	2,947
Net Cash Provided from Investing Activities	<u>112</u>	<u>1,567</u>	<u>1,268</u>	<u>2,947</u>
Net Increase (decrease) in Cash and Cash Equivalents	(47,252)	66,185	70,069	89,002
Cash and Cash Equivalents at Beginning of Year	104,993	528,365	395,038	1,028,396
Cash and Cash Equivalents at End of Year	<u>\$ 57,741</u>	<u>\$ 594,550</u>	<u>\$ 465,107</u>	<u>\$ 1,117,398</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (136,413)	\$ 37,136	\$ (4,618)	\$ (103,895)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	58,544	60,472	141,980	260,996
Other Non-Operating Income	1,317	-	27,484	28,801
(Increase) Decrease in Assets:				
Accounts Receivable	14,260	(5,318)	18,279	27,221
Inventory	5,872	-	-	5,872
Prepaid Expenses	(9)	(101)	13	(97)
Increase (Decrease) in Liabilities:				
Accounts Payable	(2,365)	2,602	17,054	17,291
Unearned Revenue	(58,350)	-	-	(58,350)
Accrued Wages Payable	11,655	(2,495)	292	9,452
Estimated Postemployment Benefit Obligation	(1,002)	(1,503)	(1,252)	(3,757)
Accrued Compensated Absences	1,380	(2,175)	1,523	728
Total Adjustments	<u>31,302</u>	<u>51,482</u>	<u>205,373</u>	<u>288,157</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (105,111)</u>	<u>\$ 88,618</u>	<u>\$ 200,755</u>	<u>\$ 184,262</u>
Developers and City Contribution of Capital Assets	<u>\$ -</u>	<u>\$ 8,078</u>	<u>\$ -</u>	<u>\$ 8,078</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 57,741	\$ 594,550	\$ 441,086	\$ 1,093,377
Restricted Cash and Cash Equivalents	-	-	24,021	24,021
	<u>\$ 57,741</u>	<u>\$ 594,550</u>	<u>\$ 465,107</u>	<u>\$ 1,117,398</u>

**CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2013**

	Copier- Fax- Postage	Central Garage	Totals
ASSETS:			
Current Assets:			
Cash	\$ 1,277	\$ 91,688	\$ 92,965
Inventory	-	177,506	177,506
Due from Other Governments	-	9,372	9,372
Prepaid Expenses	-	1,636	1,636
Total Current Assets	1,277	280,202	281,479
Noncurrent Assets:			
Capital Assets:			
Land	-	7,000	7,000
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	110,815	110,815
Total Capital Assets	-	117,815	117,815
Total Assets	1,277	398,017	399,294
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,277	78,912	80,189
Accrued Wages	-	5,354	5,354
Accrued Compensated Absences	-	526	526
Total Current Liabilities	1,277	84,792	86,069
Noncurrent Liabilities:			
Estimated Postemployment Benefit Obligation	-	8,273	8,273
Accrued Compensated Absences	-	2,976	2,976
Total Noncurrent Liabilities	-	11,249	11,249
Total Liabilities	1,277	96,041	97,318
NET POSITION			
Net Investment in Capital Assets	-	117,815	117,815
Unreserved	-	184,161	184,161
Total Net Position	\$ -	\$ 301,976	\$ 301,976

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, 2013

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
Operating Revenues:			
Charges for Goods and Services	\$ 18,696	\$ 735,160	\$ 753,856
Total Operating Revenue	<u>18,696</u>	<u>735,160</u>	<u>753,856</u>
Operating Expenses:			
Personnel Services	-	107,637	107,637
Professional Services	-	1,778	1,778
Repairs and Maintenance	-	6,091	6,091
Supplies and Materials	-	587,905	587,905
Utilities	-	17,375	17,375
Other Current Expenses	18,696	-	18,696
Depreciation	-	14,602	14,602
Total Operating Expenses	<u>18,696</u>	<u>735,388</u>	<u>754,084</u>
Operating Income	<u>-</u>	<u>(228)</u>	<u>(228)</u>
Change in Net Position	-	(228)	(228)
Total Net Position - Beginning	-	302,204	302,204
Total Net Position - Ending	<u>\$ -</u>	<u>\$ 301,976</u>	<u>\$ 301,976</u>

**CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

	Copier- Fax- Postage	Central Garage	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customer Services Provided	\$ -	\$ 119,425	\$ 119,425
Cash Received from Interfund Services Provided	18,696	615,850	634,546
Cash Paid for Personal Services	-	(106,678)	(106,678)
Cash Paid to Suppliers	(18,625)	(559,411)	(578,036)
Cash Paid for Interfund Services	-	(1,366)	(1,366)
Net Cash Provided by Operating Activities	<u>71</u>	<u>67,820</u>	<u>67,891</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	-	(3,768)	(3,768)
Net Cash (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(3,768)</u>	<u>(3,768)</u>
Net Increase in Cash and Cash Equivalents	71	64,052	64,123
Cash and Cash Equivalents Beginning of Year	<u>1,206</u>	<u>27,636</u>	<u>28,842</u>
Cash and Cash Equivalents End of Year	<u>\$ 1,277</u>	<u>\$ 91,688</u>	<u>\$ 92,965</u>
RENCONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ -	\$ (228)	\$ (228)
Adjustments to Renconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	-	14,602	14,602
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Accounts Receivable	-	156	156
Unearned Revenue	-	(41)	(41)
Prepaid Expenses	-	(14)	(14)
Inventory	-	(10,411)	(10,411)
Accounts Payable	71	62,797	62,868
Accrued Wages Payable	-	419	419
Estimated Postemployment Benefit Obligation	-	(502)	(502)
Accrued Compensated Absences	-	1,042	1,042
Net Cash Provided by Operating Activities	<u>\$ 71</u>	<u>\$ 67,820</u>	<u>\$ 67,891</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, 2013

	<u>Employee Benefits</u>	<u>Sales Tax</u>	<u>Totals</u>
Assets			
Cash and Cash Equivalents	\$ 16,572	\$ 401	\$ 16,973
Prepaid Expenses	<u>518</u>	<u>-</u>	<u>518</u>
Total assets	<u>17,090</u>	<u>401</u>	<u>17,491</u>
Liabilities			
Other accrued expenses	17,090	-	17,090
Accounts Payable	<u>-</u>	<u>401</u>	<u>401</u>
Total liabilities	<u>17,090</u>	<u>401</u>	<u>17,491</u>
Net Position			
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, 2013

	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2013</u>
<u>Employee Benefits</u>				
ASSETS				
Cash and Cash Equivalents	\$ 12,599	\$ 3,900,963	\$ 3,896,990	\$ 16,572
Prepaid Expenses	31	518	31	518
Total Assets	<u>12,630</u>	<u>3,901,481</u>	<u>3,897,021</u>	<u>17,090</u>
LIABILITIES				
Accrued Taxes Payable	-	1,715,087	1,715,087	-
Accrued Fringe Benefit Payable	12,630	2,189,895	2,185,435	17,090
Total Liabilities	<u>12,630</u>	<u>3,904,982</u>	<u>3,900,522</u>	<u>17,090</u>
<u>Sales Tax</u>				
ASSETS				
Cash and Cash Equivalents	434	2,206	2,239	401
LIABILITIES				
Accounts Payable	434	401	434	401
Due to State Government	-	2,206	2,206	-
Total Liabilities	<u>434</u>	<u>2,607</u>	<u>2,640</u>	<u>401</u>
<u>Totals - All Agency Funds</u>				
ASSETS				
Cash and Cash Equivalents	13,033	3,903,169	3,899,229	16,973
Prepaid Expenses	31	518	31	518
Total Assets	<u>13,064</u>	<u>3,903,687</u>	<u>3,899,260</u>	<u>17,491</u>
LIABILITIES				
Accounts Payable	434	401	434	401
Accrued Taxes Payable	-	1,715,087	1,715,087	-
Accrued Fringe Benefit Payable	12,630	2,189,895	2,185,435	17,090
Due to State Government	-	2,206	2,206	-
Total Liabilities	<u>\$ 13,064</u>	<u>\$ 3,907,589</u>	<u>\$ 3,903,162</u>	<u>\$ 17,491</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, 2013

	Dispatch			Business Improvement District			TID #2 Morgan Square		
	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
REVENUES									
Taxes:									
General Sales & Use	\$ -	\$ -	\$ -	\$ -	\$ 87,448	\$ 87,448	\$ -	\$ -	\$ -
Property Tax	-	-	-	-	-	-	56,000	55,068	(932)
Intergovernmental	60,000	86,458	26,458	-	-	-	-	-	-
Interest earned	120	518	398	-	-	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-	500	500	-	-	-
Total revenue	<u>60,120</u>	<u>86,976</u>	<u>26,856</u>	<u>-</u>	<u>87,948</u>	<u>87,948</u>	<u>56,000</u>	<u>55,068</u>	<u>(932)</u>
EXPENDITURES									
Current:									
Public works	-	-	-	-	-	-	56,000	55,068	932
Public Safety	604,364	584,042	20,322	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>604,364</u>	<u>584,042</u>	<u>20,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,000</u>	<u>55,068</u>	<u>932</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(544,244)</u>	<u>(497,066)</u>	<u>47,178</u>	<u>-</u>	<u>87,948</u>	<u>87,948</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES(USES)									
Proceeds from Sale of Fixed Assets	-	-	-	-	-	-	-	-	-
Transfers in	544,364	496,971	(47,393)	-	-	-	-	-	-
Transfer (out)	-	-	-	-	(1,759)	-	-	-	-
Total other financing sources(uses)	<u>544,364</u>	<u>496,971</u>	<u>(47,393)</u>	<u>-</u>	<u>(1,759)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>120</u>	<u>(95)</u>	<u>(215)</u>	<u>-</u>	<u>86,189</u>	<u>87,948</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		5,000							
Fund balances - ending		<u>\$ 4,905</u>			<u>\$ 86,189</u>			<u>\$ -</u>	

(Continued)

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	\$ -	\$ 558,643	\$ 536,971	\$ (21,672)	\$ -	\$ -	\$ -
-	-	-	-	-	-	140,000	68,538	(71,462)
270	352	82	1,500	1,751	251	-	-	-
-	-	-	-	-	-	-	-	-
<u>21,667</u>	<u>21,749</u>	<u>82</u>	<u>560,143</u>	<u>538,722</u>	<u>(21,421)</u>	<u>140,000</u>	<u>68,538</u>	<u>(71,462)</u>
185,000	5,230	179,770	-	-	-	-	-	-
-	-	-	517,107	343,473	173,634	280,000	261,391	18,609
<u>185,000</u>	<u>5,230</u>	<u>179,770</u>	<u>517,107</u>	<u>343,473</u>	<u>173,634</u>	<u>280,000</u>	<u>261,391</u>	<u>18,609</u>
<u>(163,333)</u>	<u>16,519</u>	<u>179,852</u>	<u>43,036</u>	<u>195,249</u>	<u>152,213</u>	<u>(140,000)</u>	<u>(192,853)</u>	<u>(52,853)</u>
-	-	-	-	-	-	-	-	-
79,602	-	(79,602)	-	-	-	332,398	-	(332,398)
-	-	-	(74,543)	(158,572)	84,029	(192,398)	(194,965)	(2,567)
<u>79,602</u>	<u>-</u>	<u>(79,602)</u>	<u>(74,543)</u>	<u>(158,572)</u>	<u>84,029</u>	<u>140,000</u>	<u>(194,965)</u>	<u>(2,567)</u>
<u>(83,731)</u>	<u>16,519</u>	<u>100,250</u>	<u>43,036</u>	<u>36,677</u>	<u>238,242</u>	<u>-</u>	<u>(387,818)</u>	<u>(55,420)</u>
-	115,657	-	-	454,313	-	-	(596,343)	-
\$ <u>132,176</u>			\$ <u>490,990</u>			\$ <u>(984,161)</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, 2013

	Special Capital Improvement Fund			Airport Capital Improvement		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 3,208,104	\$ 3,399,569	\$ 191,465	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-	-
Intergovernmental	4,525,600	-	(4,525,600)	621,288	87,750	(533,538)
Charges for Services	-	-	-	-	-	-
Interest	12,000	23,520	11,520	-	-	-
Contributions	-	2,436	2,436	-	-	-
Miscellaneous	-	212,604	212,604	-	-	-
Total revenue	<u>7,745,704</u>	<u>3,638,129</u>	<u>(4,107,575)</u>	<u>621,288</u>	<u>87,750</u>	<u>(533,538)</u>
EXPENDITURES						
Current						
Culture and Recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
General Government	-	-	-	-	-	-
Public Works	9,523,882	2,261,012	7,262,870	655,345	92,876	562,469
Total expenditures	<u>9,523,882</u>	<u>2,261,012</u>	<u>7,262,870</u>	<u>655,345</u>	<u>92,876</u>	<u>562,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,778,178)</u>	<u>1,377,117</u>	<u>3,155,295</u>	<u>(34,057)</u>	<u>(5,126)</u>	<u>28,931</u>
OTHER FINANCING SOURCES(USES)						
Transfers (out)	(619,602)	(261,391)	358,211	-	-	-
Transfer in	-	-	-	34,057	31,750	(2,307)
Total other financing sources(uses)	<u>(619,602)</u>	<u>(261,391)</u>	<u>358,211</u>	<u>34,057</u>	<u>31,750</u>	<u>(2,307)</u>
Net change in fund balances	<u>(2,397,780)</u>	<u>1,115,726</u>	<u>3,513,506</u>	<u>-</u>	<u>26,624</u>	<u>26,624</u>
Fund balances - beginning		<u>5,564,309</u>			<u>64,415</u>	
Fund balances - ending		<u>\$ 6,680,035</u>		<u>\$ 91,039</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
84,072	42,061	(42,011)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,000	5,000
-	-	-	-	-	-	-	-	-
<u>84,072</u>	<u>42,061</u>	<u>(42,011)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
-	-	-	-	-	-	-	-	-
94,072	41,794	52,278	-	-	-	114,500	31,724	82,776
15,000	17,600	-	-	-	-	-	-	-
-	-	-	85,000	-	85,000	-	-	-
<u>109,072</u>	<u>59,394</u>	<u>52,278</u>	<u>85,000</u>	<u>-</u>	<u>85,000</u>	<u>114,500</u>	<u>31,724</u>	<u>82,776</u>
(25,000)	(17,333)	10,267	(85,000)	-	85,000	(114,500)	(26,724)	87,776
-	-	-	-	-	-	-	-	-
-	-	-	93,701	35,346	(58,355)	74,500	-	(74,500)
-	-	-	93,701	35,346	(58,355)	74,500	-	(74,500)
<u>(25,000)</u>	<u>(17,333)</u>	<u>10,267</u>	<u>8,701</u>	<u>35,346</u>	<u>26,645</u>	<u>(40,000)</u>	<u>(26,724)</u>	<u>13,276</u>
-	(19,314)	-	-	31,437	-	-	2,959	-
\$ <u>(36,647)</u>			\$ <u>66,783</u>			\$ <u>(23,765)</u>		

(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, 2013

	Infrastructure Improvement Revolving			Permanent Fund Perpetual Care Cemetery		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	64,600	40,598	(24,002)	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	31,600	23,985	(7,615)
Interest	120	88	(32)	500	553	53
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,250	-
Total revenue	<u>64,720</u>	<u>40,686</u>	<u>(24,034)</u>	<u>32,100</u>	<u>25,788</u>	<u>(6,312)</u>
EXPENDITURES						
Current						
Culture and Recreation	-	-	-	113,039	91,023	22,016
Economic Development	-	-	-	-	-	-
General Government	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,039</u>	<u>91,023</u>	<u>22,016</u>
Excess (deficiency) of revenues over (under) expenditures	<u>64,720</u>	<u>40,686</u>	<u>(24,034)</u>	<u>(80,939)</u>	<u>(65,235)</u>	<u>15,704</u>
OTHER FINANCING SOURCES(USES)						
Transfers (out)	(70,000)	(35,345)	34,655	-	-	-
Transfer in	-	-	-	73,084	60,459	(12,625)
Total other financing sources(uses)	<u>(70,000)</u>	<u>(35,345)</u>	<u>34,655</u>	<u>73,084</u>	<u>60,459</u>	<u>(12,625)</u>
Net change in fund balances	<u>(5,280)</u>	<u>5,341</u>	<u>10,621</u>	<u>(7,855)</u>	<u>(4,776)</u>	<u>3,079</u>
Fund balances - beginning		<u>31,216</u>			<u>159,227</u>	
Fund balances - ending		<u>\$ 36,557</u>			<u>\$ 154,451</u>	

STATISTICAL SECTION

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Expenditures of Federal Awards (Cash Basis)
For The Year Ended December 31, 2013

	Federal CFDA Number	Amount
Department of Housing and Urban Development:		
Indirect Federal Funding:		
SD Governor's Office of Economic Development, Community Development Block Grants/ State's Program	14.228	\$ 18,100
Department of Justice:		
Indirect Federal Funding:		
SD Department of Corrections, Title V Delinquency Prevention Program	16.548	25,196
Department of Transportation:		
Direct Federal Funding:		
Airport Improvement Program	20.106	81,378
Indirect Federal Funding:		
SD Department of Transportation State and Community Highway Safety	20.600	16,282
SD Department of Transportation, Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	15,162
Environmental Protection Agency:		
Indirect Federal Funding:		
SD Department of Environment and Natural Resources, Capitalization Grants for Drinking Water State Revolving Funds	66.468	492,538
Department of Homeland Security		
Indirect Federal Funding:		
SD Department of Public Safety Homeland Security Grant Program Yankton County	97.067	24,310
Homeland Security Grant Program	97.067	20,731
Total Expenditures of Federal Awards		<u>\$ 693,697</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1 - Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Yankton and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 - The City of Yankton had the following loan balances outstanding from the SD Clean Water State Revolving Fund, CFDA #66.458 and the SD Drinking Water State Revolving Fund, CFDA #66.468 at December 31, 2013.

	Total Amount Of Loan Outstanding	Federal Portion Of Loan Outstanding
Wastewater System #3, Series 2011 (83.33%)	\$ 3,581,118	\$ 2,984,146
Total Wastewater System	<u>\$ 3,581,118</u>	<u>\$ 2,984,146</u>
Water System Services 2001 (76.97%)	\$ 2,063,026	\$ 1,587,911
Water System, Services Series #2 (50.06%)	752,141	376,522
Water System, Services Series #3 (62.25%)	2,267,265	1,411,372
Water System, Services Series #4 (56.05%)	1,792,219	1,004,539
Total Water System	<u>\$ 6,874,651</u>	<u>\$ 4,380,344</u>

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings & Questioned Costs
For the Year Ended December 31, 2013

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.
- (d) No significant deficiencies in internal control over major programs were reported in the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with OMB Circular A-133 section .510(a).
- (g) Major program: Capitalization Grants for Drinking Water State Revolving Funds CFDA #66.468
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) The Auditee did not qualify as a low-risk auditee under Section .530 of OMB Circular A-133.

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-13 Financial Reporting

Observation - During the audit, we identified material amounts of payables 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 were 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 are 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.

Part III: Findings and Questioned Costs Relating to Federal Awards

Instances of Non-Compliance:

No Matters were noted.

**CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings & Questioned Costs
For the Year Ended December 31, 2013**

Significant Deficiency:

No Matters were noted.

Part IV: Summary Schedule of Prior Audit Findings – There were no prior year audit findings.



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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, 2013 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 14, 2014. 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 and questioned costs 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 and questioned costs 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 and questioned costs. 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 14, 2014



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**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
Over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Yankton, South Dakota (the City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Yankton Housing and Redevelopment Commission, which received \$440,930 in federal awards which is not included in the schedule during the year ended December 31, 2013. Our audit, described below, did not include the operations of the Yankton Housing and Redevelopment Commission because the Commission engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in a material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Williams & Company, P.C.
Certified Public Accountants

Yankton, South Dakota
July 14, 2014

the 1990s, the number of people in the UK who are aged 65 and over has increased from 10.5 million to 13.5 million (19.5% of the population).

There is a growing awareness of the need to address the needs of older people, and the Government has set out a strategy for the 21st century in the White Paper on *Ageing Better: The Government's Strategy for Older People* (Department of Health 1999). This strategy is based on the following principles:

- Older people should be able to live independently and actively in their own homes.
- Older people should be able to live in their own communities.
- Older people should be able to live in their own homes and communities for as long as possible.

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This strategy is based on the following principles: older people should be able to live independently and actively in their own homes; older people should be able to live in their own communities; older people should be able to live in their own homes and communities for as long as possible.

The White Paper also sets out a number of key objectives for the 21st century, including:

- To ensure that older people are able to live independently and actively in their own homes.
- To ensure that older people are able to live in their own communities.
- To ensure that older people are able to live in their own homes and communities for as long as possible.

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