

CITY OF YANKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

Year Ended

December 31, 2018



CITY OF YANKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

PREPARED BY:
FINANCE DEPARTMENT

AL VIERECK
FINANCE OFFICER

CITY OF YANKTON
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018
TABLE OF CONTENTS

| | <u>Page Number</u> |
|--|------------------------|
| FINANCIAL SECTION | |
| Independent Auditors' Report | 1-3 |
| Management's Discussion and Analysis | 4-13 |
| Basic Financial Statement | |
| Government-wide Financial Statements | |
| Exhibit 1 Statement of Net Position | 14 |
| Exhibit 2 Statement of Activities | 15-16 |
| Fund Financial Statements | |
| Governmental Funds Financial Statements | |
| Exhibit 3 Balance Sheet | 17-18 |
| Exhibit 3A Reconciliation of the Balance Sheet to the Statement of Net Position | 19 |
| Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances | 20-21 |
| Exhibit 4A Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities | 22 |
| Proprietary Funds Financial Statements | |
| Exhibit 5 Statement of Net Position | 23-24 |
| Exhibit 6 Statement of Revenues, Expenses and Changes in Net Position | 25-26 |
| Exhibit 7 Statement of Cash Flows | 27-28 |

Fiduciary Funds Financial Statements

| | | |
|-----------|---------------------------|----|
| Exhibit 8 | Statement of Net Position | 29 |
|-----------|---------------------------|----|

Notes to Financial Statements

| | | |
|---------|--|-------|
| Note 1 | Summary of Significant Accounting Policies | 30-38 |
| Note 2 | Cash and Cash Equivalents | 38-39 |
| Note 3 | Property Taxes | 39 |
| Note 4 | Estimated Uncollectible Receivables | 39 |
| Note 5 | Due from other Governments | 39-40 |
| Note 6 | Capital Assets | 40-42 |
| Note 7 | Commitments | 43 |
| Note 8 | Capital Lease | 43 |
| Note 9 | Long-Term Debt | 44-46 |
| Note 10 | Interfund Assets/Liabilities | 46-47 |
| Note 11 | Deficit Fund Balances/Retained Earnings | 47 |
| Note 12 | Pension Plan | 47-50 |
| Note 13 | Transfers | 51 |
| Note 14 | Risk Management | 51-52 |
| Note 15 | Violations of Finance – Related Legal Requirements | 52 |
| Note 16 | Other Post Employment Benefits | 52-54 |
| Note 17 | Safety Center Agreement | 54 |
| Note 18 | Restricted Net Position | 55 |
| Note 19 | Tax Abatements | 55 |
| Note 20 | Subsequent Events | 56 |
| Note 21 | Reclassification Adjustment | 56 |

| | <u>Page Number</u> | |
|---|--|-------|
| REQUIRED SUPPLEMENTARY INFORMATION | | |
| Exhibit 9 | Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund | 57-58 |
| Exhibit 10 | Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Major Special Revenue Fund | 59 |
| Exhibit 11 | Notes to Required Supplementary Budget Information | 60-61 |
| Exhibit 12 | Schedule of Changes in the City’s Total OPEB Liability, Related Ratios and Notes | 62 |
| Exhibit 13 | Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset) | 63 |
| Exhibit 14 | Schedule of the City Contributions and Related Notes | 64-65 |

OTHER SUPPLEMENTARY INFORMATION

Governmental Non-Major Funds Combining Statements

| | | |
|-------------|---|-------|
| Exhibit A-1 | Balance Sheet | 66-67 |
| Exhibit A-2 | Statement of Revenues, Expenditures and Changes in Fund Balances | 68-69 |
| Exhibit A-3 | Balance Sheet – Capital Projects Funds | 70-71 |
| Exhibit A-4 | Statement of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Funds | 72-73 |

Proprietary Non-Major Funds Combining Statements

| | | |
|-------------|--|----|
| Exhibit B-1 | Statement of Net Position – Enterprise Funds | 74 |
| Exhibit B-2 | Statement of Revenues, Expenses and Changes in Net Position-Enterprise Funds | 75 |
| Exhibit B-3 | Statement of Cash Flows – Enterprise Funds | 76 |
| Exhibit B-4 | Statement of Net Position – Internal Service Funds | 77 |

| | <u>Page Number</u> |
|--|------------------------|
| Exhibit B-5 Statement of Revenue, Expenses and Changes in Net Position – Internal Service Funds | 78 |
| Exhibit B-6 Statement of Cash Flows – Internal Service Funds | 79 |
| Fiduciary Funds Combining Statements | |
| Exhibit C-1 Statement of Net Position | 80 |
| Exhibit C-2 Statement of Changes in Assets and Liabilities | 81 |
| BUDGETORY COMPLIANCE SCHEDULES | |
| Exhibit D-1 Schedule of Revenues, Expenditures and Changes In Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds | 82-84 |
| Exhibit D-2 Schedule of Revenues, Expenditures and Changes In Fund Balances – Budget and Actual – Capital Project Funds and Permanent Fund | 85-87 |
| COMPLIANCE SECTION | |
| Schedule of Expenditures of Federal Awards (Cash Basis) | 88 |
| Notes to Schedule of Expenditures of Federal Awards | 89 |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 90-91 |
| Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance | 92-93 |
| Schedule of Findings and Questioned Costs for the Year Ended December 31, 2018 | 94-95 |
| Schedule of Prior Year Findings | 96-97 |
| Corrective Action Plan | 98 |

FINANCIAL SECTION

This Section Contains the Following Subsections:

- AUDITORS' REPORT
- MANAGEMENT DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
- 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 \$145,826 and total revenues of \$535,232 as of and for the year ended June 30, 2018. Those financial statements were audited by other auditors whose report 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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 Yankton, South Dakota as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Changes in the City's Total OPEB Liability, schedules of net pension proportionate share and required contributions and budgetary comparison information found on pages 4-13 and 57-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200. *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, budgetary compliance schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, 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 August 13, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Yankton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Yankton's internal control over financial reporting and compliance.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
August 13, 2019

Management Discussion and Analysis December 31, 2018

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, 2018. 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 and deferred outflows of resources of the City of Yankton exceeded liabilities and deferred inflows of resources at December 31, 2018 by \$127,087,390. Of this amount \$32,494,299 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$7,351,708 during the year. Of this amount the net position of our Governmental Activities increased \$5,109,977 and the net position of our Business-Type Activities increased by \$2,241,731. The governmental net position increased in large part due to decreases in expenses, and the business-type net position increased in large part due to increases in charges for services.
- The City's Governmental Fund Balances decreased \$2,776,245 in 2018. Exhibit 4 details the decreases.
- The City's long-term debt increased \$20,710,156 in 2018. This increase occurred from net increases in the Water Revenue Bonds and Waste Water Revenue Bonds offset by decreases in long term debt for the Sales Tax Revenue Bonds, Solid Waste Management Loans, and the Certificates of Participation from annual debt service payments.

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 government-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 required supplementary information and 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 a 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 | | Business-Type | | Total | |
|--------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| | Activities | | Activities | | | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and Other Assets | \$ 21,089,005 | \$ 22,449,424 | \$ 20,846,021 | \$ 8,841,070 | \$ 41,935,026 | \$ 31,290,494 |
| Capital Assets | <u>67,179,514</u> | <u>58,946,350</u> | <u>69,687,224</u> | <u>56,046,581</u> | <u>136,866,738</u> | <u>114,992,931</u> |
| Total Assets | <u>88,268,519</u> | <u>81,395,774</u> | <u>90,533,245</u> | <u>64,887,651</u> | <u>178,801,764</u> | <u>146,283,425</u> |
| Pension Related | | | | | | |
| Deferred Outflows | <u>2,229,054</u> | <u>2,725,745</u> | <u>627,828</u> | <u>808,714</u> | <u>2,856,882</u> | <u>3,534,459</u> |
| Long-term Liabilities | | | | | | |
| Outstanding | 3,659,077 | 3,891,928 | 40,420,553 | 20,242,545 | 44,079,630 | 24,134,473 |
| Other Liabilities | <u>2,680,366</u> | <u>1,008,211</u> | <u>7,138,412</u> | <u>4,237,369</u> | <u>9,818,778</u> | <u>5,245,580</u> |
| Total Liabilities | <u>6,339,443</u> | <u>4,900,139</u> | <u>47,558,965</u> | <u>24,479,914</u> | <u>53,898,408</u> | <u>29,380,053</u> |
| Pension Related | | | | | | |
| Deferred Inflows | <u>524,983</u> | <u>541,491</u> | <u>147,865</u> | <u>160,658</u> | <u>672,848</u> | <u>702,149</u> |
| Net Position: | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | 65,102,788 | 57,416,350 | 23,038,170 | 32,463,155 | 88,140,958 | 89,879,505 |
| Restricted | 3,249,405 | 3,849,364 | 3,202,728 | 1,766,755 | 6,452,133 | 5,616,119 |
| Unrestricted | <u>15,280,954</u> | <u>17,414,175</u> | <u>17,213,345</u> | <u>6,825,883</u> | <u>32,494,299</u> | <u>24,240,058</u> |
| Ending Net Position | <u>\$ 83,633,147</u> | <u>\$ 78,679,889</u> | <u>\$ 43,454,243</u> | <u>\$ 41,055,793</u> | <u>\$ 127,087,390</u> | <u>\$ 119,735,682</u> |

This summary reflects an increase in net position of 6.30% for the Governmental Activities and an increase of 5.84% in the Business-Type Activities. The increase in Business-Type Activities net position was largely Current Assets and Capital Assets. The overall liabilities of the City of Yankton increased by \$24,518,355 or 83.45%, due mainly to increases in long term debt for Water Revenue Bonds (SRF) and Waste Water Revenue Bonds (SRF).

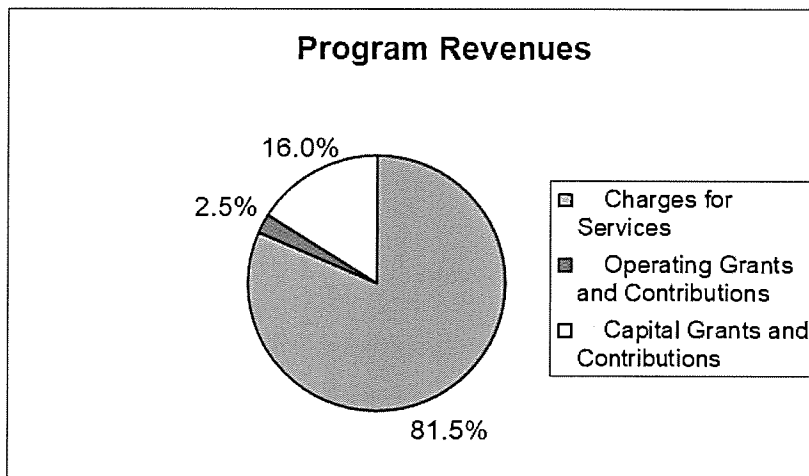
Total revenue reported in 2018 was \$35,762,199, an increase of \$3,463,041 or 10.72%. The largest increase in revenues was in Capital Grants and Contributions; an increase of \$1,856,354 or 126.78%. The Property Tax revenues increased \$126,958 or 4.30%, and Sales Tax revenues increased \$398,151 or 4.07%. 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 | |
|--|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 3,999,026 | \$ 3,446,071 | \$ 12,900,392 | \$ 12,782,320 | \$ 16,899,418 | \$ 16,228,391 |
| Operating Grants and Contributions | 514,586 | 501,267 | - | - | 514,586 | 501,267 |
| Capital Grants and Contributions | 3,028,573 | 343,733 | 292,062 | 1,120,548 | 3,320,635 | 1,464,281 |
| General Revenues: | | | | | | |
| Property Taxes | 3,080,502 | 2,953,544 | - | - | 3,080,502 | 2,953,544 |
| Sales Taxes | 10,191,321 | 9,793,170 | - | - | 10,191,321 | 9,793,170 |
| Other Taxes | 790,370 | 781,617 | - | - | 790,370 | 781,617 |
| Other | 604,525 | 377,807 | 360,842 | 199,081 | 965,367 | 576,888 |
| Total Revenues | 22,208,903 | 18,197,209 | 13,553,296 | 14,101,949 | 35,762,199 | 32,299,158 |
| Expenses: | | | | | | |
| General Government | 2,183,692 | 1,684,413 | - | - | 2,183,692 | 1,684,413 |
| Public Safety | 4,018,664 | 3,133,037 | - | - | 4,018,664 | 3,133,037 |
| Public Works | 7,095,470 | 2,706,186 | - | - | 7,095,470 | 2,706,186 |
| Culture & Recreation | 3,073,307 | 2,778,728 | - | - | 3,073,307 | 2,778,728 |
| Community & Economic Development | 470,972 | 496,196 | - | - | 470,972 | 496,196 |
| Capital Projects | - | 4,391,666 | - | - | - | 4,391,666 |
| Interest on Long-term Debt | 163,271 | 149,115 | - | - | 163,271 | 149,115 |
| Water | - | - | 4,263,574 | 3,334,393 | 4,263,574 | 3,334,393 |
| Wastewater | - | - | 3,473,767 | 2,894,857 | 3,473,767 | 2,894,857 |
| Golf | - | - | 958,624 | 838,430 | 958,624 | 838,430 |
| Non-Major Enterprise Funds | - | - | 2,709,150 | 2,786,942 | 2,709,150 | 2,786,942 |
| Total Expenses | 17,005,376 | 15,339,341 | 11,405,115 | 9,854,622 | 28,410,491 | 25,193,963 |
| Increase (Decrease) in Net Position | | | | | | |
| Before Transfers | 5,203,527 | 2,857,868 | 2,148,181 | 4,247,327 | 7,351,708 | 7,105,195 |
| Transfers | (93,550) | (69,293) | 93,550 | 69,293 | - | - |
| Increase in Net Position | 5,109,977 | 2,788,575 | 2,241,731 | 4,316,620 | 7,351,708 | 7,105,195 |
| Net Position January 1 | 78,679,889 | 75,891,314 | 41,055,793 | 36,739,173 | 119,735,682 | 112,630,487 |
| Reclassification Adjustment | (156,719) | - | 156,719 | - | - | - |
| Net Position December 31 | \$ 83,633,147 | \$ 78,679,889 | \$ 43,454,243 | \$ 41,055,793 | \$ 127,087,390 | \$ 119,735,682 |

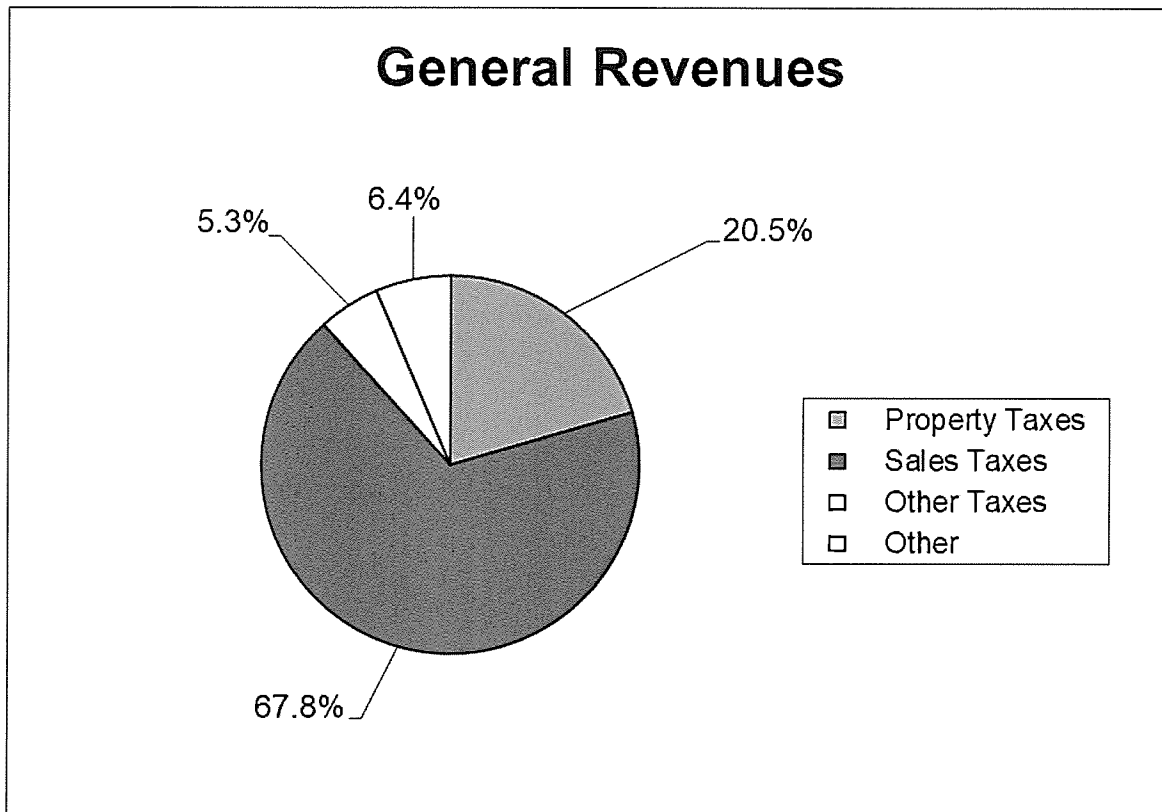
Charges for Services in the Business-Type Activities increased \$118,072 or 0.92% due in most part to a modest 3% rate increase in Water, a 5% increase in Wastewater, and 5% in Solid Waste Collections. Business-Type Activities Total Expenses increased by \$1,550,493 or 15.73%. Governmental Activities Total Expenses increased \$1,666,035 or 10.86%.

Program Revenues total \$20,734,639 for 2018. Governmental Activities provided \$7,542,185 and Business-Type Activities provided \$13,192,454. Revenue collected for Charges for Services during 2018 was \$16,899,418 accounting for 81.5% of the total program revenues. Revenue collected for Capital Grants and Contributions accounts for 16.01% of the total program revenues. The following chart breaks down program revenues by sources:



General Revenues for 2018 totaled \$15,027,560. Governmental Activities provided \$14,666,718 and Business-Type Activities provided \$360,842. Sales Tax Revenues for 2018 totaled \$10,191,321 and Property Tax Revenue totaled \$3,080,502. The Sales Tax Revenues accounted for 67.82% and Property Tax Revenues were 20.50% of General Revenues. The following chart breaks down General Revenues by source:

GENERAL REVENUES



Expenses for 2018 totaled \$28,410,491, an increase of 12.77%. Expenses for Governmental Activities totaled \$17,005,376 accounting for 59.86% of the total expenses. Expenses for Business-Type Activities totaled \$11,405,115 accounting for 40.14% 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 in 2018, the City spent \$4,018,664 and received \$1,784 in charges for services, \$123,293 in operating grants and contributions, thus leaving a cost to the taxpayers of (\$3,893,587) to be funded by various other methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

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

The total cost of governmental activities this year was \$17,005,376. Of these costs, \$3,999,026 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 \$514,586, and costs paid by other governments and organizations that subsidized certain programs with capital grants and contributions were \$3,028,573, leaving a Net Expense of (\$9,463,191) 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 \$100,638,523, consisting of Net Position January 1, 2018 of \$78,679,889, General Revenues and transfers of \$14,573,168, and Program Revenues of \$7,542,185, and a reclassification adjustment of (\$156,719). Total Governmental Activities during the year expended \$17,005,376; thus, Net Position was increased by \$4,953,258 to \$83,633,147.

Business Type Activities

Business-Type Activities increased the City's net position by \$2,398,450.

The cost of all Business-Type Activities this year was \$11,405,115. As shown in the Statement of Activities, the amounts paid by users of the systems were \$12,900,392 and \$292,062 was funded from capital grants and contributions, resulting in a net gain for Business-Type Activities of \$1,787,339.

Total resources available during the year to finance Business-Type Activities were \$54,859,358 consisting of Net Position January 1, 2018 of \$41,055,793, Program Revenues of \$13,192,454, General Revenues and Transfers of \$454,392, and a reclassification adjustment of \$156,719. Total Business-Type Activities during the year expended \$11,405,115; thus Net Position was increased by \$2,398,450 to \$43,454,243.

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 in 2018 of \$18,025,871 (34.83% non-spendable, 7.49% restricted, 44.32% committed, 2.30% assigned, and 11.06% unassigned). The combined Governmental Funds fund balance decreased \$2,932,964 from the prior year. The fund balance amount consists of \$6,279,661 of non-spendable funds committed for 1) perpetual care for cemetery \$50,000, 2) \$19,111 of inventories, 3) \$147,747 in vested reserve in our insurance carrier the South Dakota Public Assurance Association or SDPAA, 4) inventory of land for resale \$2,373,411 and 5) long term advances \$3,689,392; \$1,349,876 of restricted funds; \$7,988,779 of committed funds; \$414,666 of assigned funds, and \$1,992,889 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 \$11,032,810, an increase of \$1,217,175. 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 61.94% of total general fund expenditures, while total fund balance represents 95.39% of that same amount.

General fund revenues in 2018 increased \$1,026,253 or 8.21% due mostly to increases in sales taxes, and licenses and permits. Expenditures decreased (\$52,548) or (0.45%). The decrease in expenditures included an increase of \$452,531 in current expenditures, an increase of 4.45%, a decrease of (\$548,292) in capital outlay, an decrease of (43.54%) from 2017's expenditures and an increase of \$43,213 in debt service, an increase of 22.91% from 2017.

The Special Capital Improvements Fund showed a decrease in fund balance of \$4,484,669. This reflects an increase in revenues of \$1,667,167, offset by an increase in expenditures of \$6,747,365, and an increase in transfers out of \$908,892.

Financial Analysis of the City's Funds (Continued)

The TID #5 Fund balance remained a negative fund balance to end 2018 at (\$3,689,392) due to no expenditures being made for Capital Improvements or operating as well as no revenues received in excess of debt service. The negative fund balance should be reduced by future tax receipts.

The Other Governmental Funds, which now includes the Public Improvement Fund and Infrastructure Improvement Fund, which were previously major funds, end of year combined balance increased \$329,164 to \$2,693,674.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the 2018 original (adopted) General Fund budget of \$13,932,533 to the final budget amount of \$14,952,059 shows a net increase of \$1,019,526. However, actual expenditures were \$2,365,986 less than the original adopted budget. Supplemental changes that would have resulted in actual expenditures higher than the original budget were offset by less expenditures than originally budgeted in various departments.

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

CAPITAL ASSETS

The City's investment in capital assets, including land, construction in progress, building and structures, equipment, streets, water system, wastewater system, transfer station and recycling facilities, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of December 31, 2018 was \$88,140,958 (net of accumulated depreciation and outstanding financings). This was a decrease of (\$1,738,547) or (1.93%). The comparative totals for capital assets for 2017 and 2018 are as follows:

CITY OF YANKTON CAPITAL ASSETS (net of depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 3,447,380 | \$ 3,623,276 | \$ 814,623 | \$ 814,623 | \$ 4,262,003 | \$ 4,437,899 |
| Construction in Progress | 9,044,023 | 4,046,774 | 28,835,981 | 13,003,921 | 37,880,004 | 17,050,695 |
| Buildings & Structures / Infrastructure | 46,762,223 | 43,433,868 | 36,411,600 | 38,548,043 | 83,173,823 | 81,981,911 |
| Land Improvements | - | - | 2,118,842 | 2,121,948 | 2,118,842 | 2,121,948 |
| Furniture and Equipment | <u>7,925,888</u> | <u>7,842,432</u> | <u>1,506,178</u> | <u>1,558,046</u> | <u>9,432,066</u> | <u>9,400,478</u> |
| Total | <u>\$ 67,179,514</u> | <u>\$ 58,946,350</u> | <u>\$ 69,687,224</u> | <u>\$ 56,046,581</u> | <u>\$ 136,866,738</u> | <u>\$ 114,992,931</u> |

Construction in progress was the major increase in capital outlays for 2018 for Business-Type Activities and Governmental Activities as well as an increase in Buildings & Structures / Infrastructure in Governmental Activities. See note 6 in the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At 2018 year end the City had \$45,990,713 of debt outstanding, an increase of \$20,710,156. This increase in debt was due to increases in the Water Revenue Bonds and Wastewater Revenue Bonds.

Of the total debt, \$3,380,000 or 7.35% is to be paid from governmental activities including \$1,935,000 specifically from sales tax funds, and \$1,445,000 from property tax opt-out dollars; and \$42,610,713 or 92.65% in business type activities including \$36,856,106 to be repaid from water user fees, \$1,003,000 to be paid from landfill revenues and \$4,751,607 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 \$49,132,523 with outstanding debt (less debt service reserves) of \$12,576,773, leaving an unused balance of \$36,555,751 or 74.4% of the legal debt limit available. The State allows an additional 10% legal debt margin of the assessed value for Water and Wastewater debt that is secured and backed by surcharges. The City has \$30,703,552 of outstanding debt (less debt service reserves) backed by surcharges with the legal debt capacity being \$98,265,047 leaving \$67,561,495 or 68.75% 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 2018 was \$27,504,992. It was a decrease of (\$31,714,957) or (53.55%) of the 2017 total of \$59,219,456. The average annual building permit value for the last ten years was \$30,703,552 and the 2018 total value was 95.8% of that average. New construction building permits included a new TMA Automotive Repair facility, Stockwell Engineering Office Building, Christensen Automotive Repair Building, Cimpl's Meat Packing mechanical building, and Yaggies Oat Processing Facility. Commercial additions and remodels included McDonald's Restaurant, Avera Sacred Heart Classrooms, Kolberg-Pioneer Office addition, and Applied Engineering Manufacturing addition. There were twenty-nine new home-building permits issued during the year, a decrease of four from 2017. There were also 7 new Housing units in town home situations and 40 apartments with a new apartment complex.

The City continues to reinvest in its infrastructure with street improvements, wastewater distribution improvements, and the water utility continues to replace water mains to improve the reliability of the water supply as well as continue construction on an estimated \$37 million water treatment facility.

Another indicator of economic activity is the taxable sales for Yankton that are reported by the South Dakota Department of Revenue. Our 2018 sales were up 4.0% over 2017's figures and totaled \$543,360,525.

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, 2018

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|-----------------------|-------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Housing & Redevelopment |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 16,120,490 | \$ 15,981,498 | \$ 32,101,988 | \$ 139,271 |
| Receivables: | | | | |
| Taxes | 24,793 | - | 24,793 | - |
| Accounts | 40,479 | 1,453,616 | 1,494,095 | 924 |
| Special Assessments | 117,401 | - | 117,401 | - |
| Other Receivables | - | - | - | 2,838 |
| Due from Other Governmental Agencies | 1,644,353 | - | 1,644,353 | - |
| Prepaid Expenses | 178,529 | 100,133 | 278,662 | 2,460 |
| Property Held for Resale, At Cost | 2,373,411 | - | 2,373,411 | - |
| Inventories | 200,492 | 387,585 | 588,077 | - |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 234,518 | 2,717,362 | 2,951,880 | - |
| Deposits | 147,747 | 203,914 | 351,661 | - |
| Net Pension Asset | 6,792 | 1,913 | 8,705 | - |
| Land | 3,447,380 | 814,623 | 4,262,003 | - |
| Construction in Progress | 9,044,023 | 28,835,981 | 37,880,004 | - |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | 54,688,111 | 40,036,620 | 94,724,731 | 333 |
| Total Assets | <u>88,268,519</u> | <u>90,533,245</u> | <u>178,801,764</u> | <u>145,826</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension Related Deferred Outflows | <u>2,229,054</u> | <u>627,828</u> | <u>2,856,882</u> | <u>-</u> |
| LIABILITIES | | | | |
| Accounts Payable | 2,115,264 | 4,513,732 | 6,628,996 | 145 |
| Accrued Wages | 214,322 | 54,379 | 268,701 | 2,583 |
| Accrued Interest Payable | 9,081 | 200,424 | 209,505 | - |
| Customer Deposits | 1,030 | 5,289 | 6,319 | - |
| Noncurrent Liabilities: | | | | |
| Due within one year: | | | | |
| Revenue Bonds Payable | - | 2,333,279 | 2,333,279 | - |
| General Obligation Bonds | 120,000 | - | 120,000 | - |
| Capital Lease | 135,000 | - | 135,000 | - |
| Compensated Absences | 85,669 | 31,039 | 116,708 | 2,798 |
| Due in more than one year: | | | | |
| Revenue Bonds Payable | - | 40,280,741 | 40,280,741 | - |
| Capital Lease | 1,310,000 | - | 1,310,000 | - |
| General Obligation Bonds | 1,815,000 | - | 1,815,000 | - |
| Other Postemployment Benefit Obligation | 50,245 | 7,759 | 58,004 | - |
| Compensated Absences | 483,832 | 132,323 | 616,155 | 2,232 |
| Total Liabilities | <u>6,339,443</u> | <u>47,558,965</u> | <u>53,898,408</u> | <u>7,758</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension Related Deferred Inflows | <u>524,983</u> | <u>147,865</u> | <u>672,848</u> | <u>-</u> |
| Total Deferred Inflows of Resources | <u>524,983</u> | <u>147,865</u> | <u>672,848</u> | <u>-</u> |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 65,102,788 | 23,038,170 | 88,140,958 | 333 |
| Restricted for: | | | | |
| Housing Vouchers | - | - | - | 7,631 |
| Debt Service | 184,369 | 2,516,938 | 2,701,307 | - |
| SDRS Pension Purposes | 1,710,863 | 481,876 | 2,192,739 | - |
| Lodging Sales Tax | 978,230 | - | 978,230 | - |
| Cumulative Reserve-SDPAA | 147,747 | 203,914 | 351,661 | - |
| Other Purposes | 67,558 | - | 67,558 | - |
| Perpetual Care | | | | |
| Expendable | 110,638 | - | 110,638 | - |
| Nonexpendable | 50,000 | - | 50,000 | - |
| Unrestricted | 15,280,954 | 17,213,345 | 32,494,299 | 130,104 |
| Total Net Position | <u>\$ 83,633,147</u> | <u>\$ 43,454,243</u> | <u>\$ 127,087,390</u> | <u>\$ 138,068</u> |

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

| Functions/Programs | Expenses | Program Revenues | |
|---------------------------------------|--------------|----------------------|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions |
| Governmental Activities: | | | |
| General Government | \$ 2,183,692 | \$ 1,958,968 | \$ - |
| Public Safety | 4,018,664 | 1,784 | 123,293 |
| Public Works | 7,095,470 | 1,358,816 | 298,164 |
| Culture and Recreation | 3,073,307 | 679,458 | 93,129 |
| Community Development | 470,972 | - | - |
| Interest on Long-Term Debt | 163,271 | - | - |
| Total Governmental Activities | 17,005,376 | 3,999,026 | 514,586 |
| Business-Type Activities: | | | |
| Water | 4,263,574 | 6,074,581 | - |
| Wastewater | 3,473,767 | 3,725,096 | - |
| Solid Waste | 1,105,178 | 1,152,285 | - |
| Joint Powers- Landfill | 1,603,972 | 1,279,555 | - |
| Golf Course | 958,624 | 668,875 | - |
| Total Business-Type Activities | 11,405,115 | 12,900,392 | - |
| Component Units: | | | |
| Housing & Redevelopment | 572,622 | - | 529,973 |
| Total Component Unit | \$ 572,622 | \$ - | \$ 529,973 |
| General Revenues: | | | |
| Property taxes | | | |
| Sales and other Taxes | | | |
| Lodging Sales Tax | | | |
| Interest | | | |
| Reimbursements | | | |
| Miscellaneous | | | |
| Special Item change in SDPAA reserve | | | |
| Interfund Transfers | | | |
| Total General Revenues and Transfers | | | |
| Change in Net Position | | | |
| Net Position - Beginning | | | |
| Reclassification Adjustment | | | |
| Net Position - beginning, as restated | | | |
| Net Position - Ending | | | |

| Program Revenues | Net (Expense) Revenue and Changes in Net Position | | | Component Unit Housing & Redevelopment |
|------------------|---|-------------------------|--------------------------|--|
| | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | |
| \$ 122,456 | \$ (102,268) | \$ - | \$ (102,268) | \$ - |
| - | (3,893,587) | - | (3,893,587) | - |
| 2,903,785 | (2,534,705) | - | (2,534,705) | - |
| - | (2,300,720) | - | (2,300,720) | - |
| 2,332 | (468,640) | - | (468,640) | - |
| - | (163,271) | - | (163,271) | - |
| <u>3,028,573</u> | <u>(9,463,191)</u> | | <u>(9,463,191)</u> | <u>-</u> |
| 932 | | 1,811,939 | 1,811,939 | - |
| 62,425 | | 313,754 | 313,754 | - |
| 228,705 | | 275,812 | 275,812 | - |
| - | | (324,417) | (324,417) | - |
| - | | (289,749) | (289,749) | - |
| <u>292,062</u> | | <u>1,787,339</u> | <u>1,787,339</u> | <u>-</u> |
| - | - | - | - | (42,649) |
| <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(42,649)</u> |
| | 3,080,502 | - | 3,080,502 | - |
| | 10,191,321 | - | 10,191,321 | - |
| | 790,370 | - | 790,370 | - |
| | 454,718 | 296,232 | 750,950 | 311 |
| | 115,611 | - | 115,611 | - |
| | - | 17,414 | 17,414 | 4,948 |
| | 34,196 | 47,196 | 81,392 | - |
| | (93,550) | 93,550 | - | - |
| | <u>14,573,168</u> | <u>454,392</u> | <u>15,027,560</u> | <u>5,259</u> |
| | 5,109,977 | 2,241,731 | 7,351,708 | (37,390) |
| | <u>78,679,889</u> | <u>41,055,793</u> | <u>119,735,682</u> | <u>175,458</u> |
| | (156,719) | 156,719 | - | - |
| | <u>78,523,170</u> | <u>41,212,512</u> | <u>119,735,682</u> | <u>175,458</u> |
| | <u>\$ 83,633,147</u> | <u>\$ 43,454,243</u> | <u>\$ 127,087,390</u> | <u>\$ 138,068</u> |

CITY OF YANKTON, SOUTH DAKOTA
BALANCE SHEET
Governmental Funds
December 31, 2018

| | General | Special Capital Improvements |
|--|---------------|------------------------------------|
| <u>Assets</u> | | |
| Cash and Cash Equivalents | \$ 6,949,403 | \$ 6,685,787 |
| Receivables (Net where applicable, of allowance for uncollectibles): | | |
| Taxes | 24,793 | - |
| Accounts | 23,808 | - |
| Special Assessments | 38,879 | - |
| Due from Other Funds | - | 1,482,228 |
| Due from Other Governmental Agencies | 748,025 | 681,656 |
| Advances to Other Funds | 3,689,392 | - |
| Inventories | 19,111 | - |
| Property Held for Resale, At Cost | 19,033 | - |
| Restricted Assets: | | |
| Cash and Cash Equivalents | 81,271 | - |
| Deposits | 140,765 | - |
| Total Assets | 11,734,480 | 8,849,671 |
| <u>Liabilities</u> | | |
| Accounts Payable | 308,642 | 785,054 |
| Accrued Wages | 192,181 | - |
| Due to Other Funds | - | - |
| Customer Deposits | 1,030 | - |
| Advances from Other Funds | - | - |
| Total Liabilities | 501,853 | 785,054 |
| <u>Deferred Inflows of Resources</u> | | |
| Unavailable revenue- property taxes | 24,793 | - |
| Unavailable revenue- special assessments | 38,879 | - |
| Unavailable revenue- other taxes | 119,368 | 75,838 |
| Unavailable revenue- other | 16,777 | - |
| Total Deferred Inflows of Resources | 199,817 | 75,838 |
| <u>Fund Balances</u> | | |
| Non-Spendable: | | |
| Perpetual Care | - | - |
| Inventories | 19,111 | - |
| Cumulative Reserve-SDPAA | 140,765 | - |
| Property Held for Resale | 19,033 | - |
| Long Term Advances | 3,689,392 | - |
| Restricted: | | |
| Debt Service | - | - |
| Lodging Sales Tax | - | - |
| Perpetual Care | - | - |
| Other Purposes | - | - |
| Committed: | | |
| Special Capital Improvements (sales tax) | - | 7,988,779 |
| Assigned: | | |
| Capital Projects | - | - |
| Unassigned | 7,164,509 | - |
| Total Fund Balances (Deficits) | 11,032,810 | 7,988,779 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits) | \$ 11,734,480 | \$ 8,849,671 |

EXHIBIT 3

| TID #5 | Other Governmental Funds | Total Governmental Funds |
|-------------|--------------------------|--------------------------|
| \$ - | \$ 2,414,266 | \$ 16,049,456 |
| - | - | 24,793 |
| - | 16,671 | 40,479 |
| - | 78,522 | 117,401 |
| - | - | 1,482,228 |
| - | 206,784 | 1,636,465 |
| - | - | 3,689,392 |
| - | - | 19,111 |
| - | 2,354,378 | 2,373,411 |
| - | 153,247 | 234,518 |
| - | 6,982 | 147,747 |
| - | 5,230,850 | 25,815,001 |
| - | 969,563 | 2,063,259 |
| - | 21,010 | 213,191 |
| - | 1,482,228 | 1,482,228 |
| - | - | 1,030 |
| 3,689,392 | - | 3,689,392 |
| 3,689,392 | 2,472,801 | 7,449,100 |
| - | - | 24,793 |
| - | 54,848 | 93,727 |
| - | 9,527 | 204,733 |
| - | - | 16,777 |
| - | 64,375 | 340,030 |
| - | 50,000 | 50,000 |
| - | - | 19,111 |
| - | 6,982 | 147,747 |
| - | 2,354,378 | 2,373,411 |
| - | - | 3,689,392 |
| - | 193,450 | 193,450 |
| - | 978,230 | 978,230 |
| - | 110,638 | 110,638 |
| - | 67,558 | 67,558 |
| - | - | 7,988,779 |
| - | 414,666 | 414,666 |
| (3,689,392) | (1,482,228) | 1,992,889 |
| (3,689,392) | 2,693,674 | 18,025,871 |
| \$ - | \$ 5,230,850 | \$ 25,815,001 |

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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, 2018

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

| | |
|--|----------------------|
| Total Fund Balance - Governmental Funds (page 18) | \$ 18,025,871 |
| Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds | 67,028,233 |
| Unavailable revenues that do not provide current financial resources for governmental activities | 340,030 |
| Accrued expenses from the balance sheet that do not require current financial resources for governmental activities | (9,081) |
| Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources. | 175,580 |
| Pension related deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, are not due and payable in the current year and, therefore are not reported in the governmental funds. | 1,677,433 |
| 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 | (3,943,388) |
| Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds | (40,049) |
| The Net Pension Asset does not provide resources in the current period and therefore is not reported in the funds | 6,686 |
| 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>371,832</u> |
| Total Net Position - Governmental Activities (page 14) | <u>\$ 83,633,147</u> |

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended December 31, 2018

| | <u>General</u> | <u>Special Capital Improvements</u> |
|---|----------------------|---|
| Revenue: | | |
| Property Taxes | \$ 2,778,715 | \$ - |
| Sales and Other Taxes | 6,136,497 | 4,087,232 |
| Special Assessments | - | - |
| Licenses and Permits | 314,758 | - |
| Intergovernmental | 505,856 | 1,565,271 |
| Charges for Services | 3,408,615 | - |
| Fines and Forfeits | 4,540 | - |
| Interest on Investments | 127,328 | 277,162 |
| Contributions | 165,992 | - |
| Miscellaneous | 79,655 | 10,205 |
| Total Revenue | <u>13,521,956</u> | <u>5,939,870</u> |
| Current Expenditures: | | |
| General Government | 2,033,929 | - |
| Public Safety | 2,854,544 | - |
| Public Works | 2,925,070 | - |
| Culture and Recreation | 2,810,336 | - |
| Community Development | - | - |
| Capital Outlay: | | |
| Public Works | 431,316 | 9,491,301 |
| Culture and Recreation | 106,674 | - |
| General Government | 16,805 | - |
| Public Safety | 156,052 | - |
| Debt Service | 231,821 | - |
| Total Expenditures | <u>11,566,547</u> | <u>9,491,301</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>1,955,409</u> | <u>(3,551,431)</u> |
| Other Financing Sources (Uses): | | |
| Payment to refunded bond escrow agent | (1,530,000) | - |
| Issuance of Debt | 1,590,000 | - |
| Proceeds From Sale of Capital Assets | 48,364 | - |
| Transfers In | 168,812 | - |
| Transfers Out | (885,905) | (933,238) |
| Total Other Financing Sources (Uses) | <u>(608,729)</u> | <u>(933,238)</u> |
| Special Item: | | |
| Increase in SDPAA Vested Deposit | 32,580 | - |
| Net Change in Fund Balance | 1,379,260 | (4,484,669) |
| Fund Balances (Deficits)-Beginning of Year | 9,815,635 | 12,473,448 |
| Reclassification Adjustment | <u>(162,085)</u> | <u>-</u> |
| Fund Balances -Beginning of Year, as restated | <u>9,653,550</u> | <u>12,473,448</u> |
| Fund Balances (Deficits)- End of Year | <u>\$ 11,032,810</u> | <u>\$ 7,988,779</u> |

EXHIBIT 4

| TID #5 | Other Governmental Funds | Total Governmental Funds |
|-----------------------|--------------------------------|--------------------------------|
| \$ 138,029 | \$ 167,250 | \$ 3,083,994 |
| - | 814,126 | 11,037,855 |
| - | 66,955 | 66,955 |
| - | - | 314,758 |
| - | 266,281 | 2,337,408 |
| - | 93,000 | 3,501,615 |
| - | - | 4,540 |
| - | 34,461 | 438,951 |
| - | 15,729 | 181,721 |
| - | 3,242 | 93,102 |
| <u>138,029</u> | <u>1,461,044</u> | <u>21,060,899</u> |
| - | - | 2,033,929 |
| - | 634,023 | 3,488,567 |
| - | 166,919 | 3,091,989 |
| - | 145,222 | 2,955,558 |
| - | 544,253 | 544,253 |
| - | 1,160,438 | 11,083,055 |
| - | 85,461 | 192,135 |
| - | - | 16,805 |
| - | - | 156,052 |
| - | 196,450 | 428,271 |
| <u>-</u> | <u>2,932,766</u> | <u>23,990,614</u> |
| <u>138,029</u> | <u>(1,471,722)</u> | <u>(2,929,715)</u> |
| - | - | (1,530,000) |
| - | - | 1,590,000 |
| - | 104,460 | 152,824 |
| - | 2,386,992 | 2,555,804 |
| <u>(138,029)</u> | <u>(692,182)</u> | <u>(2,649,354)</u> |
| <u>(138,029)</u> | <u>1,799,270</u> | <u>119,274</u> |
| <u>-</u> | <u>1,616</u> | <u>34,196</u> |
| - | 329,164 | (2,776,245) |
| (3,689,392) | 2,359,144 | 20,958,835 |
| <u>-</u> | <u>5,366</u> | <u>(156,719)</u> |
| <u>(3,689,392)</u> | <u>2,364,510</u> | <u>20,802,116</u> |
| <u>\$ (3,689,392)</u> | <u>\$ 2,693,674</u> | <u>\$ 18,025,871</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, 2018

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

| | | |
|--|--------------------|---------------------|
| Net change in fund balances - total governmental funds (page 21) | | \$ (2,776,245) |
| <p>Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year:</p> | | |
| Expenditures for capital assets | \$ 10,201,840 | |
| Depreciation Expense | <u>(2,962,644)</u> | 7,239,196 |
| Revenues reported in the funds that are not available to provide current financial resources: | | (41,858) |
| Capital contributions reported in the Statement of Activities do not provide current financial resources and are not reported as revenues in the funds | | 1,205,733 |
| Accrued interest expense that does not require current financial resources: | | 3,222 |
| Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied. | | (36,332) |
| Pension expenses reported in the Statement of Activities do not require the use of current financial resources. | | (674,186) |
| The current year City employer share of SDRS contributions are reported as expenditures in the governmental funds, but reported as a deferred outflow of resources in the Statement of Net Position | | 180,573 |
| Governmental funds report the proceeds from the sale of fixed assets as revenue, whereas the statement of activities reports the (Loss) on the sale of fixed assets. This is the effect on the change in net position on the statement of activities. | | (202,742) |
| 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. | | (16,941) |
| Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources: | | 23,138 |
| Other Post-Employment Benefits that do not require current financial resources. | | 15,232 |
| Compensated absences that do not require current financial resources. | | (13,813) |
| Proceeds from the issuance of long-term debt | | (1,590,000) |
| 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: | | <u>1,795,000</u> |
| Change in net position of governmental activities (page 16) | | <u>\$ 5,109,977</u> |

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET POSITION
Proprietary Funds
December 31, 2018

| | Business-Type | |
|---|----------------------|-------------------|
| | Water | Wastewater |
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 12,589,435 | \$ 2,090,664 |
| Receivables (Net where applicable, of allowance for uncollectibles): | | |
| Accounts | 710,900 | 472,848 |
| Due from Other Governmental Agencies | - | - |
| Prepaid Insurance | 27,039 | 29,610 |
| Inventories | 187,451 | 156,241 |
| Total Current Assets | 13,514,825 | 2,749,363 |
| Noncurrent Assets: | | |
| Restricted Assets: | | |
| Cash and Cash Equivalents | 2,075,214 | 515,800 |
| Deposits | 67,988 | 110,211 |
| Net Pension Asset | 519 | 534 |
| Land | 128,117 | 66,666 |
| Construction in Progress | 27,516,465 | 1,319,516 |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | 24,731,630 | 10,950,052 |
| Total Noncurrent Assets | 54,519,933 | 12,962,779 |
| Total Assets | 68,034,758 | 15,712,142 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension Related Deferred Outflows | 170,193 | 175,342 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 3,510,022 | 906,919 |
| Accrued Wages | 14,998 | 17,473 |
| Accrued Interest Payable | 170,585 | 27,968 |
| Accrued Compensated Absences | 9,938 | 7,980 |
| Customer Deposits | 5,289 | - |
| Revenue Bonds Payable- Current | 1,315,519 | 913,267 |
| Total Current Liabilities | 5,026,351 | 1,873,607 |
| Noncurrent Liabilities: | | |
| Revenue Bonds Payable | 35,540,587 | 3,841,647 |
| Accrued Compensated Absences | 42,367 | 34,022 |
| Other Postemployment Benefit Obligation | - | 1,778 |
| Total Noncurrent Liabilities | 35,582,954 | 3,877,447 |
| Total Liabilities | 40,609,305 | 5,751,054 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension Related Deferred Inflows | 40,084 | 41,296 |
| NET POSITION | | |
| Net investment in capital assets, | 12,194,567 | 6,871,825 |
| Restricted for: | | |
| Debt Service | 1,904,629 | 487,832 |
| SDRS Pension Purposes | 130,628 | 134,580 |
| Cumulative Reserve-SDPAA | 67,988 | 110,211 |
| Unrestricted | 13,257,750 | 2,490,686 |
| Total Net Position | \$ 27,555,562 | \$ 10,095,134 |

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> |
| \$ 1,301,399 | \$ 15,981,498 | \$ 71,034 |
| 269,868 | 1,453,616 | - |
| - | - | 7,888 |
| 43,484 | 100,133 | 2,949 |
| 43,893 | 387,585 | 181,381 |
| <u>1,658,644</u> | <u>17,922,832</u> | <u>263,252</u> |
| 126,348 | 2,717,362 | - |
| 25,715 | 203,914 | - |
| 860 | 1,913 | 106 |
| 619,840 | 814,623 | 7,000 |
| - | 28,835,981 | - |
| <u>4,354,938</u> | <u>40,036,620</u> | <u>144,281</u> |
| <u>5,127,701</u> | <u>72,610,413</u> | <u>151,387</u> |
| <u>6,786,345</u> | <u>90,533,245</u> | <u>414,639</u> |
| <u>282,293</u> | <u>627,828</u> | <u>34,845</u> |
| 96,791 | 4,513,732 | 52,005 |
| 21,908 | 54,379 | 1,131 |
| 1,871 | 200,424 | - |
| 13,120 | 31,039 | 1,161 |
| - | 5,289 | - |
| 104,493 | 2,333,279 | - |
| <u>238,183</u> | <u>7,138,142</u> | <u>54,297</u> |
| 898,507 | 40,280,741 | - |
| 55,935 | 132,323 | 4,952 |
| 5,981 | 7,759 | 10,196 |
| <u>960,423</u> | <u>40,420,823</u> | <u>15,148</u> |
| <u>1,198,606</u> | <u>47,558,965</u> | <u>69,445</u> |
| <u>66,485</u> | <u>147,865</u> | <u>8,207</u> |
| 3,971,778 | 23,038,170 | 151,281 |
| 124,477 | 2,516,938 | - |
| 216,668 | 481,876 | 26,744 |
| 25,715 | 203,914 | - |
| 1,464,909 | 17,213,345 | 193,807 |
| <u>\$ 5,803,547</u> | <u>\$ 43,454,243</u> | <u>\$ 371,832</u> |

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended December 31, 2018

| | <u>Business-Type</u> | |
|---|----------------------|-------------------------|
| | <u>Water</u> | <u>Waste- water</u> |
| Operating Revenues: | | |
| Charges for Services | \$ 6,074,581 | \$ 3,725,096 |
| Operating Expenses: | | |
| Personal Services | 665,548 | 679,081 |
| Insurance | 57,294 | 92,877 |
| Professional Services | 127,390 | 47,581 |
| Tipping Fees | - | - |
| State Fees | 5,000 | 12,500 |
| Repairs and Maintenance | 238,376 | 478,208 |
| Cost of Sales and Service | - | - |
| Supplies and Materials | 349,091 | 40,263 |
| Travel and Conference | 2,309 | 6,588 |
| Utilities | 232,780 | 205,531 |
| Billing and Administration | 655,905 | 626,754 |
| Other Current Expenses | - | - |
| Depreciation | 1,096,628 | 1,134,446 |
| Total Operating Expenses | <u>3,430,321</u> | <u>3,323,829</u> |
| Operating Income (Loss) | 2,644,260 | 401,267 |
| Non-Operating Income (Expense): | | |
| Interest Income | 221,636 | 45,085 |
| Gain (Loss) on Disposition of Assets | (100,852) | 402 |
| Miscellaneous, net | 1,600 | 604 |
| Interest Expense | (731,278) | (149,938) |
| Total Non-Operating Income (Expenses) | <u>(608,894)</u> | <u>(103,847)</u> |
| Income Before Contributions, Special Items and Transfers | 2,035,366 | 297,420 |
| Special Item - Increase in SDPAA Vested Deposit | 15,736 | 25,508 |
| Transfers In | - | - |
| Transfers (Out) | (71,346) | (60,047) |
| Capital Contributions | 932 | 62,425 |
| Change in Net Position | <u>1,980,688</u> | <u>325,306</u> |
| Net Position - Beginning | 25,522,622 | 9,685,124 |
| Reclassification Adjustment | <u>52,252</u> | <u>84,704</u> |
| Net Position- Beginning as Restated | <u>25,574,874</u> | <u>9,769,828</u> |
| Net Position - Ending | <u>\$ 27,555,562</u> | <u>\$ 10,095,134</u> |

EXHIBIT 6

| <u>Business-Type</u> | | <u>Governmental</u> |
|-------------------------|----------------------|---------------------|
| <u>Non-Major</u> | | <u>Activities-</u> |
| <u>Enterprise Funds</u> | <u>Totals</u> | <u>Internal</u> |
| | | <u>Service Fund</u> |
| \$ 3,100,715 | \$ 12,900,392 | \$ 790,810 |
| 1,132,526 | 2,477,155 | 130,183 |
| 23,833 | 174,004 | - |
| 187,263 | 362,234 | 4,660 |
| 167,795 | 167,795 | - |
| - | 17,500 | - |
| 364,880 | 1,081,464 | 7,110 |
| 1,004,461 | 1,004,461 | - |
| 68,037 | 457,391 | 604,370 |
| 3,861 | 12,758 | - |
| 67,082 | 505,393 | 21,416 |
| 254,908 | 1,537,567 | - |
| - | - | 17,968 |
| 371,328 | 2,602,402 | 22,044 |
| <u>3,645,974</u> | <u>10,400,124</u> | <u>807,751</u> |
| (545,259) | 2,500,268 | (16,941) |
| 29,511 | 296,232 | - |
| (1,525) | (101,975) | - |
| 15,210 | 17,414 | - |
| (21,800) | (903,016) | - |
| <u>21,396</u> | <u>(691,345)</u> | <u>-</u> |
| (523,863) | 1,808,923 | (16,941) |
| 5,952 | 47,196 | - |
| 224,943 | 224,943 | - |
| - | (131,393) | - |
| <u>228,705</u> | <u>292,062</u> | <u>-</u> |
| (64,263) | 2,241,731 | (16,941) |
| 5,848,047 | 41,055,793 | 388,773 |
| 19,763 | 156,719 | - |
| <u>5,867,810</u> | <u>41,212,512</u> | <u>388,773</u> |
| <u>\$ 5,803,547</u> | <u>\$ 43,454,243</u> | <u>\$ 371,832</u> |

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended December 31, 2018

| | Business-Type | |
|--|-------------------|------------------|
| | Water | Waste-Water |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received from Customers | \$ 5,965,084 | \$ 3,748,622 |
| Cash Received from Interfund Services Provided | 131,555 | 28,820 |
| Cash Paid to Suppliers for Goods and Services | (1,706,191) | (1,387,139) |
| Cash Paid to Employees for Services | (624,199) | (628,344) |
| Cash Paid for Interfund Services | (12,062) | (23,638) |
| Other Nonoperating Revenues | 1,600 | 604 |
| Net Cash Provided (Used) from Operating Activities | <u>3,755,787</u> | <u>1,738,925</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition and Construction of Capital Assets | (13,145,011) | (845,504) |
| Proceeds from Sale of Fixed Assets | | |
| Proceeds from Bond Issuance | 20,922,491 | 1,280,969 |
| Principal Paid on Notes, Bonds and Leases | (846,842) | (863,040) |
| Interest Paid on Notes and Bonds | (669,193) | (150,981) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>6,261,445</u> | <u>(578,556)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | |
| Due from Other Governments | - | - |
| Transfers (Out) | (71,346) | (60,047) |
| Receipts from Other Governments | - | 349,755 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>(71,346)</u> | <u>289,708</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest and Dividends on Investments | 221,636 | 45,085 |
| Net Cash Provided from Investing Activities | <u>221,636</u> | <u>45,085</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 10,167,522 | 1,495,162 |
| Cash and Cash Equivalents at Beginning of Year | 4,497,127 | 1,111,302 |
| Cash and Cash Equivalents at End of Year | <u>14,664,649</u> | <u>2,606,464</u> |

| | Business-Type | |
|---|----------------------|---------------------|
| | Water | Waste-Water |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | 2,644,260 | 401,267 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 1,096,628 | 1,134,446 |
| Other Non-Operating Income (Expense) | 1,600 | 604 |
| Accounts Receivable | 22,058 | 52,346 |
| Prepaid Expenses | (3,118) | (3,052) |
| Net Pension Asset / Liability | 1,632 | 1,675 |
| Pension Related Deferred Outflows | 45,152 | 45,874 |
| Inventories | 10,087 | 564 |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (58,296) | 102,013 |
| Customer Deposits | 1,219 | - |
| Accrued Wages | (2,418) | 5,550 |
| Accrued Compensated Absences | (321) | 5,642 |
| Other Postemployment Benefit Obligation | - | (5,354) |
| Pension Related Deferred Inflows | (2,696) | (2,650) |
| Total Adjustments | <u>1,111,527</u> | <u>1,337,658</u> |
| Net Cash Provided (Used) by Operating Activities | <u>3,755,787</u> | <u>1,738,925</u> |
| Supplemental Schedule of Noncash Capital and Related Financing Activities: | | |
| Developers and City Contribution of Capital Assets | 932 | 62,425 |
| | <u>\$ 932</u> | <u>\$ 62,425</u> |
| Reconciliation of Cash and Cash Equivalents to the Balance Sheet: | | |
| Cash and Cash Equivalents | 12,589,435 | 2,090,664 |
| Restricted Cash and Cash Equivalents | 2,075,214 | 515,800 |
| | <u>\$ 14,664,649</u> | <u>\$ 2,606,464</u> |

EXHIBIT 7

| Business-Type | | Governmental |
|---------------------|----------------------|------------------|
| Nonmajor | Totals | Activities- |
| Enterprise Funds | | Internal |
| | | Service Fund |
| \$ 3,073,117 | \$ 12,786,823 | \$ 111,702 |
| 6,647 | 167,022 | 662,058 |
| (1,871,251) | (4,964,581) | (129,664) |
| (1,049,255) | (2,301,798) | (671,639) |
| (246,607) | (282,307) | (2,314) |
| 15,210 | 17,414 | - |
| <u>(72,139)</u> | <u>5,422,573</u> | <u>(29,857)</u> |
| (261,078) | (14,251,593) | (13,021) |
| 3,512 | 3,512 | - |
| 481,562 | 22,685,022 | - |
| (59,052) | (1,768,934) | - |
| (21,120) | (841,294) | - |
| <u>143,824</u> | <u>5,826,713</u> | <u>(13,021)</u> |
| 228,705 | 228,705 | - |
| 224,943 | 93,550 | - |
| - | 349,755 | - |
| <u>453,648</u> | <u>672,010</u> | <u>-</u> |
| 29,511 | 296,232 | - |
| <u>29,511</u> | <u>296,232</u> | <u>-</u> |
| 554,844 | 12,217,528 | (42,878) |
| 872,903 | 6,481,332 | 113,912 |
| <u>1,427,747</u> | <u>18,698,860</u> | <u>71,034</u> |
| Business-Type | | Governmental |
| Nonmajor | Totals | Activities- |
| Enterprise Funds | | Internal |
| | | Service Fund |
| (545,259) | 2,500,268 | (16,941) |
| 371,328 | 2,602,402 | 22,044 |
| 15,210 | 17,414 | - |
| (20,951) | 53,453 | - |
| (9,974) | (16,144) | (415) |
| 2,857 | 6,164 | 309 |
| 89,860 | 180,886 | 6,748 |
| 12,612 | 23,263 | (16,781) |
| 21,624 | 65,341 | (19,284) |
| - | 1,219 | - |
| 514 | 3,646 | (2,131) |
| 628 | 5,949 | (1,014) |
| (3,141) | (8,495) | (3,254) |
| (7,447) | (12,793) | (56) |
| <u>473,120</u> | <u>2,922,305</u> | <u>(12,916)</u> |
| <u>(72,139)</u> | <u>5,422,573</u> | <u>(29,857)</u> |
| 33,346 | 96,703 | - |
| <u>\$ 33,346</u> | <u>\$ 96,703</u> | <u>\$ -</u> |
| 1,301,399 | 15,981,498 | 71,034 |
| 126,348 | 2,717,362 | - |
| <u>\$ 1,427,747</u> | <u>\$ 18,698,860</u> | <u>\$ 71,034</u> |

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET POSITION
Fiduciary Funds
December 31, 2018

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 19,861 |
| Total Assets | <u>19,861</u> |
| Liabilities | |
| Accounts Payable | 1,483 |
| Other Accrued Expenses | <u>18,378</u> |
| Total Liabilities | <u>19,861</u> |
| Net Position | |
| Unrestricted | <u>-</u> |
| Total Net Position | <u><u>\$ -</u></u> |

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 whose year end is June 30, 2018. 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 Commission had a June 30, 2018 Year End and 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 of the Cities of

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

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, 2018**

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, 2018**

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, 2018**

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.

Special Revenue Fund:

TID #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.

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.

The City reports the following major enterprise funds:

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

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

E. Cash and Investments

The City combines all cash to participate in an entity-wide cash and investment pool except for specific bond indenture investments required to be separately invested. In general, SDCL 4-5-6 permits municipal funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly, including, without limitations, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be within eighteen months from the date of purchase or be 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.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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/Property Held for Resale

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. In the government-wide financial statements, governmental fund 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 funds 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.

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 and salt inventory.

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. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and pension contributions from the City after the measurement date but before the end of the City's reporting period.

CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within thirty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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, 2018. 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 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.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

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.

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.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

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 |

The City early implemented GASB 89, during the year there was no interest cost 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, 2018 were \$36,204,447. 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. Credit and concentration risk disclosures are not necessary in accordance with GASB 40. At year end the Housing Commission had no investments.

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.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 - PROPERTY TAXES (CONTINUED)

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, 2018, consisted of the following:

| | Utility Accounts Receivable | Special Assessment Receivable |
|--------------------------------------|--|--|
| Fund: | | |
| Infrastructure Improvement Revolving | \$ - | \$ 42,000 |
| Water Fund | 29,553 | - |
| Wastewater Fund | 14,790 | - |
| Solid Waste Fund | 14,335 | - |
| | \$ 58,678 | \$ 42,000 |

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2018, include the following:

| | General | Special Capital Improvement Fund | Non-Major Governmental Funds |
|---|----------------|---|---|
| County Remitted Taxes | \$ 28,634 | \$ - | \$ 3,896 |
| County share of Senior Center and Others | 6,194 | - | - |
| County and Other Garage Charges | - | - | - |
| State Remitted Sales Tax | 626,542 | 681,656 | 67,467 |
| State Remitted Liquor and Other Taxes | 24,768 | - | - |
| State Road Aid | 57,580 | - | - |
| Grants | - | - | 125,708 |
| Other | 4,307 | - | 9,713 |
| | \$ 748,025 | \$ 681,656 | \$ 206,784 |

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 - DUE FROM OTHER GOVERNMENTS (CONTINUED)

| | Internal Service | Total |
|---|-----------------------------|---------------------|
| County Remitted Taxes | \$ - | \$ 32,530 |
| County share of Senior Center and Others | - | 6,194 |
| County and Other Garage Charges | 7,888 | 7,888 |
| State Remitted Sales Tax | - | 1,375,665 |
| State Remitted Liquor and Other Taxes | - | 24,768 |
| State Road Aid | - | 57,580 |
| Grants | - | 125,708 |
| Other | - | 14,020 |
| | <u>\$ 7,888</u> | <u>\$ 1,644,353</u> |

NOTE 6 - CAPITAL ASSETS

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

| | Balance January 1, 2018 | Additions | Deletions | Reclassification | Balance December 31, 2018 |
|---|--|---------------------|-------------------|-------------------------|--|
| Governmental Activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 3,623,276 | \$ - | \$ 175,896 | \$ - | \$ 3,447,380 |
| Construction in Progress | 4,046,774 | 5,186,630 | 189,381 | - | 9,044,023 |
| Total capital assets not being depreciated | <u>7,670,050</u> | <u>5,186,630</u> | <u>365,277</u> | <u>-</u> | <u>12,491,403</u> |
| Capital assets being depreciated: | | | | | |
| Buildings & Structures | 71,062,808 | 5,303,131 | 198,695 | - | 76,167,244 |
| Furniture & Equipment | 17,535,686 | 1,120,214 | 792,011 | (32,198) | 17,831,691 |
| Total Capital assets being depreciated | <u>88,598,494</u> | <u>6,423,345</u> | <u>990,706</u> | <u>(32,198)</u> | <u>93,998,935</u> |
| Less: Accumulated Depreciation for: | | | | | |
| Buildings | 27,628,940 | 1,974,775 | 198,694 | - | 29,405,021 |
| Furniture & Equipment | 9,693,254 | 1,009,913 | 765,166 | (32,198) | 9,905,803 |
| Total Accumulated Depreciation | <u>37,322,194</u> | <u>2,984,688</u> | <u>963,860</u> | <u>(32,198)</u> | <u>39,310,824</u> |
| Total capital assets being depreciated, net | <u>51,276,300</u> | <u>3,438,657</u> | <u>26,846</u> | <u>-</u> | <u>54,688,111</u> |
| Governmental activities capital assets, net | <u>\$ 58,946,350</u> | <u>\$ 8,625,287</u> | <u>\$ 392,123</u> | <u>\$ -</u> | <u>\$ 67,179,514</u> |

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

| | Balance January 1, 2018 | Additions | Deletions | Reclassification | Balance December 31, 2018 |
|--|-------------------------------|----------------------|-------------------|------------------|---------------------------------|
| Business-type Activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 814,623 | \$ - | \$ - | \$ - | \$ 814,623 |
| Construction in Progress | 13,003,921 | 15,832,060 | - | - | 28,835,981 |
| Total capital assets not being depreciated | <u>13,818,544</u> | <u>15,832,060</u> | <u>-</u> | <u>-</u> | <u>29,650,604</u> |
| Capital assets being depreciated: | | | | | |
| Buildings & Structures | 71,737,972 | 101,149 | - | - | 71,839,121 |
| Land Improvements | 2,190,048 | - | - | - | 2,190,048 |
| Furniture & Equipment | 6,034,753 | 416,775 | 829,930 | 32,198 | 5,653,796 |
| Total Capital assets being depreciated | <u>79,962,773</u> | <u>517,924</u> | <u>829,930</u> | <u>32,198</u> | <u>79,682,965</u> |
| Less: Accumulated Depreciation for : | | | | | |
| Buildings & Structures | 33,189,929 | 2,237,592 | - | - | 35,427,521 |
| Land Improvements | 68,100 | 3,106 | - | - | 71,206 |
| Furniture & Equipment | 4,476,707 | 361,704 | 722,991 | 32,198 | 4,147,618 |
| Total Accumulated Depreciation | <u>37,734,736</u> | <u>2,602,402</u> | <u>722,991</u> | <u>32,198</u> | <u>39,646,345</u> |
| Total capital assets being depreciated, net | <u>42,228,037</u> | <u>(2,084,478)</u> | <u>106,939</u> | <u>-</u> | <u>40,036,620</u> |
| Business-type activities capital assets, net | <u>\$ 56,046,581</u> | <u>\$ 13,747,582</u> | <u>\$ 106,939</u> | <u>\$ -</u> | <u>\$ 69,687,224</u> |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General Government | \$ 22,009 |
| Community Development | 2,340 |
| Public Safety | 317,792 |
| Public Works | 2,054,660 |
| Culture and Recreation | 587,887 |
| Total depreciation expense - governmental activities | <u>\$ 2,984,688</u> |

Depreciation expense of \$22,044 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, 2018**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

Business-type activities:

| | |
|---|--------------|
| Water | \$ 1,096,628 |
| Wastewater | 1,134,446 |
| Solid Waste | 106,790 |
| Golf Course | 73,178 |
| Joint Powers Landfill | 191,360 |
| Total depreciation expense - business-type activities | \$ 2,602,402 |

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

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|--|------------------------------------|-----------|-----------|---------------------------|
| Component Unit: | | | | |
| Capital Assets, being depreciated | | | | |
| Furniture & Equipment | \$ 4,615 | \$ - | \$ - | \$ 4,615 |
| Total capital assets, being depreciated | 4,615 | - | - | 4,615 |
| Less: Accumulated Depreciation | 3,882 | 400 | - | 4,282 |
| Component unit capital assets, net | \$ 733 | \$ (400) | \$ - | \$ 333 |

Reconciliation of Net Investment in Capital Assets:

| | Governmental Activities | Business-type Activities |
|--|----------------------------|-----------------------------|
| Land | \$ 3,447,380 | \$ 814,623 |
| Construction in Progress | 9,044,023 | 28,835,981 |
| Capital Assets (net of accumulated depreciation) | 54,688,111 | 40,036,620 |
| Less: Revenue Bonds | - | 42,614,020 |
| Capital Leases | 1,445,000 | - |
| Retainage Payable | 118,895 | 2,297,231 |
| Accounts Payable | 512,831 | 1,737,803 |
| Net Investment in Capital Assets | \$ 65,102,788 | \$ 23,038,170 |

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 - COMMITMENTS

During the year ended December 31, 2018, the City had entered into several construction contracts totaling approximately \$45,471,165 of which approximately \$25,012,874 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 | \$1,530,000 | \$1,590,000 | \$(1,675,000) | \$1,445,000 |

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 Certificates of Participation were refinanced in March of 2018 for the balance of \$1,590,000. The interest rate on the Certificates of Participation varies from 1.65% to 2.85% and the lease payment terms match the terms of the certificates with final payment December 1, 2028. The refinancing of the Certificates will save the city \$221,494 in interest over the remaining life of the agreement. 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, 2018.

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|--------------|------------|--------------|
| 2019 | \$ 135,000 | \$ 36,123 | \$ 171,123 |
| 2020 | 135,000 | 33,760 | 168,760 |
| 2021 | 140,000 | 31,195 | 171,195 |
| 2022 | 145,000 | 28,255 | 173,255 |
| 2023 | 145,000 | 24,993 | 169,993 |
| 2024-2028 | 745,000 | 65,538 | 810,538 |
| Totals | \$ 1,445,000 | \$ 219,864 | \$ 1,664,864 |

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018 (in thousands of dollars):

| | Governmental | | | Enterprise | | | Total |
|--|---------------------|---------------------|--------------------------|---------------------------------|---|----------------------|-----------|
| | 2011 Sales Tax Bond | Water Revenue (SRF) | Wastewater Revenue (SRF) | 2011 Wastewater Refunding Bonds | Joint Power Landfill Revenue Loans (SWMP) (RLA) | Solid Waste REC Loan | |
| Notes/Bonds Payable at January 1, 2018 | \$ 2,055 | \$ 16,781 | \$ 2,874 | \$ 1,460 | \$ 581 | \$ - | \$ 23,751 |
| Notes/Bonds Issued | - | 20,922 | 1,281 | - | - | 482 | 22,685 |
| Notes/Bonds Retired | (120) | (847) | (388) | (475) | (60) | - | (1,890) |
| Notes/Bonds Payable at December 31, 2018 | \$ 1,935 | \$ 36,856 | \$ 3,767 | \$ 985 | \$ 521 | \$ 482 | \$ 44,546 |

The business-type activity revenue bonds are shown net of \$3,307 of unaccreted bond premiums on the Statement of Net Position.

Debt outstanding at December 31, 2018, 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. | \$ 120,000 | \$ 1,815,000 | \$ 1,935,000 |
| 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. | 485,000 | 500,000 | 985,000 |
| 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. | 60,534 | 460,906 | 521,440 |
| Water Revenue Bonds (SRF) maturing October 1, 2023, through 2048 with interest rates of 3.5%, 3.25% and 3.0% per annum, paid by the Water Fund. | 1,315,519 | 35,540,587 | 36,856,106 |
| Wastewater Revenue Bonds (SRF) maturing October 1, 2023 and January 15, 2037, with an interest rate of 3.5% and 3.0% per annum, paid by the Wastewater Fund. | 428,267 | 3,338,340 | 3,766,607 |
| Solid Waste REC Loan Maturing December 1, 2028 With an interest rate of 2.1% per Annum, paid by Solid Waste Fund. | 43,959 | 437,601 | 481,560 |
| Totals | \$2,453,279 | \$ 42,092,434 | \$ 44,545,713 |

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 - LONG-TERM DEBT – (CONTINUED)

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.

On November 25, 2014, the City issued not to exceed \$11,048,805 of Clean Water State Revolving Fund loans for sewer improvements. The bonds carry an interest rate of 3.0%. At December 31, 2018, \$8,858,319 had been drawn on the bonds.

On November 17, 2014, the City issued \$12,850,000 of Drinking Water State Revolving Fund Bonds, to be used to finance improvements to its system of waterworks. The bonds have an interest rate of 3%. As of December 31, 2018, \$11,642,796 had been drawn on the loan.

On April 24, 2017, the City issued \$37,000,000 of Drinking Water State Revolving Fund Bonds, to be used to finance improvements to its system of waterworks. The bonds have an interest rate of 2.25%. As of December 31, 2018, \$20,799,418 had been drawn on the loan.

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, 2018, including interest payments of \$15,440,040 are as follows:

| Year Ending December 31 | 2011 Sales Tax Bonds | | Wastewater Revenue | | Water Revenue | | Solid Waste REC | |
|----------------------------|----------------------|-------------------|--------------------|-------------------|---------------------|----------------------|------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | \$ 120,000 | \$ 72,850 | \$ 428,267 | \$ 109,628 | \$ 1,315,519 | \$ 848,994 | \$ 43,959 | \$ 9,412 |
| 2020 | 125,000 | 69,610 | 454,365 | 102,294 | 1,251,078 | 913,166 | 44,843 | 8,529 |
| 2021 | 130,000 | 65,845 | 470,073 | 86,585 | 1,286,511 | 878,002 | 45,744 | 7,628 |
| 2022 | 130,000 | 62,085 | 486,326 | 70,332 | 1,322,975 | 841,538 | 46,663 | 6,708 |
| 2023 | 135,000 | 57,665 | 503,143 | 53,515 | 1,360,503 | 804,011 | 47,601 | 5,770 |
| 2024-2028 | 760,000 | 210,160 | 472,522 | 180,878 | 6,070,363 | 3,525,210 | 252,750 | 14,109 |
| 2029-2033 | 535,000 | 47,400 | 548,685 | 104,715 | 5,975,295 | 2,709,882 | - | - |
| 2034-2038 | - | - | 403,226 | 21,486 | 5,836,322 | 1,967,562 | - | - |
| 2039-2043 | - | - | - | - | 6,627,347 | 1,176,538 | - | - |
| 2044-2048 | - | - | - | - | 5,810,193 | 309,463 | - | - |
| | \$1,935,000 | \$ 585,615 | \$3,766,607 | \$ 729,433 | \$36,856,106 | \$ 13,974,366 | \$481,560 | \$ 52,156 |

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

| Year Ending December 31 | Joint Power Landfill (RLA) (SWMP) | | Wastewater Refunding | | Total | |
|----------------------------|--------------------------------------|------------------|----------------------|------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | \$ 60,534 | \$ 12,442 | \$ 485,000 | \$ 30,800 | \$ 2,453,279 | \$ 1,084,126 |
| 2020 | 62,054 | 10,921 | 500,000 | 16,250 | 2,437,340 | 1,120,770 |
| 2021 | 63,613 | 9,362 | - | - | 1,995,941 | 1,047,422 |
| 2022 | 65,213 | 7,763 | - | - | 2,051,177 | 988,426 |
| 2023 | 66,854 | 6,122 | - | - | 2,113,101 | 927,083 |
| 2024-2028 | 203,172 | 8,810 | - | - | 7,758,807 | 3,939,167 |
| 2029-2033 | - | - | - | - | 7,058,980 | 2,861,997 |
| 2034-2038 | - | - | - | - | 6,239,548 | 1,989,048 |
| 2039-2043 | - | - | - | - | 6,627,347 | 1,176,538 |
| 2044-2048 | - | - | - | - | 5,810,193 | 309,463 |
| | <u>\$ 521,440</u> | <u>\$ 55,420</u> | <u>\$ 985,000</u> | <u>\$ 47,050</u> | <u>\$44,545,713</u> | <u>\$15,440,040</u> |

C. Accrued Compensated Absences and OPEB Liabilities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-------------------|-------------------|-------------------|------------------------|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 556,702 | \$ 77,531 | \$ 64,732 | \$ 569,501 | \$ 85,669 |
| Other Post Employment Benefit Obligation | 68,731 | - | 18,486 | 50,245 | - |
| Business-Type Activities: | | | | | |
| Compensated Absences | 157,413 | 32,113 | 26,164 | 163,362 | 31,039 |
| Other Post Employment Benefit Obligation | 16,254 | - | 8,495 | 7,759 | - |
| Total Accrued Compensated Absences and OPEB Liabilities | <u>\$ 799,100</u> | <u>\$ 109,644</u> | <u>\$ 117,877</u> | <u>\$ 790,867</u> | <u>\$ 115,547</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, 2018 were as follows:

| | Interfund Receivables | Interfund Payables |
|---|--------------------------|-----------------------|
| Due From/To Other Funds: | | |
| Capital Projects – Special Capital Improvements | \$ 1,482,228 | \$ - |
| Capital Projects – Public Improvement | - | 1,482,210 |
| Special Revenue – TID #8 | - | 18 |
| | <u>\$ 1,482,228</u> | <u>\$ 1,482,228</u> |

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 - INTERFUND ASSETS/LIABILITIES – (CONTINUED)

As of December 31, 2018, long-term advances were as follows:

| | Interfund Receivables | Interfund Payables |
|-------------------------------|--------------------------|-----------------------|
| Advances From/To Other funds: | | |
| General Fund | \$ 3,689,392 | \$ - |
| TID #5 | - | 3,689,392 |
| | \$ 3,689,392 | \$ 3,689,392 |

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, 2018, the following funds had deficit fund balances:

| | |
|------------------|--------------|
| Special Revenue: | |
| TID #5 | \$ 3,689,392 |
| TID #8 | 18 |

The TID #5 deficit will be refunded through future TID property tax collections.
The TID #8 deficit will be refunded through future TID property tax collections.

NOTE 12 - PENSION PLAN

Plan Information

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors 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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 - PENSION PLAN (CONTINUED)

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

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

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

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the years ended 2018, 2017, and 2016 were \$472,668, \$460,571, and \$449,258, respectively, equal to the required contributions each year.

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

At June 30, 2018, SDRS is 100.02% funded and, accordingly, has a net pension liability. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of the measurement period ending June 30, 2018 and reported by the City as of December 31, 2018 are as follows:

| | |
|---|-------------------|
| Proportionate share of net position restricted for pension benefits | \$ 45,660,371 |
| Less: proportionate share Net Pension restricted for pension benefits | <u>45,669,076</u> |
| Proportionate share of net pension liability (asset) | <u>\$ (8,705)</u> |

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 - PENSION PLAN (CONTINUED)

At December 31, 2018, the City reported an (asset) of \$(8,705) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2018 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the City's proportion was 0.37324390%, which is an decrease of .0157358% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$674,873. At December 31, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 329,014 | \$ - |
| Changes in assumption | 2,210,025 | - |
| Net Difference between projected and actual earnings on pension plan investments | - | 657,888 |
| Changes in Proportion and difference between City contributions and proportionate share of contributions | 82,736 | 14,960 |
| City contributions subsequent to the measurement date | 235,107 | - |
| TOTAL | \$ 2,856,882 | \$ 672,848 |

\$235,107 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

| Year Ended | |
|---------------------------|---------------------|
| <u>December 31</u> | |
| 2019 | \$ 1,204,787 |
| 2020 | 902,522 |
| 2021 | (93,151) |
| 2022 | (65,231) |
| Total | \$ 1,948,927 |

Actuarial Assumptions:

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

| | |
|------------------|--|
| Inflation | 2.25 percent |
| Salary Increases | 6.5 percent at entry to 3.00 percent after 25 years of service |
| Discount Rate | 6.5 percent net of plan investment expense |

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 - PENSION PLAN (CONTINUED)

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Global Equity | 58.0% | 4.8% |
| Fixed Income | 30.0% | 1.8% |
| Real Estate | 10.0% | 4.6% |
| Cash | <u>2.0%</u> | 0.7% |
| Total | <u>100%</u> | |

Discount Rate:

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

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the City's proportionate share of net pension asset calculated using the discount rate of 6.5 percent, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5.5%) or 1-percentage point higher (7.5%) than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|------------------------------|--------------------|
| City's proportionate share of the net pension liability (asset) | \$ 6,574,649 | \$ (8,705) | \$(5,363,906) |

Pension Plan Fiduciary Net Position:

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 13 - TRANSFERS

The following is a summary of transfers between funds:

| | General | Nonmajor Governmental | Enterprise Nonmajor | Total Transfer Out |
|-------------------------------------|-------------------|--------------------------|------------------------|-----------------------|
| General | \$ - | \$ 660,962 | \$ 224,943 | \$ 885,905 |
| Nonmajor Governmental | 18,073 | 674,109 | - | 692,182 |
| Special Capital Improvements | 19,346 | 913,892 | - | 933,238 |
| TID #5 | - | 138,029 | - | 138,029 |
| Wastewater | 60,047 | - | - | 60,047 |
| Water | 71,346 | - | - | 71,346 |
| Transfer In | <u>\$ 168,812</u> | <u>\$ 2,386,992</u> | <u>\$ 224,943</u> | <u>\$ -</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.

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, 2018, 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 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.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 14 - RISK MANAGEMENT (CONTINUED)

Effective January 1, 2018, the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and the number of membership years.

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

| <u>Years</u> | <u>Percentage</u> |
|--------------|-------------------|
| 1 | 55% |
| 2 | 50% |
| 3 | 40% |
| 4 | 35% |
| 5 | 30% |
| 6+ | 20% |

All refunds shall be paid to the withdrawing Member over a five-year term.

The amount available for refund to the Municipality is considered a deposit for financial reporting purposes.

As of December 31, 2018, the Municipality's balance available to be refunded per the SDPAA was \$351,661, which was an increase of \$81,392 from the previous year. The change in the amount available for refund was reported as a special item in the current period due to the change in the methodology of determining the amount available for refund. In future periods the change in the amount available for refund will be accounted for as an increase or decrease in the insurance expenditure/expenses.

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/fund level. In 2018, expenditures did not exceed the appropriated amounts in any department of the General Fund.

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS

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 OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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 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 TOTAL OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution. Because the Plan was terminated as of December 31, 2013, allowing no new participants, the liability was calculated using the alternative measurement method based upon premium costs for the 7 participants, adjusted per the trend rates described below, through 2023 when the final participant will reach Medicare age and the liability retired. 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 total OPEB obligation to the plan:

The Plan was closed and stopped admitting new members as of December 31, 2013. At December 31, 2018, the following employees were covered by the benefit terms:

| | | |
|--|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 7 | |
| Active employees | - | - |
| Total | 7 | 7 |

Total OPEB Liability – The City's total OPEB liability of \$58,004 was measured as of December 31, 2018, using the alternative measurement method.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Total OPEB liability beginning of year | \$ 84,985 |
| Changes for the year: | |
| Service cost | - |
| Interest | - |
| Differences between expected and actual experiences | (2,468) |
| Changes in assumptions | - |
| Benefit payments | (24, 513) |
| Net changes | (26,981) |
| Total OPEB liability end of year | \$ 58,004 |

Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the City as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.0%) or 1% higher (6.0%) than the current healthcare cost trend rates.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

| | 1% Decrease (4.0%) | Healthcare Cost Trend Rate (5.0%) | 1% Increase (6.0%) |
|----------------------|--------------------------|--|--------------------------|
| Total OPEB liability | \$ 57,358 | \$ 58,004 | \$ 58,653 |

For the year ended December 31, 2018, the City recognized OPEB expense of \$24,513.

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 2018 for this component was \$29,998.

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, 2013, 2014, 2015, 2016, 2017 and 2018 it was agreed the County would pay \$60,000 per year for dispatch services, which was appropriately paid.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 18 – RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2018 was as follows:

Major Purposes:

| | | |
|--|------------|--------------|
| Lodging Sales Tax – Enabling Legislation | \$ 978,230 | |
| Debt Service – External Creditors | 2,701,307 | |
| Library – Enabling Legislation | 29,341 | |
| Roads and Bridges – Enabling Legislation | 331 | |
| Total Major Purposes | | \$ 3,709,209 |

Permanently Restricted Purposes:

| | | |
|---|---------|---------|
| Cemetery Perpetual Care – Expendable | 110,638 | |
| Cemetery Perpetual Care – Nonexpendable | 50,000 | |
| Total Permanently Restricted Purposes | | 160,638 |

Other Purposes:

| | | |
|----------------------------|-----------|-----------|
| Dispatch | 15,001 | |
| Historic Easement Trust | 22,885 | |
| Cumulative Reserve – SDPAA | 351,661 | |
| SDRS Pension | 2,192,739 | |
| Total Other Purposes | | 2,582,286 |

| | | |
|-------------------------------|--|---------------------|
| Total Restricted Net Position | | <u>\$ 6,452,133</u> |
|-------------------------------|--|---------------------|

NOTE 19 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in South Dakota Codified Law chapter 11-9. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers as an economic development grant. No other commitments were made by the City as part of these agreements.

For the year ended December 31, 2018, the City abated \$13,641 of property tax under the urban renewal and economic development projects.

The City also entered into agreements with two developers pursuant to the provisions of the South Dakota Codified Law chapter 9-54 and 9-12-11, where after the developer meets the terms of the agreement, the City will rebate a portion of the municipal retail occupation sales and service tax received by the City from said location.

For the year ended December 31, 2018, the City abated \$308,037 of municipal retail occupation sales and service tax under said agreements.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 20 – SUBSEQUENT EVENTS

On March 25, 2019 the City issued not to exceed \$15,000,000 of Economic Development Revenue Bonds (Mount Marty College) Series 2019. The Debt is conduit debt where the city has no obligation and will never have any obligation to repay any portion of the bonds. Proceeds are to be used for the construction and furnishing of a Fieldhouse which will be owned entirely by Mount Marty College.

On July 22, 2019 the City authorized the Execution, Sale and Delivery of not to exceed \$14,000,000 of Certificates of Participation with the proceeds to be used to construct and equip a new Aquatics Center at Fantle Memorial Park. The city will use the additional property tax proceeds from the opt out of the tax limitation of up to \$884,043 annually for the next twenty years.

NOTE 21 – RECLASSIFICATION ADJUSTMENT

The SDPAA Cumulative Reserve vested balance has been reported in the general fund and should have been allocated to the individual funds that expended the premiums. Based on premiums paid the vested balance of the cumulative reserve was reclassified between the general fund and the individual proprietary funds. The reclassification adjustment reduced the governmental activities net position by \$156,719 and the business-type activities increased the net position by \$156,719.

| <u>Governmental Activities</u> | <u>General Fund</u> | <u>Dispatch</u> | <u>Total</u> | <u>Governmental Activities</u> |
|--|-------------------------|-----------------|--------------|------------------------------------|
| Fund balance/Net position December 31, 2017 as previously reported | \$ 9,815,635 | \$ 18,249 | \$ 9,833,884 | \$ 78,679,889 |
| Reclassification Adjustment | (162,085) | 5,366 | (156,719) | (156,719) |
| Adjusted fund balance/Net position-beginning | \$ 9,653,550 | \$ 23,615 | \$ 9,677,165 | \$ 78,523,170 |

| <u>Business-type Activities</u> | <u>Water</u> | <u>Wastewater</u> | <u>Golf Course</u> |
|---|---------------|-------------------|--------------------|
| Total net position December 31, 2017 as previously reported | \$ 25,522,622 | \$ 9,685,124 | \$ 3,200,656 |
| Reclassification Adjustment | 52,252 | 84,704 | - |
| Adjusted Net Position Beginning | \$ 25,574,874 | \$ 9,769,828 | \$ 3,200,656 |

| <u>Business-type Activities (Continued)</u> | <u>Joint Powers Landfill</u> | <u>Solid Waste</u> | <u>Totals</u> |
|---|----------------------------------|------------------------|---------------|
| Total net position December 31, 2017 as previously reported | \$ 1,573,892 | \$ 1,073,499 | \$ 41,055,793 |
| Reclassification Adjustment | 13,582 | 6,181 | 156,719 |
| Adjusted Net Position Beginning | \$ 1,587,474 | \$ 1,079,680 | \$ 41,212,512 |

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REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

In accordance with the Governmental Accounting Standards Statements No. 25, No. 27, No. 34, No. 75, No. 68 and No. 77, 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, 2018

| | Budgeted Amounts | | Actual Amounts | Variance Positive (Negative) |
|----------------------------|-------------------|-------------------|-------------------|------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes - Current Property | \$ 2,596,887 | \$ 2,596,887 | \$ 2,778,715 | \$ 181,828 |
| Taxes - Sales and Other | 5,758,215 | 5,758,215 | 6,136,497 | 378,282 |
| Licenses and Permits | 344,675 | 344,675 | 314,758 | (29,917) |
| Intergovernmental | 799,255 | 799,255 | 505,856 | (293,399) |
| Charges for Service | 2,212,122 | 2,212,122 | 3,408,615 | 1,196,493 |
| Fines and Forfeits | 9,000 | 9,000 | 4,540 | (4,460) |
| Interest | - | - | 127,328 | 127,328 |
| Miscellaneous | 35,500 | 35,500 | 245,647 | 210,147 |
| Total Revenues | <u>11,755,654</u> | <u>11,755,654</u> | <u>13,521,956</u> | <u>1,766,302</u> |
| Expenditures: | | | | |
| General Government: | | | | |
| Board of City Commission | 162,242 | 162,242 | 140,150 | 22,092 |
| Office of City Manager | 390,799 | 396,799 | 347,581 | 49,218 |
| City Attorney | 56,591 | 106,591 | 101,208 | 5,383 |
| Department of Finance | 636,143 | 636,143 | 586,610 | 49,533 |
| Information Systems | 454,110 | 537,367 | 323,025 | 214,342 |
| Community Development | 464,213 | 464,213 | 418,302 | 45,911 |
| Contingency | 300,000 | 300,000 | - | 300,000 |
| Casulty Reserve Fund | 5,000 | 5,000 | - | 5,000 |
| Special Appropriations | 130,064 | 140,064 | 133,855 | 6,209 |
| Total General Government | <u>2,599,162</u> | <u>2,748,419</u> | <u>2,050,731</u> | <u>697,688</u> |
| Public Safety: | | | | |
| Police Department | 3,124,774 | 3,601,143 | 2,634,914 | 966,229 |
| Animal Control | 74,303 | 74,303 | 24,182 | 50,121 |
| Fire Department | 901,396 | 920,396 | 580,313 | 340,083 |
| Civil Defense | 3,415 | 3,415 | 2,972 | 443 |
| Total Public Safety | <u>4,103,888</u> | <u>4,599,257</u> | <u>3,242,381</u> | <u>1,356,876</u> |
| Public Works: | | | | |
| Engineering and Inspection | 616,459 | 616,459 | 509,948 | 106,511 |
| Streets and Highways | 1,943,383 | 1,943,383 | 1,454,350 | 489,033 |
| Snow and Ice Removal | 175,810 | 248,810 | 158,641 | 90,169 |
| City Hall | 199,862 | 199,862 | 165,168 | 34,694 |
| Traffic Control | 423,900 | 423,900 | 403,188 | 20,712 |
| Chan Gurney Airport | 601,368 | 704,368 | 667,891 | 36,477 |
| Total Public Works | <u>3,960,782</u> | <u>4,136,782</u> | <u>3,359,186</u> | <u>777,596</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, 2018

| | Budgeted Amounts | | Actual Amounts | Variance Positive (Negative) |
|--|---------------------|---------------------|----------------------|------------------------------------|
| | Original | Final | | |
| Culture and Recreation: | | | | |
| Marne Creek | 171,137 | 196,637 | 126,760 | 69,877 |
| Summit Activities Center | 778,826 | 833,826 | 748,681 | 85,145 |
| Memorial Park Pool | 213,900 | 213,900 | 174,545 | 39,355 |
| Parks and Recreation | 1,260,976 | 1,318,376 | 1,135,072 | 183,304 |
| Senior Citizens Center | 65,984 | 100,984 | 75,195 | 25,789 |
| Yankton Community Library | 777,878 | 803,878 | 653,996 | 149,882 |
| Total Culture and Recreation | <u>3,268,701</u> | <u>3,467,601</u> | <u>2,914,249</u> | <u>553,352</u> |
| Total Expenditures | <u>13,932,533</u> | <u>14,952,059</u> | <u>11,566,547</u> | <u>3,385,512</u> |
| Excess of Revenues over Expenditures | <u>(2,176,879)</u> | <u>(3,196,405)</u> | <u>1,955,409</u> | <u>5,151,814</u> |
| Other Financing Sources (Uses): | | | | |
| Refinancing Payment | - | - | (1,530,000) | (1,530,000) |
| Operating Transfers In | 237,761 | 237,761 | 168,812 | (68,949) |
| Operating Transfers (Out) | (2,784,348) | (3,818,458) | (885,905) | 2,932,553 |
| Debt Issuance | - | - | 1,590,000 | 1,590,000 |
| Proceeds from Sale of Fixed Assets | - | - | 48,364 | 48,364 |
| Total Other Financing Sources (Uses) | <u>(2,546,587)</u> | <u>(3,580,697)</u> | <u>(608,729)</u> | <u>2,971,968</u> |
| Special Item: | | | | |
| Increase in SDPAA Vested Deposit | - | - | 32,580 | 32,580 |
| Excess (Deficiency) of Revenues over Expenditures and Other Uses | <u>(4,723,466)</u> | <u>(6,777,102)</u> | <u>1,379,260</u> | <u>8,156,362</u> |
| Fund Balances at Beginning of Year | <u>9,815,635</u> | <u>9,815,635</u> | <u>9,815,635</u> | <u>-</u> |
| Reclassification Adjustment | <u>-</u> | <u>-</u> | <u>(162,085)</u> | <u>162,085</u> |
| Fund Balances at Beginning of Year, as restated | <u>9,815,635</u> | <u>9,815,635</u> | <u>9,653,550</u> | <u>162,085</u> |
| Fund Balances at End of Year | <u>\$ 5,092,169</u> | <u>\$ 3,038,533</u> | <u>\$ 11,032,810</u> | <u>\$ 8,318,447</u> |

CITY OF YANKTON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACUTAL
Major Special Revenue Fund- TID #5
For the Year Ended December 31, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|-----------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes - Current Property | \$ 194,590 | \$ 194,590 | \$ 138,029 | \$ (56,561) |
| Total Revenues | <u>194,590</u> | <u>194,590</u> | <u>138,029</u> | <u>(56,561)</u> |
| Expenditures: | | | | |
| Community Development | - | - | - | - |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of Revenues over Expenditures | <u>194,590</u> | <u>194,590</u> | <u>138,029</u> | <u>(56,561)</u> |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers (Out) | <u>(194,590)</u> | <u>(194,590)</u> | <u>(138,029)</u> | <u>56,561</u> |
| Total Other Financing Sources (Uses) | <u>(194,590)</u> | <u>(194,590)</u> | <u>(138,029)</u> | <u>56,561</u> |
| Excess (Deficiency) of Revenues over Expenditures and Other Uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances at Beginning of Year | <u>(3,689,392)</u> | <u>(3,689,392)</u> | <u>(3,689,392)</u> | <u>-</u> |
| Fund Balances at End of Year | <u>\$ (3,689,392)</u> | <u>\$ (3,689,392)</u> | <u>\$ (3,689,392)</u> | <u>\$ -</u> |

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

Exhibit 11

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, 2018 to the original appropriations by fund were as follows for the General Fund:

| | Original Appropriations | Total Revisions | Revised Appropriations |
|-------------------------------|------------------------------------|----------------------------|-----------------------------------|
| General Fund: | | | |
| General Government | | | |
| Office of City Manager | \$ 390,799 | \$ 6,000 | \$ 396,799 |
| City Attorney | 56,591 | 50,000 | 106,591 |
| Information Systems | 454,110 | 83,257 | 537,367 |
| Special Appropriations | 130,064 | 10,000 | 140,064 |
| Public Safety | | | |
| Police Department | 3,124,774 | 476,369 | 3,601,143 |
| Fire Department | 901,396 | 19,000 | 920,396 |
| Public Works | | | |
| Snow & Ice Removal | 175,810 | 73,000 | 248,810 |
| Chan Gurney Airport | 601,368 | 103,000 | 704,368 |
| Culture and Recreation | | | |
| Parks & Recreation | 1,260,976 | 57,400 | 1,318,376 |
| Summit Activities Center | 778,826 | 55,000 | 833,826 |
| Marne Creek | 171,137 | 25,500 | 196,637 |
| Senior Citizens Center | 65,984 | 35,000 | 100,984 |
| Yankton Community Library | 777,878 | 26,000 | 808,878 |
| Transfers Out | 2,784,348 | 1,019,526 | 3,818,458 |

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, 2018.

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 in the General Fund. There were no departments where expenditures exceeded appropriations in the General Fund for the year ended December 31, 2018.
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
Schedule of Changes in the City's
Total OPEB Liability, Related Ratios and Notes
For the Year Ended December 31, 2018
Required Supplementary Information**

Exhibit 12

| | 2018 |
|--|-----------|
| Service Cost | \$ - |
| Interest Cost | - |
| Difference between expected and actual experiences | (2,468) |
| Changes in assumptions | - |
| Benefit payments | (24,513) |
| Net change in total OPEB liability | (26,981) |
| Total OPEB liability beginning of year | 84,985 |
| Total OPEB liability end of year | \$ 58,004 |
| Covered-employee payroll | \$ - |
| Total OPEB liability as a percentage of covered-employee payroll | 0.0% |

Note: GASB No.75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the city will present information for those years for which information is available.

Notes to Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

There were no significant changes in benefit assumptions.

The plan was closed and stopped admitting new members as of December 31,2013.

CITY OF YANKTON, SOUTH DAKOTA
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

EXHIBIT 13

South Dakota Retirement System
 Last 10 Fiscal Years *
 (Dollar amounts in thousands)

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-------------|-------------|-------------|-------------|-------------|
| Municipality's proportion of the net pension liability (asset) | 0.37916180% | 0.38171770% | 0.38265660% | 0.38897970% | 0.37324390% |
| Municipality's proportionate share of net pension liability (asset) | \$ (2,732) | \$ (1,619) | \$ 1,293 | \$ (35) | \$ (9) |
| Municipality's covered-employee payroll | \$ 6,257 | \$ 6,487 | \$ 6,764 | \$ 7,360 | \$ 7,229 |
| Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -43.66% | -24.96% | 19.12% | -0.48% | -0.12% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 107.3% | 104.1% | 96.6% | 100.1% | 100.0% |

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

CITY OF YANKTON, SOUTH DAKOTA
 SCHEDULE OF THE CITY CONTRIBUTIONS
 South Dakota Retirement System

Exhibit 14

Last 10 Years
 (Dollar amounts in thousands)

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 472 | \$ 460 | \$ 449 | \$ 441 | \$ 404 | \$ 406 | \$ 393 | \$ 381 | \$ 382 | \$ 361 |
| Contributions in relation to the contractually required contribution | <u>472</u> | <u>460</u> | <u>449</u> | <u>441</u> | <u>404</u> | <u>406</u> | <u>393</u> | <u>381</u> | <u>382</u> | <u>361</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Municipality's covered-employee payroll | \$ 7,335 | \$ 7,141 | \$ 6,973 | \$ 6,843 | \$ 6,257 | \$ 6,286 | \$ 6,080 | \$ 5,887 | \$ 5,912 | \$ 5,583 |
| Contributions as a percentage of covered-employee payroll | 6.44% | 6.45% | 6.44% | 6.45% | 6.46% | 6.46% | 6.46% | 6.47% | 6.46% | 6.47% |

CITY OF YANKTON
Notes to Required Supplementary Information
for the Year Ended December 31, 2018

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2017 and exists again this year as of June 30, 2018. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.89% as of June 30, 2017 and is 2.03% as of June 30, 2018.

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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:

Major Funds:

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.

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 #6 Westbrook Estates – This fund is used to account for expenditures for improvements in the Westbrook Estates TIF District and the corresponding TIF revenues.

Tax Increment District #8 Westbrook Estates Phase II – This fund is used to account for expenditures for improvements in the Westbrook Estates TIF District and the corresponding TIF revenues.

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**

Non-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 Fund:

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)

Non-Major Funds:

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

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

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 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, 2018

| | Special Revenue | | | | | |
|--|-------------------|------------------|-------------------------------------|----------------------------|---|--------------------------------|
| | Debt Service | Dispatch | Business Improvement District | TID #2 Morgan Square | TID #8 Westbrook Estates Phase II | TID #6 Westbrook Estates |
| Assets | | | | | | |
| Cash and Cash Equivalents | \$ 193,450 | \$ 21,499 | \$ 290,449 | \$ - | \$ - | \$ - |
| Receivables (Net where applicable, of allowance for uncollectibles): | | | | | | |
| Accounts | - | 15,000 | - | - | - | - |
| Special Assessments | - | - | - | - | - | - |
| Due from Other Governmental Agencies | - | - | 9,713 | - | - | 3,896 |
| Property Held for Resale | - | - | - | - | - | - |
| Restricted Assets: | | | | | | |
| Cash and Cash Equivalents | - | - | - | - | - | - |
| Deposits | - | 6,982 | - | - | - | - |
| Total Assets | <u>193,450</u> | <u>43,481</u> | <u>300,162</u> | <u>-</u> | <u>-</u> | <u>3,896</u> |
| Liabilities | | | | | | |
| Accounts Payable | - | 2,572 | - | - | - | 3,896 |
| Accrued Wages | - | 18,926 | - | - | - | - |
| Due to Other Funds | - | - | - | - | 18 | - |
| Total Liabilities | <u>-</u> | <u>21,498</u> | <u>-</u> | <u>-</u> | <u>18</u> | <u>3,896</u> |
| Deferred Inflows of Resources | | | | | | |
| Unavailable revenue- special assessments | - | - | - | - | - | - |
| Unavailable revenue- other taxes | - | - | - | - | - | - |
| Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | | | |
| Reserved for: | | | | | | |
| Non-Spendable: | | | | | | |
| Perpetual Care | - | - | - | - | - | - |
| Assets Held for Resale | - | - | - | - | - | - |
| Cumulative Reserve-SDPAA | - | 6,982 | - | - | - | - |
| Restricted: | | | | | | |
| Debt Service | 193,450 | - | - | - | - | - |
| Dispatch | - | 15,001 | - | - | - | - |
| Perpetual Care | - | - | - | - | - | - |
| Lodging Sales Tax | - | - | 300,162 | - | - | - |
| Library | - | - | - | - | - | - |
| Road and Bridge Funds | - | - | - | - | - | - |
| Historic Easement Trust | - | - | - | - | - | - |
| Assigned: | | | | | | |
| Capital Projects | - | - | - | - | - | - |
| Unassigned | - | - | - | - | (18) | - |
| Total Fund Balances | <u>193,450</u> | <u>21,983</u> | <u>300,162</u> | <u>-</u> | <u>(18)</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 193,450</u> | <u>\$ 43,481</u> | <u>\$ 300,162</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,896</u> |

EXHIBIT A-1

| TID #7 West 10th Street | Bridge & Street | Lodging Sales Tax | Library Trust | Historic Easement Trust | Capital Projects | | Permanent | Total |
|-------------------------------|--------------------|----------------------|------------------|-------------------------------|----------------------------------|-------------------------------|-----------------------------------|-------|
| | | | | | Non-Major Capital Projects | Perpetual Care Cemetery | Governmental Nonmajor Funds | |
| \$ 331 | \$ 934,763 | \$ 645,717 | \$ 30,481 | \$ 22,885 | \$ 265,284 | \$ 9,407 | \$ 2,414,266 | |
| - | - | - | - | - | - | 1,671 | 16,671 | |
| - | - | - | - | - | 78,522 | - | 78,522 | |
| - | - | 67,467 | - | - | 125,708 | - | 206,784 | |
| - | - | - | - | - | 2,354,378 | - | 2,354,378 | |
| - | - | - | - | - | - | 153,247 | 153,247 | |
| - | - | - | - | - | - | 6,982 | 6,982 | |
| 331 | 934,763 | 713,184 | 30,481 | 22,885 | 2,823,892 | 164,325 | 5,230,850 | |
| - | 934,763 | 25,589 | 1,140 | - | - | 1,603 | 969,563 | |
| - | - | - | - | - | - | 2,084 | 21,010 | |
| - | - | - | - | - | 1,482,210 | - | 1,482,228 | |
| - | 934,763 | 25,589 | 1,140 | - | 1,482,210 | 3,687 | 2,472,801 | |
| - | - | - | - | - | 54,848 | - | 54,848 | |
| - | - | 9,527 | - | - | - | - | 9,527 | |
| - | - | 9,527 | - | - | 54,848 | - | 64,375 | |
| - | - | - | - | - | - | 50,000 | 50,000 | |
| - | - | - | - | - | 2,354,378 | - | 2,354,378 | |
| - | - | - | - | - | - | - | 6,982 | |
| - | - | - | - | - | - | - | 193,450 | |
| - | - | - | - | - | - | - | 15,001 | |
| - | - | - | - | - | - | 110,638 | 110,638 | |
| - | - | 678,068 | - | - | - | - | 978,230 | |
| - | - | - | 29,341 | - | - | - | 29,341 | |
| 331 | - | - | - | - | - | - | 331 | |
| - | - | - | - | 22,885 | - | - | 22,885 | |
| - | - | - | - | - | 414,666 | - | 414,666 | |
| - | - | - | - | - | (1,482,210) | - | (1,482,228) | |
| 331 | - | 678,068 | 29,341 | 22,885 | 1,286,834 | 160,638 | 2,693,674 | |
| \$ 331 | \$ 934,763 | \$ 713,184 | \$ 30,481 | \$ 22,885 | \$ 2,823,892 | \$ 164,325 | \$ 5,230,850 | |

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended December 31, 2018

| | Special Revenue | | | | | |
|---|-----------------|-----------|-------------------------------------|----------------------------|---|--------------------------------|
| | Debt Service | Dispatch | Business Improvement District | TID #2 Morgan Square | TID #8 Westbrook Estates Phase II | TID #6 Westbrook Estates |
| Revenue: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 48,265 | \$ - | \$ 118,654 |
| Sales and Other Taxes | - | - | 146,972 | - | - | - |
| Special Assessments | - | - | - | - | - | - |
| Intergovernmental | - | 140,707 | - | - | - | - |
| Charges for Services | - | - | - | - | - | - |
| Interest on Investments | - | 8,857 | 6,646 | - | - | - |
| Contributions | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total Revenue | - | 149,564 | 153,618 | 48,265 | - | 118,654 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public Safety | - | 634,023 | - | - | - | - |
| Public Works | - | - | - | 48,265 | - | 118,654 |
| Culture and Recreation | - | - | - | - | - | - |
| Community Development | - | - | - | - | - | - |
| Capital Outlay: | | | | | | |
| Public Works | - | - | 224,746 | - | - | - |
| Culture-Recreation | - | - | - | - | - | - |
| Debt Service | 196,450 | - | - | - | - | - |
| Total Expenditures | 196,450 | 634,023 | 224,746 | 48,265 | - | 118,654 |
| Excess (Deficiency) of Revenues over Expenditures | (196,450) | (484,459) | (71,128) | - | - | - |
| Other Financing Sources (Uses): | | | | | | |
| Proceeds from Sale of Fixed Assets | - | - | - | - | - | - |
| Transfers In | 193,450 | 481,211 | - | - | - | - |
| Transfers Out | - | - | (3,072) | - | - | - |
| Total Other Financing Sources (Uses) | 193,450 | 481,211 | (3,072) | - | - | - |
| Special Item: | | | | | | |
| Increase in SDPAA Vested Deposit | - | 1,616 | - | - | - | - |
| Net Change in Fund Balance | (3,000) | (1,632) | (74,200) | - | - | - |
| Fund Balances - Beginning of Year | 196,450 | 18,249 | 374,362 | - | (18) | - |
| Reclassification Adjustment | - | 5,366 | - | - | - | - |
| Fund Balances (Deficits) - Beginning of Year, as Rest | 196,450 | 23,615 | 374,362 | - | (18) | - |
| Fund Balances- End of Year | \$ 193,450 | \$ 21,983 | \$ 300,162 | \$ - | \$ (18) | \$ - |

| TID #7 West 10th Street | Bridge & Street | Lodging Sales Tax | Library Trust | Capital Projects | | Non-Major Capital Projects | Permanent Perpetual Care Cemetery | Total Governmental Nonmajor Funds |
|-------------------------------|--------------------|----------------------|------------------|-------------------------------|--------------|----------------------------------|--|--|
| | | | | Historic Easement Trust | | | | |
| \$ 331 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 167,250 |
| - | 21,397 | 645,757 | - | - | - | - | - | 814,126 |
| - | - | - | - | - | 66,955 | - | - | 66,955 |
| - | - | - | - | - | 125,574 | - | - | 266,281 |
| - | - | 70,000 | - | - | - | 23,000 | - | 93,000 |
| - | 4 | 13,743 | 590 | 489 | - | 4,132 | - | 34,461 |
| - | - | - | 15,729 | - | - | - | - | 15,729 |
| - | - | 2,332 | - | - | - | 910 | - | 3,242 |
| 331 | 21,401 | 731,832 | 16,319 | 489 | 192,529 | 28,042 | - | 1,461,044 |
| - | - | - | - | - | - | - | - | 634,023 |
| - | - | - | - | - | - | - | - | 166,919 |
| - | - | - | 11,586 | - | - | 133,636 | - | 145,222 |
| - | - | 544,253 | - | - | - | - | - | 544,253 |
| - | 935,692 | - | - | - | - | - | - | 1,160,438 |
| - | - | - | - | - | 85,461 | - | - | 85,461 |
| - | - | - | - | - | - | - | - | 196,450 |
| - | 935,692 | 544,253 | 11,586 | - | 85,461 | 133,636 | - | 2,932,766 |
| 331 | (914,291) | 187,579 | 4,733 | 489 | 107,068 | (105,594) | - | (1,471,722) |
| - | - | - | - | - | 104,460 | - | - | 104,460 |
| - | 913,892 | - | - | - | 689,753 | 108,686 | - | 2,386,992 |
| - | - | (95,421) | - | - | (593,689) | - | - | (692,182) |
| - | 913,892 | (95,421) | - | - | 200,524 | 108,686 | - | 1,799,270 |
| - | - | - | - | - | - | - | - | 1,616 |
| 331 | (399) | 92,158 | 4,733 | 489 | 307,592 | 3,092 | - | 329,164 |
| - | 399 | 585,910 | 24,608 | 22,396 | 979,242 | 157,546 | - | 2,359,144 |
| - | - | - | - | - | - | - | - | 5,366 |
| - | 399 | 585,910 | 24,608 | 22,396 | 979,242 | 157,546 | - | 2,364,510 |
| \$ 331 | \$ - | \$ 678,068 | \$ 29,341 | \$ 22,885 | \$ 1,286,834 | \$ 160,638 | \$ - | \$ 2,693,674 |

CITY OF YANKTON, SOUTH DAKOTA
COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds
December 31, 2018

| | Public Improvement | Infrastructure Improvement | Park Capital Projects |
|---|-------------------------------|---------------------------------------|--------------------------------------|
| <u>Assets</u> | | | |
| Cash and Cash Equivalents | \$ - | \$ 178,787 | \$ 10,000 |
| Due from Other Governments | - | - | - |
| Property Held for Resale | 2,354,378 | - | - |
| Special Assessments | - | - | - |
| Total Assets | 2,354,378 | 178,787 | 10,000 |
| | | | |
| <u>Liabilities</u> | | | |
| Due to Other Funds | 1,482,210 | - | - |
| Total Liabilities | 1,482,210 | - | - |
| | | | |
| <u>Deferred Inflows of Resources</u> | | | |
| Unavailable revenue- special assessments | - | - | - |
| Total Deferred Inflows of Resources | - | - | - |
| | | | |
| <u>Fund Balances</u> | | | |
| Non-Spendable - Assets Held for Resale | 2,354,378 | - | - |
| Assigned: | | | |
| Capital Projects | - | 178,787 | 10,000 |
| Unassigned | (1,482,210) | - | - |
| Total Fund Balances | 872,168 | 178,787 | 10,000 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 2,354,378 | \$ 178,787 | \$ 10,000 |

EXHIBIT A-3

| | Airport Capital Improvement | Infrastructure Improvement Revolving | Totals |
|----|-----------------------------------|--|--------------|
| \$ | 76,497 | \$ - | \$ 265,284 |
| | 125,708 | - | 125,708 |
| | - | - | 2,354,378 |
| | - | 78,522 | 78,522 |
| | 202,205 | 78,522 | 2,823,892 |
| | - | - | 1,482,210 |
| | - | - | 1,482,210 |
| | - | 54,848 | 54,848 |
| | - | 54,848 | 54,848 |
| | - | - | 2,354,378 |
| | 202,205 | 23,674 | 414,666 |
| | - | - | (1,482,210) |
| | 202,205 | 23,674 | 1,286,834 |
| \$ | 202,205 | \$ 78,522 | \$ 2,823,892 |

**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, 2018**

| | <u>Public Improvement</u> | <u>Infrastructure Improvement</u> | <u>Park Capital Projects</u> |
|--|-------------------------------|---------------------------------------|--------------------------------------|
| Revenues: | | | |
| Special Assessments | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - |
| Total Revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures: | | | |
| Capital Outlay: | | | |
| Culture-Recreation | - | - | 85,461 |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>85,461</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>-</u> | <u>(85,461)</u> |
| Other Financing Sources (Uses): | | | |
| Proceeds From Sale of Fixed Assets | 104,460 | - | - |
| Transfers In | 25,000 | 593,689 | 71,064 |
| Transfers (out) | - | - | - |
| Total Other Financing Sources (Uses) | <u>129,460</u> | <u>593,689</u> | <u>71,064</u> |
| Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses | 129,460 | 593,689 | (14,397) |
| Fund Balances at Beginning of Year | <u>742,708</u> | <u>(414,902)</u> | <u>24,397</u> |
| Fund Balances at End of Year | <u>\$ 872,168</u> | <u>\$ 178,787</u> | <u>\$ 10,000</u> |

EXHIBIT A-4

| Airport Capital Improvement | Infrastructure Improvement Revolving | Totals |
|-----------------------------------|--|--------------|
| \$ - | \$ 66,955 | \$ 66,955 |
| 125,574 | - | 125,574 |
| 125,574 | 66,955 | 192,529 |
| - | - | 85,461 |
| - | - | 85,461 |
| 125,574 | 66,955 | 107,068 |
| - | - | 104,460 |
| - | - | 689,753 |
| - | (593,689) | (593,689) |
| - | (593,689) | 200,524 |
| 125,574 | (526,734) | 307,592 |
| 76,631 | 550,408 | 979,242 |
| \$ 202,205 | \$ 23,674 | \$ 1,286,834 |

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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, 2018

| | Golf Course | Solid Waste | Joint Powers Landfill | Totals |
|--|--------------------|---------------------|--------------------------|---------------------|
| Assets | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 26,215 | \$ 958,754 | \$ 316,430 | \$ 1,301,399 |
| Accounts Receivable (Net of allowance for uncollectibles) | 24,517 | 183,204 | 62,147 | 269,868 |
| Prepaid Expenses | 10,497 | 24,966 | 8,021 | 43,484 |
| Inventory | 43,893 | - | - | 43,893 |
| Total Current Assets | <u>105,122</u> | <u>1,166,924</u> | <u>386,598</u> | <u>1,658,644</u> |
| Noncurrent Assets: | | | | |
| Restricted Assets : Cash and Cash Equivalents | - | 53,372 | 72,976 | 126,348 |
| Deposits | - | 8,042 | 17,673 | 25,715 |
| Net Pension Asset | 308 | 311 | 241 | 860 |
| Property, Plant and Equipment: | | | | |
| Land | 533,787 | 74,639 | 11,414 | 619,840 |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | <u>2,466,730</u> | <u>546,032</u> | <u>1,342,176</u> | <u>4,354,938</u> |
| Total Noncurrent Assets | <u>3,000,825</u> | <u>682,396</u> | <u>1,444,480</u> | <u>5,127,701</u> |
| Total Assets | <u>3,105,947</u> | <u>1,849,320</u> | <u>1,831,078</u> | <u>6,786,345</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension Related Deferred Outflows | <u>101,195</u> | <u>102,074</u> | <u>79,024</u> | <u>282,293</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 18,850 | 22,440 | 55,501 | 96,791 |
| Accrued Interest Payable | - | 803 | 1,068 | 1,871 |
| Accrued Wages Payable | 2,386 | 11,436 | 8,086 | 21,908 |
| Accrued Compensated Absences | 2,514 | 6,123 | 4,483 | 13,120 |
| Current portion of revenue bonds | - | 43,959 | 60,534 | 104,493 |
| Total current liabilities | <u>23,750</u> | <u>84,761</u> | <u>129,672</u> | <u>238,183</u> |
| Noncurrent liabilities: | | | | |
| Accrued Compensated Absences | 10,716 | 26,105 | 19,114 | 55,935 |
| Other Postemployment Benefit Obligation | - | 5,981 | - | 5,981 |
| Revenue Bonds (net of current portion) | - | 437,601 | 460,906 | 898,507 |
| Total noncurrent liabilities | <u>10,716</u> | <u>469,687</u> | <u>480,020</u> | <u>960,423</u> |
| Total Liabilities | <u>34,466</u> | <u>554,448</u> | <u>609,692</u> | <u>1,198,606</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension Related Deferred Inflows | <u>23,833</u> | <u>24,040</u> | <u>18,612</u> | <u>66,485</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 3,000,517 | 139,111 | 832,150 | 3,971,778 |
| Restricted for: | | | | |
| Debt Service | - | 52,569 | 71,908 | 124,477 |
| SDRS Pension Purposes | 77,670 | 78,345 | 60,653 | 216,668 |
| Cumulative Reserve-SDPAA | - | 8,042 | 17,673 | 25,715 |
| Unrestricted | <u>70,656</u> | <u>1,094,839</u> | <u>299,414</u> | <u>1,464,909</u> |
| Total Net Position | <u>\$3,148,843</u> | <u>\$ 1,372,906</u> | <u>\$ 1,281,798</u> | <u>\$ 5,803,547</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, 2018

| | Golf Course | Solid Waste | Joint Powers Landfill | Totals |
|---|----------------|----------------|--------------------------|--------------|
| Operating Revenues - Charges for Service | \$ 668,875 | \$ 1,152,285 | \$ 1,279,555 | \$ 3,100,715 |
| Operating Expenses: | | | | |
| Personal Services | 382,875 | 419,230 | 330,421 | 1,132,526 |
| Insurance | 1,036 | 7,392 | 15,405 | 23,833 |
| Professional Services | 112,694 | 62,261 | 12,308 | 187,263 |
| Tipping Fees | - | 167,795 | - | 167,795 |
| Repairs and Maintenance | 73,254 | 71,998 | 219,628 | 364,880 |
| Cost of Sales and Service | 218,709 | - | 785,752 | 1,004,461 |
| Supplies and Materials | 57,211 | 5,752 | 5,074 | 68,037 |
| Travel and conference | 3,861 | - | - | 3,861 |
| Utilities | 35,806 | 1,053 | 30,223 | 67,082 |
| Billing and Administration | - | 254,908 | - | 254,908 |
| Depreciation | 73,178 | 106,790 | 191,360 | 371,328 |
| Total Operating Expenses | 958,624 | 1,097,179 | 1,590,171 | 3,645,974 |
| Operating Income (Loss) | (289,749) | 55,106 | (310,616) | (545,259) |
| Nonoperating Revenues: | | | | |
| Interest Income | 637 | 18,590 | 10,284 | 29,511 |
| Interest Expense | - | (7,999) | (13,801) | (21,800) |
| Miscellaneous, net | 12,356 | - | 2,854 | 15,210 |
| Gain on disposition of assets | - | (3,037) | 1,512 | (1,525) |
| Total Nonoperating Revenues | 12,993 | 7,554 | 849 | 21,396 |
| (Loss) before Transfers and Special Item | (276,756) | 62,660 | (309,767) | (523,863) |
| Special Item - Increase in SDPAA Vested Deposit | - | 1,861 | 4,091 | 5,952 |
| Transfers In | 224,943 | - | - | 224,943 |
| Capital Contributions | - | 228,705 | - | 228,705 |
| Total Other Financing Sources (Uses): | 224,943 | 230,566 | 4,091 | 459,600 |
| Change in Net Position | (51,813) | 293,226 | (305,676) | (64,263) |
| Total Net Position - Beginning | 3,200,656 | 1,073,499 | 1,573,892 | 5,848,047 |
| Reclassification Adjustment | - | 6,181 | 13,582 | 19,763 |
| Net Position- Beginning as Restated | 3,200,656 | 1,079,680 | 1,587,474 | 5,867,810 |
| Total Net Position - Ending | \$ 3,148,843 | \$ 1,372,906 | \$ 1,281,798 | \$ 5,803,547 |

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds
For the Year Ended December 31, 2018

| | Business-Type | | | |
|---|---------------------|---------------------|--------------------------|---------------------|
| | Golf Course | Solid Waste | Joint Powers Landfill | Totals |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash Received from Customers | \$ 657,842 | \$ 1,134,269 | \$ 1,281,006 | \$ 3,073,117 |
| Cash Received for Interfund Services | - | 6,647 | - | 6,647 |
| Cash Paid to Suppliers for Goods and Services | (467,105) | (499,730) | (904,416) | (1,871,251) |
| Cash Paid to Employees for Services | (352,468) | (397,369) | (299,418) | (1,049,255) |
| Cash Paid for Interfund Services | (17,626) | (72,641) | (156,340) | (246,607) |
| Other Nonoperating Revenues | 12,356 | - | 2,854 | 15,210 |
| Net Cash Provided (Used) from Operating Activities | <u>(167,001)</u> | <u>171,176</u> | <u>(76,314)</u> | <u>(72,139)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition and Construction of Capital Assets | (50,723) | (145,352) | (65,003) | (261,078) |
| Proceeds from Sale of Fixed Assets | - | 2,000 | 1,512 | 3,512 |
| Proceeds from Bond Sales | - | 481,562 | - | 481,562 |
| Interest Paid on Bonds | - | (7,196) | (13,924) | (21,120) |
| Principal Paid on Notes, Bonds and Leases | - | - | (59,052) | (59,052) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(50,723)</u> | <u>331,014</u> | <u>(136,467)</u> | <u>143,824</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers In | 224,943 | - | - | 224,943 |
| Change in Due From Other Governments | - | 228,705 | - | 228,705 |
| Net Cash Provided from Non-Capital Financing Activities | <u>224,943</u> | <u>228,705</u> | <u>-</u> | <u>453,648</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest and Dividends on Investments | 637 | 18,590 | 10,284 | 29,511 |
| Net Cash Provided from Investing Activities | <u>637</u> | <u>18,590</u> | <u>10,284</u> | <u>29,511</u> |
| Net increase (decrease) in Cash and Cash Equivalents | 7,856 | 749,485 | (202,497) | 554,844 |
| Cash and Cash Equivalents at Beginning of Year | <u>18,359</u> | <u>262,641</u> | <u>591,903</u> | <u>872,903</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 26,215</u> | <u>\$ 1,012,126</u> | <u>\$ 389,406</u> | <u>\$ 1,427,747</u> |
| Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities | | | | |
| Operating Income (Loss) | \$ (289,749) | \$ 55,106 | \$ (310,616) | \$ (545,259) |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation | 73,178 | 106,790 | 191,360 | 371,328 |
| Other Non-Operating Income | 12,356 | - | 2,854 | 15,210 |
| (Increase) Decrease in Assets: | | | | |
| Accounts Receivable | (11,033) | (11,369) | 1,451 | (20,951) |
| Inventory | 12,612 | - | - | 12,612 |
| Net Pension Asset / Liability | 1,098 | 891 | 868 | 2,857 |
| Pension Related Deferred Outflow | 39,539 | 18,282 | 32,039 | 89,860 |
| Prepaid Expenses | (5,558) | (3,432) | (984) | (9,974) |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts Payable | 10,786 | 2,220 | 8,618 | 21,624 |
| Accrued Wages Payable | (3,610) | 2,890 | 1,234 | 514 |
| Other Postemployment Benefit Obligation | - | (3,141) | - | (3,141) |
| Pension Related Deferred Inflow | (4,125) | 130 | (3,452) | (7,447) |
| Accrued Compensated Absences | (2,495) | 2,809 | 314 | 628 |
| Total Adjustments | <u>122,748</u> | <u>116,070</u> | <u>234,302</u> | <u>473,120</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (167,001)</u> | <u>\$ 171,176</u> | <u>\$ (76,314)</u> | <u>\$ (72,139)</u> |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position: | | | | |
| Cash and Cash Equivalents | \$ 26,215 | \$ 958,754 | \$ 316,430 | \$ 1,301,399 |
| Restricted Cash and Cash Equivalents | - | 53,372 | 72,976 | 126,348 |
| | <u>\$ 26,215</u> | <u>\$ 1,012,126</u> | <u>\$ 389,406</u> | <u>\$ 1,427,747</u> |

**CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2018**

| | Copier- Fax- Postage | Central Garage | Totals |
|--|----------------------------|-------------------|-------------------|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash | \$ 805 | \$ 70,229 | \$ 71,034 |
| Inventory | - | 181,381 | 181,381 |
| Due from Other Governments | - | 7,888 | 7,888 |
| Prepaid Expenses | - | 2,949 | 2,949 |
| Total Current Assets | <u>805</u> | <u>262,447</u> | <u>263,252</u> |
| Noncurrent Assets: | | | |
| Net Pension Asset | - | 106 | 106 |
| Capital Assets: | | | |
| Land | - | 7,000 | 7,000 |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | - | 144,281 | 144,281 |
| Total Noncurrent Assets | <u>-</u> | <u>151,387</u> | <u>151,387</u> |
| Total Assets | <u>805</u> | <u>413,834</u> | <u>414,639</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension Related Deferred Outflows | - | 34,845 | 34,845 |
| | <u>-</u> | <u>34,845</u> | <u>34,845</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 805 | 51,200 | 52,005 |
| Accrued Wages | - | 1,131 | 1,131 |
| Accrued Compensated Absences | - | 1,161 | 1,161 |
| Total Current Liabilities | <u>805</u> | <u>53,492</u> | <u>54,297</u> |
| Noncurrent Liabilities: | | | |
| Other Postemployment Benefit Obligation | - | 10,196 | 10,196 |
| Accrued Compensated Absences | - | 4,952 | 4,952 |
| Total Noncurrent Liabilities | <u>-</u> | <u>15,148</u> | <u>15,148</u> |
| Total Liabilities | <u>805</u> | <u>68,640</u> | <u>69,445</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension Related Deferred Inflows | - | 8,207 | 8,207 |
| | <u>-</u> | <u>8,207</u> | <u>8,207</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | - | 151,281 | 151,281 |
| Restricted for SDRS Pension Purposes | - | 26,744 | 26,744 |
| Unrestricted | - | 193,807 | 193,807 |
| Total Net Position | <u>\$ -</u> | <u>\$ 371,832</u> | <u>\$ 371,832</u> |

CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

| | Copier- Fax- Postage | Central Garage | Totals |
|--------------------------------|----------------------------|-------------------|-------------------|
| Operating Revenues: | | | |
| Charges for Goods and Services | \$ 17,968 | \$ 772,842 | \$ 790,810 |
| Total Operating Revenue | <u>17,968</u> | <u>772,842</u> | <u>790,810</u> |
| Operating Expenses: | | | |
| Personnel Services | - | 130,183 | 130,183 |
| Professional Services | - | 4,660 | 4,660 |
| Repairs and Maintenance | - | 7,110 | 7,110 |
| Supplies and Materials | - | 604,370 | 604,370 |
| Utilities | - | 21,416 | 21,416 |
| Other Current Expenses | 17,968 | - | 17,968 |
| Depreciation | - | 22,044 | 22,044 |
| Total Operating Expenses | <u>17,968</u> | <u>789,783</u> | <u>807,751</u> |
| Operating Income | <u>-</u> | <u>(16,941)</u> | <u>(16,941)</u> |
| Change in Net Position | - | (16,941) | (16,941) |
| Total Net Position - Beginning | <u>-</u> | <u>388,773</u> | <u>388,773</u> |
| Total Net Position - Ending | <u>\$ -</u> | <u>\$ 371,832</u> | <u>\$ 371,832</u> |

**CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

| | <u>Copier- Fax- Postage</u> | <u>Central Garage</u> | <u>Totals</u> |
|---|-------------------------------------|---------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Customer Services Provided | \$ - | \$ 111,702 | \$ 111,702 |
| Cash Received from Interfund Services Provided | - | 662,058 | 662,058 |
| Cash Paid to Employees for Services | - | (671,639) | (671,639) |
| Cash Received/ (Paid) from/to Suppliers | (83) | (129,581) | (129,664) |
| Cash Paid for Interfund Services | - | (2,314) | (2,314) |
| Net Cash (Used) by Operating Activities | <u>(83)</u> | <u>(29,774)</u> | <u>(29,857)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and Construction of Capital Assets | - | (13,021) | (13,021) |
| Net Cash (Used for) Capital and Related Financing Activities | <u>-</u> | <u>(13,021)</u> | <u>(13,021)</u> |
| Net Decrease in Cash and Cash Equivalents | (83) | (42,795) | (42,878) |
| Cash and Cash Equivalents Beginning of Year | <u>888</u> | <u>113,024</u> | <u>113,912</u> |
| Cash and Cash Equivalents End of Year | <u>\$ 805</u> | <u>\$ 70,229</u> | <u>\$ 71,034</u> |
| RENCONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES | | | |
| Operating (Loss) | \$ - | \$ (16,941) | \$ (16,941) |
| Adjustments to Renconcile Net Operating (Loss) to Net Cash (Used) by Operating Activities: | | | |
| Depreciation | - | 22,044 | 22,044 |
| (Increase) Decrease in Assets and Increase (Decrease) in Liabilities: | | | |
| Due from other Governments | - | 918 | 918 |
| Prepaid Expenses | - | (415) | (415) |
| Inventory | - | (16,781) | (16,781) |
| Net Pension Asset / Liability | - | 309 | 309 |
| Pension Related Deferred Outflow | - | 6,748 | 6,748 |
| Accounts Payable | (83) | (19,201) | (19,284) |
| Accrued Wages Payable | - | (2,131) | (2,131) |
| Other Postemployment Benefit Obligation | - | (3,254) | (3,254) |
| Pension Related Deferred Inflows | - | (56) | (56) |
| Accrued Compensated Absences | - | (1,014) | (1,014) |
| Net Cash (Used) by Operating Activities | <u>\$ (83)</u> | <u>\$ (29,774)</u> | <u>\$ (29,857)</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.

EXHIBIT C-1

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
Agency Funds
December 31, 2018

| | Employee Benefits | Sales Tax | Totals |
|---------------------------|----------------------|--------------|---------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 19,253 | \$ 608 | \$ 19,861 |
| Prepaid Expenses | - | - | - |
| Interest receivable | -- | -- | -- |
| Total assets | <u>19,253</u> | <u>608</u> | <u>19,861</u> |
| Liabilities | | | |
| Other accrued expenses | 18,378 | - | 18,378 |
| Accounts Payable | 875 | 608 | 1,483 |
| Total liabilities | <u>19,253</u> | <u>608</u> | <u>19,861</u> |
| Net Position | | | |
| Unrestricted | - | - | - |
| 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, 2018

| | <u>Balance January 1, 2018</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance December 31, 2018</u> |
|---|--|---------------------|---------------------|--|
| <u>Employee Benefits</u> | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 29,242 | \$ 4,350,957 | \$ 4,360,946 | \$ 19,253 |
| Total Assets | <u>29,242</u> | <u>4,350,957</u> | <u>4,360,946</u> | <u>19,253</u> |
| LIABILITIES | | | | |
| Accrued Taxes Payable | - | 1,898,333 | 1,898,333 | - |
| Accrued Fringe Benefit Payable | 29,242 | 2,477,124 | 2,487,988 | 18,378 |
| Accounts Payable | - | 875 | | 875 |
| Total Liabilities | <u>29,242</u> | <u>4,376,332</u> | <u>4,386,321</u> | <u>19,253</u> |
| <u>Sales Tax</u> | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | 483 | 2,874 | 2,749 | 608 |
| LIABILITIES | | | | |
| Accounts Payable | 483 | 608 | 483 | 608 |
| Due to State Government | - | 2,875 | 2,875 | - |
| Total Liabilities | <u>483</u> | <u>3,483</u> | <u>3,358</u> | <u>608</u> |
| <u>Totals - All Agency Funds</u> | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | 29,725 | 4,353,831 | 4,363,695 | 19,861 |
| Total Assets | <u>29,725</u> | <u>4,353,831</u> | <u>4,363,695</u> | <u>19,861</u> |
| LIABILITIES | | | | |
| Accrued Taxes Payable | - | 1,898,333 | 1,898,333 | - |
| Accrued Fringe Benefit Payable | 29,242 | 2,477,124 | 2,487,988 | 18,378 |
| Accounts Payable | 483 | 1,483 | 483 | 1,483 |
| Due to State Government | - | 2,875 | 2,875 | - |
| Total Liabilities | <u>\$ 29,725</u> | <u>\$ 4,379,815</u> | <u>\$ 4,389,679</u> | <u>\$ 19,861</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, 2018

| | Dispatch | | | Business Improvement District | | |
|--|--------------------|----------------------|------------------------------------|-------------------------------|-----------------------|------------------------------------|
| | Final Budgeted | Actual | Variance Positive (Negative) | Final Budgeted | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Taxes: | | | | | | |
| General Sales & Use | \$ - | \$ - | \$ - | \$ 140,000 | \$ 146,972 | \$ 6,972 |
| Property Tax | - | - | - | - | - | - |
| Intergovernmental | 143,893 | 140,707 | (3,186) | - | - | - |
| Charges for goods & services | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Interest earned | 120 | 8,857 | 8,737 | 2,500 | 6,646 | 4,146 |
| Total revenue | <u>144,013</u> | <u>149,564</u> | <u>5,551</u> | <u>142,500</u> | <u>153,618</u> | <u>11,118</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public works | - | - | - | - | - | - |
| Public Safety | 1,445,726 | 634,023 | 811,703 | - | - | - |
| Community Development | - | - | - | 337,200 | 224,746 | 112,454 |
| Total Expenditures | <u>1,445,726</u> | <u>634,023</u> | <u>811,703</u> | <u>337,200</u> | <u>224,746</u> | <u>112,454</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,301,713)</u> | <u>(484,459)</u> | <u>817,254</u> | <u>(194,700)</u> | <u>(71,128)</u> | <u>123,572</u> |
| OTHER FINANCING SOURCES(USES) | | | | | | |
| Transfers in | 1,301,713 | 481,211 | (820,502) | - | - | - |
| Transfer (out) | - | - | - | (2,800) | (3,072) | (272) |
| Total other financing sources(uses) | <u>1,301,713</u> | <u>481,211</u> | <u>(820,502)</u> | <u>(2,800)</u> | <u>(3,072)</u> | <u>(272)</u> |
| Special Item: | | | | | | |
| Increase in SDPAA Vested Deposit | - | 1,616 | 1,616 | - | - | - |
| Net change in fund balances | <u>-</u> | <u>(1,632)</u> | <u>(1,632)</u> | <u>(197,500)</u> | <u>(74,200)</u> | <u>123,300</u> |
| Fund balances - Beginning | | 18,249 | | | 374,362 | |
| Reclassification Adjustment | | <u>5,366</u> | | | - | |
| Fund Balances (Deficits) - Beginning of Year, as Restated | | <u>23,615</u> | | | <u>374,362</u> | |
| Fund balances - Ending | \$ | <u><u>21,983</u></u> | | \$ | <u><u>300,162</u></u> | |

| TID #2 Morgan Square | | | TID #8 Westbrook Estates Phase II | | | TID #6 Westbrook Estates | | |
|----------------------|---------------|------------------------------|-----------------------------------|----------|------------------------------|--------------------------|----------------|------------------------------|
| Final Budgeted | Actual | Variance Positive (Negative) | Final Budgeted | Actual | Variance Positive (Negative) | Final Budgeted | Actual | Variance Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 50,393 | 48,265 | (2,128) | - | - | - | 267,573 | 118,654 | (148,919) |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| <u>50,393</u> | <u>48,265</u> | <u>(2,128)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>267,573</u> | <u>118,654</u> | <u>(148,919)</u> |
| 50,393 | 48,265 | 2,128 | - | - | - | 267,573 | 118,654 | 148,919 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| <u>50,393</u> | <u>48,265</u> | <u>2,128</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>267,573</u> | <u>118,654</u> | <u>148,919</u> |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | (18) | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | (18) | - | - | - | - |
| \$ - | - | - | \$ (18) | - | - | \$ - | - | - |

(Continued)

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, 2018

| | TID #7 West 10th Street | | | Bridge & Street | | | Lodging Sales Tax | | |
|--|-------------------------|---------------|------------------------------------|--------------------|------------------|------------------------------------|-------------------|-------------------|------------------------------------|
| | Final Budgeted | Actual | Variance Positive (Negative) | Final Budgeted | Actual | Variance Positive (Negative) | Final Budgeted | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | | | | |
| Taxes: | | | | | | | | | |
| General Sales & Use | \$ - | \$ - | \$ - | \$ 876,302 | \$ 21,397 | \$ (854,905) | \$ 644,436 | \$ 645,757 | \$ 1,321 |
| Property Tax | 10,000 | 331 | (9,669) | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - | - | - |
| Charges for goods & services | - | - | - | - | - | - | - | 70,000 | 70,000 |
| Miscellaneous | - | - | - | - | - | - | - | 2,332 | 2,332 |
| Interest earned | - | - | - | 225 | 4 | (221) | 2,000 | 13,743 | 11,743 |
| Total revenue | <u>10,000</u> | <u>331</u> | <u>(9,669)</u> | <u>876,527</u> | <u>21,401</u> | <u>(855,126)</u> | <u>646,436</u> | <u>731,832</u> | <u>85,396</u> |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| Public works | 10,000 | - | 10,000 | 2,047,321 | 935,692 | 1,111,629 | - | - | - |
| Public Safety | - | - | - | - | - | - | - | - | - |
| Community Development | - | - | - | - | - | - | 640,221 | 544,253 | 95,968 |
| Total Expenditures | <u>10,000</u> | <u>-</u> | <u>10,000</u> | <u>2,047,321</u> | <u>935,692</u> | <u>1,111,629</u> | <u>640,221</u> | <u>544,253</u> | <u>95,968</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>331</u> | <u>331</u> | <u>(1,170,794)</u> | <u>(914,291)</u> | <u>256,503</u> | <u>6,215</u> | <u>187,579</u> | <u>181,364</u> |
| OTHER FINANCING SOURCES(USES) | | | | | | | | | |
| Transfers in | - | - | - | 1,202,130 | 913,892 | (288,238) | - | - | - |
| Transfer (out) | - | - | - | - | - | - | (148,618) | (95,421) | 53,197 |
| Total other financing sources(uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,202,130</u> | <u>913,892</u> | <u>(288,238)</u> | <u>(148,618)</u> | <u>(95,421)</u> | <u>53,197</u> |
| Special Item: | | | | | | | | | |
| Increase in SDPAA Vested Deposit | - | - | - | - | - | - | - | - | - |
| Net change in fund balances | <u>-</u> | <u>331</u> | <u>331</u> | <u>31,336</u> | <u>(399)</u> | <u>(31,735)</u> | <u>6,215</u> | <u>92,158</u> | <u>234,561</u> |
| Fund balances - Beginning | | - | | | 399 | | | 585,910 | |
| Reclassification Adjustment | | - | | | - | | | - | |
| Fund Balances - Beginning of Year, as Restated | | - | | | 399 | | | 585,910 | |
| Fund balances - Ending | | <u>\$ 331</u> | | | <u>\$ -</u> | | | <u>\$ 678,068</u> | |

(Continued)

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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, 2018

| | Special Capital Improvement Fund | | | Airport Capital Improvement | | |
|--|----------------------------------|---------------------|--|-----------------------------|----------------|--|
| | Final Budgeted | Actual | Variance Favorable (Unfavorable) | Final Budgeted | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | | | |
| Taxes | \$ 3,918,403 | \$ 4,087,232 | \$ 168,829 | \$ - | \$ - | \$ - |
| Special Assessments | - | - | - | - | - | - |
| Intergovernmental | 1,454,328 | 1,565,271 | 110,943 | 798,750 | 125,574 | (673,176) |
| Charges for Services | - | - | - | - | - | - |
| Interest | 25,000 | 277,162 | 252,162 | - | - | - |
| Miscellaneous | - | 10,205 | 10,205 | - | - | - |
| Total revenue | <u>5,397,731</u> | <u>5,939,870</u> | <u>542,139</u> | <u>798,750</u> | <u>125,574</u> | <u>(673,176)</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Culture and Recreation | - | - | - | - | - | - |
| Public Works | 9,591,317 | 9,491,301 | 100,016 | 875,000 | - | 875,000 |
| Total expenditures | <u>9,591,317</u> | <u>9,491,301</u> | <u>100,016</u> | <u>875,000</u> | <u>-</u> | <u>875,000</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,193,586)</u> | <u>(3,551,431)</u> | <u>642,155</u> | <u>(76,250)</u> | <u>125,574</u> | <u>201,824</u> |
| OTHER FINANCING SOURCES(USES) | | | | | | |
| Proceeds From Sale of Assets | - | - | - | - | - | - |
| Transfers (out) | (1,290,364) | (933,238) | 357,126 | - | - | - |
| Transfer in | - | - | - | - | - | - |
| Total other financing sources(uses) | <u>(1,290,364)</u> | <u>(933,238)</u> | <u>357,126</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>(5,483,950)</u> | <u>(4,484,669)</u> | <u>999,281</u> | <u>(76,250)</u> | <u>125,574</u> | <u>201,824</u> |
| Fund balances - beginning | | <u>12,473,448</u> | | | <u>76,631</u> | |
| Fund balances - ending | | <u>\$ 7,988,779</u> | | <u>\$ 202,205</u> | | |

| 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) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 116,000 | 85,461 | 30,539 |
| - | - | - | 100,000 | - | 100,000 | - | - | - |
| - | - | - | 100,000 | - | 100,000 | 116,000 | 85,461 | 30,539 |
| - | - | - | (100,000) | - | 100,000 | (116,000) | (85,461) | 30,539 |
| - | 104,460 | 104,460 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | 25,000 | 25,000 | 44,720 | 593,689 | 548,969 | 112,562 | 71,064 | (41,498) |
| - | 129,460 | 129,460 | 44,720 | 593,689 | 548,969 | 112,562 | 71,064 | (41,498) |
| - | 129,460 | 129,460 | (55,280) | 593,689 | 648,969 | (3,438) | (14,397) | (10,959) |
| | 742,708 | | | (414,902) | | | 24,397 | |
| \$ | 872,168 | | \$ | 178,787 | | \$ | 10,000 | |

(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, 2018

| | Infrastructure Improvement Revolving | | | Permanent Fund Perpetual Care Cemetery | | |
|--|--------------------------------------|------------------|--|---|-------------------|--|
| | Final Budgeted | Actual | Variance Favorable (Unfavorable) | Final Budgeted | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Special Assessments | 694,600 | 66,955 | (627,645) | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for Services | - | - | - | 27,300 | 23,000 | (4,300) |
| Interest | 120 | - | (120) | 450 | 4,132 | 3,682 |
| Miscellaneous | - | - | - | - | 910 | 910 |
| Total revenue | <u>694,720</u> | <u>66,955</u> | <u>(627,765)</u> | <u>27,750</u> | <u>28,042</u> | <u>292</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Culture and Recreation | - | - | - | 142,394 | 133,636 | 8,758 |
| Public Works | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>142,394</u> | <u>133,636</u> | <u>8,758</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>694,720</u> | <u>66,955</u> | <u>(627,765)</u> | <u>(114,644)</u> | <u>(105,594)</u> | <u>9,050</u> |
| OTHER FINANCING SOURCES(USES) | | | | | | |
| Proceeds From Sale of Real Estate | - | - | - | - | - | - |
| Transfers (out) | (694,720) | (593,689) | 101,031 | - | - | - |
| Transfer in | - | - | - | 114,644 | 108,686 | (5,958) |
| Total other financing sources(uses) | <u>(694,720)</u> | <u>(593,689)</u> | <u>101,031</u> | <u>114,644</u> | <u>108,686</u> | <u>(5,958)</u> |
| Net change in fund balances | <u>-</u> | <u>(526,734)</u> | <u>(526,734)</u> | <u>-</u> | <u>3,092</u> | <u>3,092</u> |
| Fund balances - beginning | | <u>550,408</u> | | | <u>157,546</u> | |
| Fund balances - ending | | <u>\$ 23,674</u> | | | <u>\$ 160,638</u> | |

SINGLE AUDIT SECTION

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Expenditures of Federal Awards (Cash Basis)
For The Year Ended December 31, 2018

| | Federal CFDA Number | Agency or Pass-through Number | Amount | Expenditures to Subrecipients |
|---|------------------------|-------------------------------------|---------------------|----------------------------------|
| United States Department of Agriculture: | | | | |
| Direct Federal Funding: | | | | |
| Economic Adjustment Assistance | 11.307 | 05-79-05291 | \$ 66,414 | - |
| Economic Development Cluster subtotal | | | <u>66,414</u> | |
| Department of Justice: | | | | |
| Indirect Federal Funding: | | | | |
| SD Sheriff's Association, SD Police Chiefs Association, Public Safety Partnership and Community Policing Grants | 16.710 | | 2,608 | - |
| Department of Transportation: | | | | |
| Direct Federal Funding: | | | | |
| Airport Improvement Program | 20.106 | 3-46-0062-025-2014 | 3,150 | - |
| Airport Improvement Program | 20.106 | 3-46-0062-28-2018 | 6,993 | - |
| Airport Improvement Program | 20.106 | 3-46-0062-27-2018 | <u>90,719</u> | - |
| Program subtotal | | | 100,862 | |
| Environmental Protection Agency: | | | | |
| Indirect Federal Funding: | | | | |
| SD Department of Environment and Natural Resources, Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | 462038-06 | 3,650,000 | - |
| Total Expenditures of Federal Awards | | | <u>\$ 3,819,884</u> | |

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2018.

| | Total Amount Of Loan Outstanding | Federal Portion Of Loan Outstanding |
|--|---|--|
| Wastewater System #3, Series 2011 (83.33%) | \$ 1,946,158 | \$ 1,621,734 |
| Total Wastewater System | <u>\$ 1,946,158</u> | <u>\$ 1,621,734</u> |
| Water System Services 2001 (76.97%) | \$ 1,121,151 | \$ 862,950 |
| Water System, Services Series #2 (50.06%) | 553,435 | 277,050 |
| Water System, Services Series #3 (62.25%) | 1,772,049 | 1,103,100 |
| Water System, Services Series #4 (56.05%) | 1,371,820 | 768,905 |
| Water System, Services Series #5 (28.42%) | 11,387,083 | 3,236,209 |
| Water System, Services Series #6 (5.66%) | 20,650,568 | 3,650,000 |
| Total Water System | <u>\$ 36,856,106</u> | <u>\$ 9,898,214</u> |

NOTE 3 - Expenditures reported in the Schedule are cash basis. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditors' report.



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Independent Auditors' 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF YANKTON, SOUTH DAKOTA as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 13, 2019. 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs, as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters:

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

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

Le Mars, Iowa
August 13, 2019



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**Independent Auditors' Report on Compliance for Each Major Program and on Internal Control
Over Compliance Required by The Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Yankton, South Dakota's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2018. The City's major federal program is identified in the summary of the independent auditors' 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 \$481,860 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended December 31, 2018. 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 of compliance.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 the 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 of Yankton, South Dakota, complied in all 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, 2018.

Report on Internal Control Over Compliance

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 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 and deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Le Mars, Iowa
August 13, 2019

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings & Questioned Costs
For the Year Ended December 31, 2018

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 disclosed in the audit of the financial statements.
- (e) The auditors' report on compliance for the major federal award programs expresses a unmodified opinion.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516(a).
- (g) The major program was as follows:
 - CFDA #66.468- Capitalization Grants for Drinking Water State Revolving Loan Funds
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
- (i) The Auditee did not qualify as a low-risk auditee.

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

Instances of Non-Compliance:

No matters were noted. There were no prior year audit findings.

Material Weakness:

2018-001 Financial Reporting

Condition - During the audit, we identified material adjustments required to be made to 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.

Criteria – The City is responsible for the accuracy of the financial statements.

Effect – Expenses/Expenditures/Revenues may not be properly reported and/or balance sheet amounts may be misstated.

Cause – Due to the limited number of employees, the City does not have sufficient controls in place to ensure that all entries are properly recorded and that all other applicable adjustments are made.

Recommendation – The City should implement procedures to ensure all entries 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.

Conclusion – Response accepted.

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings & Questioned Costs
For the Year Ended December 31, 2018

Part III: Findings and Questioned Costs Relating to Federal Awards

Instances of Non-Compliance:

No matters were noted.

Significant Deficiency:

No Matters were noted.

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Prior Year Findings
For the Year Ended December 31, 2018

FINANCIAL STATEMENT AUDIT:

Material Weaknesses:

2017-001 Financial Reporting

Condition - During the audit, we identified material adjustments required to be made to 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.

Criteria - The City is responsible for the accuracy of the financial statements.

Effect - Expenses/Expenditures/Revenues may not be properly reported and/or balance sheet amounts maybe misstated.

Cause - Due to the limited number of employees, the City does not have sufficient controls in place to ensure that all entries are properly recorded and that all other applicable adjustments are made.

Recommendation – The City should implement procedures to ensure all entries 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.

Status – Not corrected, see finding 2018-001 The City has taken steps to implement procedures to ensure financial statements are fairly presented, however due to limited staff and resources, a system which eliminates all journal entries has not yet been achieved. This finding was first reported in fiscal year 2007.

FEDERAL AWARD PROGRAMS AUDIT:

Instances of Non-Compliance:

CFDA Number 11.307 – Economic Adjustment Assistance

Federal Award Year 2012

U.S. Department of Commerce

Questioned Cost: \$66,414

Prior Year's Audit Reference number: N/A

2017-002 Cash Management

Condition and Criteria – It was found that the final reimbursement request included retainage amounts that had not been paid at the time the reimbursement request was submitted. Although the invoice was for allowable expenditures, being reimbursed for the outstanding retainage amounts creates a cash management condition as the drawdown was requested prior to that portion of the invoice being expended.

Effect – As a result, the City had requested reimbursement for expenditures that had been incurred, but had not yet been paid, which would make them currently not an allowable grant expenditure.

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Prior Year Findings
For the Year Ended December 31, 2018

Cause – This was caused by those completing reimbursement requests failure to properly remove unpaid retainage from the request.

Recommendation – The City should ensure all involved with the grant program are well trained on grant requirements as well as have adequate knowledge concerning the financial information used to complete reimbursement requests.

Views of Responsible Officials – The City will immediately work to quickly and effectively resolve the issue and will also strive to fully obtain understanding and stay compliant with all grant requirements.

Status - Corrected

Significant Deficiency:

CFDA Number 11.307 – Economic Adjustment Assistance
Federal Award Year 2012
U.S. Department of Commerce
Prior Year's Audit Reference number: N/A

2017-003 Cash Management

Condition and Criteria – It was found that the final reimbursement request included retainage amounts that had not been paid at the time the reimbursement request was submitted. Although the invoice was for allowable expenditures, being reimbursed for the outstanding retainage amounts creates a cash management condition as the drawdown was requested prior to that portion of the invoice being expended.

Effect – As a result, the City had requested reimbursement for expenditures that had been incurred, but had not yet been paid, which would make them currently not an allowable grant expenditure.

Cause – This was caused by those completing reimbursement requests failure to properly remove unpaid retainage from the request.

Recommendation – The City should ensure all involved with the grant program are well trained on grant requirements as well as have adequate knowledge concerning the financial information used to complete reimbursement requests. The City should also review control procedures to ensure only paid expenditures are included on the grant reimbursement forms in the future.

Views of Responsible Officials – The City will immediately work to quickly and effectively resolve the issue and will also strive to fully obtain understanding and stay compliant with all grant requirements.

Status - Corrected

**Schedule of Findings and Questioned Costs
Corrective Action Plan
December 31, 2018**

The City of Yankton, South Dakota, respectfully submits the following corrective action plan for the year ended December 31, 2018.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended December 31, 2018.

The findings from the December 31, 2018 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS:

2018-001 Financial Reporting

Condition – During the audit, we identified material adjustments required to be made to 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

Criteria – The City is responsible for the accuracy of the financial statements.

Effect – Expenses/Expenditures/Revenues may not be properly reported and/or balance sheet amounts maybe misstated.

Cause – Due to the limited number of employees, the City does not have sufficient controls in place to ensure that all entries are properly recorded and that all other applicable adjustments are made.


Recommendation – The City should implement procedures to ensure all entries 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 and a review process to ensure statements are fairly presented. The City will attempt to implement these processes for the 2019 calendar year report.

If involved agencies have any questions regarding this plan, please call Al Viereck at 605-668-5241.

Sincerely yours,

CITY OF YANKTON, SOUTH DAKOTA


Al Viereck, Finance Officer

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