

CITY OF YANKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended

December 31, 2009



CITY OF YANKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

PREPARED BY:
FINANCE DEPARTMENT

AL VIERECK
FINANCE OFFICER

CITY OF YANKTON
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2009
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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Mayor and Members of the
City Council
City of Yankton, South Dakota

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic 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 \$305,057 and total revenues of \$560,352 for the year then ended. 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our 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 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, 2009, and respective changes in financial position and cash flows of its proprietary fund types for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2010, on our consideration of the City of Yankton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the OPEB schedule of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yankton's financial statements as a whole. The combining and individual nonmajor fund financial statements, and budgetary compliance schedules, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and budgetary compliance schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Williams & Company, P.C.
Certified Public Accountants

Yankton, South Dakota
June 3, 2010

Management Discussion and Analysis December 31, 2009

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, 2009. We encourage the readers to consider the information presented here in conjunction with the City's financial statements, which follow this report, as well as the separately issued financial statements of the Yankton Housing and Redevelopment Commission, a discretely presented component unit of the City.

Financial Highlights

- The assets of the City of Yankton exceeded liabilities at December 31, 2009 by \$80,294,113. Of this amount \$13,379,601 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$2,897,798 during the year. Of this amount the assets of our Governmental Activities increased \$3,179,983 and the assets of our Business-Type Activities decreased \$282,185. The governmental net assets increased in large part due to expenditures in capital assets exceeding depreciation in the current period by \$2,873,566.
- The City's Governmental Fund Balances increased \$2,298,162 in 2009. This was due mainly to unspent proceeds from the issuance of a capital lease for the 2nd fire station, as well as increased sales tax, property tax, and license and permit revenues combined with decreased expenditures.
- The City's long-term debt increased \$1,044,060 in 2009. This increase occurred from annual debt service payments in the Sales Tax Revenue Bonds, the USDA Rural Development Notes, the Solid Waste Loans, the Water Revenue Bonds, and the Wastewater Revenue Bonds, in combination with the issuance of \$2.4 million of Certificates of Participation for construction of the North Fire Station.

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

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets 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 assets 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 Assets 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 assets, 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 assets 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 Assets and the Statement of Activities) and governmental funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets 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 assets may serve over time as a useful indicator of government's financial position. The largest part of the City's net assets 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 ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 10,776,768	\$ 8,647,143	\$ 7,231,562	\$ 7,348,322	\$ 18,008,330	\$ 15,995,465
Capital Assets	<u>52,739,235</u>	<u>49,739,591</u>	<u>30,950,338</u>	<u>31,872,701</u>	<u>83,689,573</u>	<u>81,612,292</u>
Total Assets	<u>63,516,003</u>	<u>58,386,734</u>	<u>38,181,900</u>	<u>39,221,023</u>	<u>101,697,903</u>	<u>97,607,757</u>
Long-term Liabilities Outstanding	5,542,032	3,792,550	13,007,196	13,657,886	18,549,228	17,450,436
Other Liabilities	<u>1,512,250</u>	<u>1,312,446</u>	<u>1,342,312</u>	<u>1,448,560</u>	<u>2,854,562</u>	<u>2,761,006</u>
Total Liabilities	<u>7,054,282</u>	<u>5,104,996</u>	<u>14,349,508</u>	<u>15,106,446</u>	<u>21,403,790</u>	<u>20,211,442</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	47,486,977	45,849,020	17,376,371	17,638,137	64,863,348	63,487,157
Restricted	2,015,181	1,700,962	35,983	35,917	2,051,164	1,736,879
Unrestricted	<u>6,959,563</u>	<u>5,731,756</u>	<u>6,420,038</u>	<u>6,440,523</u>	<u>13,379,601</u>	<u>12,172,279</u>
Ending Net Assets	<u>\$ 56,461,721</u>	<u>\$ 53,281,738</u>	<u>\$ 23,832,392</u>	<u>\$ 24,114,577</u>	<u>\$ 80,294,113</u>	<u>\$ 77,396,315</u>

This summary reflects an increase in net assets of 6.0% for the Governmental Activities and a decrease of 1.2% in the Business-Type Activities. The increase in Governmental Activities Capital Assets was largely infrastructure, property, and equipment, and various street improvements. The overall liabilities of the City of Yankton increased by \$1,192,348 or 5.9% due to capital lease entered into to fund construction of a second Fire Station.

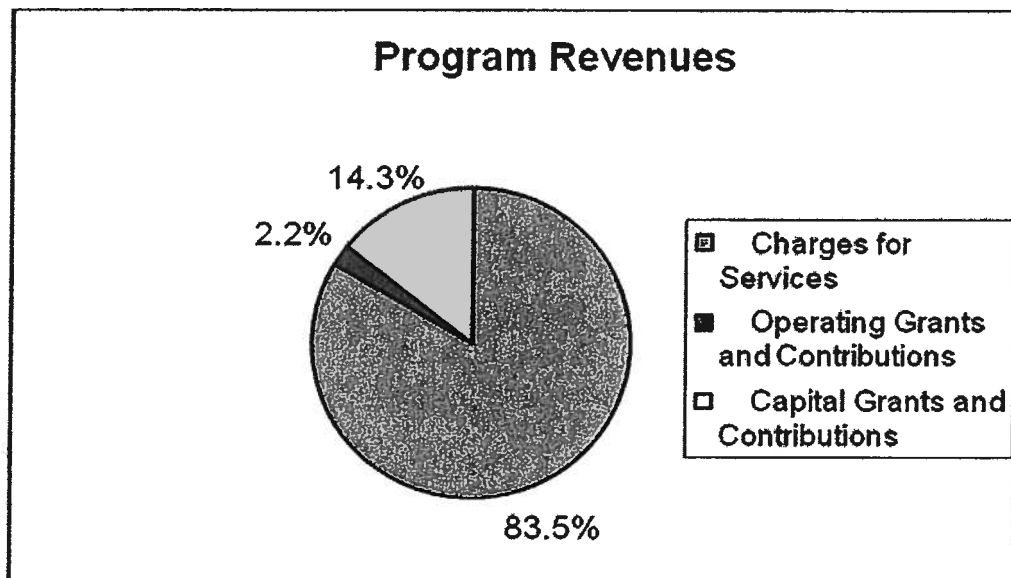
Total revenue reported in 2009 was \$23,363,696, an increase of \$640,831 or 2.8%. The largest increase in revenues was in capital grants and contributions. The Property Tax revenues increase was \$211,960 of which \$180,958 was a property tax opt-out to fund the annual lease payment of the Capital Lease issued to fund construction of the new 2nd Fire Station . The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities:

**CITY OF YANKTON
CHANGES IN NET ASSETS**

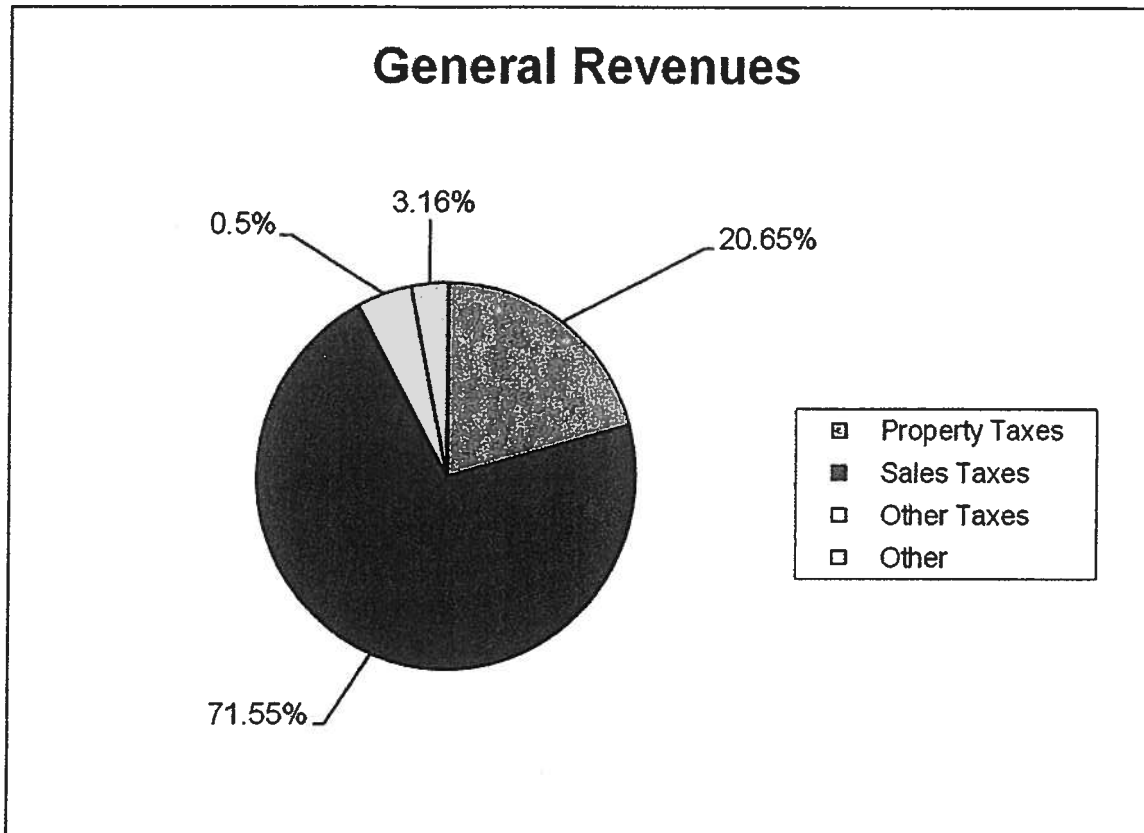
Revenue Sources	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,052,846	\$ 3,301,101	\$ 7,778,161	\$ 7,827,814	\$ 10,831,007	\$ 11,128,915
Operating Grants and Contributions	285,769	208,157	-	-	285,769	208,157
Capital Grants and Contributions	1,727,584	823,026	123,239	367,500	1,850,823	1,190,526
General Revenues:						
Property Taxes	2,147,197	1,935,237	-	-	2,147,197	1,935,237
Sales Taxes	7,438,236	7,344,839	-	-	7,438,236	7,344,839
Other Taxes	482,436	467,585	-	-	482,436	467,585
Other	216,981	252,875	111,247	194,731	328,228	447,606
Total Revenues	15,351,049	14,332,820	8,012,647	8,390,045	23,363,696	22,722,865
Expenses:						
General Government	1,426,865	1,611,673	-	-	1,426,865	1,611,673
Public Safety	2,898,414	3,064,584	-	-	2,898,414	3,064,584
Public Works	4,746,017	4,602,966	-	-	4,746,017	4,602,966
Culture & Recreation	2,577,639	2,667,168	-	-	2,577,639	2,667,168
Community & Economic Development	371,232	302,666	-	-	371,232	302,666
Interest on Long-term Debt	243,599	139,270	-	-	243,599	139,270
Water	-	-	2,393,941	2,311,380	2,393,941	2,311,380
Wastewater	-	-	3,250,459	3,159,774	3,250,459	3,159,774
Golf	-	-	875,392	894,629	875,392	894,629
Non-Major Enterprise Funds	-	-	1,682,340	1,749,257	1,682,340	1,749,257
Total Expenses	12,263,766	12,388,327	8,202,132	8,115,040	20,465,898	20,503,367
Increase (Decrease) in Net Assets						
Before Transfers	3,087,283	1,944,493	(189,485)	275,005	2,897,798	2,219,498
Transfers	92,700	62,963	(92,700)	(62,963)	-	-
Increase (Decrease) in Net Assets	3,179,983	2,007,456	(282,185)	212,042	2,897,798	2,219,498
Net Assets January 1	53,281,738	51,274,282	24,114,577	23,902,535	77,396,315	75,176,817
Net Assets December 31	\$ 56,461,721	\$ 53,281,738	\$ 23,832,392	\$ 24,114,577	\$ 80,294,113	\$ 77,396,315

Charges for Services in the Business-Type Activities decreased slightly (0.6%) due in most part to a decrease in water consumption in our community.

Program Revenues total \$12,967,599 for 2009. Governmental Activities provided \$5,066,199 and Business-Type Activities provided \$7,901,400. Revenue collected for Charges for Services during 2009 was \$10,831,007 accounting for 83.5% of the total program revenues. Revenue collected for Capital Grants and Contributions accounts for 14.3% of the total program revenues. The following chart breaks down program revenues by sources:



General Revenues for 2009 totaled \$10,396,097. Governmental Activities provided \$10,248,850 and Business-Type Activities provided \$111,247. Sales Tax Revenues for 2009 totaled \$7,438,236 and Property Tax Revenue totaled \$2,147,197. The Sales Tax Revenues accounted for 71.55% and Property Tax Revenues were 20.65% of General Revenues. The following chart breaks down General Revenues by source:



Expenses for 2009 totaled \$20,465,898, a decrease of 0.18%. Expenses for Governmental Activities totaled \$12,263,766 accounting for 59.92% of the total expenses. Expenses for Business-Type Activities totaled \$8,202,132 accounting for 40.08% 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, Senior Citizens Center, Yankton Community Library
Community Development	Casualty Reserve, Tax Increment District
Capital Projects	Chan Gurney Airport Federal Capital Projects, Federal and State Pass Through Grants

Governmental Activities

To aid in the understanding of the Statement of Activities (Exhibit 2) some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$2,898,414 and received \$96,048 in charges for services, and \$48,086 in grants and contributions thus leaving a cost to the taxpayers of \$2,754,280 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 \$12,263,766. Of these costs, \$3,052,846 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 \$285,769, and costs paid by other governments and organizations that subsidized certain programs with capital grants and contributions were \$1,727,584, leaving a Net Expense of \$7,197,567 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 \$68,725,487, consisting of Net Assets January 1, 2009 of \$53,281,738, General Revenues and transfers of \$10,377,550, and Program Revenues of \$5,066,199. Total Governmental Activities during the year expended \$12,263,766; thus, Net Assets were increased by \$3,179,983 to \$56,461,721.

Business Type Activities

Business-Type Activities decreased the City's net assets by (\$282,185).

The cost of all Business-Type Activities this year was \$8,202,132. As shown in the Statement of Activities, the amounts paid by users of the systems was \$7,778,161 and \$123,239 was funded from capital grants and contributions, resulting in a slight net loss for Business-Type Activities of (\$300,732).

Total resources available during the year to finance Business-Type Activities were \$32,034,524 consisting of Net Assets January 1, 2009 of \$24,114,577, Program Revenues of \$7,901,400 and General Revenues and transfers of \$18,547. Total Business-Type Activities during the year expended \$8,202,132; thus Net Assets were decreased by (\$282,185) to \$23,832,392.

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. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending as the end of a fiscal year. The City's governmental funds reported combined ending fund balances of \$8,983,602 (74.4% unreserved). The combined Governmental Funds fund balance increased \$2,298,162 from the prior year. The fund balance amount consists of \$6,686,476 of unreserved amounts to be used at the City's discretion as the individual funds allow. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for 1) perpetual care for cemetery (\$50,000), 2) vested reserve in our insurance carrier the South Dakota Public Assurance Association or SDPAA (\$226,660), 3) inventory of land for resale (\$27,247), 4) capital project funding for the new 2nd Fire Station (\$342,970) 5) to pay debt service (\$1,565,399), and 6) long-term note receivable (\$84,850).

The general fund is the chief operating fund of the City of Yankton. At the end of the current fiscal year, unreserved fund balance of the general fund, was \$2,342,864, while total fund balance increased to \$3,024,591. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25.2 percent of total general fund expenditures, while total fund balance represents 32.5 percent of that same amount.

The fund balance of the City of Yankton's general fund increased \$1,839,623 during the current fiscal year. Part of the increase was unspent proceeds from the issuance of a capital lease to fund construction of the new 2nd Fire Station which is still in progress at year's end. There were also increases in revenue for property taxes, sales and other taxes, licenses and permits, and intergovernmental revenues.

The Special Capital Improvements Fund showed an increase in fund balance of \$156,019. This reflects a decrease in capital expenditures for projects that are now moving forward.

The Debt Service Fund balance increased \$164,162 due to an increase in sales tax revenue allocated for reserve requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the 2009 original (adopted) General Fund budget of \$8,778,109 to the final budget amount of \$11,493,161 shows a net increase of \$2,715,052. However, actual expenditures were only \$525,504 more than the original adopted budget. Supplemental changes that resulted in actual expenditures higher than the original budget include: additional appropriations for office of City Attorney for professional services for additional legal counsel for union negotiations; capital expenditures in the Fire department for construction of the new 2nd Fire Station; City Hall for capital repairs and maintenance; and Chan Gurney Airport for remodeling in the terminal building.

The City complied with statutory requirements for expenditures not exceeding the budget appropriation on all programs except City Manager. This variance (\$626) is not significant and will have no effect on future services or liquidity.

CAPITAL ASSETS

The City's investment in capital assets, including land, building and improvements, 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, 2009 was \$64,863,348 (net of accumulated depreciation and outstanding financings). This was an increase of \$1,376,191 or 2.2%. The comparative totals for capital assets for 2008 and 2009 are as follows:

CITY OF YANKTON CAPITAL ASSETS (net of depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 3,296,901	\$ 3,270,925	\$ 815,123	\$ 815,123	\$ 4,112,024	\$ 4,086,048
Construction in Progress	7,070,738	3,907,912	305,358	1,415,833	7,376,096	5,323,745
Buildings & Structures	17,418,751	16,699,676	26,216,711	25,925,270	43,635,462	42,624,946
Land Improvements	-	-	2,146,798	2,149,905	2,146,798	2,149,905
Furniture and Equipment	5,844,620	6,139,531	1,466,348	1,566,570	7,310,968	7,706,101
Other Fixed Assets	600	600	-	-	600	600
Infrastructure	<u>19,107,625</u>	<u>19,720,947</u>	<u>-</u>	<u>-</u>	<u>19,107,625</u>	<u>19,720,947</u>
Total	<u>\$ 52,739,235</u>	<u>\$ 49,739,591</u>	<u>\$ 30,950,338</u>	<u>\$ 31,872,701</u>	<u>\$ 83,689,573</u>	<u>\$ 81,612,292</u>

Construction in Progress, and Buildings & Structures were the major capital outlays for 2009. Construction in Progress increases included the new 2nd Fire Station, the Comfort Station at the Summit Activity Center, the source water development and wells in the water department, and the continuing reconstruction of the Chan Gurney Airport apron and runway. Re-construction of Streets included Maple Street from 8th to 10th, Peninah from Whiting to Karen Drive and Mulberry from 8th to 13th. See notes 6 and 7 in the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year end the City had \$19,140,423 of debt outstanding, a net increase of \$1,044,060. During 2009 the City added \$99,688 in debt to finance water facility and distribution improvements, and \$2,420,000 of Certificates of Participation to fund the construction of a 2nd fire station. This increase in debt was partially offset by normal debt service payments to arrive at a net decrease in debt outstanding.

Of the total debt, \$5,595,228 or 29.2% is to be paid from governmental activities including \$3,145,000 specifically from sales tax funds and \$2,315,000 from property tax opt-out dollars; and \$13,573,967 or 70.9% in business type activities including \$3,596,106 to be repaid from water user fees, \$329,427 to be paid from landfill revenues and \$9,648,434 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 \$34,691,751 with outstanding debt (less debt service reserves) of \$15,249,883, leaving an unused balance of \$19,441,868 or 56% of the legal debt limit available. More detailed information on debt administration is provided in Notes 8 and 9 of the financial statements.

ECONOMIC FACTORS

The total building permit value for 2009 was \$25,716,612. It was an increase of \$5,562,621 or 27.6% of the 2008 total of \$20,153,991. The average annual building permit value for the last ten years was \$25,217,446 and the 2009 total value was 2.8% more than that average. New construction building permits included the National Parks Service Office, City of Yankton 2nd Fire Station, Yankton School District's new administration and maintenance facility, the new Data Ware building, a new Women & Children Center, a new Ability Services Center apartment building, and the new N-K Properties car wash. Commercial additions and remodels included additions at the Lincoln and Stewart Elementary Schools, Fred Haar Company, Cimpl Meats and Day's Inn and renovations at St. John's Lutheran Church. There were twenty-eight new home-building permits issued during the year, a decrease of six from 2008.

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

Another indicator of economic activity is the taxable sales for Yankton that are reported by the South Dakota Department of Revenue. Our 2009 sales were down 2.6% over 2008's figures and totaled \$322,624,144. The encouraging factor in this decrease is that it was less of a decrease than experienced by most of the first class South Dakota municipalities.

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.

BASIC FINANCIAL STATEMENTS

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET ASSETS
December 31, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment
ASSETS				
Cash and Cash Equivalents	\$ 7,427,221	\$ 5,527,625	\$ 12,954,846	\$ 294,909
Receivables:				
Taxes	72,770	-	72,770	-
Accounts	129,940	754,433	884,373	4,566
Accrued Interest	6,215	6,332	12,547	-
Special Assessments	202,489	-	202,489	-
Notes Receivable	84,850	-	84,850	-
Due from Other Governmental Agencies	1,588,947	39,831	1,628,778	3,350
Prepaid Expenses	99,128	56,951	156,079	1,167
Internal Balances	(522,296)	522,296	-	-
Property Held for Resale, At Cost	27,247	-	27,247	-
Inventories	118,712	287,287	405,999	-
Restricted Assets:				
Cash and Cash Equivalents	606,781	36,807	643,588	-
Deposits	226,660	-	226,660	-
Investments	591,705	-	591,705	-
Accrued Interest Receivable	3,043	-	3,043	-
Bond Issue Costs	113,356	-	113,356	-
Land	3,296,901	815,123	4,112,024	-
Construction in Progress	7,070,738	305,358	7,376,096	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	42,371,596	29,829,857	72,201,453	1,065
Total Assets	63,516,003	38,181,900	101,697,903	305,057
LIABILITIES				
Accounts Payable	476,717	260,234	736,951	145
Accrued Wages	219,213	66,538	285,751	-
Accrued Interest Payable	40,726	142,568	183,294	-
Unearned Revenue	-	53,816	53,816	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	797,752	797,752	-
General Obligation Bonds	595,000	-	595,000	-
Capital Lease	90,000	-	90,000	-
Notes Payable	31,772	-	31,772	-
Compensated Absences	58,822	21,404	80,226	-
Due in more than one year:				
Revenue Bonds Payable	-	12,776,215	12,776,215	-
Capital Lease	2,225,000	-	2,225,000	-
General Obligation Bonds	2,550,000	-	2,550,000	-
Notes Payable	103,456	-	103,456	-
Estimated Postemployment Benefit Obligation	330,252	109,692	439,944	-
Compensated Absences	333,324	121,289	454,613	-
Total Liabilities	7,054,282	14,349,508	21,403,790	145
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	47,486,977	17,376,371	64,863,348	1,065
Restricted for:				
Housing Vouchers	-	-	-	86,395
Debt Service	1,631,858	35,983	1,667,841	-
Cumulative Reserve-SDPAA	226,660	-	226,660	-
Perpetual Care				
Expendable	106,663	-	106,663	-
Nonexpendable	50,000	-	50,000	-
Unrestricted	6,959,563	6,420,038	13,379,601	217,452
Total Net Assets	\$ 56,461,721	\$ 23,832,392	\$ 80,294,113	\$ 304,912

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
General Government	\$ 1,426,865	\$ 1,858,106	\$ 1,000
Public Safety	2,898,414	96,048	3,180
Public Works	4,746,017	635,258	238,773
Culture and Recreation	2,577,639	463,434	42,816
Community Development	371,232	-	-
Interest on Long-Term Debt	243,599	-	-
Total Governmental Activities	<u>12,263,766</u>	<u>3,052,846</u>	<u>285,769</u>
Business-Type Activities:			
Water	2,393,941	2,844,186	-
Wastewater	3,250,459	2,473,162	-
Solid Waste	710,171	715,579	-
Joint Powers- Landfill	972,169	882,732	-
Golf Course	875,392	862,502	-
Total Business-Type Activities	<u>8,202,132</u>	<u>7,778,161</u>	<u>-</u>
Component Units:			
Housing & Redevelopment	564,409	-	520,384
Total Component Unit	<u>\$ 564,409</u>	<u>\$ -</u>	<u>\$ 520,384</u>
General Revenues:			
Property taxes			
Sales and other Taxes			
Lodging Sales Tax			
Interest			
Reimbursements			
Miscellaneous			
Interfund Transfers			
Total General Revenues and Transfers			
Change in Net Assets			
Net Assets - Beginning			
Net Assets - Ending			

EXHIBIT 2

Program Revenues	Net (Expense) Revenue and Changes in Net Assets			Component Unit Housing & Redevelopment
	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
\$ 101	\$ 432,342		\$ 432,342	-
44,906	(2,754,280)		(2,754,280)	-
1,645,766	(2,226,220)		(2,226,220)	-
36,811	(2,034,578)		(2,034,578)	-
-	(371,232)		(371,232)	-
-	(243,599)		(243,599)	-
<u>1,727,584</u>	<u>(7,197,567)</u>		<u>(7,197,567)</u>	-
83,231		\$ 533,476	533,476	-
40,008		(737,289)	(737,289)	-
-		5,408	5,408	-
-		(89,437)	(89,437)	-
-		(12,890)	(12,890)	-
<u>123,239</u>		<u>(300,732)</u>	<u>(300,732)</u>	-
-	-	-	-	\$ (44,025)
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,025)</u>
	2,147,197	-	2,147,197	-
	7,438,236	-	7,438,236	-
	482,436	-	482,436	-
	87,843	84,790	172,633	-
	128,314	-	128,314	-
	824	26,457	27,281	39,968
	92,700	(92,700)	-	-
	<u>10,377,550</u>	<u>18,547</u>	<u>10,396,097</u>	<u>39,968</u>
	3,179,983	(282,185)	2,897,798	(4,057)
	<u>53,281,738</u>	<u>24,114,577</u>	<u>77,396,315</u>	<u>308,969</u>
	<u>\$ 56,461,721</u>	<u>\$ 23,832,392</u>	<u>\$ 80,294,113</u>	<u>\$ 304,912</u>

CITY OF YANKTON, SOUTH DAKOTA
BALANCE SHEET
Governmental Funds
December 31, 2009

	General	Special Capital Improvements
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,833,732	\$ 2,974,925
Receivables (Net where applicable, of allowance for uncollectibles):		
Taxes	72,770	-
Accounts	116,569	-
Accrued Interest	1,091	3,487
Special Assessments	3,946	-
Notes Receivable	84,850	-
Due from Other Funds	-	359,000
Due from Other Governmental Agencies	589,857	158,473
Property Held for Resale, At Cost	27,247	-
Restricted Assets:		
Cash and Cash Equivalents	436,876	-
Deposits	226,660	-
Investments	-	-
Accrued Interest Receivable	-	-
Total Assets	4,393,598	3,495,885
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	229,518	5,513
Accrued Wages	188,879	-
Unearned Revenue	428,314	-
Due to Other Funds	114,841	-
Advances from Other Funds	407,455	-
Total Liabilities	1,369,007	5,513
Fund Balances:		
Reserved for:		
Perpetual Care:		
Nonexpendable	-	-
Cumulative Reserve-SDPAA	226,660	-
Property Held for Resale	27,247	-
Capital Projects	342,970	-
Debt Service	-	-
Notes Receivable	84,850	-
Unreserved for:		
Permanent Fund	-	-
General Fund	2,342,864	-
Capital Project Fund	-	-
Special Revenue Fund	-	3,490,372
Total Fund Balances	3,024,591	3,490,372
Total Liabilities and Fund Balances	\$ 4,393,598	\$ 3,495,885

EXHIBIT 3

Airport Capital Improvement	2004 Sales Tax Refunding Bonds	Other Governmental Funds	Total Governmental Funds
\$ 764	\$ 790,307	\$ 774,897	\$ 7,374,625
-	-	-	72,770
-	-	13,371	129,940
-	38	1,405	6,021
-	-	198,737	202,683
-	-	-	84,850
-	-	-	359,000
414,918	270,833	147,579	1,581,660
-	-	-	27,247
-	16,658	153,247	606,781
-	-	-	226,660
-	591,705	-	591,705
-	3,043	-	3,043
<u>415,682</u>	<u>1,672,584</u>	<u>1,289,236</u>	<u>11,266,985</u>
134,322	-	67,571	436,924
-	-	26,953	215,832
-	107,185	213,832	749,331
266,000	-	93,000	473,841
-	-	-	407,455
<u>400,322</u>	<u>107,185</u>	<u>401,356</u>	<u>2,283,383</u>
-	-	50,000	50,000
-	-	-	226,660
-	-	-	27,247
-	-	-	342,970
-	1,565,399	-	1,565,399
-	-	-	84,850
-	-	106,663	106,663
-	-	-	2,342,864
15,360	-	(74,360)	(59,000)
-	-	805,577	4,295,949
<u>15,360</u>	<u>1,565,399</u>	<u>887,880</u>	<u>8,983,602</u>
<u>\$ 415,682</u>	<u>\$ 1,672,584</u>	<u>\$ 1,289,236</u>	<u>\$ 11,266,985</u>

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CITY OF YANKTON, SOUTH DAKOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2009

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

Total Fund Balance - Governmental Funds (page 17)	\$ 8,983,602
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	52,618,722
Deferred revenues that provide current financial resources for governmental activities	749,331
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(40,726)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	97,588
Unamortized bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	113,356
Long-term liabilities, such as Bonds and Notes Payable as well as Capital Leases and Accrued Compensated Absences are not due and payable in the current period and therefore are not reported in the funds	(5,982,185)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds	(323,734)
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 assets.	245,767
Total Net Assets - Governmental Activities (page 13)	<u>\$ 56,461,721</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended December 31, 2009

	General	Special Capital Improvements
Revenue:		
Property Taxes	\$ 2,108,483	\$ -
Sales and Other Taxes	4,640,716	2,290,851
Special Assessments	-	-
Licenses and Permits	430,539	-
Intergovernmental	462,837	112,969
Charges for Services	1,992,350	-
Fines and Forfeits	23,307	-
Interest on Investments	26,198	35,796
Contributions	101	1,172
Miscellaneous	126,961	-
Total Revenue	9,811,492	2,440,788
Current Expenditures:		
General Government	1,377,488	-
Public Safety	2,628,963	-
Public Works	2,247,254	-
Culture and Recreation	559,813	-
Community Development	-	-
Capital Outlay:		
Public Works	211,665	2,280,144
Culture and Recreation	57,797	-
General Government	17,996	-
Public Safety	1,890,217	-
Debt Service	312,420	-
Total Expenditures	9,303,613	2,280,144
Excess (Deficiency) of Revenues Over Expenditures	507,879	160,644
Other Financing Sources (Uses):		
Issuance of Capital Lease	2,420,000	-
Proceeds From Sale of Fixed Assets	36,125	-
Transfers In	110,643	-
Transfers Out	(1,235,024)	(4,625)
Total Other Financing Sources (Uses)	1,331,744	(4,625)
Net Change in Fund Balance	1,839,623	156,019
Fund Balances -Beginning of Year	1,184,968	3,334,353
Fund Balances- End of Year	\$ 3,024,591	\$ 3,490,372

EXHIBIT 4

2004 Sales Tax Refunding Bonds	Airport Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 23,597	\$ 2,132,080
844,643	-	525,129	8,301,339
-	-	18,583	18,583
-	-	-	430,539
-	1,328,077	11,322	1,915,205
-	-	387,633	2,379,983
-	-	-	23,307
6,242	-	19,609	87,845
-	-	46,141	47,414
-	-	28,372	155,333
<u>850,885</u>	<u>1,328,077</u>	<u>1,060,386</u>	<u>15,491,628</u>
-	-	1,407	1,378,895
-	-	-	2,628,963
-	-	-	2,247,254
-	-	1,552,566	2,112,379
-	-	371,232	371,232
-	1,375,184	59,850	3,926,843
-	-	109,778	167,575
-	-	-	17,996
-	-	1,794	1,892,011
686,723	-	-	999,143
<u>686,723</u>	<u>1,375,184</u>	<u>2,096,627</u>	<u>15,742,291</u>
<u>164,162</u>	<u>(47,107)</u>	<u>(1,036,241)</u>	<u>(250,663)</u>
-	-	-	2,420,000
-	-	-	36,125
-	20,100	1,374,788	1,505,531
-	-	(173,182)	(1,412,831)
<u>-</u>	<u>20,100</u>	<u>1,201,606</u>	<u>2,548,825</u>
164,162	(27,007)	165,365	2,298,162
<u>1,401,237</u>	<u>42,367</u>	<u>722,515</u>	<u>6,685,440</u>
<u>\$ 1,565,399</u>	<u>\$ 15,360</u>	<u>\$ 887,880</u>	<u>\$ 8,983,602</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, 2009

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

Net change in fund balances - total governmental funds (page 20)	\$ 2,298,162
<p>Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year:</p>	
Expenditures for capital assets	\$ 4,986,820
Depreciation Expense	<u>(2,113,254)</u>
	2,873,566
Capital Contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.	185,204
Revenues reported in the funds that are not available to provide current financial resources:	(398,517)
Accrued interest expense that does not require current financial resources:	(3,357)
Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied.	12,005
The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(2,420,000)
The effect of bond issuance costs is shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities:	43,558
Governmental funds report the proceeds from the sale of fixed assets as revenue, whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities.	(37,994)
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.	60,729
Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources:	(2,977)
Other Post-Employment Benefits that do not require current financial resources.	(161,867)
Compensated absences that do not require current financial resources.	16,128
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>715,343</u>
Change in net assets of governmental activities (page 15)	<u>\$ 3,179,983</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET ASSETS
Proprietary Funds
December 31, 2009

	<u>Business-Type</u>	
	<u>Golf Course</u>	<u>Water</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 61,285	\$ 2,255,054
Receivables (Net where applicable, of allowance for uncollectibles):		
Accounts	9,100	279,156
Accrued Interest Receivable	-	2,651
Due from Other Governmental Agencies	-	39,831
Prepaid Insurance	3,195	16,448
Due From Other Funds	-	-
Inventories	33,654	156,759
Total Current Assets	<u>107,234</u>	<u>2,749,899</u>
Noncurrent Assets:		
Advances to Other Funds	-	-
Restricted Assets:		
Cash and Cash Equivalents	-	-
Land	533,787	128,117
Construction in Progress	-	305,358
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	2,655,139	11,995,995
Total Noncurrent Assets	<u>3,188,926</u>	<u>12,429,470</u>
Total Assets	<u>3,296,160</u>	<u>15,179,369</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	7,070	134,972
Accrued Wages	9,005	23,147
Accrued Interest Payable	-	29,674
Accrued Compensated Absences	3,225	7,844
Unearned Revenue	53,816	-
Revenue Bonds Payable- Current	-	185,069
Total Current Liabilities	<u>73,116</u>	<u>380,706</u>
Noncurrent Liabilities:		
Revenue Bonds Payable	-	3,411,037
Accrued Compensated Absences	18,274	44,449
Estimated Postemployment Benefit Obligation	13,035	30,959
Total Noncurrent Liabilities	<u>31,309</u>	<u>3,486,445</u>
Total Liabilities	<u>104,425</u>	<u>3,867,151</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	3,188,926	8,833,364
Restricted for:		
Debt Service	-	-
Unrestricted	2,809	2,478,854
Total Net Assets	<u>\$ 3,191,735</u>	<u>\$ 11,312,218</u>

EXHIBIT 5

Business-Type			Governmental Activities- Internal Service Fund
Wastewater	Non-Major Enterprise Funds	Totals	
\$ 2,139,149	\$ 1,072,137	\$ 5,527,625	\$ 52,596
296,418	169,759	754,433	-
2,337	1,344	6,332	-
-	-	39,831	7,287
19,261	18,047	56,951	1,540
114,841	-	114,841	-
96,874	-	287,287	118,712
<u>2,668,880</u>	<u>1,261,287</u>	<u>6,787,300</u>	<u>180,135</u>
407,455	-	407,455	-
-	36,807	36,807	-
66,666	86,553	815,123	7,000
-	-	305,358	-
<u>13,801,318</u>	<u>1,377,405</u>	<u>29,829,857</u>	<u>113,513</u>
<u>14,275,439</u>	<u>1,500,765</u>	<u>31,394,600</u>	<u>120,513</u>
<u>16,944,319</u>	<u>2,762,052</u>	<u>38,181,900</u>	<u>300,648</u>
72,614	45,578	260,234	39,793
18,980	15,406	66,538	3,381
112,070	824	142,568	-
5,117	5,218	21,404	778
-	-	53,816	-
585,557	27,126	797,752	-
<u>794,338</u>	<u>94,152</u>	<u>1,342,312</u>	<u>43,952</u>
9,062,877	302,301	12,776,215	-
28,994	29,572	121,289	4,411
27,700	37,998	109,692	6,518
<u>9,119,571</u>	<u>369,871</u>	<u>13,007,196</u>	<u>10,929</u>
<u>9,913,909</u>	<u>464,023</u>	<u>14,349,508</u>	<u>54,881</u>
4,219,550	1,134,531	17,376,371	120,513
-	35,983	35,983	-
2,810,860	1,127,515	6,420,038	125,254
<u>\$ 7,030,410</u>	<u>\$ 2,298,029</u>	<u>\$ 23,832,392</u>	<u>\$ 245,767</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended December 31, 2009

	<u>Business-Type</u>	
	<u>Golf Course</u>	<u>Water</u>
Operating Revenues:		
Charges for Services	\$ 862,502	\$ 2,844,186
Operating Expenses:		
Personal Services	309,369	577,782
Insurance	4,417	44,668
Professional Services	16,620	91,669
Tipping Fees		
State Fees		5,000
Repairs and Maintenance	62,572	138,634
Cost of Sales and Service	272,283	
Supplies and Materials	57,355	192,441
Travel and Conference	1,727	2,771
Utilities	28,028	180,876
Billing and Administration	61,625	571,968
Other Current Expenses		
Depreciation	60,886	476,823
Total Operating Expenses	874,882	2,282,632
Operating Income (Loss)	(12,380)	561,554
Non-Operating Income (Expense):		
Interest Income	986	21,710
Intergovernmental Revenue		39,831
Gain (Loss) on Disposition of Assets	(510)	
Miscellaneous, net	7,207	7,156
Interest Expense	-	(111,309)
Total Non-Operating Income (Expenses)	7,683	(42,612)
Income (Loss) Before Contributions and Transfers	(4,697)	518,942
Transfers (Out)	-	(52,000)
Capital Contributions	-	43,400
Change in Net Assets	(4,697)	510,342
Net Assets - Beginning	3,196,432	10,801,876
Net Assets - Ending	\$ 3,191,735	\$ 11,312,218

EXHIBIT 6

	Business-Type		Totals	Governmental Activities- Internal Service Fund
	Waste- water	Non-Major Enterprise Funds		
\$	2,473,162	\$ 1,598,311	\$ 7,778,161	\$ 606,984
	497,424	534,071	1,918,646	108,963
	71,709	16,725	137,519	-
	37,319	27,562	173,170	1,917
		121,839	121,839	-
	12,500	-	17,500	-
	308,020	193,661	702,887	6,990
		387,293	659,576	-
	46,480	10,691	306,967	370,656
	1,075	-	5,573	-
	156,211	20,280	385,395	13,444
	550,359	209,928	1,393,880	-
		-	-	23,153
	1,110,580	149,880	1,798,169	21,132
	<u>2,791,677</u>	<u>1,671,930</u>	<u>7,621,121</u>	<u>546,255</u>
	(318,515)	(73,619)	157,040	60,729
	49,139	12,955	84,790	-
		-	39,831	-
		-	(510)	-
	11,350	744	26,457	-
	(458,782)	(10,410)	(580,501)	-
	<u>(398,293)</u>	<u>3,289</u>	<u>(429,933)</u>	<u>-</u>
	(716,808)	(70,330)	(272,893)	60,729
	(40,700)	-	(92,700)	-
	<u>40,008</u>	<u>-</u>	<u>83,408</u>	<u>-</u>
	(717,500)	(70,330)	(282,185)	60,729
	<u>7,747,910</u>	<u>2,368,359</u>	<u>24,114,577</u>	<u>185,038</u>
\$	<u>7,030,410</u>	<u>\$ 2,298,029</u>	<u>\$ 23,832,392</u>	<u>\$ 245,767</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended December 31, 2009

	<u>Business-Type</u>	
	<u>Golf Course</u>	<u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 883,705	\$ 2,782,745
Cash Received from Interfund Services Provided	-	84,953
Cash Paid to Suppliers for Goods and Services	(470,862)	(1,383,664)
Cash Paid to Employees for Services	(299,711)	(555,606)
Cash Paid for Interfund Services	(15,631)	(15,422)
Other Nonoperating Revenues	7,207	4,156
Net Cash Provided from Operating Activities	<u>104,708</u>	<u>917,162</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets		(662,741)
Proceeds from Bond Sales		99,688
Principal Paid on Notes, Bonds and Leases		(158,161)
Interest Paid on Notes and Bonds		(110,925)
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(832,139)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Due to Other Funds	(70,000)	
Due From Other Funds		
Advances to Other Funds		
Repayment of Advances to Other Funds		
Transfers (Out)		(52,000)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(70,000)</u>	<u>(52,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	986	24,379
Net Cash Provided from Investing Activities	<u>986</u>	<u>24,379</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,694	57,402
Cash and Cash Equivalents at Beginning of Year	<u>25,591</u>	<u>2,197,652</u>
Cash and Cash Equivalents at End of Year	<u>61,285</u>	<u>2,255,054</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	(12,380)	561,554
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	60,886	476,823
Other Non-Operating Income (Expense)	7,207	4,156
(Increase) Decrease in Assets:		
Accounts Receivable	(3,681)	23,512
Prepaid Expenses	(10)	(125)
Inventories	22,492	7,036
Increase (Decrease) in Liabilities:		
Accounts Payable	(4,348)	(177,970)
Accrued Wages	1,534	2,296
Accrued Compensated Absences	1,607	4,401
Estimated Postemployment Benefit Obligation	6,517	15,479
Deferred Revenue	24,884	-
Total Adjustments	<u>117,088</u>	<u>355,608</u>
Net Cash Provided by Operating Activities	<u>104,708</u>	<u>917,162</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:		
Developers Contribution of Distribution System	<u>-</u>	<u>43,400</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents	61,285	2,255,054
Restricted Cash and Cash Equivalents	<u>-</u>	<u>-</u>
	<u>\$ 61,285</u>	<u>\$ 2,255,054</u>

EXHIBIT 7

Business-Type			Governmental
Waste-	Nonmajor	Totals	Activities-
Water	Enterprise Funds		Internal
			Service Fund
\$ 2,479,665	\$ 1,590,023	\$ 7,736,138	\$ 61,385
17,628	5,608	108,189	548,693
(1,130,659)	(866,938)	(3,852,123)	(448,594)
(481,426)	(514,171)	(1,850,914)	(105,534)
(25,068)	(151,515)	(207,636)	(1,302)
4,350	744	16,457	-
<u>864,490</u>	<u>63,751</u>	<u>1,950,111</u>	<u>54,648</u>
(1,300)	(128,866)	(792,907)	-
	-	99,688	-
(565,795)	(26,330)	(750,286)	-
(465,349)	(10,476)	(586,750)	-
<u>(1,032,444)</u>	<u>(165,672)</u>	<u>(2,030,255)</u>	<u>-</u>
	-	(70,000)	(3,500)
32,901	-	32,901	-
(101,422)	-	(101,422)	-
114,840	-	114,840	-
(40,700)	-	(92,700)	-
<u>5,619</u>	<u>-</u>	<u>(116,381)</u>	<u>(3,500)</u>
<u>52,887</u>	<u>14,698</u>	<u>92,950</u>	<u>-</u>
<u>52,887</u>	<u>14,698</u>	<u>92,950</u>	<u>-</u>
(109,448)	(87,223)	(103,575)	51,148
<u>2,248,597</u>	<u>1,196,167</u>	<u>5,668,007</u>	<u>1,448</u>
<u>2,139,149</u>	<u>1,108,944</u>	<u>5,564,432</u>	<u>52,596</u>
(318,515)	(73,619)	157,040	60,729
1,110,580	149,880	1,798,169	21,132
4,350	744	16,457	-
24,131	(2,680)	41,282	3,094
(215)	(30)	(380)	3
(1,893)	-	27,635	(20,413)
30,054	(30,444)	(182,708)	(13,326)
3,374	1,955	9,159	492
(1,226)	(1,054)	3,728	(322)
13,850	18,999	54,845	3,259
-	-	24,884	-
<u>1,183,005</u>	<u>137,370</u>	<u>1,793,071</u>	<u>(6,081)</u>
<u>864,490</u>	<u>63,751</u>	<u>1,950,111</u>	<u>54,648</u>
<u>40,008</u>	<u>-</u>	<u>83,408</u>	<u>-</u>
2,139,149	1,072,137	5,527,625	52,596
-	36,807	36,807	-
<u>\$ 2,139,149</u>	<u>\$ 1,108,944</u>	<u>\$ 5,564,432</u>	<u>\$ 52,596</u>

EXHIBIT 8

**CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET ASSETS
Fiduciary Funds
December 31, 2009**

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 16,956
Total Assets	<u>16,956</u>
Liabilities	
Accounts Payable	499
Other Accrued Expenses	16,457
Total Liabilities	<u>16,956</u>
Net Assets	
Unrestricted	<u>-</u>
Total Net Assets	<u>\$ -</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The City does not apply FASB pronouncements issued after November 30, 1989. The more significant accounting policies established in GAAP and used by the City are discussed below.

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board/City Commission appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

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

Joint Ventures A joint powers agreement between the City of Yankton, City of Vermillion, Yankton County and Clay County was adopted. The purpose of this agreement is to provide for the joint ownership, administration and operation of a solid waste disposal and recycling system including; a solid waste transfer station or stations, the transportation of solid waste, a sanitary landfill licensed by

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

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 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 Assets, 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

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 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.

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, 2009**

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 assets, 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, 2009**

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

The City has the following agency funds:

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

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

The City reports the following major governmental funds:

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

Debt Service Fund:

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

Capital Projects Funds:

Special Capital Improvement Fund – This Special Revenue Fund is used to account for the excess of a second one-cent sales tax to be used for street construction and storm sewer improvements. The second one-cent sales tax was adopted to first provide for the annual debt retirement of the common use facility and the excess for special capital improvements.

Airport Capital Improvement – A capital project fund to account for the grant and other revenues used to finance capital improvements to the City's Municipal Airport.

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.

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

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 redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) and meeting the requirements of

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

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

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

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

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

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

F. Cash Flows

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

G. Short-Term Interfund Receivables/Payables

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

H. Advance to Other Funds

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

I. Inventories

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

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

J. 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.

K. 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, 2009. 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, Park, Marne Creek and Summit Activity Center Funds. 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.

L. Amortization of Bond Discount and Issuance Costs

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, 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. Issuance costs are reported as deferred charges.

M. Fund Equity

Reserves in the fund level financial statements represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

N. 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 market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been retroactively capitalized using historical or estimated historical cost as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

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

Interest costs for capital-asset construction within enterprise funds are capitalized. Interest costs incurred during 2009 were \$817,830 of which \$12,757 has been capitalized.

NOTE 2 - CASH AND CASH EQUIVALENTS

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

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

At year-end, the City's deposits in banks were covered by federal depository insurance, and the accounts which exceeded FDIC coverage were properly collateralized per state statutes. The City's bank deposits, per banks, at December 31, 2009 were \$13,981,900. 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 are shown at their fair value of \$591,705 and are insured, registered and held by the City's fiscal agent in the City's name. As the City's only investment is a fixed-rate treasury note, credit and concentration risk disclosures are not necessary per GASB 40. At year end the Housing Commission had no investments.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s investment is in a fixed rate U.S. Treasury Note dated 2/15/09, which is due on 2/15/12. The note pays an interest rate of 1.375%.

NOTE 3 - PROPERTY TAXES

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

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

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

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

NOTE 4 - ESTIMATED UNCOLLECTIBLE RECEIVABLES

An allowance for uncollectible taxes, utility accounts receivable and special assessments is provided based upon analysis of historical trends. The allowance for uncollectible receivables at December 31, 2009, consisted of the following:

	Utility Accounts Receivable	Special Assessment Receivable
Fund:		
Infrastructure Improvement Revolving	\$ -	\$ 42,000
Water Fund	8,313	-
Wastewater Fund	9,870	-
Solid Waste Fund	8,875	-
	\$ 27,058	\$ 42,000

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2009, include the following:

	General	2004 Sales Tax Refunding Bonds	Special Capital Improvement Fund	Airport Capital Improvement	Water	Non-Major Governmental Funds
County Remitted Taxes	\$ 18,690	\$ -	\$ -	\$ -	\$ -	\$ -
County share of Senior Center and Others	11,520	-	-	-	-	-
County and Other Garage Charges	-	-	-	-	-	-
State Remitted Sales Tax	459,100	270,833	76,204	-	-	47,396
State Remitted Liquor and Other Taxes	21,131	-	-	-	-	-
State Road Aid	36,282	-	-	-	-	-
Federal Grants	38,239	-	32,269	414,918	39,831	83,475
Other Grants	4,895	-	50,000	-	-	16,708
	<u>\$ 589,857</u>	<u>\$ 270,833</u>	<u>\$ 158,473</u>	<u>\$ 414,918</u>	<u>\$ 39,831</u>	<u>\$ 147,579</u>

	Internal Service	Total
County Remitted Taxes	\$ -	\$ 18,690
County share of Airport and Senior Center	-	11,520
County and Other Garage Charges	7,287	7,287
State Remitted Sales Tax	-	853,533
State Remitted Liquor and Other Taxes	-	21,131
State Road Aid	-	36,282
Federal Grants	-	608,732
Other Grants	-	71,603
	<u>\$ 7,287</u>	<u>\$ 1,628,778</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 6 - CAPITAL ASSETS

A summary of the changes in the capital assets for the year ended December 31, 2009, if as follows:

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,270,925	\$ 25,976	\$ -	\$ 3,296,901
Construction in Progress	3,907,912	3,165,849	3,023	7,070,738
Total capital assets not being depreciated	7,178,837	3,191,825	3,023	10,367,639
Capital assets being depreciated:				
Buildings & Structures	25,086,434	1,506,453	115,101	26,477,786
Furniture & Equipment	11,626,830	459,858	195,387	11,891,301
Other Fixed Assets	600	-	-	600
Infrastructure	25,485,553	18,691	-	25,504,244
Total capital assets being depreciated:	62,199,417	1,985,002	310,488	63,873,931
Less: Accumulated Depreciation for:				
Buildings	8,386,758	787,378	115,101	9,059,035
Furniture & Equipment	5,487,299	714,995	155,613	6,046,681
Other Fixed Assets	-	-	-	-
Infrastructure	5,764,606	632,013	-	6,396,619
Total Accumulated Depreciation	19,638,663	2,134,386	270,714	21,502,335
Total Capital Assets being depreciated, net	42,560,754	(149,384)	39,774	42,371,596
Governmental activities capital assets, net	\$ 49,739,591	\$ 3,042,441	\$ 42,797	\$ 52,739,235

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
Business-Type Activities:				
Capital Assets, not being depreciated				
Land	\$ 815,123	\$ -	\$ -	\$ 815,123
Construction in Progress	1,415,833	199,104	1,309,579	305,358
Total capital assets, not being depreciated	2,230,956	199,104	1,309,579	1,120,481
Capital Assets, being depreciated				
Buildings and Structures	44,565,272	1,853,950	23,372	46,395,850
Land Improvements	2,190,047	-	-	2,190,047
Furniture & Equipment	4,170,953	132,841	47,429	4,256,365
Total capital assets, being depreciated	50,926,272	1,986,791	70,801	52,842,262
Less: Accumulated Depreciation for:				
Buildings and Structures	18,640,002	1,562,509	23,372	20,179,139
Land Improvements	40,142	3,107	-	43,249
Furniture & Equipment	2,604,383	232,553	46,919	2,790,017
Total Accumulated Depreciation	21,284,527	1,798,169	70,291	23,012,405
Total Capital Assets, being depreciated, net	29,641,745	188,622	510	29,829,857
Business-type activities capital assets, net	\$ 31,872,701	\$ 387,726	\$ 1,310,089	\$ 30,950,338

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

Governmental Activities:	
General Government	\$ 27,315
Public Safety	177,370
Public Works	1,442,024
Culture & Recreation	466,545
Total depreciation expense - governmental activities	\$ 2,113,254

Depreciation expense of \$21,132 was charged to the Internal Service Fund and is not included in the total shown above.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

Business-Type Activities:

Water	\$ 476,823
Wastewater	1,110,580
Solid Waste	17,465
Golf Course	60,886
Joint Powers Landfill	<u>132,415</u>
Total depreciation expense - business-type activities	<u>\$ 1,798,169</u>

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Component Unit:				
Capital Assets, being depreciated				
Furniture & Equipment	\$ <u>4,752</u>	\$ <u>-</u>	\$ <u>119</u>	\$ <u>4,633</u>
Total capital assets, being depreciated	<u>4,752</u>	<u>-</u>	<u>119</u>	<u>4,633</u>
Less: Accumulated Depreciation	<u>2,881</u>	<u>806</u>	<u>119</u>	<u>3,568</u>
Component unit capital assets, net	<u>\$ 1,871</u>	<u>\$ (806)</u>	<u>\$ -</u>	<u>\$ 1,065</u>

Reconciliation of Invested in Capital Assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 3,296,901	\$ 815,123
Construction in Progress	7,070,738	305,358
Capital Assets (Net of Accumulated Depreciation)	42,371,596	29,829,857
Less: General Obligation Bonds Payable	3,145,000	-
Revenue Bonds	-	13,573,967
Notes Payable	135,228	-
Capital Leases	<u>1,972,030</u>	<u>-</u>
Invested in Capital Assets, Net of Related Debt	<u>\$ 47,486,977</u>	<u>\$ 17,376,371</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 7 - COMMITMENTS

During the year ended December 31, 2009, the City had entered into several construction contracts totaling approximately \$5,899,931 of which approximately \$2,629,427 has been expended to date. The remaining balance will be paid as work progresses.

On November 23, 2009 the Commission also approved the purchase of the Grove Administration Complex from the Yankton School District for \$400,000. At year end this transaction had not closed.

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	\$ 20,000	\$2,420,000	\$ (125,000)	\$2,315,000

The City has entered into a lease agreement as lessee for financing the acquisition of water and wastewater mains and wastewater lift stations. This lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. This lease was completed in 2009.

An agreement 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 with the completion expected by February 28, 2010. The interest rate on the Certificates of Participation varies from 2.10% to 5.00% and the lease payment terms match the terms of the certificates with final payment December 1, 2028. Property tax funds have been pledged to make the lease payments over the term of the lease.

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of December 31, 2009.

Year Ending December 31,	Principal	Interest	Total
2010	\$ 90,000	\$ 97,780	\$ 187,780
2011	90,000	95,890	185,890
2012	95,000	93,370	188,370
2013	95,000	90,710	185,710
2014	100,000	87,480	187,480
2015 - 2019	550,000	379,495	929,495
2020 - 2024	670,000	250,795	920,795
2025 - 2028	625,000	76,538	701,538
Totals	\$2,315,000	\$1,172,058	\$3,487,058

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009 (in thousands of dollars):

	Governmental		Enterprise			
	2004 Sales Tax Refunding Bonds	Rural Development Notes Payable	Water Revenue (SRF)	Wastewater Revenue (SRF)	Joint Power Landfill Revenue Loans (SWMP) (RLA)	Total
Notes/Bonds Payable at January 1, 2009	\$ 3,725	\$ 166	\$ 3,652	\$ 10,207	\$ 355	\$ 18,105
Notes/Bonds Issued	-	-	100	-	-	100
Notes/Bonds Retired	(580)	(31)	(155)	(559)	(26)	(1,351)
Notes/Bonds Payable at December 31, 2009	\$ 3,145	\$ 135	\$ 3,597	\$ 9,648	\$ 329	\$ 16,854

Debt outstanding at December 31, 2009, are comprised of the following individual issues:

	Due Within One Year	Due After One Year	Total
Sales Tax Revenue Bonds – 2004 Sales Tax Refunding Bonds, dated April 1, 2004, maturing serially through March 1, 2014, with interest at 1.25% to 3.50% per annum, paid by one cent capital sales tax collected in the Debt Service Fund.	\$ 595,000	\$ 2,550,000	\$ 3,145,000
USDA Rural Development Note Payable maturing June 1, 2014, with an interest rate of 4.25% per annum, to be paid from General Funds with the Senior Citizens Center and Yankton County contributing to the City to fund a portion of the debt.	31,772	103,456	135,228
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.	27,126	302,301	329,427
Water Revenue Bonds (SRF) maturing October 1, 2023 and July 15, 2029, with an interest rate of 3.5% and 3.25% per annum, paid by the Water Fund	185,069	3,411,037	3,596,106
Wastewater Revenue Bonds (SRF) maturing October 1, 2023, with an interest rate of 3.5% to 6.0% per annum, paid by the Wastewater Fund	585,557	9,062,877	9,648,434
Totals	\$1,424,524	\$15,429,671	\$16,854,195

On June 25, 2007 the Board of Commissioners approved the issuance, not to exceed \$1,100,000, of drinking water state revolving fund loans. These funds will be used for the City's high pressure area pump station and other transmission improvements. At December 31, 2009, there had been \$896,975 drawn on this loan, at which time the project was completed and the remaining undrawn balance of the loan was deobligated.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

On May 11, 2009 the Board of Commissioners approved the issuance, not to exceed \$3,000,000, and on December 14, 2009 approved the issuance, not to exceed \$2,200,000, of drinking water state revolving fund loans. At year end no amounts had been drawn on these loans.

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, 2009, including interest payments of \$4,477,521 are as follows:

Year Ending December 31	Sales Tax Refunding		Rural Development Note Payable		Wastewater Revenue	
	Principal	Interest	Principal	Interest		
2010	\$ 595,000	\$ 89,379	\$ 31,772	\$ 5,128	\$ 585,557	\$ 438,036
2011	610,000	72,803	33,149	3,751	613,677	409,915
2012	625,000	54,423	34,586	2,314	643,229	380,363
2013	645,000	34,093	35,721	806	674,289	349,304
2014	670,000	11,725	-	-	706,937	316,655
2015-2019	-	-	-	-	4,086,254	1,031,709
2020-2024	-	-	-	-	2,338,491	156,357
2025-2029	-	-	-	-	-	-
	\$ 3,145,000	\$ 262,423	\$ 135,228	\$ 11,999	\$9,648,434	\$3,082,339

Year Ending December 31	Water Revenue		Joint Power Landfill (RLA) (SWMP)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 185,069	\$ 114,037	\$ 27,126	\$ 9,681	\$ 1,424,524	\$ 656,261
2011	191,829	114,776	27,946	8,861	1,476,601	610,106
2012	198,545	108,560	22,397	8,016	1,523,757	553,676
2013	205,496	101,109	16,586	7,435	1,577,092	492,747
2014	212,691	93,914	17,087	6,934	1,606,715	429,228
2015-2019	1,180,519	352,504	93,500	26,604	5,360,273	1,410,817
2020-2024	1,153,570	134,053	108,511	11,593	3,600,572	302,003
2025-2029	268,387	22,337	16,274	346	284,661	22,683
	\$3,596,106	\$1,041,290	\$ 329,427	\$ 79,470	\$16,854,195	\$ 4,477,521

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 9 - LONG-TERM DEBT – (CONTINUED)

C. Accrued Compensated Absences

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities: Compensated Absences	\$ 408,596	\$ 321,156	\$ 337,606	\$ 392,146	\$ 58,822
Business-Type Activities: Compensated Absences	138,965	109,226	105,498	142,693	21,404
Total Long-Term Accrued Compensated Absences	<u>\$ 547,561</u>	<u>\$ 430,382</u>	<u>\$ 443,104</u>	<u>\$ 534,839</u>	<u>\$ 80,226</u>

For the governmental activities, compensated absences are primarily liquidated by the general fund, however, a small portion is also liquidated by the Central garage, park, Marne Creek and Summit Activity Center funds.

NOTE 10 - DEFERRED REVENUE

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Receivables that are measurable but not available have been deferred. Reported deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

NOTE 11 - 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, 2009, were as follows:

	Interfund Receivables	Interfund Payables
Due From/To Other Funds:		
General Fund	\$ -	\$ 114,841
Capital Projects – Special Capital Improvements	359,000	-
Capital Projects – Public Improvement	-	93,000
Capital Projects – Airport Capital	-	266,000
Enterprise – Wastewater	114,841	-
	<u>\$ 473,841</u>	<u>\$ 473,841</u>

As of December 31, 2009, long-term advances were as follows:

	Interfund Receivables	Interfund Payables
Advances From/To Other funds:		
General Fund	\$ -	\$ 407,455
Enterprise - Wastewater	407,455	-
	<u>\$ 407,455</u>	<u>\$ 407,455</u>

The long-term advances were used as internal financing for equipment purchases for the general fund. Currently, each loan carries a repayment term of five to ten years and interest rates of 4 to 6 percent.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 12 - FUND EQUITY RESERVES

Reserved Fund Balances consist of the following:

<u>Reserve Description</u>	<u>Joint Powers Landfill</u>					
Revenue Bond Indentures	\$ 35,983					
	<u>Reserved For</u>					
<u>Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Property Held for Resale</u>	<u>Notes Receivable</u>	<u>Perpetual Care</u>	<u>Cumulative Reserve—SDP AA</u>
General	\$ -	\$ 342,970	\$ 27,247	\$ 84,850	\$ -	\$ 226,660
Debt Service Fund	1,565,399	-	-	-	-	-
Cemetery	-	-	-	-	50,000	-
Reserved Fund Balance	<u>\$ 1,565,399</u>	<u>\$ 342,970</u>	<u>\$ 27,247</u>	<u>\$ 84,850</u>	<u>\$ 50,000</u>	<u>\$ 226,660</u>

NOTE 13 - DEFICIT FUND BALANCES/RETAINED EARNINGS

As of December 31, 2009, the following funds had deficit fund balances in the amounts shown:

Special Revenue:	
Summit Activity Center	\$ 21,282
Capital Projects:	
Public Improvement Capital Project	92,459

The Public Improvement Capital Project Fund balance deficit will be funded through revenues obtained from future property transactions. Summit Activity Center fund balance deficit will be funded through efforts to increase usage and subsequent revenues as well as efforts to tighten budgeted expenditures.

NOTE 14 - RETIREMENT PLAN

All employees, except for part-time employees with less than twenty hours per week and temporary employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

Employees are required by state statute to contribute 6 percent of their salary for a Class A member and 8 percent for Class B public safety members to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2009, 2008, and 2007 were \$361,045, \$354,332 and \$341,970 respectively, equal to the required contributions each year.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 15 - TRANSFERS

The following is a summary of transfers between funds:

	General	Airport Capital Improvements	Nonmajor Governmental	Total Transfer Out
General	\$ -	\$ 20,100	\$ 1,214,924	\$ 1,235,024
Nonmajor Governmental	17,943	-	155,239	173,182
Special Cap. Improvement	-	-	4,625	4,625
Wastewater	40,700	-	-	40,700
Water	52,000	-	-	52,000
Transfer In	<u>\$ 110,643</u>	<u>\$ 20,100</u>	<u>\$ 1,374,788</u>	<u>\$ 1,505,531</u>

Transfers are used to:

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

During the year ended December 31, 2009, the City made the following one-time transfers:

Transfer from the General Fund to the Airport Capital Improvement Fund of \$20,100 to pay the matching share of the airport improvements.

Transfer from the Infrastructure Revolving Fund to the Infrastructure Improvement Capital Fund of \$155,238 to help cash flow special assessment projects.

Transfer to the General Fund from the Lodging Sales Tax Fund of \$17,943 to help fund the debt service related to the T-Hanger construction and the airport.

NOTE 16 - 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, 2009, the City managed its risks as follows:

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

Liability Insurance: The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 16 - RISK MANAGEMENT (CONTINUED)

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

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

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

As of December 31, 2009, the City has vested balance in the cumulative reserve fund of \$226,660.

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 17 - VIOLATIONS OF FINANCE-RELATED LEGAL REQUIREMENTS

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the overdrafts of the expenditures compared to appropriations:

	<u>Year Ended 12/31/09</u>
General Fund:	
General Government:	
Office of the City Manager	\$ 626
Airport Capital Improvement Fund:	
Public Works	5,184

In the future the City will take appropriate steps to adequately monitor expenditures and if it appears that expenditures will exceed appropriations the City will ensure that supplemental appropriations are adopted.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 18 - OTHER POST EMPLOYMENT BENEFITS

During fiscal 2008, the City adopted the provisions of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer. Accordingly, a prospective liability is recorded at December 31, 2009 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

Plan Description. The City of Yankton's Other Post-Employment Benefit Plan is a single-employer defined benefit healthcare plan administered by the Municipality. Under the plan an employee who has a minimum of 15 years' service and who has been insured through the City's group health insurance for a minimum of 5 years is eligible to continue with the City's health insurance plan until they reach the age of Medicare eligibility with the City paying 50% of the premium. The retiree's spouse may also continue on the City's plan with the City paying 50% of the premium. The retiree's spouse may also continue on the City's plan with the City paying 50% if the spouse was added to the group prior to retirement. Authority for providing such benefits are found in South Dakota Codified Law 6-1-16 and 9-14-35. Benefit provisions were established and may be amended by the City Board of Commissioners. Premiums are based on the full active employee premium rate. The plan does not issue separately stated standalone financial statements.

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

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

<i>Annual required contribution</i>	\$ 289,511
<i>Interest on net OPEB obligation</i>	-
<i>Adjustment to annual required contribution</i>	-
<i>Annual OPEB cost (Expense)</i>	289,511
<i>Contributions made</i>	(69,540)
<i>Increase in net OPEB obligation</i>	219,971
<i>Net OPEB obligation – beginning of year</i>	219,973
<i>Net OPEB obligation – end of year</i>	<u>\$ 439,944</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 289,513	24.02%	\$ 219,973
2009	289,511	24.02%	439,944

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 18 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2009 was as follows:

Actuarial accrued liability (AAL)	\$ 2,605,358
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,605,358</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 5,583,033
UAAL as a percentage of covered payroll	46.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5% interest discount rate and an annual medical healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 6 years. Assumptions include a 3.0% growth in payroll per annum. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years from establishment. Differences between the expected and actual UAAL in future years will be amortized over 30 years.

NOTE 19 – 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 89.3% 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 2009 for this component was \$56,697.

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 19 – SAFETY CENTER AGREEMENT (CONTINUED)

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. Per the 2009 review, the capital improvement component cost for the City will be \$62,963 per year, beginning in 2010.

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 and 2010, it was agreed the County would pay \$60,000 per year for dispatch services.

NOTE 20 – SUBSEQUENT EVENT

On April 12, 2010, the Commission approved a collective bargaining agreement with the City Labor Union. A part of this agreement was a 3% retroactive pay increase for all included employees for 2009. This was estimated to have a cost to the City of approximately \$91,000.

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REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

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

CITY OF YANKTON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACUTAL
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes - Current Property	\$ 1,937,201	\$ 1,937,201	\$ 2,108,483	\$ 171,282
Taxes - Sales and Other	4,623,804	4,623,804	4,640,716	16,912
Licenses and Permits	259,600	259,600	430,539	170,939
Intergovernmental	704,356	704,356	462,837	(241,519)
Charges for Service	1,792,554	1,792,554	1,992,350	199,796
Fines and Forfeits	41,500	41,500	23,307	(18,193)
Interest	-	-	26,198	26,198
Miscellaneous	38,000	38,000	127,062	89,062
Total Revenues	9,397,015	9,397,015	9,811,492	414,477
Expenditures:				
General Government:				
Board of City Commission	138,320	138,320	103,520	34,800
Office of City Manager	337,162	337,162	337,788	(626)
City Attorney	38,231	73,703	63,697	10,006
Department of Finance	498,984	498,984	465,529	33,455
Information Systems	148,873	165,873	113,648	52,225
Special Appropriations	442,098	442,098	311,300	130,798
Total General Government	1,603,668	1,656,140	1,395,482	260,658
Public Safety:				
Police Department	2,785,094	2,815,094	2,411,289	403,805
Animal Control	57,447	57,447	45,057	12,390
Fire Department	712,395	3,144,955	2,310,326	834,629
Civil Defense	3,730	3,730	2,127	1,603
Total Public Safety	3,558,666	6,021,226	4,768,799	1,252,427
Public Works:				
Engineering and Inspection	675,821	695,821	608,056	87,765
Streets and Highways	1,446,574	1,560,394	1,195,636	364,758
Snow and Ice Removal	167,384	184,484	113,842	70,642
City Hall	145,018	167,218	153,467	13,751
Traffic Control	274,693	274,693	264,359	10,334
Chan Gurney Airport	146,741	171,741	149,461	22,280
Total Public Works	2,856,231	3,054,351	2,484,821	569,530

(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, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Positive (Negative)
	Original	Final		
Culture and Recreation:				
Senior Citizens Center	145,080	146,980	76,704	70,276
Yankton Community Library	614,464	614,464	577,807	36,657
Total Culture and Recreation	<u>759,544</u>	<u>761,444</u>	<u>654,511</u>	<u>106,933</u>
Total Expenditures	<u>8,778,109</u>	<u>11,493,161</u>	<u>9,303,613</u>	<u>2,189,548</u>
Excess of Revenues over Expenditures	<u>618,906</u>	<u>(2,096,146)</u>	<u>507,879</u>	<u>2,604,025</u>
Other Financing Sources (Uses):				
Operating Transfers In	92,700	92,700	110,643	17,943
Operating Transfers (Out)	(1,423,097)	(1,490,697)	(1,235,024)	255,673
Capital Lease Issuance	-	2,420,000	2,420,000	-
Proceeds from Sale of Fixed Assets	-	-	36,125	36,125
Internal Loan Proceeds	-	113,820	-	(113,820)
Total Other Financing Sources (Uses)	<u>(1,330,397)</u>	<u>1,135,823</u>	<u>1,331,744</u>	<u>195,921</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>(711,491)</u>	<u>(960,323)</u>	<u>1,839,623</u>	<u>2,799,946</u>
Fund Balances at Beginning of Year	<u>1,184,968</u>	<u>1,184,968</u>	<u>1,184,968</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 473,477</u>	<u>\$ 224,645</u>	<u>\$ 3,024,591</u>	<u>\$ 2,799,946</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

Exhibit 10

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

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

Revisions made during the fiscal year ending December 31, 2009 to the original appropriations by fund were as follows for the General Fund:

	<u>Original Appropriations</u>	<u>Total Revisions</u>	<u>Revised Appropriations</u>
General Fund:			
General Government:			
City Attorney	\$ 38,231	\$ 35,472	\$ 73,703
Information Systems	148,873	17,000	165,873
Public Safety:			
Police Department	2,785,094	30,000	2,815,094
Fire Department	712,395	2,432,560	3,144,955
Public Works:			
Snow and Ice Removal	167,384	17,100	184,484
Chan Gurney Airport	146,741	25,000	171,741
Street and Highways	1,446,574	113,820	1,560,394
City Hall	145,018	22,200	167,218
Engineering & Inspection	675,821	20,000	695,821
Culture and Recreation:			
Senior Citizens Center	145,080	1,900	146,980
Transfers Out	1,423,097	67,600	1,490,697

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, 2009.

**CITY OF YANKTON, SOUTH DAKOTA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2009**

Exhibit 10

-
7. Formal budgetary integration is employed as a management control device during the year for the General Fund, capital projects funds, and all special revenue funds, with the exception of the Library Trust and Historic Easement Trust Funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through bond indenture provisions. The City Manager is authorized to transfer budgeted amounts between departments within any fund, except the General Fund. The component unit does not have a formal budget.
 8. Budgets for the General Fund, special revenue funds, and capital projects funds are adopted on a basis consistent with U.S. generally accepted accounting principals (GAAP).
 9. The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the overdrafts of the expenditures compared to appropriations:

	<u>Year Ended 12/31/09</u>
General Fund:	
General Government:	
Office of City Manager	\$ 626

10. GAAP/Budgetary Accounting Basis Differences

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

CITY OF YANKTON, SOUTH DAKOTA
 POST EMPLOYMENT HEALTHCARE BENEFITS
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED DECEMBER 31, 2009

EXHIBIT 11

Audit Period	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2008	12/31/2008 *	\$ -	\$ 2,605,358	\$ 2,605,358	0.00%	\$ 5,036,433	51.7%
12/31/2009	12/31/2008	-	2,605,358	2,605,358	0.00%	5,583,033	46.6%

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

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OTHER SUPPLEMENTARY INFORMATION

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

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

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

Non-Major Funds:

Park – This account is established to fund the operations of the City's park systems and recreational facilities.

Memorial Pool – Created to more accurately identify the specific revenues and expenditures associated with the outdoor Memorial Swimming Pool to obtain a better understanding of the actual functions and costs of running the outdoor pool.

Summit Activity Center – This fund accounts for the operations of our share of the joint Yankton High School and Summit Activities Recreational Center.

Marne Creek - This fund was established to develop, manage, and care for the Marne Creek linear drainage system that has been enhanced into a linear park and recreational trail.

Casualty Reserve – This fund is used to fund financial losses occurring that are part of our deductibles or are not covered by insurance.

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

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

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

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

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.

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

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

Major Fund:

2004 Sales Tax Refunding Bonds - This fund accounts for the accumulation of a portion of the revenues received from the “second penny” capital improvement sales tax and is expended for the annual debt service of the “2004 Series Sales Tax Revenue Refunding Bonds” that were issued in an advanced refunding of the 1994 Sales Tax Revenue Bonds which were used to fund the joint School District / City of Yankton facility.

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

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

Major Funds:

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

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.

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

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

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

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.

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.

CITY OF YANKTON, SOUTH DAKOTA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 December 31, 2009

	Special Revenue				
	Park	Memorial Pool	Summit Activity Center	Marne Creek	Casualty Reserve
Assets					
Cash and Cash Equivalents	\$ 23,491	\$ 10,000	\$ 28,061	\$ 44,979	\$ 63,758
Receivables (Net where applicable, of allowance for uncollectibles):					
Accounts	653	-	9,794	-	-
Accrued Interest	230	76	77	-	76
Special Assessments	-	-	-	-	-
Due from Other Governmental Agencies	-	-	6,708	83,475	-
Restricted Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Total Assets	<u>24,374</u>	<u>10,076</u>	<u>44,640</u>	<u>128,454</u>	<u>63,834</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	8,059	7,665	49,322	265	-
Accrued Wages	14,202	-	9,892	1,472	-
Unearned Revenue	-	-	6,708	-	-
Due to Other Funds	-	-	-	-	-
Total Liabilities	<u>22,261</u>	<u>7,665</u>	<u>65,922</u>	<u>1,737</u>	<u>-</u>
Fund Balances:					
Reserved for Perpetual Care:					
Nonexpendable	-	-	-	-	-
Unreserved For:					
Permanent Fund	-	-	-	-	-
Capital Project Fund	-	-	-	-	-
Special Revenue Fund	2,113	2,411	(21,282)	126,717	63,834
Total Fund Balances	<u>2,113</u>	<u>2,411</u>	<u>(21,282)</u>	<u>126,717</u>	<u>63,834</u>
Total Liabilities and Fund Balances	<u>\$ 24,374</u>	<u>\$ 10,076</u>	<u>\$ 44,640</u>	<u>\$ 128,454</u>	<u>\$ 63,834</u>

Special Revenue					Capital Projects	Permanent	Total Governmental Nonmajor Funds
Bridge & Street	Lodging Sales Tax	Library Trust	Historic Easement Trust	Infrastructure Improvement Revolving	Non-Major Capital Projects	Perpetual Care Cemetery	
\$ 54,689	\$ 483,930	\$ 22,455	\$ 21,227	\$ -	\$ 20,107	\$ 2,200	\$ 774,897
-	-	-	-	-	-	2,924	13,371
52	660	27	25	182	-	-	1,405
-	-	-	-	198,543	-	194	198,737
-	47,396	-	-	-	10,000	-	147,579
-	-	-	-	-	-	153,247	153,247
<u>54,741</u>	<u>531,986</u>	<u>22,482</u>	<u>21,252</u>	<u>198,725</u>	<u>30,107</u>	<u>158,565</u>	<u>1,289,236</u>
-	-	278	-	-	1,467	515	67,571
-	-	-	-	-	-	1,387	26,953
-	16,179	-	-	180,945	10,000	-	213,832
-	-	-	-	-	93,000	-	93,000
-	<u>16,179</u>	<u>278</u>	<u>-</u>	<u>180,945</u>	<u>104,467</u>	<u>1,902</u>	<u>401,356</u>
-	-	-	-	-	-	50,000	50,000
-	-	-	-	-	-	106,663	106,663
-	-	-	-	-	(74,360)	-	(74,360)
<u>54,741</u>	<u>515,807</u>	<u>22,204</u>	<u>21,252</u>	<u>17,780</u>	<u>-</u>	<u>-</u>	<u>805,577</u>
<u>54,741</u>	<u>515,807</u>	<u>22,204</u>	<u>21,252</u>	<u>17,780</u>	<u>(74,360)</u>	<u>156,663</u>	<u>887,880</u>
<u>\$ 54,741</u>	<u>\$ 531,986</u>	<u>\$ 22,482</u>	<u>\$ 21,252</u>	<u>\$ 198,725</u>	<u>\$ 30,107</u>	<u>\$ 158,565</u>	<u>\$ 1,289,236</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended December 31, 2009

	Special Revenue				
	Park	Memorial Pool	Summit Activity Center	Marne Creek	Casualty Reserve
Revenue:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and Other Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	2,338	-	-	7,549	-
Charges for Services	8,913	33,576	332,878	-	-
Interest on Investments	3,891	972	1,067	422	735
Contributions	4,802	-	-	-	-
Miscellaneous	1,353	-	26,196	-	-
Total Revenue	<u>21,297</u>	<u>34,548</u>	<u>360,141</u>	<u>7,971</u>	<u>735</u>
Expenditures:					
Current:					
General Government	-	-	-	-	1,407
Culture and Recreation	690,977	121,316	595,984	70,857	-
Community Development	-	-	-	-	-
Capital Outlay:					
Public Works	-	-	-	-	-
Culture-Recreation	22,720	6,059	-	4,625	-
Public Safety	-	-	-	-	-
Total Expenditures	<u>713,697</u>	<u>127,375</u>	<u>595,984</u>	<u>75,482</u>	<u>1,407</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(692,400)</u>	<u>(92,827)</u>	<u>(235,843)</u>	<u>(67,511)</u>	<u>(672)</u>
Other Financing Sources (Uses):					
Transfers In	690,500	92,056	230,328	76,989	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>690,500</u>	<u>92,056</u>	<u>230,328</u>	<u>76,989</u>	<u>-</u>
Net Change in Fund Balance	<u>(1,900)</u>	<u>(771)</u>	<u>(5,515)</u>	<u>9,478</u>	<u>(672)</u>
Fund Balances (Deficits) - Beginning of Year	<u>4,013</u>	<u>3,182</u>	<u>(15,767)</u>	<u>117,239</u>	<u>64,506</u>
Fund Balances (Deficits)- End of Year	<u>\$ 2,113</u>	<u>\$ 2,411</u>	<u>\$ (21,282)</u>	<u>\$ 126,717</u>	<u>\$ 63,834</u>

Special Revenue					Capital Projects	Permanent	Total Governmental Nonmajor Funds
Bridge & Street	Lodging Sales Tax	Library Trust	Historic Easement Trust	Infrastructure Improvement Revolving	Non-Major Capital Projects	Perpetual Care Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,597	\$ -	\$ 23,597
21,397	503,732	-	-	-	-	-	525,129
-	-	-	-	18,583	-	-	18,583
-	-	-	-	-	1,435	-	11,322
-	-	-	-	-	-	12,266	387,633
445	7,269	248	240	1,771	606	1,943	19,609
-	-	9,465	-	-	31,874	-	46,141
-	-	-	-	-	-	823	28,372
<u>21,842</u>	<u>511,001</u>	<u>9,713</u>	<u>240</u>	<u>20,354</u>	<u>57,512</u>	<u>15,032</u>	<u>1,060,386</u>
-	-	-	-	-	-	-	1,407
-	-	6,455	-	-	-	66,977	1,552,566
-	371,232	-	-	-	-	-	371,232
-	-	-	-	-	59,850	-	59,850
-	-	-	-	-	76,374	-	109,778
-	-	-	-	-	1,794	-	1,794
-	<u>371,232</u>	<u>6,455</u>	<u>-</u>	<u>-</u>	<u>138,018</u>	<u>66,977</u>	<u>2,096,627</u>
<u>21,842</u>	<u>139,769</u>	<u>3,258</u>	<u>240</u>	<u>20,354</u>	<u>(80,506)</u>	<u>(51,945)</u>	<u>(1,036,241)</u>
-	-	-	-	-	230,150	54,765	1,374,788
-	(17,944)	-	-	(155,238)	-	-	(173,182)
-	<u>(17,944)</u>	<u>-</u>	<u>-</u>	<u>(155,238)</u>	<u>230,150</u>	<u>54,765</u>	<u>1,201,606</u>
21,842	121,825	3,258	240	(134,884)	149,644	2,820	165,365
32,899	393,982	18,946	21,012	152,664	(224,004)	153,843	722,515
<u>\$ 54,741</u>	<u>\$ 515,807</u>	<u>\$ 22,204</u>	<u>\$ 21,252</u>	<u>\$ 17,780</u>	<u>\$ (74,360)</u>	<u>\$ 156,663</u>	<u>\$ 887,880</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds
December 31, 2009

	<u>Infrastructure Improvement</u>	<u>Park Capital Projects</u>	<u>TID #2 Morgan Square</u>	<u>Public Improvement</u>	<u>Totals</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$ 8,099	\$ 10,000	\$ -	\$ 2,008	\$ 20,107
Due from Other Governments				10,000	10,000
Total Assets	<u>8,099</u>	<u>10,000</u>	<u>-</u>	<u>12,008</u>	<u>30,107</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable				1,467	1,467
Due to Other Funds				93,000	93,000
Deferred Revenue				10,000	10,000
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,467</u>	<u>104,467</u>
Fund Balances (Deficits):					
Unreserved For:					
Capital Project Fund	8,099	10,000		(92,459)	(74,360)
Total Fund Balances (Deficits)	<u>8,099</u>	<u>10,000</u>	<u>-</u>	<u>(92,459)</u>	<u>(74,360)</u>
Total Liabilities and Fund Balances	<u>\$ 8,099</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 12,008</u>	<u>\$ 30,107</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2009

	<u>Infrastructure Improvement</u>	<u>Park Capital Projects</u>	<u>TID #2 Morgan Square</u>	<u>Public Improvement</u>	<u>Totals</u>
Revenues:					
Taxes	\$ -	\$ -	\$ 23,597	\$ -	\$ 23,597
Charges for Services					-
Intergovernmental				1,435	1,435
Interest				606	606
Contributions		11,462		20,412	31,874
Reimbursement					-
Total Revenues	<u>-</u>	<u>11,462</u>	<u>23,597</u>	<u>22,453</u>	<u>57,512</u>
Expenditures:					
Capital Outlay:					
Public Works	17,653		23,597	18,600	59,850
Public Safety				1,794	1,794
Culture-Recreation		76,374			76,374
Total Expenditures	<u>17,653</u>	<u>76,374</u>	<u>23,597</u>	<u>20,394</u>	<u>138,018</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(17,653)</u>	<u>(64,912)</u>	<u>-</u>	<u>2,059</u>	<u>(80,506)</u>
Other Financing Sources (Uses):					
Transfers In	155,238	74,912			230,150
Total Other Financing Sources (Uses)	<u>155,238</u>	<u>74,912</u>	<u>-</u>	<u>-</u>	<u>230,150</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	137,585	10,000	-	2,059	149,644
Fund Balances (Deficits) at Beginning of Year	<u>(129,486)</u>	<u>-</u>	<u>-</u>	<u>(94,518)</u>	<u>(224,004)</u>
Fund Balances (Deficit) at End of Year	<u>\$ 8,099</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (92,459)</u>	<u>\$ (74,360)</u>

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

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

Non-Major Enterprise Funds:

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

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

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 ASSETS
Nonmajor Enterprise Funds
December 31, 2009

	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 544,028	\$ 528,109	\$ 1,072,137
Accounts Receivable (Net of allowance for uncollectibles)	103,821	65,938	169,759
Interest receivable	633	711	1,344
Prepaid Expenses	13,320	4,727	18,047
Total Current Assets	<u>661,802</u>	<u>599,485</u>	<u>1,261,287</u>
Noncurrent Assets:			
Restricted Assets : Cash and Cash Equivalents	-	36,807	36,807
Property, Plant and Equipment:			
Land	75,139	11,414	86,553
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>189,533</u>	<u>1,187,872</u>	<u>1,377,405</u>
Total Noncurrent Assets	<u>264,672</u>	<u>1,236,093</u>	<u>1,500,765</u>
Total Assets	<u>926,474</u>	<u>1,835,578</u>	<u>2,762,052</u>
Liabilities			
Current Liabilities:			
Accounts Payable	13,709	31,869	45,578
Accrued Interest Payable	-	824	824
Accrued Wages Payable	7,735	7,671	15,406
Accrued Compensated Absences	3,127	2,091	5,218
Revenue Bonds Payable	-	27,126	27,126
Total current liabilities	<u>24,571</u>	<u>69,581</u>	<u>94,152</u>
Noncurrent liabilities:			
Accrued Compensated Absences	17,720	11,852	29,572
Estimated Postemployment Benefit Obligation	22,812	15,186	37,998
Revenue Bonds (net of current portion)	-	302,301	302,301
Total noncurrent liabilities	<u>40,532</u>	<u>329,339</u>	<u>369,871</u>
Total Liabilities	<u>65,103</u>	<u>398,920</u>	<u>464,023</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	264,672	869,859	1,134,531
Restricted for Debt Service	-	35,983	35,983
Unreserved	596,699	530,816	1,127,515
Total Net Assets	<u>\$ 861,371</u>	<u>\$ 1,436,658</u>	<u>\$ 2,298,029</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
Nonmajor Enterprise Funds
For the Year Ended December 31, 2009

	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Operating Revenues - Charges for Service	\$ 715,579	\$ 882,732	\$ 1,598,311
Operating Expenses:			
Personal Services	299,591	234,480	534,071
Insurance	5,225	11,500	16,725
Professional Services	9,240	18,322	27,562
Tipping Fees	116,814	5,025	121,839
Repairs and Maintenance	46,823	146,838	193,661
Cost of Sales and Service		387,293	387,293
Supplies and Materials	4,735	5,956	10,691
Utilities	350	19,930	20,280
Billing and Administration	209,928		209,928
Depreciation	17,465	132,415	149,880
Total Operating Expenses	<u>710,171</u>	<u>961,759</u>	<u>1,671,930</u>
Operating Income (Loss)	<u>5,408</u>	<u>(79,027)</u>	<u>(73,619)</u>
Nonoperating Revenues:			
Interest Income	5,615	7,340	12,955
Interest Expense		(10,410)	(10,410)
Miscellaneous, net		744	744
Total Nonoperating Revenues	<u>5,615</u>	<u>(2,326)</u>	<u>3,289</u>
Change in Net Assets	11,023	(81,353)	(70,330)
Total Net Assets - Beginning	<u>850,348</u>	<u>1,518,011</u>	<u>2,368,359</u>
Total Net Assets - Ending	<u>\$ 861,371</u>	<u>\$ 1,436,658</u>	<u>\$ 2,298,029</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds
For the Year Ended December 31, 2009

	Business-Type		Totals
	Solid Waste	Joint Powers Landfill	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 709,858	\$ 880,165	\$ 1,590,023
Cash Received for Interfund Services	5,608	-	5,608
Cash Paid to Suppliers for Goods and Services	(347,431)	(519,507)	(866,938)
Cash Paid to Employees for Services	(285,401)	(228,770)	(514,171)
Cash Paid for Interfund Services	(45,478)	(106,037)	(151,515)
Other Nonoperating Revenues	-	744	744
Net Cash Provided from Operating Activities	<u>37,156</u>	<u>26,595</u>	<u>63,751</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	-	(128,866)	(128,866)
Interest Paid on Bonds	-	(10,476)	(10,476)
Principal Paid on Notes, Bonds and Leases	-	(26,330)	(26,330)
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(165,672)</u>	<u>(165,672)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	6,275	8,423	14,698
Net Cash Provided from Investing Activities	<u>6,275</u>	<u>8,423</u>	<u>14,698</u>
Net Increase (decrease) in Cash and Cash Equivalents	43,431	(130,654)	(87,223)
Cash and Cash Equivalents at Beginning of Year	500,597	695,570	1,196,167
Cash and Cash Equivalents at End of Year	<u>\$ 544,028</u>	<u>\$ 564,916</u>	<u>\$ 1,108,944</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 5,408	\$ (79,027)	\$ (73,619)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	17,465	132,415	149,880
Other Non-Operating Income	-	744	744
(Increase) Decrease in Assets:			
Accounts Receivable	(113)	(2,567)	(2,680)
Prepaid Expenses	3	(33)	(30)
Increase (Decrease) in Liabilities:			
Accounts Payable	203	(30,647)	(30,444)
Accrued Wages Payable	410	1,545	1,955
Estimated Postemployment Benefit Obligation	11,406	7,593	18,999
Accrued Compensated Absences	2,374	(3,428)	(1,054)
Total Adjustments	<u>31,748</u>	<u>105,622</u>	<u>137,370</u>
Net Cash Provided by Operating Activities	<u>\$ 37,156</u>	<u>\$ 26,595</u>	<u>\$ 63,751</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 544,028	\$ 528,109	\$ 1,072,137
Restricted Cash and Cash Equivalents	-	36,807	36,807
	<u>\$ 544,028</u>	<u>\$ 564,916</u>	<u>\$ 1,108,944</u>

**CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2009**

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash	\$ 2,654	\$ 49,942	\$ 52,596
Inventory	-	118,712	118,712
Due from Other Governments	-	7,287	7,287
Prepaid Expenses	-	1,540	1,540
Total Current Assets	<u>2,654</u>	<u>177,481</u>	<u>180,135</u>
Noncurrent Assets:			
Capital Assets:			
Land	-	7,000	7,000
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	113,513	113,513
Total Capital Assets	<u>-</u>	<u>120,513</u>	<u>120,513</u>
Total Assets	<u>2,654</u>	<u>297,994</u>	<u>300,648</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	2,654	37,139	39,793
Accrued Wages	-	3,381	3,381
Accrued Compensated Absences	-	778	778
Total Current Liabilities	<u>2,654</u>	<u>41,298</u>	<u>43,952</u>
Noncurrent Liabilities:			
Estimated Postemployment Benefit Obligation	-	6,518	6,518
Accrued Compensated Absences	-	4,411	4,411
Total Noncurrent Liabilities	<u>-</u>	<u>10,929</u>	<u>10,929</u>
Total Liabilities	<u>2,654</u>	<u>52,227</u>	<u>54,881</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	-	120,513	120,513
Unreserved	-	125,254	125,254
Total Net Assets	<u>\$ -</u>	<u>\$ 245,767</u>	<u>\$ 245,767</u>

CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
Operating Revenues:			
Charges for Goods and Services	\$ 23,153	\$ 583,831	\$ 606,984
Total Operating Revenue	<u>23,153</u>	<u>583,831</u>	<u>606,984</u>
Operating Expenses:			
Personnel Services		108,963	108,963
Professional Services		1,917	1,917
Repairs and Maintenance		6,990	6,990
Supplies and Materials		370,656	370,656
Utilities		13,444	13,444
Other Current Expenses	23,153	-	23,153
Depreciation		21,132	21,132
Total Operating Expenses	<u>23,153</u>	<u>523,102</u>	<u>546,255</u>
Operating Income(Loss)	<u>-</u>	<u>60,729</u>	<u>60,729</u>
Change in Net Assets	-	60,729	60,729
Total Net Assets - Beginning	-	185,038	185,038
Total Net Assets - Ending	<u>\$ -</u>	<u>\$ 245,767</u>	<u>\$ 245,767</u>

**CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customer Services Provided	\$ -	\$ 61,385	\$ 61,385
Cash Received from Interfund Services Provided	28,603	520,090	548,693
Cash Paid for Personal Services		(105,534)	(105,534)
Cash Paid to Suppliers	(22,577)	(426,017)	(448,594)
Cash Paid for Interfund Services		(1,302)	(1,302)
Net Cash Provided by Operating Activities	<u>6,026</u>	<u>48,622</u>	<u>54,648</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Due to Other Funds	<u>(3,500)</u>	-	<u>(3,500)</u>
Net Cash (used) by Non-Capital Financing Activities	(3,500)	-	(3,500)
Net Increase in Cash and Cash Equivalents	2,526	48,622	51,148
Cash and Cash Equivalents Beginning of Year	<u>128</u>	<u>1,320</u>	<u>1,448</u>
Cash and Cash Equivalents End of Year	<u>\$ 2,654</u>	<u>\$ 49,942</u>	<u>\$ 52,596</u>
RENCONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ -	\$ 60,729	\$ 60,729
Adjustments to Renconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	21,132	21,132
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Accounts Receivable	5,450	(2,356)	3,094
Prepaid Expenses		3	3
Inventory		(20,413)	(20,413)
Accounts Payable	576	(13,902)	(13,326)
Accrued Wages Payable		492	492
Estimated Postemployment Benefit Obligation		3,259	3,259
Accrued Compensated Absences		(322)	(322)
Net Cash Provided by Operating Activities	<u>\$ 6,026</u>	<u>\$ 48,622</u>	<u>\$ 54,648</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 ASSETS
 Agency Funds
 December 31, 2009**

	<u>Employee Benefits</u>	<u>Sales Tax</u>	<u>Totals</u>
Assets			
Cash and Cash Equivalents	\$ 16,457	\$ 499	\$ 16,956
Total assets	<u>16,457</u>	<u>499</u>	<u>16,956</u>
Liabilities			
Other accrued expenses	16,457	-	16,457
Accounts Payable	<u>-</u>	<u>499</u>	<u>499</u>
Total liabilities	<u>16,457</u>	<u>499</u>	<u>16,956</u>
Net Assets			
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
 Total Net Assets	 <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, 2009

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2009</u>
<u>Employee Benefits</u>				
ASSETS				
Cash and Cash Equivalents	\$ 13,358	\$ 3,296,139	\$ 3,293,040	\$ 16,457
Total Assets	<u>13,358</u>	<u>3,296,139</u>	<u>3,293,040</u>	<u>16,457</u>
LIABILITIES				
Accrued Taxes Payable		1,418,887	1,418,887	-
Accrued Fringe Benefit Payable	13,358	1,884,556	1,881,457	16,457
Total Liabilities	<u>13,358</u>	<u>3,303,443</u>	<u>3,300,344</u>	<u>16,457</u>
<u>Sales Tax</u>				
ASSETS				
Cash and Cash Equivalents	201	3,990	3,692	499
LIABILITIES				
Accounts Payable	201	499	201	499
Due to State Government		4,192	4,192	-
Total Liabilities	<u>201</u>	<u>4,691</u>	<u>4,393</u>	<u>499</u>
<u>Totals - All Agency Funds</u>				
ASSETS				
Cash and Cash Equivalents	13,559	3,300,129	3,296,732	16,956
Total Assets	<u>13,559</u>	<u>3,300,129</u>	<u>3,296,732</u>	<u>16,956</u>
LIABILITIES				
Accounts Payable	201	499	201	499
Accrued Taxes Payable	-	1,418,887	1,418,887	-
Accrued Fringe Benefit Payable	13,358	1,884,556	1,881,457	16,457
Due to State Government	-	4,192	4,192	-
Total Liabilities	<u>\$ 13,559</u>	<u>\$ 3,308,134</u>	<u>\$ 3,304,737</u>	<u>\$ 16,956</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, 2009

	Park			Memorial Pool		
	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
REVENUES						
Taxes:						
General Sales & Use	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for goods & services						
Culture & recreation	12,800	8,913	(3,887)	40,200	33,576	(6,624)
Interest earned	5,000	3,891	(1,109)	20	973	953
Contributions & Donations						
from Private Sources	-	7,140	7,140	2,000,000	-	-
Miscellaneous						
Total revenue	<u>17,800</u>	<u>21,297</u>	<u>3,497</u>	<u>2,040,220</u>	<u>34,549</u>	<u>(2,005,671)</u>
EXPENDITURES						
Current:						
Public works	-	-	-	-	-	-
Culture and Recreation	822,826	713,697	109,129	2,184,113	127,376	2,056,737
Casualty Reserve	-	-	-	-	-	-
Special Appropriations	-	-	-	-	-	-
Total expenditures	<u>822,826</u>	<u>713,697</u>	<u>109,129</u>	<u>2,184,113</u>	<u>127,376</u>	<u>2,056,737</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(805,026)</u>	<u>(692,400)</u>	<u>112,626</u>	<u>(143,893)</u>	<u>(92,827)</u>	<u>51,066</u>
OTHER FINANCING SOURCES(USES)						
Proceeds from Sale of Fixed Assets	-	-	-	-	-	-
Transfers in	805,026	690,500	(114,526)	143,893	92,056	(51,837)
Transfer (out)	-	-	-	-	-	-
Total other financing sources(uses)	<u>805,026</u>	<u>690,500</u>	<u>(114,526)</u>	<u>143,893</u>	<u>92,056</u>	<u>(51,837)</u>
Net change in fund balances	<u>-</u>	<u>(1,900)</u>	<u>(1,900)</u>	<u>-</u>	<u>(771)</u>	<u>(771)</u>
Fund balances - beginning		<u>4,013</u>			<u>3,182</u>	
Fund balances - ending		<u>\$ 2,113</u>			<u>\$ 2,411</u>	

Summit Activity Center			Marne Creek			Casualty Reserve		
Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	7,549	7,549	-	-	-
359,500	359,075	(425)	-	-	-	-	-	-
2,000	1,066	(934)	500	422	(78)	1,000	735	(265)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>361,500</u>	<u>360,141</u>	<u>(1,359)</u>	<u>500</u>	<u>7,971</u>	<u>7,471</u>	<u>1,000</u>	<u>735</u>	<u>(265)</u>
-	-	-	-	-	-	-	-	-
640,188	595,984	44,204	127,414	75,482	51,932	-	-	-
-	-	-	-	-	-	15,000	1,407	13,593
-	-	-	-	-	-	-	-	-
<u>640,188</u>	<u>595,984</u>	<u>44,204</u>	<u>127,414</u>	<u>75,482</u>	<u>51,932</u>	<u>15,000</u>	<u>1,407</u>	<u>13,593</u>
<u>(278,688)</u>	<u>(235,843)</u>	<u>42,845</u>	<u>(126,914)</u>	<u>(67,511)</u>	<u>59,403</u>	<u>(14,000)</u>	<u>(672)</u>	<u>13,328</u>
-	-	-	-	-	-	-	-	-
278,688	230,328	(48,360)	126,914	76,989	(49,925)	-	-	-
-	-	-	-	-	-	-	-	-
<u>278,688</u>	<u>230,328</u>	<u>(48,360)</u>	<u>126,914</u>	<u>76,989</u>	<u>(49,925)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(5,515)</u>	<u>(5,515)</u>	<u>-</u>	<u>9,478</u>	<u>9,478</u>	<u>(14,000)</u>	<u>(672)</u>	<u>13,328</u>
	<u>(15,767)</u>			<u>117,239</u>			<u>64,506</u>	
\$	<u>(21,282)</u>		\$	<u>126,717</u>		\$	<u>63,834</u>	

(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, 2009

Bridge & Street			Lodging Sales Tax			Infrastructure Improvement Revolving		
Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 485,162	\$ 503,732	\$ 18,570	\$ -	\$ -	\$ -
-	-	-	-	-	-	51,200	18,583	(32,617)
21,397	21,397	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
5	445	440	-	7,269	7,269	1,200	1,771	571
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>21,402</u>	<u>21,842</u>	<u>440</u>	<u>485,162</u>	<u>511,001</u>	<u>25,839</u>	<u>52,400</u>	<u>20,354</u>	<u>(32,046)</u>
183,000	-	183,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	421,895	371,232	50,663	-	-	-
<u>183,000</u>	<u>-</u>	<u>183,000</u>	<u>421,895</u>	<u>371,232</u>	<u>50,663</u>	<u>-</u>	<u>-</u>	<u>-</u>
(161,598)	21,842	183,440	63,267	139,769	76,502	52,400	20,354	(32,046)
-	-	-	-	-	-	-	-	-
161,603	-	(161,603)	-	-	-	-	-	-
-	-	-	(17,944)	(17,944)	-	(200,000)	(155,238)	44,762
<u>161,603</u>	<u>-</u>	<u>(161,603)</u>	<u>(17,944)</u>	<u>(17,944)</u>	<u>-</u>	<u>(200,000)</u>	<u>(155,238)</u>	<u>44,762</u>
<u>5</u>	<u>21,842</u>	<u>21,837</u>	<u>63,267</u>	<u>121,825</u>	<u>76,502</u>	<u>(147,600)</u>	<u>(134,884)</u>	<u>12,716</u>
	<u>32,899</u>			<u>393,982</u>			<u>152,664</u>	
	<u>\$ 54,741</u>			<u>\$ 515,807</u>			<u>\$ 17,780</u>	

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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, 2009

	Special Capital Improvement Fund			Airport Capital Improvement		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 2,300,487	\$ 2,290,851	\$ (9,636)	\$ -	\$ -	\$ -
Intergovernmental	-	112,969	112,969	1,328,900	1,328,077	(823)
Charges for Services	-	-	-	-	-	-
Interest	40,000	35,796	(4,204)	-	-	-
Contributions	-	1,172	1,172	-	-	-
Total revenue	<u>2,340,487</u>	<u>2,440,788</u>	<u>100,301</u>	<u>1,328,900</u>	<u>1,328,077</u>	<u>(823)</u>
EXPENDITURES						
Culture and Recreation	-	-	-	-	-	-
Public Works	3,845,570	2,280,144	1,565,426	1,370,000	1,375,184	(5,184)
Public Safety	-	-	-	-	-	-
Total expenditures	<u>3,845,570</u>	<u>2,280,144</u>	<u>1,565,426</u>	<u>1,370,000</u>	<u>1,375,184</u>	<u>(5,184)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,505,083)</u>	<u>160,644</u>	<u>1,665,727</u>	<u>(41,100)</u>	<u>(47,107)</u>	<u>(6,007)</u>
OTHER FINANCING SOURCES(USES)						
Bond Proceeds	-	-	-	-	-	-
Transfers (out)	(982,215)	(4,625)	977,590	-	-	-
Transfer in	-	-	-	20,100	20,100	-
Total other financing sources(uses)	<u>(982,215)</u>	<u>(4,625)</u>	<u>977,590</u>	<u>20,100</u>	<u>20,100</u>	<u>-</u>
Net change in fund balances	<u>(2,487,298)</u>	<u>156,019</u>	<u>2,643,317</u>	<u>(21,000)</u>	<u>(27,007)</u>	<u>(6,007)</u>
Fund balances - beginning		<u>3,334,353</u>			<u>42,367</u>	
Fund balances - ending		<u>\$ 3,490,372</u>			<u>\$ 15,360</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,435	1,435	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	606	606	-	-	-	-	-	-
-	20,412	20,412	-	-	-	-	11,462	11,462
-	22,453	22,453	-	-	-	-	11,462	11,462
-	-	-	-	-	-	111,700	76,374	35,326
18,600	18,600	-	1,187,000	17,653	1,169,347	-	-	-
1,794	1,794	-	-	-	-	-	-	-
20,394	20,394	-	1,187,000	17,653	1,169,347	111,700	76,374	35,326
(20,394)	2,059	22,453	(1,187,000)	(17,653)	1,169,347	(111,700)	(64,912)	46,788
-	-	-	418,888	-	(418,888)	-	-	-
-	-	-	-	-	-	-	-	-
15,268	-	(15,268)	909,831	155,238	(754,593)	111,700	74,912	(36,788)
15,268	-	(15,268)	1,328,719	155,238	(1,173,481)	111,700	74,912	(36,788)
(5,126)	2,059	7,185	141,719	137,585	(4,134)	-	10,000	10,000
	(94,518)			(129,486)			-	
\$	(92,459)		\$	8,099		\$	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, 2009

	TID #2 Morgan Square			Permanent Fund Perpetual Care Cemetery		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 25,503	\$ 23,597	\$ (1,906)	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	8,200	13,089	4,889
Interest	-	-	-	4,000	1,943	(2,057)
Contributions	-	-	-	-	-	-
Total revenue	<u>25,503</u>	<u>23,597</u>	<u>(1,906)</u>	<u>12,200</u>	<u>15,032</u>	<u>2,832</u>
EXPENDITURES						
Culture and Recreation	-	-	-	74,524	66,977	7,547
Public Works	25,000	23,597	1,403	-	-	-
Public Safety	-	-	-	-	-	-
Total expenditures	<u>25,000</u>	<u>23,597</u>	<u>1,403</u>	<u>74,524</u>	<u>66,977</u>	<u>7,547</u>
Excess (deficiency) of revenues over (under) expenditures	<u>503</u>	<u>-</u>	<u>(503)</u>	<u>(62,324)</u>	<u>(51,945)</u>	<u>10,379</u>
OTHER FINANCING SOURCES(USES)						
Bond Proceeds	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Transfer in	-	-	-	56,876	54,765	(2,111)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,876</u>	<u>54,765</u>	<u>(2,111)</u>
Net change in fund balances	<u>503</u>	<u>-</u>	<u>(503)</u>	<u>(5,448)</u>	<u>2,820</u>	<u>8,268</u>
Fund balances - beginning		<u>-</u>			<u>153,843</u>	
Fund balances - ending		<u>\$ -</u>			<u>\$ 156,663</u>	

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Expenditures of Federal Awards (Cash Basis)
For The Year Ended December 31, 2009

	Federal CFDA Number	Amount
Department of Commerce:		
Indirect Federal Funding:		
Yankton County, South Dakota		
Public Safety Interoperable Communications Grant Program	11.555	\$ 51,279
Department of Justice:		
Direct Federal Funding:		
Bullet Proof Vest Partnership	16.607	1,527
Department of Transportation:		
Direct Federal Funding:		
Airport Improvement Program	20.106	1,253,803
Indirect Federal Funding:		
SD Department of Transportation, Federal Transit Capital Investment Grants	20.500	32,269
General Services Administration:		
Indirect Federal Funding:		
SD Federal Property Agency, Donation of Federal Surplus Personal Property	39.003	653
Environmental Protection Agency:		
Indirect Federal Funding:		
SD Department of Environment and Natural Resources, Capitalization Grants for Drinking Water State Revolving Funds- ARRA	66.468	39,831
Department of Homeland Security:		
Direct Federal Funding:		
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	26,656
 Total Expenditures of Federal Awards		 <u>\$ 1,406,018</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

NOTE 2 - The City of Yankton had the following loan balances outstanding from the SD Clean Water State Revolving Fund, CFDA #66.458 and the SD Drinking Water State Revolving Fund, CFDA #66.468 at December 31, 2009.

	<u>Total Amount Of Loan Outstanding</u>	<u>Federal Portion Of Loan Outstanding</u>
Wastewater System, Series 1997A (83.33%)	\$ 1,754,474	\$ 1,462,003
Wastewater System #2, Series 1997B (0%)	3,195,217	-
Wastewater Systems #3, Series 2001 (83.33%)	4,698,742	3,915,462
Total Wastewater System	<u>\$ 9,648,433</u>	<u>\$ 5,377,465</u>
Water System Services 2001 (76.97%)	\$ 2,706,872	\$ 2,083,479
Water System, Services Series #2 (50.06%)	889,234	445,151
Total Water System	<u>\$ 3,596,106</u>	<u>\$ 2,528,630</u>

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA #20.106 – Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Yankton did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

II-A-09 Financial Reporting

Observation - During the audit, we identified material amounts of receivables and deferred revenues not recorded properly in the City's financial statements. Adjustments were made by the City to properly include these changes to the financial statements. A similar condition was noted in the prior audit.

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

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

Recommendation – The City should implement procedures to ensure all receivables and deferred revenues 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.

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

No matters were reported.



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**Report on Compliance and Other Matters and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

The Mayor and Members of the
Board of City Commissioners
City of Yankton, South Dakota

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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 3, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 \$305,057 and total revenues of \$560,352 for the year then ended. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Yankton's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Yankton's internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Yankton's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness in internal control over financial reporting. This deficiency is noted as item II-A-09.

The City of Yankton's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Yankton's responses and, accordingly, we express no opinion on them.

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*.

This report is intended solely for the information and use of the City Commissioners, management and others within the City of Yankton, South Dakota, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

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

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

Williams & Company, P.C.
Certified Public Accountants

Yankton, South Dakota
June 3, 2010



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**Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control over Compliance in
Accordance with OMB Circular A-133**

The Mayor and Members of the
Board of City Commissioners
City of Yankton, South Dakota

Compliance

We have audited the compliance of the City of Yankton, South Dakota (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's financial statements include the operations of the Yankton Housing and Redevelopment Commission, which received \$531,113 in federal awards which is not included in the Schedule of Federal Awards for the year ended December 31, 2009. Our audit, described below, did not include the operations of the Yankton Housing and Redevelopment Commission because the Commission engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion of the effectiveness of the City of Yankton'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 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.

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

This report is intended solely for the information and use of the members of the City Commissioners, management and others within the City of Yankton, South Dakota, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Williams & Company, P.C.
Certified Public Accountants

Yankton, South Dakota
June 3, 2010

