

CITY OF YANKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended

December 31, 2010



CITY OF YANKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

PREPARED BY:
FINANCE DEPARTMENT

AL VIERECK
FINANCE OFFICER

CITY OF YANKTON
 ANNUAL FINANCIAL REPORT
 YEAR ENDED DECEMBER 31, 2010
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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, 2010, 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 \$302,922 and total revenues of \$583,705 as of and for the year then ended June 30, 2010. 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, 2010, 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 10, 2011, 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 10, 2011

Management Discussion and Analysis December 31, 2010

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, 2010. 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, 2010 by \$81,069,211. Of this amount \$13,622,543 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$775,098 during the year. Of this amount the assets of our Governmental Activities increased \$896,110 and the assets of our Business-Type Activities decreased \$121,012. The governmental net assets increased in large part due to an increase in fund balance at the fund level at year end of \$486,692 and a decrease in long term liabilities due to annual expenditures in debt service.
- The City's Governmental Fund Balances increased \$486,692 in 2010. Exhibit 4 details increases in fund balances for General, Special Capital Improvement, 2004 Sales Tax Refunding Bonds and Airport Capital Improvement, offset by a decrease in fund balance for Other Governmental Funds.
- The City's long-term debt increased \$1,091,135 in 2010. This increase occurred from a net increase in Water Revenue Bonds of \$2,420,592, offset by decreases in long term debt from annual debt service payments in the Sales Tax Revenue Bonds, the USDA Rural Development Notes, the Solid Waste Loans, the Wastewater Revenue Bonds, and the 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		Business-Type		Total	
	Activities		Activities		2010	2009
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 11,137,758	\$ 10,776,768	\$ 7,538,958	\$ 7,231,562	\$ 18,676,716	\$ 18,008,330
Capital Assets	<u>52,746,069</u>	<u>52,739,235</u>	<u>32,631,387</u>	<u>30,950,338</u>	<u>85,377,456</u>	<u>83,689,573</u>
Total Assets	<u>63,883,827</u>	<u>63,516,003</u>	<u>40,170,345</u>	<u>38,181,900</u>	<u>104,054,172</u>	<u>101,697,903</u>
Long-term Liabilities						
Outstanding	4,997,748	5,542,032	14,804,446	13,007,196	19,802,194	18,549,228
Other Liabilities	<u>1,528,248</u>	<u>1,512,250</u>	<u>1,654,519</u>	<u>1,342,312</u>	<u>3,182,767</u>	<u>2,854,562</u>
Total Liabilities	<u>6,525,996</u>	<u>7,054,282</u>	<u>16,458,965</u>	<u>14,349,508</u>	<u>22,984,961</u>	<u>21,403,790</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	48,177,485	47,486,977	17,249,512	17,376,371	65,426,997	64,863,348
Restricted	1,983,620	2,015,181	36,051	35,983	2,019,671	2,051,164
Unrestricted	<u>7,196,726</u>	<u>6,959,563</u>	<u>6,425,817</u>	<u>6,420,038</u>	<u>13,622,543</u>	<u>13,379,601</u>
Ending Net Assets	<u>\$ 57,357,831</u>	<u>\$ 56,461,721</u>	<u>\$ 23,711,380</u>	<u>\$ 23,832,392</u>	<u>\$ 81,069,211</u>	<u>\$ 80,294,113</u>

This summary reflects an increase in net assets of 1.6% for the Governmental Activities and a decrease of 0.5% 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 \$1,581,171 or 7.4%, due to increased borrowing of Water State Revolving Loan Funds for capital improvements to our water collection and distribution system.

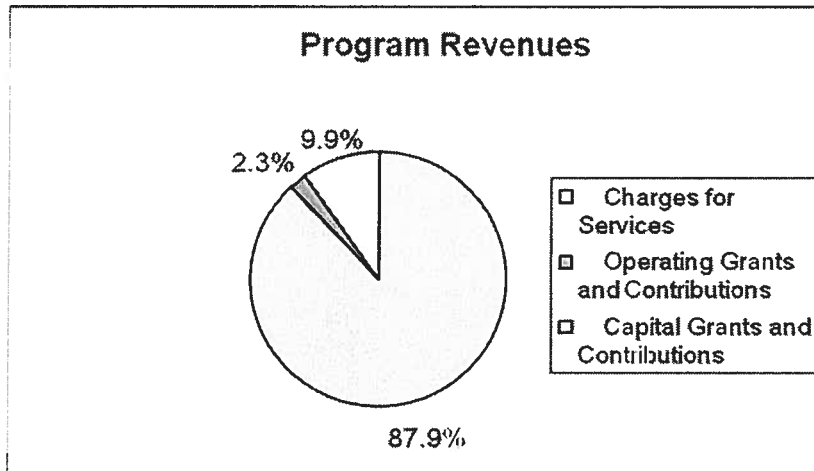
Total revenue reported in 2010 was \$22,988,659, a decrease of \$375,037 or 1.6%. The largest decrease in revenues was in capital grants and contributions. The Property Tax revenues increased \$91,206 or 4.3%, while Sales Tax revenue decreased slightly by (\$33,803) or (0.5%). The following table breaks 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	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,873,852	\$ 3,052,846	\$ 8,262,282	\$ 7,778,161	\$ 11,136,134	\$ 10,831,007
Operating Grants and Contributions	285,230	285,769	-	-	285,230	285,769
Capital Grants and Contributions	625,548	1,727,584	625,830	123,239	1,251,378	1,850,823
General Revenues:						
Property Taxes	2,238,403	2,147,197	-	-	2,238,403	2,147,197
Sales Taxes	7,404,433	7,438,236	-	-	7,404,433	7,438,236
Other Taxes	483,129	482,436	-	-	483,129	482,436
Other	99,592	216,981	90,360	111,247	189,952	328,228
Total Revenues	14,010,187	15,351,049	8,978,472	8,012,647	22,988,659	23,363,696
Expenses:						
General Government	1,532,331	1,426,865	-	-	1,532,331	1,426,865
Public Safety	3,097,237	2,898,414	-	-	3,097,237	2,898,414
Public Works	5,261,049	4,746,017	-	-	5,261,049	4,746,017
Culture & Recreation	2,731,827	2,577,639	-	-	2,731,827	2,577,639
Community & Economic Development	349,467	371,232	-	-	349,467	371,232
Interest on Long-term Debt	234,866	243,599	-	-	234,866	243,599
Water	-	-	3,103,023	2,393,941	3,103,023	2,393,941
Wastewater	-	-	3,229,986	3,250,459	3,229,986	3,250,459
Golf	-	-	873,730	875,392	873,730	875,392
Non-Major Enterprise Funds	-	-	1,800,045	1,682,340	1,800,045	1,682,340
Total Expenses	13,206,777	12,263,766	9,006,784	8,202,132	22,213,561	20,465,898
Increase (Decrease) in Net Assets						
Before Transfers	803,410	3,087,283	(28,312)	(189,485)	775,098	2,897,798
Transfers	92,700	92,700	(92,700)	(92,700)	-	-
Increase (Decrease) in Net Assets	896,110	3,179,983	(121,012)	(282,185)	775,098	2,897,798
Net Assets January 1	56,461,721	53,281,738	23,832,392	24,114,577	80,294,113	77,396,315
Net Assets December 31	\$ 57,357,831	\$ 56,461,721	\$ 23,711,380	\$ 23,832,392	\$ 81,069,211	\$ 80,294,113

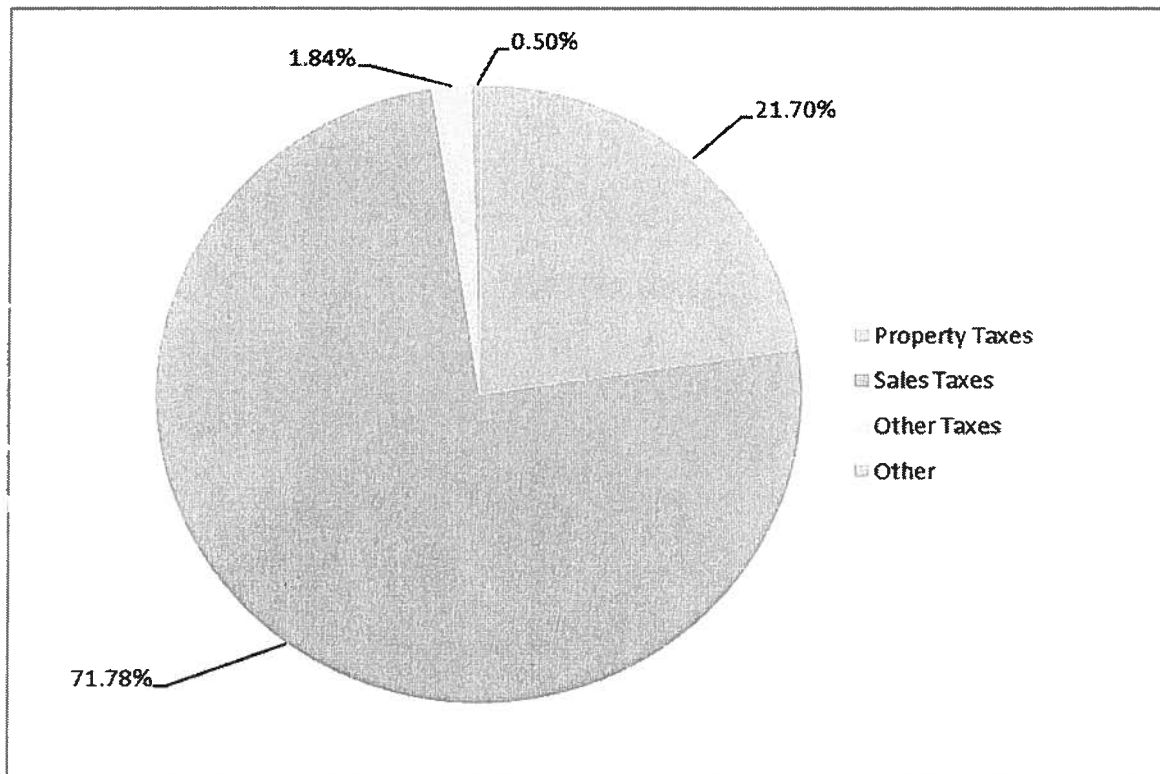
Charges for Services in the Business-Type Activities increased \$484,121 or 6.2% due in most part to rate increases in water, wastewater, and solid waste collection to offset increased operating expenses and an increase in debt service expenses for the water system capital expenditures.

Program Revenues total \$12,672,742 for 2010. Governmental Activities provided \$3,784,630 and Business-Type Activities provided \$8,888,112. Revenue collected for Charges for Services during 2010 was \$11,136,134 accounting for 87.9% of the total program revenues. Revenue collected for Capital Grants and Contributions accounts for 9.9% of the total program revenues. The following chart breaks down program revenues by sources:



General Revenues for 2010 totaled \$10,315,917. Governmental Activities provided \$10,225,557 and Business-Type Activities provided \$90,360. Sales Tax Revenues for 2010 totaled \$7,404,433 and Property Tax Revenue totaled \$2,238,403. The Sales Tax Revenues accounted for 71.78% and Property Tax Revenues were 21.70% of General Revenues. The following chart breaks down General Revenues by source:

GENERAL REVENUES



Expenses for 2010 totaled \$22,213,561, an increase of 8.54%. Expenses for Governmental Activities totaled \$13,206,777 accounting for 59.45% of the total expenses. Expenses for Business-Type Activities totaled \$9,006,784 accounting for 40.55% 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 \$3,097,237 and received \$103,836 in charges for services, and \$62,151 in grants and contributions thus leaving a cost to the taxpayers of \$2,931,250 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 \$13,206,777. Of these costs, \$2,873,852 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 \$285,230, and costs paid by other governments and organizations that subsidized certain programs with capital grants and contributions were \$625,548, leaving a Net Expense of \$9,422,147 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 \$70,564,608, consisting of Net Assets January 1, 2010 of \$56,461,721, General Revenues and transfers of \$10,318,257, and Program Revenues of \$3,784,630. Total Governmental Activities during the year expended \$13,206,777; thus, Net Assets were increased by \$896,110 to \$57,357,831.

Business Type Activities

Business-Type Activities decreased the City's net assets by (\$121,012).

The cost of all Business-Type Activities this year was \$9,006,784. As shown in the Statement of Activities, the amounts paid by users of the systems was \$8,262,282 and \$625,830 was funded from capital grants and contributions, resulting in a slight net loss for Business-Type Activities of (\$118,672).

Total resources available during the year to finance Business-Type Activities were \$32,718,164 consisting of Net Assets January 1, 2010 of \$23,832,392, Program Revenues of \$8,888,112 and General Revenues and transfers of (\$2,340). Total Business-Type Activities during the year expended \$9,006,784; thus Net Assets were decreased by (\$121,012) to \$23,711,380.

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 \$9,470,294 (75.6% unreserved). The combined Governmental Funds fund balance increased \$486,692 from the prior year. The fund balance amount consists of \$7,159,856 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 \$270,270, 3) inventory of land for resale \$27,247, 4) capital project funding for the new 2nd Fire Station \$309,871 5) to pay debt service \$1,589,300, and 6) long-term note receivable \$63,750.

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 \$2,673,180, while total fund balance increased to \$3,344,318. 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 33.6 percent of total general fund expenditures, while total fund balance represents 42.1 percent of that same amount.

The fund balance of the City of Yankton's general fund increased \$319,727 during the current fiscal year. While revenues were down \$312,749 or 3.2%, expenditures were down \$1,350,439 or 14.5%. The reductions in expenditures were reflected in capital expenditure reductions, specifically the 2009 construction of the second Fire Station.

The Special Capital Improvements Fund showed an increase in fund balance of \$365,250. This reflects a decrease in capital expenditures for projects that are now moving forward.

The Debt Service Fund balance increased \$23,901 as revenues slightly exceeded debt service expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the 2010 original (adopted) General Fund budget of \$8,733,946 to the final budget amount of \$9,680,076 shows a net increase of \$946,130. However, actual expenditures were \$780,772 less than the original adopted budget. Supplemental changes that would have resulted in actual expenditures higher than the original budget were offset by less expenditures than originally budgeted in various departments.

The City complied with statutory requirements for expenditures not exceeding the budget appropriation on all programs except Special Appropriations. This variance (\$1,657) 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, 2010 was \$65,426,997 (net of accumulated depreciation and outstanding financings). This was an increase of \$563,649 or 0.9%. The comparative totals for capital assets for 2009 and 2010 are as follows:

CITY OF YANKTON CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,263,654	\$ 3,296,901	\$ 815,123	\$ 815,123	\$ 4,078,777	\$ 4,112,024
Construction in Progress	7,472,548	7,070,738	2,774,882	305,358	10,247,430	7,376,096
Buildings & Structures	17,351,327	17,418,751	25,146,360	26,216,711	42,497,687	43,635,462
Land Improvements	-	-	2,143,691	2,146,798	2,143,691	2,146,798
Furniture and Equipment	5,550,315	5,844,620	1,751,331	1,466,348	7,301,646	7,310,968
Other Fixed Assets	600	600	-	-	600	600
Infrastructure	<u>19,107,625</u>	<u>19,107,625</u>	<u>-</u>	<u>-</u>	<u>19,107,625</u>	<u>19,107,625</u>
Total	<u>\$ 52,746,069</u>	<u>\$ 52,739,235</u>	<u>\$ 32,631,387</u>	<u>\$ 30,950,338</u>	<u>\$ 85,377,456</u>	<u>\$ 83,689,573</u>

Construction in Progress was the major increase in capital outlays for 2010. Construction in Progress increases included the new 2nd Fire Station, the source water development and wells in the water department, and the continuing reconstruction of the Chan Gurney Airport apron and runway. 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 \$20,260,330 of debt outstanding, a net increase of \$1,091,135. During 2010 the City incurred a net increase in water revenue bonds of \$2,420,592 to finance water facility and distribution improvements. This increase in debt was partially offset by normal debt service payments to arrive at the net increase of \$1,091,135 in debt outstanding city-wide.

Of the total debt, \$4,878,455 or 24.1% is to be paid from governmental activities including \$2,550,000 specifically from sales tax funds and \$2,255,000 from property tax opt-out dollars, and \$103,455 from general fund revenues; and \$15,381,875 or 75.9% in business type activities including \$6,016,698 to be repaid from water user fees, \$302,301 to be paid from landfill revenues and \$9,062,876 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 \$35,109,173 with outstanding debt (less debt service reserves) of \$16,409,980, leaving an unused balance of \$18,699,193 or 53.2% 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 2010 was \$27,212,225. It was an increase of \$1,495,613 or 5.8% of the 2009 total of \$25,716,612. The average annual building permit value for the last ten years was \$25,219,512 and the 2010 total value was 7.9% more than that average. New construction building permits included the Sacred Heart Parish Education Center, the Missouri River Campground, the Service Master Building, the ATI Trucking Building, and Ability Services Apartment, the Dakota Trailer Manufacturing, and the JK Properties Carwash. Commercial additions and remodels included the Koch Insurance Building remodel, the Sir Charles Apartment remodel, the Bernard Properties Apartment remodel, the Lewis & Clark Specialty Hospital addition, and the Avera Sacred Heart Hospital remodel. There were twenty-three new home-building permits issued during the year, a decrease of five from 2009.

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 2010 sales were down 0.8% over 2009's figures and totaled \$396,654,364. The encouraging factor in this decrease is that by the date of this report, the 2011 taxable sales for the City of Yankton are up 5.7% over 2010's taxable sales.

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, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment
ASSETS				
Cash and Cash Equivalents	\$ 7,702,102	\$ 5,931,256	\$ 13,633,358	\$ 256,229
Receivables:				
Taxes	39,423	-	39,423	-
Accounts	128,800	826,597	955,397	2,763
Accrued Interest	5	-	5	-
Special Assessments	182,838	-	182,838	-
Notes Receivable	63,750	-	63,750	-
Other Receivables	-	-	-	42,284
Due from Other Governmental Agencies	1,499,193	187,500	1,686,693	-
Prepaid Expenses	101,256	59,031	160,287	1,254
Internal Balances	(179,821)	179,821	-	-
Property Held for Resale, At Cost	27,247	-	27,247	-
Inventories	132,997	317,946	450,943	-
Restricted Assets:				
Cash and Cash Equivalents	473,175	36,807	509,982	-
Deposits	270,270	-	270,270	-
Investments	596,638	-	596,638	-
Accrued Interest Receivable	3,042	-	3,042	-
Bond Issue Costs	96,843	-	96,843	-
Land	3,263,654	815,123	4,078,777	-
Construction in Progress	7,472,548	2,774,882	10,247,430	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	42,009,867	29,041,382	71,051,249	392
Total Assets	<u>63,883,827</u>	<u>40,170,345</u>	<u>104,054,172</u>	<u>302,922</u>
LIABILITIES				
Accounts Payable	450,466	509,159	959,625	1,361
Accrued Wages	246,347	80,895	327,242	-
Accrued Interest Payable	35,276	170,904	206,180	-
Unearned Revenue	-	1,092	1,092	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	869,894	869,894	-
General Obligation Bonds	610,000	-	610,000	-
Capital Lease	90,000	-	90,000	-
Notes Payable	33,148	-	33,148	-
Compensated Absences	63,011	22,575	85,586	-
Due in more than one year:				
Revenue Bonds Payable	-	14,511,981	14,511,981	-
Capital Lease	2,135,000	-	2,135,000	-
General Obligation Bonds	1,940,000	-	1,940,000	-
Notes Payable	70,307	-	70,307	-
Estimated Postemployment Benefit Obligation	495,378	164,539	659,917	-
Compensated Absences	357,063	127,926	484,989	-
Total Liabilities	<u>6,525,996</u>	<u>16,458,965</u>	<u>22,984,961</u>	<u>1,361</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	48,177,485	17,249,512	65,426,997	392
Restricted for:				
Housing Vouchers	-	-	-	76,471
Debt Service	1,554,024	36,051	1,590,075	-
Cumulative Reserve-SDPAA	270,270	-	270,270	-
Perpetual Care				
Expendable	109,326	-	109,326	-
Nonexpendable	50,000	-	50,000	-
Unrestricted	7,196,726	6,425,817	13,622,543	224,698
Total Net Assets	<u>\$ 57,357,831</u>	<u>\$ 23,711,380</u>	<u>\$ 81,069,211</u>	<u>\$ 301,561</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

<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	\$ 1,532,331	\$ 1,826,968	\$ -
Public Safety	3,097,237	103,836	41,379
Public Works	5,261,049	409,994	199,913
Culture and Recreation	2,731,827	533,054	43,938
Community Development	349,467	-	-
Interest on Long-Term Debt	234,866	-	-
Total Governmental Activities	<u>13,206,777</u>	<u>2,873,852</u>	<u>285,230</u>
Business-Type Activities:			
Water	3,103,023	3,068,562	-
Wastewater	3,229,986	2,615,576	-
Solid Waste	777,443	766,178	-
Joint Powers- Landfill	1,022,602	915,651	-
Golf Course	873,730	896,315	-
Total Business-Type Activities	<u>9,006,784</u>	<u>8,262,282</u>	<u>-</u>
Component Units:			
Housing & Redevelopment	587,056	-	550,008
Total Component Unit	<u>\$ 587,056</u>	<u>\$ -</u>	<u>\$ 550,008</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	
\$ 1,158	\$ 295,795		\$ 295,795	-
20,772	(2,931,250)		(2,931,250)	-
603,618	(4,047,524)		(4,047,524)	-
-	(2,154,835)		(2,154,835)	-
-	(349,467)		(349,467)	-
-	(234,866)		(234,866)	-
<u>625,548</u>	<u>(9,422,147)</u>		<u>(9,422,147)</u>	-
378,274		\$ 343,813	343,813	-
60,056		(554,354)	(554,354)	-
187,500		176,235	176,235	-
-		(106,951)	(106,951)	-
-		22,585	22,585	-
<u>625,830</u>		<u>(118,672)</u>	<u>(118,672)</u>	-
-	-	-	-	\$ (37,048)
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,048)</u>
	2,238,403	-	2,238,403	-
	7,404,433	-	7,404,433	-
	483,129	-	483,129	-
	93,330	77,882	171,212	-
	4,912	-	4,912	-
	1,350	12,478	13,828	33,697
	92,700	(92,700)	-	-
	<u>10,318,257</u>	<u>(2,340)</u>	<u>10,315,917</u>	<u>33,697</u>
	896,110	(121,012)	775,098	(3,351)
	<u>56,461,721</u>	<u>23,832,392</u>	<u>80,294,113</u>	<u>304,912</u>
	<u>\$ 57,357,831</u>	<u>\$ 23,711,380</u>	<u>\$ 81,069,211</u>	<u>\$ 301,561</u>

CITY OF YANKTON, SOUTH DAKOTA
BALANCE SHEET
Governmental Funds
December 31, 2010

	General	Special Capital Improvements
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,803,284	\$ 3,035,333
Receivables (Net where applicable, of allowance for uncollectibles):		
Taxes	39,423	-
Accounts	119,624	5,652
Accrued Interest	-	-
Special Assessments	5,596	-
Notes Receivable	63,750	-
Due from Other Funds	-	285,988
Due from Other Governmental Agencies	660,472	151,448
Advances to Other Funds		377,258
Property Held for Resale, At Cost	27,247	-
Restricted Assets:		
Cash and Cash Equivalents	309,871	-
Deposits	270,270	-
Investments	-	-
Accrued Interest Receivable	-	-
Total Assets	4,299,537	3,855,679
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	211,311	57
Accrued Wages	209,685	-
Unearned Revenue	354,402	-
Due to Other Funds	21,423	-
Advances from Other Funds	158,398	-
Total Liabilities	955,219	57
Fund Balances:		
Reserved for:		
Perpetual Care:		
Nonexpendable	-	-
Cumulative Reserve-SDPAA	270,270	-
Property Held for Resale	27,247	-
Capital Projects	309,871	-
Debt Service	-	-
Notes Receivable	63,750	-
Unreserved for:		
Permanent Fund	-	-
General Fund	2,673,180	-
Capital Project Fund	-	-
Special Revenue Fund	-	3,855,622
Total Fund Balances	3,344,318	3,855,622
Total Liabilities and Fund Balances	\$ 4,299,537	\$ 3,855,679

EXHIBIT 3

Airport Capital Improvement	2004 Sales Tax Refunding Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 790,162	\$ 1,038,393	\$ 7,667,172
-	-	-	39,423
-	-	3,524	128,800
-	5	-	5
-	-	177,242	182,838
-	-	-	63,750
-	-	-	285,988
263,239	280,108	135,722	1,490,989
-	-	-	377,258
-	-	-	27,247
-	10,057	153,247	473,175
-	-	-	270,270
-	596,638	-	596,638
-	3,042	-	3,042
<u>263,239</u>	<u>1,680,012</u>	<u>1,508,128</u>	<u>11,606,595</u>
111,176	-	107,769	430,313
-	-	32,832	242,517
-	90,712	175,290	620,404
124,042	-	161,946	307,411
-	-	377,258	535,656
<u>235,218</u>	<u>90,712</u>	<u>855,095</u>	<u>2,136,301</u>
-	-	50,000	50,000
-	-	-	270,270
-	-	-	27,247
-	-	-	309,871
-	1,589,300	-	1,589,300
-	-	-	63,750
-	-	109,326	109,326
-	-	-	2,673,180
28,021	-	(475,429)	(447,408)
-	-	969,136	4,824,758
<u>28,021</u>	<u>1,589,300</u>	<u>653,033</u>	<u>9,470,294</u>
<u>\$ 263,239</u>	<u>\$ 1,680,012</u>	<u>\$ 1,508,128</u>	<u>\$ 11,606,595</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, 2010

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

Total Fund Balance - Governmental Funds (page 17)	\$ 9,470,294
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	52,635,248
Deferred revenues that provide current financial resources for governmental activities	620,404
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(35,276)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	99,700
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	96,843
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	(5,290,545)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds	(485,601)
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.	246,764
Total Net Assets - Governmental Activities (page 13)	<u>\$ 57,357,831</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended December 31, 2010

	General	Special Capital Improvements
Revenue:		
Property Taxes	\$ 2,246,192	\$ -
Sales and Other Taxes	4,443,930	2,279,735
Special Assessments	-	-
Licenses and Permits	329,279	-
Intergovernmental	487,602	-
Charges for Services	1,882,352	5,349
Fines and Forfeits	27,390	-
Interest on Investments	25,927	39,337
Contributions	1,158	-
Miscellaneous	54,913	-
Total Revenue	9,498,743	2,324,421
Current Expenditures:		
General Government	1,488,919	-
Public Safety	2,837,462	-
Public Works	2,309,385	-
Culture and Recreation	559,717	-
Community Development	-	-
Capital Outlay:		
Public Works	183,477	1,950,218
Culture and Recreation	54,158	-
General Government	5,946	-
Public Safety	263,113	-
Debt Service	250,997	-
Total Expenditures	7,953,174	1,950,218
Excess (Deficiency) of Revenues Over Expenditures	1,545,569	374,203
Other Financing Sources (Uses):		
Proceeds From Sale of Fixed Assets	6,658	-
Transfers In	111,522	-
Transfers Out	(1,344,022)	(8,953)
Total Other Financing Sources (Uses)	(1,225,842)	(8,953)
Net Change in Fund Balance	319,727	365,250
Fund Balances -Beginning of Year	3,024,591	3,490,372
Fund Balances- End of Year	\$ 3,344,318	\$ 3,855,622

EXHIBIT 4

Airport Capital Improvement	2004 Sales Tax Refunding Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 25,558	\$ 2,271,750
-	697,686	508,237	7,929,588
-	-	61,865	61,865
-	-	-	329,279
410,823	-	111,742	1,010,167
-	-	461,854	2,349,555
-	-	-	27,390
-	13,094	14,973	93,331
-	-	15,147	16,305
-	-	2,362	57,275
<u>410,823</u>	<u>710,780</u>	<u>1,201,738</u>	<u>14,146,505</u>
-	-	27	1,488,946
-	-	-	2,837,462
-	-	-	2,309,385
-	-	1,665,177	2,224,894
-	-	328,421	328,421
432,662	-	254,233	2,820,590
-	-	519,718	573,876
-	-	-	5,946
-	-	-	263,113
-	686,879	2,700	940,576
<u>432,662</u>	<u>686,879</u>	<u>2,770,276</u>	<u>13,793,209</u>
<u>(21,839)</u>	<u>23,901</u>	<u>(1,568,538)</u>	<u>353,296</u>
-	-	34,038	40,696
34,500	-	1,424,731	1,570,753
-	-	(125,078)	(1,478,053)
<u>34,500</u>	<u>-</u>	<u>1,333,691</u>	<u>133,396</u>
12,661	23,901	(234,847)	486,692
<u>15,360</u>	<u>1,565,399</u>	<u>887,880</u>	<u>8,983,602</u>
<u>\$ 28,021</u>	<u>\$ 1,589,300</u>	<u>\$ 653,033</u>	<u>\$ 9,470,294</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, 2010

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

Net change in fund balances - total governmental funds (page 20)		\$ 486,692
<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		\$ 2,221,685
Depreciation Expense		<u>(2,152,842)</u>
		68,843
<p>Capital Contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.</p>		
		41,612
<p>Revenues reported in the funds that are not available to provide current financial resources:</p>		
		(106,112)
<p>Accrued interest expense that does not require current financial resources:</p>		
		5,450
<p>Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied.</p>		
		(22,815)
<p>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:</p>		
		(16,513)
<p>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.</p>		
		(93,928)
<p>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.</p>		
		997
<p>Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources:</p>		
		2,112
<p>Other Post-Employment Benefits that do not require current financial resources.</p>		
		(161,867)
<p>Compensated absences that do not require current financial resources.</p>		
		(25,134)
<p>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:</p>		
		<u>716,773</u>
Change in net assets of governmental activities (page 15)		<u>\$ 896,110</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET ASSETS
Proprietary Funds
December 31, 2010

	Business-Type	
	Golf Course	Water
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 79,047	\$ 2,908,124
Receivables (Net where applicable, of allowance for uncollectibles):		
Accounts	9,495	318,573
Due from Other Governmental Agencies	-	-
Prepaid Insurance	3,276	17,103
Due From Other Funds	-	-
Inventories	51,180	164,432
Total Current Assets	142,998	3,408,232
Noncurrent Assets:		
Advances to Other Funds	-	-
Restricted Assets:		
Cash and Cash Equivalents	-	-
Land	533,787	128,117
Construction in Progress	-	2,774,882
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	2,601,714	11,969,602
Total Noncurrent Assets	3,135,501	14,872,601
Total Assets	3,278,499	18,280,833
LIABILITIES		
Current Liabilities:		
Accounts Payable	10,046	436,378
Accrued Wages	10,336	28,137
Accrued Interest Payable	-	64,978
Accrued Compensated Absences	3,353	7,986
Unearned Revenue	1,092	-
Revenue Bonds Payable- Current	-	228,271
Total Current Liabilities	24,827	765,750
Noncurrent Liabilities:		
Revenue Bonds Payable	-	5,788,427
Accrued Compensated Absences	19,003	45,251
Estimated Postemployment Benefit Obligation	19,553	46,439
Total Noncurrent Liabilities	38,556	5,880,117
Total Liabilities	63,383	6,645,867
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	3,135,501	8,855,903
Restricted for:		
Debt Service	-	-
Unrestricted	79,615	2,779,063
Total Net Assets	\$ 3,215,116	\$ 11,634,966

EXHIBIT 5

Business-Type			Governmental
Wastewater	Non-Major Enterprise Funds	Totals	Activities- Internal Service Fund
\$ 2,315,860	\$ 628,225	\$ 5,931,256	\$ 34,930
332,148	166,381	826,597	-
-	187,500	187,500	8,204
20,249	18,403	59,031	1,556
21,423	-	21,423	-
102,334	-	317,946	132,997
<u>2,792,014</u>	<u>1,000,509</u>	<u>7,343,753</u>	<u>177,687</u>
158,398	-	158,398	-
-	36,807	36,807	-
66,666	86,553	815,123	7,000
-	-	2,774,882	-
12,753,076	1,716,990	29,041,382	103,821
<u>12,978,140</u>	<u>1,840,350</u>	<u>32,826,592</u>	<u>110,821</u>
<u>15,770,154</u>	<u>2,840,859</u>	<u>40,170,345</u>	<u>288,508</u>
20,125	42,610	509,159	20,153
22,532	19,890	80,895	3,830
105,170	756	170,904	-
5,520	5,716	22,575	1,198
-	-	1,092	-
613,677	27,946	869,894	-
<u>767,024</u>	<u>96,918</u>	<u>1,654,519</u>	<u>25,181</u>
8,449,199	274,355	14,511,981	-
31,281	32,391	127,926	6,786
41,550	56,997	164,539	9,777
<u>8,522,030</u>	<u>363,743</u>	<u>14,804,446</u>	<u>16,563</u>
<u>9,289,054</u>	<u>460,661</u>	<u>16,458,965</u>	<u>41,744</u>
3,756,866	1,501,242	17,249,512	110,821
-	36,051	36,051	-
2,724,234	842,905	6,425,817	135,943
<u>\$ 6,481,100</u>	<u>\$ 2,380,198</u>	<u>\$ 23,711,380</u>	<u>\$ 246,764</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended December 31, 2010

	<u>Business-Type</u>	
	<u>Golf Course</u>	<u>Water</u>
Operating Revenues:		
Charges for Services	\$ 896,315	\$ 3,068,562
Operating Expenses:		
Personal Services	313,378	616,206
Insurance	4,714	47,030
Professional Services	18,808	40,586
Tipping Fees		
State Fees		5,000
Repairs and Maintenance	72,402	823,508
Cost of Sales and Service	260,828	
Supplies and Materials	51,632	187,058
Travel and Conference	2,553	2,389
Utilities	30,636	161,170
Billing and Administration	63,474	589,127
Other Current Expenses		
Depreciation	55,305	506,675
Total Operating Expenses	873,730	2,978,749
Operating Income (Loss)	22,585	89,813
Non-Operating Income (Expense):		
Interest Income	796	25,194
Intergovernmental Revenue		316,544
Miscellaneous, net		5,741
Interest Expense		(124,274)
Total Non-Operating Income (Expenses)	796	223,205
Income (Loss) Before Contributions and Transfers	23,381	313,018
Transfers (Out)	-	(52,000)
Capital Contributions	-	61,730
Change in Net Assets	23,381	322,748
Net Assets - Beginning	3,191,735	11,312,218
Net Assets - Ending	\$ 3,215,116	\$ 11,634,966

EXHIBIT 6

Waste-water	Business-Type		Governmental Activities- Internal Service Fund
	Non-Major Enterprise Funds	Totals	
\$ 2,615,576	\$ 1,681,829	\$ 8,262,282	\$ 672,627
568,861	584,060	2,082,505	122,854
76,414	18,506	146,664	-
63,699	34,881	157,974	2,569
	127,825	127,825	-
12,500	-	17,500	-
204,174	198,135	1,298,219	15,691
	405,987	666,815	-
45,091	8,731	292,512	471,304
1,051	-	5,993	-
151,104	21,086	363,996	17,740
566,870	229,426	1,448,897	-
	-	-	24,406
1,109,086	161,795	1,832,861	17,066
2,798,850	1,790,432	8,441,761	671,630
(183,274)	(108,603)	(179,479)	997
41,988	9,904	77,882	-
	187,500	504,044	-
3,756	2,981	12,478	-
(431,136)	(9,613)	(565,023)	-
(385,392)	190,772	29,381	-
(568,666)	82,169	(150,098)	997
(40,700)	-	(92,700)	-
60,056	-	121,786	-
(549,310)	82,169	(121,012)	997
7,030,410	2,298,029	23,832,392	245,767
\$ 6,481,100	\$ 2,380,198	\$ 23,711,380	\$ 246,764

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended December 31, 2010

	<u>Business-Type</u>	
	<u>Golf Course</u>	<u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 843,196	\$ 2,950,060
Cash Received from Interfund Services Provided	-	79,085
Cash Paid to Suppliers for Goods and Services	(504,811)	(1,937,207)
Cash Paid to Employees for Services	(304,673)	(594,793)
Cash Paid for Interfund Services	(14,867)	(14,096)
Other Nonoperating Revenues	-	5,741
Net Cash Provided from Operating Activities	<u>18,845</u>	<u>488,790</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(1,879)	(2,499,563)
Proceeds from Bond Sales	-	2,605,661
Principal Paid on Notes, Bonds and Leases	-	(185,070)
Interest Paid on Notes and Bonds	-	(88,970)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,879)</u>	<u>(167,942)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Due From Other Funds	-	-
Advances to Other Funds	-	-
Due from Other Governments	-	356,375
Transfers (Out)	-	(52,000)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>304,375</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	796	27,847
Net Cash Provided from Investing Activities	<u>796</u>	<u>27,847</u>
Net Increase (Decrease) in Cash and Cash Equivalents	17,762	653,070
Cash and Cash Equivalents at Beginning of Year	<u>61,285</u>	<u>2,255,054</u>
Cash and Cash Equivalents at End of Year	<u>79,047</u>	<u>2,908,124</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	<u>22,585</u>	<u>89,813</u>
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	55,305	506,675
Other Non-Operating Income (Expense)		5,741
(Increase) Decrease in Assets:		
Accounts Receivable	(395)	(39,417)
Prepaid Expenses	(81)	(655)
Inventories	(17,526)	(7,673)
Increase (Decrease) in Liabilities:		
Accounts Payable	2,976	(87,107)
Accrued Wages	1,331	4,990
Accrued Compensated Absences	857	944
Estimated Postemployment Benefit Obligation	6,517	15,479
Deferred Revenue	(52,724)	-
Total Adjustments	<u>(3,740)</u>	<u>398,977</u>
Net Cash Provided by Operating Activities	<u>18,845</u>	<u>488,790</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:		
Developers Contribution of Distribution System	<u>-</u>	<u>61,730</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents	79,047	2,908,124
Restricted Cash and Cash Equivalents	-	-
	<u>\$ 79,047</u>	<u>\$ 2,908,124</u>

EXHIBIT 7

Business-Type			Governmental
Waste- Water	Nonmajor Enterprise Funds	Totals	Activities- Internal Service Fund
\$ 2,559,960	\$ 1,679,185	\$ 8,032,401	\$ 97,775
19,886	6,022	104,993	573,935
(1,160,170)	(861,437)	(4,463,625)	(564,361)
(548,769)	(557,260)	(2,005,495)	(116,351)
(19,670)	(186,464)	(235,097)	(1,290)
3,756	2,981	12,478	-
<u>854,993</u>	<u>83,027</u>	<u>1,445,655</u>	<u>(10,292)</u>
(788)	(501,380)	(3,003,610)	(7,374)
	-	2,605,661	-
(585,558)	(27,126)	(797,754)	-
(438,036)	(9,681)	(536,687)	-
<u>(1,024,382)</u>	<u>(538,187)</u>	<u>(1,732,390)</u>	<u>(7,374)</u>
93,418	-	93,418	-
249,057	-	249,057	-
	-	356,375	-
(40,700)	-	(92,700)	-
<u>301,775</u>	<u>-</u>	<u>606,150</u>	<u>-</u>
44,325	11,248	84,216	-
<u>44,325</u>	<u>11,248</u>	<u>84,216</u>	<u>-</u>
176,711	(443,912)	403,631	(17,666)
<u>2,139,149</u>	<u>1,108,944</u>	<u>5,564,432</u>	<u>52,596</u>
<u>2,315,860</u>	<u>665,032</u>	<u>5,968,063</u>	<u>34,930</u>
(183,274)	(108,603)	(179,479)	997
1,109,086	161,795	1,832,861	17,066
3,756	2,981	12,478	-
(35,730)	3,378	(72,164)	(917)
(988)	(356)	(2,080)	(16)
(5,460)	-	(30,659)	(14,285)
(52,489)	(2,968)	(139,588)	(19,640)
3,552	4,484	14,357	449
2,690	3,317	7,808	2,795
13,850	18,999	54,845	3,259
-	-	(52,724)	-
<u>1,038,267</u>	<u>191,630</u>	<u>1,625,134</u>	<u>(11,289)</u>
<u>854,993</u>	<u>83,027</u>	<u>1,445,655</u>	<u>(10,292)</u>
60,056	-	121,786	-
2,315,860	628,225	5,931,256	34,930
-	36,807	36,807	-
<u>\$ 2,315,860</u>	<u>\$ 665,032</u>	<u>\$ 5,968,063</u>	<u>\$ 34,930</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET ASSETS
Fiduciary Funds
December 31, 2010

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	<u>\$14,317</u>
Total Assets	<u>14,317</u>
Liabilities	
Other Accrued Expenses	<u>14,317</u>
Total Liabilities	<u>14,317</u>
Net Assets	
Unrestricted	<u>-</u>
Total Net Assets	<u>\$ -</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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, 2010**

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, 2010**

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, 2010**

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, 2010**

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; of (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, 2010**

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	Cost
U.S. Treasury Notes, State and Local Government Series	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, 2010**

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, 2010. 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, 2010**

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 2010 were \$811,712 of which \$32,260 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, 2010 were \$14,004,981. 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 \$596,638 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, 2010**

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, 2010, consisted of the following:

	Utility Accounts Receivable	Special Assessment Receivable
Fund:		
Infrastructure Improvement Revolving	\$ -	\$ 42,000
Water Fund	9,590	-
Wastewater Fund	10,464	-
Solid Waste Fund	9,778	-
	\$ 29,832	\$ 42,000

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2010, include the following:

	General	2004 Sales Tax Refunding Bonds	Special Capital Improvement Fund	Airport Capital Improvement	Non-Major Enterprise Funds	Non-Major Governmental Funds
County Remitted Taxes	\$ 13,502	\$ -	\$ -	\$ -	\$ -	\$ -
County share of Senior Center and Others	13,306	-	-	-	-	-
County and Other Garage Charges	-	-	-	-	-	-
State Remitted Sales Tax	572,057	280,108	151,448	-	-	56,320
State Remitted Liquor and Other Taxes	23,435	-	-	-	-	-
State Road Aid	38,053	-	-	-	-	-
Federal Grants	-	-	-	263,239	-	72,864
Other Grants	119	-	-	-	187,500	6,538
	<u>\$ 660,472</u>	<u>\$ 280,108</u>	<u>\$ 151,448</u>	<u>\$ 263,239</u>	<u>\$ 187,500</u>	<u>\$ 135,722</u>

	Internal Service	Total
County Remitted Taxes	\$ -	\$ 13,502
County share of Airport and Senior Center	-	13,306
County and Other Garage Charges	8,204	8,204
State Remitted Sales Tax	-	1,059,933
State Remitted Liquor and Other Taxes	-	23,435
State Road Aid	-	38,053
Federal Grants	-	336,103
Other Grants	-	194,157
	<u>\$ 8,204</u>	<u>\$ 1,686,693</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 6 - CAPITAL ASSETS

A summary of the changes in the capital assets for the year ended December 31, 2010, is as follows:

	Balance January 1, 2010	Additions	Deletions	Reclassification	Balance December 31, 2010
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 3,296,901	\$ 8,753	\$ 42,000	\$ -	\$ 3,263,654
Construction in Progress	7,070,738	531,802	129,992	-	7,472,548
Total capital assets not being depreciated	10,367,639	540,555	171,992	-	10,736,202
Capital assets being depreciated:					
Buildings & Structures	26,477,786	1,402,513	127,387	-	27,752,912
Furniture & Equipment	11,891,301	419,573	199,814	(21,303)	12,089,757
Other Fixed Assets	600	-	-	-	600
Infrastructure	25,504,244	-	-	-	25,504,244
Total capital assets being depreciated:	63,873,931	1,822,086	327,201	(21,303)	65,347,513
Less: Accumulated Depreciation for:					
Buildings	9,059,035	1,469,937	127,387	-	10,401,585
Furniture & Equipment	6,046,681	699,971	185,907	(21,303)	6,539,442
Other Fixed Assets	-	-	-	-	-
Infrastructure	6,396,619	-	-	-	6,396,619
Total Accumulated Depreciation	21,502,335	2,169,908	313,294	(21,303)	23,337,646
Total Capital Assets being depreciated, net	42,371,596	(347,822)	13,907	-	42,009,867
Governmental activities capital assets, net	\$ 52,739,235	\$ 192,733	\$ 185,899	\$ -	\$ 52,746,069

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

	Balance January 1, 2010	Additions	Deletions	Reclassification	Balance December 31, 2010
Business-Type Activities:					
Capital Assets not being depreciated:					
Land	\$ 815,123	\$ -	\$ -	\$ -	815,123
Construction in Progress	305,358	2,469,524	-	-	2,774,882
Total capital assets not being depreciated:	1,120,481	2,469,524	-	-	3,590,005
Capital Assets being depreciated:					
Buildings and Structures	46,395,850	521,605	10,310	-	46,907,145
Land Improvements	2,190,047	-	-	-	2,190,047
Furniture & Equipment	4,256,365	522,781	53,444	21,303	4,747,005
Total capital assets, being depreciated	52,842,262	1,044,386	63,754	21,303	53,844,197
Less: Accumulated Depreciation for:					
Buildings and Structures	20,179,139	1,591,956	10,310	-	21,760,785
Land Improvements	43,249	3,107	-	-	46,356
Furniture & Equipment	2,790,017	237,798	53,444	21,303	2,995,674
Total Accumulated Depreciation	23,012,405	1,832,861	63,754	21,303	24,802,815
Total Capital Assets, being depreciated, net	29,829,857	(788,475)	-	-	29,041,382
Business-type activities capital assets, net	\$ 30,950,338	\$ 1,681,049	\$ -	\$ -	\$ 32,631,387

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

Governmental Activities:	
General Government	\$ 22,540
Community Development	2,426
Public Safety	173,138
Public Works	1,492,080
Culture & Recreation	479,724
Total depreciation expense - governmental activities	\$ 2,169,908

Depreciation expense of \$17,066 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, 2010**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

Business-Type Activities:	
Water	\$ 506,675
Wastewater	1,109,086
Solid Waste	35,352
Golf Course	55,305
Joint Powers Landfill	<u>126,443</u>
Total depreciation expense - business-type activities	<u>\$ 1,832,861</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>4,633</u>	\$ -	\$ -	\$ <u>4,633</u>
Total capital assets, being depreciated	<u>4,633</u>	<u>-</u>	<u>-</u>	<u>4,633</u>
Less: Accumulated Depreciation	<u>3,568</u>	<u>673</u>	<u>-</u>	<u>4,241</u>
Component unit capital assets, net	<u>\$ 1,065</u>	<u>\$ (673)</u>	<u>\$ -</u>	<u>\$ 392</u>

Reconciliation of Investment in Capital Assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 3,263,654	\$ 815,123
Construction in Progress	7,472,548	2,774,882
Capital Assets (Net of Accumulated Depreciation)	42,009,867	29,041,382
Unspent Debt Proceeds	309,871	-
Less: General Obligation Bonds Payable	2,550,000	-
Revenue Bonds	-	15,381,875
Notes Payable	103,455	-
Capital Leases	<u>2,225,000</u>	<u>-</u>
Invested in Capital Assets, Net of Related Debt	<u>\$ 48,177,485</u>	<u>\$ 17,249,512</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 7 - COMMITMENTS

During the year ended December 31, 2010, the City had entered into several construction contracts totaling approximately \$3,060,464 of which approximately \$2,541,468 has been expended to date. The remaining balance will be paid as work progresses.

NOTE 8 - CAPITAL LEASE

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

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases Payable	\$2,315,000	\$ -	\$ (90,000)	\$2,225,000

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 and was completed in 2010. The interest rate on the Certificates of Participation varies from 2.10% to 5.00% and the lease payment terms match the terms of the certificates with final payment December 1, 2028. Property tax funds have been pledged to make the lease payments over the term of the lease.

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of December 31, 2010.

Year Ending December 31,	Principal	Interest	Total
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	100,000	84,080	184,080
2016 – 2020	570,000	357,200	927,200
2021 – 2025	705,000	219,788	924,788
2026 - 2028	470,000	45,760	515,760
Totals	\$2,225,000	\$ 1,074,278	\$ 3,299,278

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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, 2010 (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, 2010	\$ 3,145	\$ 135	\$ 3,597	\$ 9,648	\$ 329	\$ 16,854
Notes/Bonds Issued	-	-	2,605	-	-	2,605
Notes/Bonds Retired	(595)	(32)	(185)	(585)	(27)	(1,424)
Notes/Bonds Payable at December 31, 2010	\$ 2,550	\$ 103	\$ 6,017	\$ 9,063	\$ 302	\$ 18,035

Debt outstanding at December 31, 2010, 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.	\$ 610,000	\$ 1,940,000	\$ 2,550,000
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.	33,148	70,307	103,455
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.	27,946	274,355	302,301
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	228,271	5,788,427	6,016,698
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	613,677	8,449,199	9,062,877
Totals	\$1,513,042	\$16,522,288	\$18,035,331

On December 14, 2009 the Board of Commissioners approved the issuance of, not to exceed \$2,200,000, 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, 2010, there had been \$1,915,187 drawn on this loan, with the remaining amount to be drawn as work progresses.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

On May 11, 2009 the Board of Commissioners approved the issuance of, not to exceed \$3,000,000 of drinking water state revolving fund loans for various water improvements. At December 31, 2010, there had been \$690,474 drawn on this loan, with the remaining to be drawn as work progresses.

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, 2010, including interest payments of \$4,740,330 are as follows:

Year Ending December 31	Sales Tax Refunding		Rural Development Note Payable		Wastewater Revenue	
	Principal	Interest	Principal	Interest		
2011	\$ 610,000	\$ 72,803	\$ 33,148	\$ 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	-	-	-	-	741,260	282,333
2016-2020	-	-	-	-	4,286,304	831,658
2021-2025	-	-	-	-	1,397,181	74,073
2026-2030	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-
	\$ 2,550,000	\$ 173,044	\$ 103,455	\$ 6,871	\$9,062,877	\$2,644,301

Year Ending December 31	Water Revenue		Joint Power Landfill (RLA) (SWMP)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 228,271	\$ 144,340	\$ 27,946	\$ 8,861	\$ 1,513,042	\$ 639,670
2012	298,133	187,974	22,397	8,016	1,623,345	633,090
2013	308,160	177,946	16,586	7,435	1,679,756	569,584
2014	318,526	167,581	17,087	6,934	1,712,550	502,895
2015	329,241	156,866	17,603	6,418	1,088,104	445,617
2016-2020	1,820,051	610,483	96,326	23,778	6,202,681	1,465,919
2021-2025	1,641,690	298,046	102,085	8,313	3,140,956	380,432
2026-2030	1,026,172	100,858	2,271	34	1,028,443	100,892
2031-2035	46,454	2,231	-	-	46,454	2,231
	\$6,016,698	\$1,846,325	\$ 302,301	\$ 69,789	\$18,035,331	\$ 4,740,330

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 9 - LONG-TERM DEBT – (CONTINUED)

C. Accrued Compensated Absences

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities: Compensated Absences	\$ 392,146	\$ 334,971	\$ 307,043	\$ 420,074	\$ 63,011
Business-Type Activities: Compensated Absences	142,693	121,888	114,080	150,501	22,575
Total Long-Term Accrued Compensated Absences	<u>\$ 534,839</u>	<u>\$ 456,859</u>	<u>\$ 421,123</u>	<u>\$ 570,575</u>	<u>\$ 85,586</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, 2010, were as follows:

	Interfund Receivables	Interfund Payables
Due From/To Other Funds:		
General Fund	\$ -	\$ 21,423
Capital Projects – Park Capital	-	14,145
Capital Projects – Special Capital Improvements	285,988	-
Capital Projects – Public Improvement	-	147,801
Capital Projects – Airport Capital	-	124,042
Enterprise – Wastewater	21,423	-
	<u>\$ 307,411</u>	<u>\$ 307,411</u>

As of December 31, 2010, long-term advances were as follows:

	Interfund Receivables	Interfund Payables
Advances From/To Other funds:		
General Fund	\$ -	\$ 158,398
Capital Projects – Park Capital	-	377,258
Special Capital Improvements	377,258	-
Enterprise - Wastewater	158,398	-
	<u>\$ 535,656</u>	<u>\$ 535,656</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, 2010**

NOTE 12 - FUND EQUITY RESERVES

Reserved Fund Balances consist of the following:

<u>Reserve Description</u>	<u>Joint Powers Landfill</u>	
Revenue Bond Indentures	\$ 36,051	

<u>Fund</u>	<u>Reserved For</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	\$ -	\$ 309,871	\$ 27,247	\$ 63,750	\$ -	\$ 270,270
Debt Service Fund	1,589,300	-	-	-	-	-
Cemetery	-	-	-	-	50,000	-
Reserved Fund Balance	\$ 1,589,300	\$ 309,871	\$ 27,247	\$ 63,750	\$ 50,000	\$ 270,270

NOTE 13 - DEFICIT FUND BALANCES/RETAINED EARNINGS

As of December 31, 2010, the following funds had deficit fund balances in the amounts shown:

Capital Projects:	
Public Improvement Capital Project	\$ 99,354
Park Capital Projects	381,403

The Public Improvement Capital Project Fund balance deficit will be funded through revenues obtained from future property transactions. Park Capital Projects fund balance deficit will be funded through general fund amounts that will be budgeted to pay the annual payments due on the internal loan.

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, 2010, 2009, and 2008 were \$381,709, \$361,045 and \$354,332 respectively, equal to the required contributions each year.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 15 - TRANSFERS

The following is a summary of transfers between funds:

	General	Airport Capital Improvements	Nonmajor Governmental	Total Transfer Out
General	\$ -	\$ 34,500	\$ 1,309,522	\$ 1,344,022
Nonmajor Governmental	18,822	-	106,256	125,078
Special Cap. Improvement	-	-	8,953	8,953
Wastewater	40,700	-	-	40,700
Water	52,000	-	-	52,000
Transfer In	<u>\$ 111,522</u>	<u>\$ 34,500</u>	<u>\$ 1,424,731</u>	<u>\$ 1,570,753</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, 2010, the City made the following one-time transfers:

Transfer from the General Fund to the Airport Capital Improvement Fund of \$34,500 to pay the matching share of the airport improvements.

Transfer from the Infrastructure Revolving Fund to the Infrastructure Improvement Capital Fund of \$51,200 to help cash flow special assessment projects.

Transfer to the Public Improvement Capital Project Fund from the Lodging Sales Tax Fund of \$55,057 to help fund the extension of Gehl Drive for the relocation of Dakota Trailer Manufacturing.

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, 2010, 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, 2010**

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, 2010, the City has vested balance in the cumulative reserve fund of \$270,270.

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

Worker's Compensation: The City purchases liability insurance for worker's compensation from a commercial carrier.

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

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

NOTE 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 12/31/10</u>
General Fund:	
General Government:	
Special Appropriations	\$ 1,657

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, 2010**

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, 2010 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>	439,944
<i>Net OPEB obligation – end of year</i>	\$ 659,915

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 - 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 289,513	24.02%	\$ 219,973
2009	289,511	24.02%	439,944
2010	289,511	24.02%	659,915

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 18 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2010 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)	\$ 5,912,008
UAAL as a percentage of covered payroll	44.07%

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 January 1, 2008 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 2010 for this component was \$30,752.

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, 2010**

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. In 2010 the capital improvement component cost for the City was \$59,969. Beginning in 2011, the cost will be \$62,963 per year.

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, which was appropriately paid.

NOTE 20 – SUBSEQUENT EVENTS

On February 14, 2011 the City Commission approved the issuance of not to exceed \$3,000,000 of sales tax revenue bonds. These funds will be used to fund an economic development project.

On March 14, 2011 the City Commission approved the issuance of wastewater revenue refunding bonds, in an amount not to exceed \$4,900,000. The proceeds will be used to refund existing wastewater revenue bonds.

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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, 2010

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	Budgetary Basis	Positive (Negative)
Revenues:				
Taxes - Current Property	\$ 2,034,061	\$ 2,034,061	\$ 2,246,192	\$ 212,131
Taxes - Sales and Other	4,405,285	4,405,285	4,443,930	38,645
Licenses and Permits	337,300	337,300	329,279	(8,021)
Intergovernmental	643,306	704,706	487,602	(217,104)
Charges for Service	1,905,606	1,905,606	1,882,352	(23,254)
Fines and Forfeits	33,000	33,000	27,390	(5,610)
Interest	-	--	25,927	25,927
Miscellaneous	31,300	31,300	56,071	24,771
Total Revenues	9,389,858	9,451,258	9,498,743	47,485
Expenditures:				
General Government:				
Board of City Commission	121,378	121,378	87,765	33,613
Office of City Manager	267,003	267,003	255,997	11,006
City Attorney	56,932	56,932	45,261	11,671
Department of Finance	513,836	513,836	486,423	27,413
Information Systems	150,279	190,279	97,606	92,673
Community Development	274,843	274,843	237,058	37,785
Contingency	125,000	125,000	-	125,000
Special Appropriations	283,098	283,098	284,755	(1,657)
Total General Government	1,792,369	1,832,369	1,494,865	337,504
Public Safety:				
Police Department	2,755,728	2,788,228	2,626,424	161,804
Animal Control	60,682	60,682	47,559	13,123
Fire Department	682,414	1,314,914	606,928	707,986
Civil Defense	23,075	23,075	8,869	14,206
Total Public Safety	3,521,899	4,186,899	3,289,780	897,119
Public Works:				
Engineering and Inspection	528,428	528,428	493,184	35,244
Streets and Highways	1,321,783	1,464,783	1,244,514	220,269
Snow and Ice Removal	167,197	199,927	152,517	47,410
City Hall	164,737	226,137	195,935	30,202
Traffic Control	318,752	318,752	278,117	40,635
Chan Gurney Airport	192,872	192,872	153,488	39,384
Total Public Works	2,693,769	2,930,899	2,517,755	413,144

(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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Positive (Negative)
	Original	Final		
Culture and Recreation:				
Senior Citizens Center	86,645	89,145	81,639	7,506
Yankton Community Library	639,264	640,764	569,135	71,629
Total Culture and Recreation	<u>725,909</u>	<u>729,909</u>	<u>650,774</u>	<u>79,135</u>
 Total Expenditures	<u>8,733,946</u>	<u>9,680,076</u>	<u>7,953,174</u>	<u>1,726,902</u>
 Excess of Revenues over Expenditures	<u>655,912</u>	<u>(228,818)</u>	<u>1,545,569</u>	<u>1,774,387</u>
 Other Financing Sources (Uses):				
Operating Transfers In	115,150	735,150	111,522	(623,628)
Operating Transfers (Out)	(1,483,848)	(1,570,848)	(1,344,022)	226,826
Proceeds from Sale of Fixed Assets	-	-	6,658	6,658
Total Other Financing Sources (Uses)	<u>(1,368,698)</u>	<u>(835,698)</u>	<u>(1,225,842)</u>	<u>(390,144)</u>
 Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>(712,786)</u>	<u>(1,064,516)</u>	<u>319,727</u>	<u>1,384,243</u>
 Fund Balances at Beginning of Year	<u>3,024,591</u>	<u>3,024,591</u>	<u>3,024,591</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 2,311,805</u>	<u>\$ 1,960,075</u>	<u>\$ 3,344,318</u>	<u>\$ 1,384,243</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010 to the original appropriations by fund were as follows for the General Fund:

	Original Appropriations	Total Revisions	Revised Appropriations
General Fund:			
General Government:			
Information Systems	\$ 150,279	\$ 40,000	\$ 190,279
Public Safety:			
Police Department	2,755,728	32,500	2,788,228
Fire Department	682,414	632,500	1,314,914
Public Works:			
Snow and Ice Removal	167,197	32,730	199,927
Street and Highways	1,321,783	143,000	1,464,783
City Hall	164,737	61,400	226,137
Culture and Recreation:			
Senior Citizens Center	86,645	2,500	89,145
Community Library	639,264	1,500	640,764
Transfers Out	1,483,848	87,000	1,570,848

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, 2010.

**CITY OF YANKTON, SOUTH DAKOTA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2010**

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:

	Year Ended 12/31/10
General Fund:	
General Government:	
Special Appropriations	\$ 1,657

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, 2010

EXHIBIT 11

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

* 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, 2010

	<u>Special Revenue</u>				
	<u>Park</u>	<u>Memorial Pool</u>	<u>Summit Activity Center</u>	<u>Marne Creek</u>	<u>Casualty Reserve</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$ 32,158	\$ 10,309	\$ 52,689	\$ 133,172	\$ 64,448
Receivables (Net where applicable, of allowance for uncollectibles):					
Accounts	-	-	2,545	-	-
Special Assessments	-	-	-	-	-
Due from Other Governmental Agencies	-	-	6,342	-	-
Restricted Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Total Assets	<u>32,158</u>	<u>10,309</u>	<u>61,576</u>	<u>133,172</u>	<u>64,448</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	7,039	309	40,500	1,239	-
Accrued Wages	17,205	-	12,269	1,756	-
Unearned Revenue	-	-	6,342	-	-
Due to Other Funds	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Total Liabilities	<u>24,244</u>	<u>309</u>	<u>59,111</u>	<u>2,995</u>	<u>-</u>
Fund Balances:					
Reserved for Perpetual Care:					
Nonexpendable	-	-	-	-	-
Unreserved For:					
Permanent Fund	-	-	-	-	-
Capital Project Fund	-	-	-	-	-
Special Revenue Fund	7,914	10,000	2,465	130,177	64,448
Total Fund Balances	<u>7,914</u>	<u>10,000</u>	<u>2,465</u>	<u>130,177</u>	<u>64,448</u>
Total Liabilities and Fund Balances	<u>\$ 32,158</u>	<u>\$ 10,309</u>	<u>\$ 61,576</u>	<u>\$ 133,172</u>	<u>\$ 64,448</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	
\$ 76,574	\$ 595,477	\$ 21,249	\$ 21,466	\$ 8,120	\$ 15,328	\$ 7,403	\$ 1,038,393
-	-	-	-	-	-	979	3,524
-	-	-	-	177,242	-	-	177,242
-	56,320	-	-	196	72,864	-	135,722
-	-	-	-	-	-	153,247	153,247
<u>76,574</u>	<u>651,797</u>	<u>21,249</u>	<u>21,466</u>	<u>185,558</u>	<u>88,192</u>	<u>161,629</u>	<u>1,508,128</u>
-	33,000	564	-	-	24,417	701	107,769
-	-	-	-	-	-	1,602	32,832
-	12,468	-	-	156,480	-	-	175,290
-	-	-	-	-	161,946	-	161,946
-	-	-	-	-	377,258	-	377,258
-	<u>45,468</u>	<u>564</u>	-	<u>156,480</u>	<u>563,621</u>	<u>2,303</u>	<u>855,095</u>
-	-	-	-	-	-	50,000	50,000
-	-	-	-	-	-	109,326	109,326
-	-	-	-	-	(475,429)	-	(475,429)
76,574	606,329	20,685	21,466	29,078	-	-	969,136
<u>76,574</u>	<u>606,329</u>	<u>20,685</u>	<u>21,466</u>	<u>29,078</u>	<u>(475,429)</u>	<u>159,326</u>	<u>653,033</u>
<u>\$ 76,574</u>	<u>\$ 651,797</u>	<u>\$ 21,249</u>	<u>\$ 21,466</u>	<u>\$ 185,558</u>	<u>\$ 88,192</u>	<u>\$ 161,629</u>	<u>\$ 1,508,128</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, 2010

	Special Revenue				
	Park	Memorial Pool	Summit Activity Center	Mame Creek	Casualty Reserve
Revenue:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and Other Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	28,878	-	-
Charges for Services	10,995	26,107	381,408	-	-
Interest on Investments	2,798	670	1,175	465	641
Contributions	1,134	-	5,007	-	-
Miscellaneous	-	-	-	-	-
Total Revenue	<u>14,927</u>	<u>26,777</u>	<u>416,468</u>	<u>465</u>	<u>641</u>
Expenditures:					
Current:					
General Government	-	-	-	-	27
Culture and Recreation	719,037	160,942	626,475	72,244	-
Community Development	-	-	-	-	-
Capital Outlay:					
Public Works	-	-	-	-	-
Culture-Recreation	62,863	15,901	-	8,953	-
Debt Service	-	-	-	-	-
Total Expenditures	<u>781,900</u>	<u>176,843</u>	<u>626,475</u>	<u>81,197</u>	<u>27</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(766,973)</u>	<u>(150,066)</u>	<u>(210,007)</u>	<u>(80,732)</u>	<u>614</u>
Other Financing Sources (Uses):					
Transfers In	768,349	157,655	233,754	84,192	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>772,774</u>	<u>157,655</u>	<u>233,754</u>	<u>84,192</u>	<u>-</u>
Net Change in Fund Balance	5,801	7,589	23,747	3,460	614
Fund Balances (Deficits) - Beginning of Year	2,113	2,411	(21,282)	126,717	63,834
Fund Balances (Deficits)- End of Year	<u>\$ 7,914</u>	<u>\$ 10,000</u>	<u>\$ 2,465</u>	<u>\$ 130,177</u>	<u>\$ 64,448</u>

Special Revenue					Capital Projects	Permanent	Total
Bridge & Street	Lodging Sales Tax	Library Trust	Historic Easement Trust	Infrastructure Improvement Revolving	Non-Major Capital Projects	Perpetual Care Cemetery	Governmental Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,558	\$ -	\$ 25,558
21,397	486,840	-	-	-	-	-	508,237
-	-	-	-	61,865	-	-	61,865
-	-	-	-	-	82,864	-	111,742
-	322	-	-	-	-	43,022	461,854
616	5,659	228	214	633	5	1,869	14,973
-	-	8,916	-	-	90	-	15,147
-	-	-	-	-	-	2,362	2,362
<u>22,013</u>	<u>492,821</u>	<u>9,144</u>	<u>214</u>	<u>62,498</u>	<u>108,517</u>	<u>47,253</u>	<u>1,201,738</u>
-	-	-	-	-	-	-	27
-	-	10,663	-	-	-	75,816	1,665,177
-	328,421	-	-	-	-	-	328,421
180	-	-	-	-	254,053	-	254,233
-	-	-	-	-	432,001	-	519,718
-	-	-	-	-	2,700	-	2,700
<u>180</u>	<u>328,421</u>	<u>10,663</u>	<u>-</u>	<u>-</u>	<u>688,754</u>	<u>75,816</u>	<u>2,770,276</u>
21,833	164,400	(1,519)	214	62,498	(580,237)	(28,563)	(1,568,538)
-	-	-	-	-	149,555	31,226	1,424,731
-	(73,878)	-	-	(51,200)	-	-	(125,078)
-	(73,878)	-	-	(51,200)	179,168	31,226	1,333,691
21,833	90,522	(1,519)	214	11,298	(401,069)	2,663	(234,847)
54,741	515,807	22,204	21,252	17,780	(74,360)	156,663	887,880
<u>\$ 76,574</u>	<u>\$ 606,329</u>	<u>\$ 20,685</u>	<u>\$ 21,466</u>	<u>\$ 29,078</u>	<u>\$ (475,429)</u>	<u>\$ 159,326</u>	<u>\$ 653,033</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds
December 31, 2010

	<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	\$ 5,328	\$ 10,000	\$ -	\$ -	\$ 15,328
Due from Other Governments				72,864	72,864
Total Assets	<u>5,328</u>	<u>10,000</u>	<u>-</u>	<u>72,864</u>	<u>88,192</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable				24,417	24,417
Due to Other Funds		14,145		147,801	161,946
Advance from other funds	-	377,258	-	-	377,258
Total Liabilities	<u>-</u>	<u>391,403</u>	<u>-</u>	<u>172,218</u>	<u>563,621</u>
Fund Balances (Deficits):					
Unreserved For:					
Capital Project Fund	5,328	(381,403)		(99,354)	(475,429)
Total Fund Balances (Deficits)	<u>5,328</u>	<u>(381,403)</u>	<u>-</u>	<u>(99,354)</u>	<u>(475,429)</u>
Total Liabilities and Fund Balances	<u>\$ 5,328</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 72,864</u>	<u>\$ 88,192</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, 2010

	Infrastructure Improvement	Park Capital Projects	TID #2 Morgan Square	Public Improvement	Totals
Revenues:					
Taxes	\$ -	\$ -	\$ 25,558	\$ -	\$ 25,558
Intergovernmental				82,864	82,864
Interest				5	5
Contributions		-		90	90
Total Revenues	<u>-</u>	<u>-</u>	<u>25,558</u>	<u>82,959</u>	<u>108,517</u>
Expenditures:					
Capital Outlay:					
Public Works	53,971		25,558	174,524	254,053
Culture-Recreation		432,001			432,001
Debt Service		2,700			2,700
Total Expenditures	<u>53,971</u>	<u>434,701</u>	<u>25,558</u>	<u>174,524</u>	<u>688,754</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(53,971)</u>	<u>(434,701)</u>	<u>-</u>	<u>(91,565)</u>	<u>(580,237)</u>
Other Financing Sources (Uses):					
Proceeds From Sale of Fixed Assets				29,613	29,613
Transfers In	51,200	43,298		55,057	149,555
Total Other Financing Sources (Uses)	<u>51,200</u>	<u>43,298</u>	<u>-</u>	<u>84,670</u>	<u>179,168</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>(2,771)</u>	<u>(391,403)</u>	<u>-</u>	<u>(6,895)</u>	<u>(401,069)</u>
Fund Balances (Deficits) at Beginning of Year	<u>8,099</u>	<u>10,000</u>	<u>-</u>	<u>(92,459)</u>	<u>(74,360)</u>
Fund Balances (Deficit) at End of Year	<u>\$ 5,328</u>	<u>\$ (381,403)</u>	<u>\$ -</u>	<u>\$ (99,354)</u>	<u>\$ (475,429)</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, 2010

	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 211,199	\$ 417,026	\$ 628,225
Accounts Receivable (Net of allowance for uncollectibles)	121,318	45,063	166,381
Due from other governments	187,500	-	187,500
Prepaid Expenses	13,512	4,891	18,403
Total Current Assets	<u>533,529</u>	<u>466,980</u>	<u>1,000,509</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>513,698</u>	<u>1,203,292</u>	<u>1,716,990</u>
Total Noncurrent Assets	<u>588,837</u>	<u>1,251,513</u>	<u>1,840,350</u>
Total Assets	<u>1,122,366</u>	<u>1,718,493</u>	<u>2,840,859</u>
Liabilities			
Current Liabilities:			
Accounts Payable	13,462	29,148	42,610
Accrued Interest Payable	-	756	756
Accrued Wages Payable	9,997	9,893	19,890
Accrued Compensated Absences	3,375	2,341	5,716
Revenue Bonds Payable	-	27,946	27,946
Total current liabilities	<u>26,834</u>	<u>70,084</u>	<u>96,918</u>
Noncurrent liabilities:			
Accrued Compensated Absences	19,126	13,265	32,391
Estimated Postemployment Benefit Obligation	34,218	22,779	56,997
Revenue Bonds (net of current portion)	-	274,355	274,355
Total noncurrent liabilities	<u>53,344</u>	<u>310,399</u>	<u>363,743</u>
Total Liabilities	<u>80,178</u>	<u>380,483</u>	<u>460,661</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	588,837	912,405	1,501,242
Restricted for Debt Service	-	36,051	36,051
Unreserved	453,351	389,554	842,905
Total Net Assets	<u>\$1,042,188</u>	<u>\$ 1,338,010</u>	<u>\$ 2,380,198</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, 2010

	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Operating Revenues - Charges for Service	<u>\$ 766,178</u>	<u>\$ 915,651</u>	<u>\$ 1,681,829</u>
Operating Expenses:			
Personal Services	322,023	262,037	584,060
Insurance	6,006	12,500	18,506
Professional Services	7,102	27,779	34,881
Tipping Fees	124,000	3,825	127,825
Repairs and Maintenance	48,469	149,666	198,135
Cost of Sales and Service		405,987	405,987
Supplies and Materials	4,686	4,045	8,731
Utilities	379	20,707	21,086
Billing and Administration	229,426		229,426
Depreciation	35,352	126,443	161,795
Total Operating Expenses	<u>777,443</u>	<u>1,012,989</u>	<u>1,790,432</u>
Operating Income (Loss)	<u>(11,265)</u>	<u>(97,338)</u>	<u>(108,603)</u>
Nonoperating Revenues:			
Intergovernmental	187,500		187,500
Interest Income	4,582	5,322	9,904
Interest Expense		(9,613)	(9,613)
Miscellaneous, net		2,981	2,981
Total Nonoperating Revenues	<u>192,082</u>	<u>(1,310)</u>	<u>190,772</u>
Change in Net Assets	180,817	(98,648)	82,169
Total Net Assets - Beginning	<u>861,371</u>	<u>1,436,658</u>	<u>2,298,029</u>
Total Net Assets - Ending	<u>\$ 1,042,188</u>	<u>\$ 1,338,010</u>	<u>\$ 2,380,198</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds
For the Year Ended December 31, 2010

	Business-Type		
	Solid Waste	Joint Powers Landfill	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 742,659	\$ 936,526	\$ 1,679,185
Cash Received for Interfund Services	6,022	-	6,022
Cash Paid to Suppliers for Goods and Services	(371,873)	(489,564)	(861,437)
Cash Paid to Employees for Services	(306,701)	(250,559)	(557,260)
Cash Paid for Interfund Services	(48,634)	(137,830)	(186,464)
Other Nonoperating Revenues	-	2,981	2,981
Net Cash Provided from Operating Activities	<u>21,473</u>	<u>61,554</u>	<u>83,027</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(359,517)	(141,863)	(501,380)
Interest Paid on Bonds	-	(9,681)	(9,681)
Principal Paid on Notes, Bonds and Leases	-	(27,126)	(27,126)
Net Cash (Used) by Capital and Related Financing Activities	<u>(359,517)</u>	<u>(178,670)</u>	<u>(538,187)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	5,215	6,033	11,248
Net Cash Provided from Investing Activities	<u>5,215</u>	<u>6,033</u>	<u>11,248</u>
Net (decrease) in Cash and Cash Equivalents	(332,829)	(111,083)	(443,912)
Cash and Cash Equivalents at Beginning of Year	<u>544,028</u>	<u>564,916</u>	<u>1,108,944</u>
Cash and Cash Equivalents at End of Year	<u>\$ 211,199</u>	<u>\$ 453,833</u>	<u>\$ 665,032</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	<u>\$ (11,265)</u>	<u>\$ (97,338)</u>	<u>\$ (108,603)</u>
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	35,352	126,443	161,795
Other Non-Operating Income		2,981	2,981
(Increase) Decrease in Assets:			
Accounts Receivable	(17,497)	20,875	3,378
Prepaid Expenses	(192)	(164)	(356)
Increase (Decrease) in Liabilities:			
Accounts Payable	(247)	(2,721)	(2,968)
Accrued Wages Payable	2,262	2,222	4,484
Estimated Postemployment Benefit Obligation	11,406	7,593	18,999
Accrued Compensated Absences	1,654	1,663	3,317
Total Adjustments	<u>32,738</u>	<u>158,892</u>	<u>191,630</u>
Net Cash Provided by Operating Activities	<u>\$ 21,473</u>	<u>\$ 61,554</u>	<u>\$ 83,027</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 211,199	\$ 417,026	\$ 628,225
Restricted Cash and Cash Equivalents	-	36,807	36,807
	<u>\$ 211,199</u>	<u>\$ 453,833</u>	<u>\$ 665,032</u>

**CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2010**

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash	\$ 314	\$ 34,616	\$ 34,930
Inventory	-	132,997	132,997
Due from Other Governments	-	8,204	8,204
Prepaid Expenses	-	1,556	1,556
Total Current Assets	<u>314</u>	<u>177,373</u>	<u>177,687</u>
Noncurrent Assets:			
Capital Assets:			
Land	-	7,000	7,000
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	103,821	103,821
Total Capital Assets	<u>-</u>	<u>110,821</u>	<u>110,821</u>
Total Assets	<u>314</u>	<u>288,194</u>	<u>288,508</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	314	19,839	20,153
Accrued Wages	-	3,830	3,830
Accrued Compensated Absences	-	1,198	1,198
Total Current Liabilities	<u>314</u>	<u>24,867</u>	<u>25,181</u>
Noncurrent Liabilities:			
Estimated Postemployment Benefit Obligation	-	9,777	9,777
Accrued Compensated Absences	-	6,786	6,786
Total Noncurrent Liabilities	<u>-</u>	<u>16,563</u>	<u>16,563</u>
Total Liabilities	<u>314</u>	<u>41,430</u>	<u>41,744</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	-	110,821	110,821
Unreserved	-	135,943	135,943
Total Net Assets	<u>\$ -</u>	<u>\$ 246,764</u>	<u>\$ 246,764</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, 2010

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
Operating Revenues:			
Charges for Goods and Services	\$ 24,406	\$ 648,221	\$ 672,627
Total Operating Revenue	<u>24,406</u>	<u>648,221</u>	<u>672,627</u>
Operating Expenses:			
Personnel Services	-	122,854	122,854
Professional Services	-	2,569	2,569
Repairs and Maintenance	-	15,691	15,691
Supplies and Materials	-	471,304	471,304
Utilities	-	17,740	17,740
Other Current Expenses	24,406		24,406
Depreciation	-	17,066	17,066
Total Operating Expenses	<u>24,406</u>	<u>647,224</u>	<u>671,630</u>
Operating Income	<u>-</u>	<u>997</u>	<u>997</u>
Change in Net Assets	-	997	997
Total Net Assets - Beginning	-	245,767	245,767
Total Net Assets - Ending	<u>\$ -</u>	<u>\$ 246,764</u>	<u>\$ 246,764</u>

**CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customer Services Provided	\$ 24,406	\$ 73,369	\$ 97,775
Cash Received from Interfund Services Provided	-	573,935	573,935
Cash Paid for Personal Services	-	(116,351)	(116,351)
Cash Paid to Suppliers	(26,746)	(537,615)	(564,361)
Cash Paid for Interfund Services	-	(1,290)	(1,290)
Net Cash (Used) by Operating Activities	<u>(2,340)</u>	<u>(7,952)</u>	<u>(10,292)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	-	(7,374)	(7,374)
Net Cash (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(7,374)</u>	<u>(7,374)</u>
Net (Decrease) in Cash and Cash Equivalents	(2,340)	(15,326)	(17,666)
Cash and Cash Equivalents Beginning of Year	<u>2,654</u>	<u>49,942</u>	<u>52,596</u>
Cash and Cash Equivalents End of Year	<u>\$ 314</u>	<u>\$ 34,616</u>	<u>\$ 34,930</u>
RENCONCILIATION OF OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES			
Operating Income	\$ -	\$ 997	\$ 997
Adjustments to Renconcile Net Operating Income to Net Cash (Used) by Operating Activities:			
Depreciation	-	17,066	17,066
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Accounts Receivable	-	(917)	(917)
Prepaid Expenses	-	(16)	(16)
Inventory	-	(14,285)	(14,285)
Accounts Payable	(2,340)	(17,300)	(19,640)
Accrued Wages Payable	-	449	449
Estimated Postemployment Benefit Obligation	-	3,259	3,259
Accrued Compensated Absences	-	2,795	2,795
Net Cash (Used) by Operating Activities	<u>\$ (2,340)</u>	<u>\$ (7,952)</u>	<u>\$ (10,292)</u>

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

AGENCY FUNDS

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

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

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
Agency Funds
December 31, 2010

	<u>Employee Benefits</u>	<u>Sales Tax</u>	<u>Totals</u>
Assets			
Cash and Cash Equivalents	<u>\$ 14,317</u>	<u>\$ -</u>	<u>\$ 14,317</u>
Total assets	<u>14,317</u>	<u>-</u>	<u>14,317</u>
Liabilities			
Other accrued expenses	<u>14,317</u>	<u>-</u>	<u>14,317</u>
Total liabilities	<u>14,317</u>	<u>-</u>	<u>14,317</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, 2010

	<u>Balance January 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2010</u>
<u>Employee Benefits</u>				
ASSETS				
Cash and Cash Equivalents	\$ 16,457	\$ 3,540,556	\$ 3,542,696	\$ 14,317
Total Assets	<u>16,457</u>	<u>3,540,556</u>	<u>3,542,696</u>	<u>14,317</u>
LIABILITIES				
Accrued Taxes Payable		1,531,497	1,531,497	-
Accrued Fringe Benefit Payable	16,457	2,009,690	2,011,830	14,317
Total Liabilities	<u>16,457</u>	<u>3,541,187</u>	<u>3,543,327</u>	<u>14,317</u>
 <u>Sales Tax</u>				
ASSETS				
Cash and Cash Equivalents	499	1,116	1,615	-
LIABILITIES				
Accounts Payable	499	592	1,091	-
Due to State Government		1,708	1,708	-
Total Liabilities	<u>499</u>	<u>2,300</u>	<u>2,799</u>	<u>-</u>
 <u>Totals - All Agency Funds</u>				
ASSETS				
Cash and Cash Equivalents	16,956	3,541,672	3,544,311	14,317
Total Assets	<u>16,956</u>	<u>3,541,672</u>	<u>3,544,311</u>	<u>14,317</u>
LIABILITIES				
Accounts Payable	499	592	1,091	-
Accrued Taxes Payable	-	1,531,497	1,531,497	-
Accrued Fringe Benefit Payable	16,457	2,009,690	2,011,830	14,317
Due to State Government	-	1,708	1,708	-
Total Liabilities	<u>\$ 16,956</u>	<u>\$ 3,543,487</u>	<u>\$ 3,546,126</u>	<u>\$ 14,317</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, 2010

	Park			Memorial Pool		
	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
REVENUES						
Taxes:						
General Sales & Use	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-	-
Charges for goods & services	13,600	10,995				
Culture & recreation			-	40,800	26,093	(14,707)
Interest earned	5,000	2,798	(2,202)	20	670	650
Contributions & Donations from Private Sources		1,134	1,134			-
Miscellaneous			-		14	14
Total revenue	<u>18,600</u>	<u>14,927</u>	<u>(1,068)</u>	<u>40,820</u>	<u>26,777</u>	<u>(14,043)</u>
EXPENDITURES						
Current:						
Public works	-	-	-	-	-	-
Culture and Recreation	856,018	781,900	74,118	207,558	176,843	30,715
Casualty Reserve	-	-	-	-	-	-
Special Appropriations	-	-	-	-	-	-
Total expenditures	<u>856,018</u>	<u>781,900</u>	<u>74,118</u>	<u>207,558</u>	<u>176,843</u>	<u>30,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(837,418)</u>	<u>(766,973)</u>	<u>73,050</u>	<u>(166,738)</u>	<u>(150,066)</u>	<u>16,672</u>
OTHER FINANCING SOURCES(USES)						
Proceeds from Sale of Fixed Assets	-	4,425	4,425	-	-	-
Transfers in	837,418	768,349	(69,069)	166,738	157,655	(9,083)
Transfer (out)	-	-	-	-	-	-
Total other financing sources(uses)	<u>837,418</u>	<u>772,774</u>	<u>(64,644)</u>	<u>166,738</u>	<u>157,655</u>	<u>(9,083)</u>
Net change in fund balances	<u>-</u>	<u>5,801</u>	<u>8,406</u>	<u>-</u>	<u>7,589</u>	<u>7,589</u>
Fund balances - beginning		<u>2,113</u>			<u>2,411</u>	
Fund balances - ending		<u>\$ 7,914</u>			<u>\$ 10,000</u>	

EXHIBIT D-1

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
398,360	410,074	11,714	-	-	-	-	-	-
2,000	1,175	(825)	500	465	(35)	1,000	641	(359)
300	5,007	4,707	-	-	-	-	-	-
4,400	212	(4,188)	-	-	-	-	-	-
<u>405,060</u>	<u>416,468</u>	<u>11,408</u>	<u>500</u>	<u>465</u>	<u>(35)</u>	<u>1,000</u>	<u>641</u>	<u>(359)</u>
-	-	-	-	-	-	-	-	-
686,090	626,475	59,615	130,737	81,197	49,540	-	-	-
-	-	-	-	-	-	15,000	27	14,973
-	-	-	-	-	-	-	-	-
<u>686,090</u>	<u>626,475</u>	<u>59,615</u>	<u>130,737</u>	<u>81,197</u>	<u>49,540</u>	<u>15,000</u>	<u>27</u>	<u>14,973</u>
<u>(281,030)</u>	<u>(210,007)</u>	<u>71,023</u>	<u>(130,237)</u>	<u>(80,732)</u>	<u>49,505</u>	<u>(14,000)</u>	<u>614</u>	<u>14,614</u>
-	-	-	-	-	-	-	-	-
275,302	233,754	(41,548)	130,237	84,192	(46,045)	-	-	-
-	-	-	-	-	-	-	-	-
<u>275,302</u>	<u>233,754</u>	<u>(41,548)</u>	<u>130,237</u>	<u>84,192</u>	<u>(46,045)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(5,728)</u>	<u>23,747</u>	<u>29,475</u>	<u>-</u>	<u>3,460</u>	<u>3,460</u>	<u>(14,000)</u>	<u>614</u>	<u>14,614</u>
	<u>(21,282)</u>			<u>126,717</u>			<u>63,834</u>	
	<u>\$ 2,465</u>			<u>\$ 130,177</u>			<u>\$ 64,448</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, 2010

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)
\$ 21,397	\$ 21,397	\$ -	\$ 419,128	\$ 486,840	\$ 67,712	\$ -	\$ -	\$ -
-	-	-	-	-	-	51,200	61,865	10,665
-	616	616	12,000	5,659	(6,341)	-	633	633
-	-	-	-	-	-	-	-	-
<u>21,397</u>	<u>22,013</u>	<u>616</u>	<u>431,128</u>	<u>492,821</u>	<u>61,693</u>	<u>51,200</u>	<u>62,498</u>	<u>11,298</u>
183,000	180	182,820	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	339,043	328,421	10,622	-	-	-
<u>183,000</u>	<u>180</u>	<u>182,820</u>	<u>339,043</u>	<u>328,421</u>	<u>10,622</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(161,603)</u>	<u>21,833</u>	<u>183,436</u>	<u>92,085</u>	<u>164,400</u>	<u>72,315</u>	<u>51,200</u>	<u>62,498</u>	<u>11,298</u>
-	-	-	-	-	-	-	-	-
161,603	-	(161,603)	-	-	-	-	-	-
-	-	-	(150,105)	(73,878)	(76,227)	(27,000)	(51,200)	(24,200)
<u>161,603</u>	<u>-</u>	<u>(161,603)</u>	<u>(150,105)</u>	<u>(73,878)</u>	<u>(76,227)</u>	<u>(27,000)</u>	<u>(51,200)</u>	<u>(24,200)</u>
<u>-</u>	<u>21,833</u>	<u>21,833</u>	<u>92,085</u>	<u>90,522</u>	<u>(3,912)</u>	<u>24,200</u>	<u>11,298</u>	<u>(12,902)</u>
	<u>54,741</u>			<u>515,807</u>			<u>17,780</u>	
	<u>\$ 76,574</u>			<u>\$ 606,329</u>			<u>\$ 29,078</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, 2010

	Special Capital Improvement Fund			Airport Capital Improvement		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 2,281,904	\$ 2,279,735	\$ (2,169)	\$ -	\$ -	\$ -
Intergovernmental	1,901,000	-	(1,901,000)	1,305,800	410,823	(894,977)
Charges for Services	-	5,349	5,349	-	-	-
Interest	40,000	39,337	(663)	-	-	-
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenue	<u>4,222,904</u>	<u>2,324,421</u>	<u>(1,898,483)</u>	<u>1,305,800</u>	<u>410,823</u>	<u>(894,977)</u>
EXPENDITURES						
Culture and Recreation	-	-	-	-	-	-
Public Works	6,474,599	1,950,218	4,524,381	1,350,000	432,662	917,338
Public Safety	-	-	-	-	-	-
Total expenditures	<u>6,474,599</u>	<u>1,950,218</u>	<u>4,524,381</u>	<u>1,350,000</u>	<u>432,662</u>	<u>917,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,251,695)</u>	<u>374,203</u>	<u>2,625,898</u>	<u>(44,200)</u>	<u>(21,839)</u>	<u>22,361</u>
OTHER FINANCING SOURCES(USES)						
Proceeds From Sale of Real Estate	-	-	-	-	-	-
Transfers (out)	(837,715)	(8,953)	828,762	-	-	-
Transfer in	-	-	-	34,500	34,500	-
Total other financing sources(uses)	<u>(837,715)</u>	<u>(8,953)</u>	<u>828,762</u>	<u>34,500</u>	<u>34,500</u>	<u>-</u>
Net change in fund balances	<u>(3,089,410)</u>	<u>365,250</u>	<u>3,454,660</u>	<u>(9,700)</u>	<u>12,661</u>	<u>22,361</u>
Fund balances - beginning		<u>3,490,372</u>			<u>15,360</u>	
Fund balances - ending		<u>\$ 3,855,622</u>			<u>\$ 28,021</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
202,200	82,864	(119,336)	257,143	-	(257,143)	-	-	-
-	-	-	-	-	-	-	-	-
-	5	5	-	-	-	-	-	-
14,595	90	(14,505)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>216,795</u>	<u>82,959</u>	<u>(133,836)</u>	<u>257,143</u>	<u>-</u>	<u>(257,143)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	511,200	434,701	76,499
381,900	174,524	-	1,122,000	53,971	1,068,029	-	-	-
-	-	-	-	-	-	-	-	-
<u>381,900</u>	<u>174,524</u>	<u>-</u>	<u>1,122,000</u>	<u>53,971</u>	<u>1,068,029</u>	<u>511,200</u>	<u>434,701</u>	<u>76,499</u>
<u>(165,105)</u>	<u>(91,565)</u>	<u>(133,836)</u>	<u>(864,857)</u>	<u>(53,971)</u>	<u>810,886</u>	<u>(511,200)</u>	<u>(434,701)</u>	<u>76,499</u>
-	29,613	29,613	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
150,105	55,057	(95,048)	727,312	51,200	(676,112)	105,700	43,298	(62,402)
150,105	84,670	(65,435)	727,312	51,200	(676,112)	105,700	43,298	(62,402)
<u>(15,000)</u>	<u>(6,895)</u>	<u>(199,271)</u>	<u>(137,545)</u>	<u>(2,771)</u>	<u>134,774</u>	<u>(405,500)</u>	<u>(391,403)</u>	<u>14,097</u>
	<u>(92,459)</u>			<u>8,099</u>			<u>10,000</u>	
	<u>\$ (99,354)</u>			<u>\$ 5,328</u>			<u>\$ (381,403)</u>	

(continued)

CITY OF YANKTON, SOUTH DAKOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL PROJECT FUNDS AND PERMANENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	TID #2 Morgan Square			Permanent Fund Perpetual Care Cemetery		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 27,000	\$ 25,558	\$ (1,442)	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	9,300	43,022	33,722
Interest	-	-	-	4,000	1,869	(2,131)
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	2,362	-
Total revenue	<u>27,000</u>	<u>25,558</u>	<u>(1,442)</u>	<u>13,300</u>	<u>47,253</u>	<u>33,953</u>
EXPENDITURES						
Culture and Recreation	-	-	-	86,203	75,816	10,387
Public Works	27,000	25,558	1,442	-	-	-
Public Safety	-	-	-	-	-	-
Total expenditures	<u>27,000</u>	<u>25,558</u>	<u>1,442</u>	<u>86,203</u>	<u>75,816</u>	<u>10,387</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(72,903)	(28,563)	44,340
OTHER FINANCING SOURCES(USES)						
Proceeds From Sale of Real Estate	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Transfer in	-	-	-	73,453	31,226	(42,227)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,453</u>	<u>31,226</u>	<u>(42,227)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>550</u>	<u>2,663</u>	<u>2,113</u>
Fund balances - beginning		-			156,663	
Fund balances - ending		\$ <u>-</u>			\$ <u>159,326</u>	

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Expenditures of Federal Awards (Cash Basis)
For The Year Ended December 31, 2010

	Federal CFDA Number	Amount
Department of Housing and Urban Development:		
Indirect Federal Funding:		
SD Governor's Office of Economic Development, Community Development Block Grants/ State's Program	14.228	\$ 65,578
Department of Justice:		
Direct Federal Funding:		
Bullet Proof Vest Partnership	16.607	369
Recovery Act- Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government-ARRA	16.804	42,537
Department of Transportation:		
Direct Federal Funding:		
Airport Improvement Program	20.106	438,928
General Services Administration:		
Indirect Federal Funding:		
SD Federal Property Agency, Donation of Federal Surplus Personal Property	39.003	325
Institute of Museum and Library Services:		
Indirect Federal Funding:		
SD Department of Education Grants to States	45.310	552
Environmental Protection Agency:		
Indirect Federal Funding:		
SD Department of Environment and Natural Resources, Capitalization Grants for Drinking Water State Revolving Funds	66.468	1,547,911
SD Department of Environment and Natural Resources, Capitalization Grants for Drinking Water State Revolving Funds- ARRA	66.468	316,544
		<u>1,864,455</u>
Department of Energy:		
Direct Federal Funding:		
Energy Efficiency and Conservation Block Grant Program (EECBG)- ARRA	81.128	61,600
Total Expenditures of Federal Awards		<u><u>\$ 2,474,344</u></u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010.

	<u>Total Amount Of Loan Outstanding</u>	<u>Federal Portion Of Loan Outstanding</u>
Wastewater System, Series 1997A (83.33%)	\$ 1,633,247	\$ 1,360,984
Wastewater System #2, Series 1997B (0%)	2,995,863	-
Wastewater Systems #3, Series 2001 (83.33%)	4,433,767	3,694,658
Total Wastewater System	<u>\$ 9,062,877</u>	<u>\$ 5,055,642</u>
Water System Services 2001 (76.97%)	\$ 2,554,224	\$ 1,965,986
Water System, Services Series #2 (50.06%)	856,813	428,921
Water System, Services Series #3 (40.55%)	690,474	280,000
Water System, Services Series #4 (52.64%)	1,915,187	1,008,202
Total Water System	<u>\$ 6,016,698</u>	<u>\$ 3,683,109</u>

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

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 #66.468 – Capitalization Grants for Drinking Water State Revolving Funds.
- (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-10 Financial Reporting

Observation - During the audit, we identified material amounts of receivables and fund balance 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 fund balance is 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 fund balance is identified and included in the City's financial statements and that any required adjustments are made.

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

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

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, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2011. 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 \$302,922 and total revenues of \$583,705 as of and for the year ended June 30, 2010. 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.

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, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as II-A-10, to be a material weakness.

Compliance and Other Matters

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

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.

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 10, 2011



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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. 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 \$557,865 in federal awards which is not included in the Schedule of Federal Awards for the year ended December 31, 2010. 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 compliance requirements referred to above that could have a direct and material effect to its major federal program for the year ended December 31, 2010.

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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 10, 2011

