

CITY OF YANKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended

December 31, 2011



CITY OF YANKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

PREPARED BY:
FINANCE DEPARTMENT

AL VIERECK
FINANCE OFFICER

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

CITY OF YANKTON
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2011
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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, 2011, 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 \$320,595 and total revenues of \$612,159 as of and for the year then ended June 30, 2011. 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, 2011, 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 25, 2012, 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.

Yankton, South Dakota
June 25, 2012

Williams & Company, P.C.
Certified Public Accountants

Management Discussion and Analysis December 31, 2011

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, 2011. 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, 2011 by \$81,833,404. Of this amount \$12,566,484 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$764,193 during the year. Of this amount the assets of our Governmental Activities increased \$545,940 and the assets of our Business-Type Activities increased by \$218,253. The governmental net assets and the business type net assets increased in large part due to an increase in cash and cash equivalents at years end.
- The City's Governmental Fund Balances increased \$1,480,929 in 2011. Exhibit 4 details increases in fund balances for General, Special Capital Improvement, Debt Service Funds and Other Governmental Funds.
- The City's long-term debt increased \$1,990,428 in 2011. This increase occurred from new issuances of \$2,670,000 in Sales Tax Revenue Bonds and \$4,325,000 in Wastewater Refunding Bonds and a net increase in Water Revolving Loans, offset by decreases in long term debt from annual debt service payments in the Sales Tax Revenue Bonds 2004 Series, 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 Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 12,249,719	\$ 11,137,758	\$ 8,503,775	\$ 7,538,958	\$ 20,753,494	\$ 18,676,716
Capital Assets	<u>53,909,145</u>	<u>52,746,069</u>	<u>31,829,678</u>	<u>32,631,387</u>	<u>85,738,823</u>	<u>85,377,456</u>
Total Assets	<u>66,158,864</u>	<u>63,883,827</u>	<u>40,333,453</u>	<u>40,170,345</u>	<u>106,492,317</u>	<u>104,054,172</u>
Long-term Liabilities Outstanding	6,853,930	4,997,748	14,648,724	14,804,446	21,502,654	19,802,194
Other Liabilities	<u>1,401,163</u>	<u>1,528,248</u>	<u>1,755,096</u>	<u>1,654,519</u>	<u>3,156,259</u>	<u>3,182,767</u>
Total Liabilities	<u>8,255,093</u>	<u>6,525,996</u>	<u>16,403,820</u>	<u>16,458,965</u>	<u>24,658,913</u>	<u>22,984,961</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	49,763,859	48,177,485	16,379,318	17,249,512	66,143,177	65,426,997
Restricted	3,094,015	1,983,620	29,728	36,051	3,123,743	2,019,671
Unrestricted	<u>5,045,897</u>	<u>7,196,726</u>	<u>7,520,587</u>	<u>6,425,817</u>	<u>12,566,484</u>	<u>13,622,543</u>
Ending Net Assets	<u>\$ 57,903,771</u>	<u>\$ 57,357,831</u>	<u>\$ 23,929,633</u>	<u>\$ 23,711,380</u>	<u>\$ 81,833,404</u>	<u>\$ 81,069,211</u>

This summary reflects an increase in net assets of 0.95% for the Governmental Activities and an increase of 0.92% in the Business-Type Activities. The increase in Governmental Activities Capital Assets was largely Buildings and Structures as some 2010 construction in progress projects saw considerable expenditures to complete the projects in 2011, including the second fire station and various street improvements. The overall liabilities of the City of Yankton increased by \$1,673,952 or 7.3%, due to increased borrowing of Water State Revolving Loan Funds for capital improvements to our water collection and distribution system and the issuance of Sales Tax Revenue Bonds for the Tax Improvement District #5.

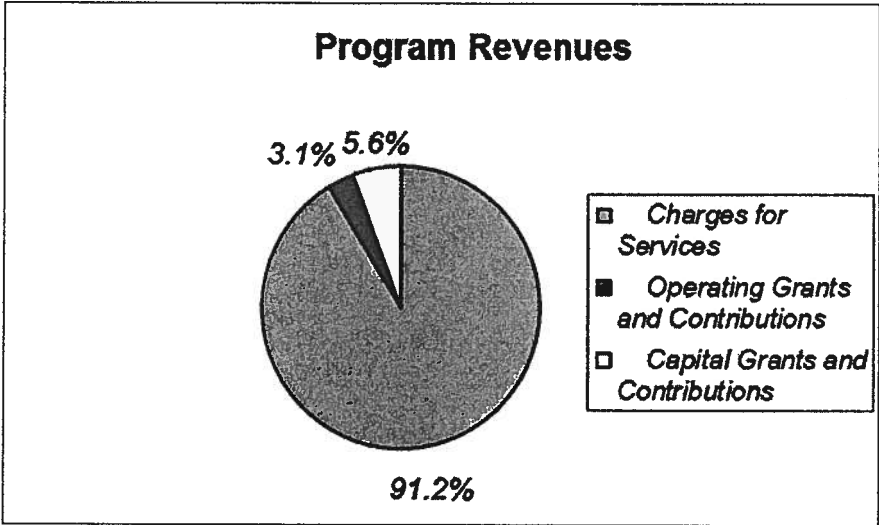
Total revenue reported in 2011 was \$23,863,809, an increase of \$875,150 or 3.81%. The largest increase in revenues was in Sales Taxes; an increase of \$636,238 or 8.6%. The Property Tax revenues increased \$78,466 or 3.5%, Charges for Services increased \$310,095 or 2.8%, and Operating Grants and Contributions increased \$108,967 or 38.2%. 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	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,054,625	\$ 2,873,852	\$ 8,391,604	\$ 8,262,282	\$11,446,229	\$11,136,134
Operating Grants and Contributions	394,197	285,230	-	-	394,197	285,230
Capital Grants and Contributions	613,924	625,548	90,454	625,830	704,378	1,251,378
General Revenues:						
Property Taxes	2,316,869	2,238,403	-	-	2,316,869	2,238,403
Sales Taxes	8,040,671	7,404,433	-	-	8,040,671	7,404,433
Other Taxes	507,714	483,129	-	-	507,714	483,129
Other	323,726	99,592	130,025	90,360	453,751	189,952
Total Revenues	15,251,726	14,010,187	8,612,083	8,978,472	23,863,809	22,988,659
Expenses:						
General Government	1,610,665	1,532,331	-	-	1,610,665	1,532,331
Public Safety	3,128,242	3,097,237	-	-	3,128,242	3,097,237
Public Works	3,613,934	5,261,049	-	-	3,613,934	5,261,049
Culture & Recreation Community & Economic Development	2,898,553	2,731,827	-	-	2,898,553	2,731,827
Interest on Long-term Debt	3,004,440	349,467	-	-	3,004,440	349,467
Water	273,828	234,866	-	-	273,828	234,866
Wastewater	-	-	2,733,128	3,103,023	2,733,128	3,103,023
Golf	-	-	3,273,586	3,229,986	3,273,586	3,229,986
Non-Major Enterprise Funds	-	-	795,530	873,730	795,530	873,730
Total Expenses	14,529,662	13,206,777	8,569,954	9,006,784	23,099,616	22,213,561
Increase (Decrease) in Net Assets						
Before Transfers	722,064	803,410	42,129	(28,312)	764,193	775,098
Transfers	(176,124)	92,700	176,124	(92,700)	-	-
Increase (Decrease) in Net Assets	545,940	896,110	218,253	(121,012)	764,193	775,098
Net Assets January 1	57,357,831	56,461,721	23,711,380	23,832,392	81,069,211	80,294,113
Net Assets December 31	\$57,903,771	\$57,357,831	\$23,929,633	\$23,711,380	\$81,833,404	\$81,069,211

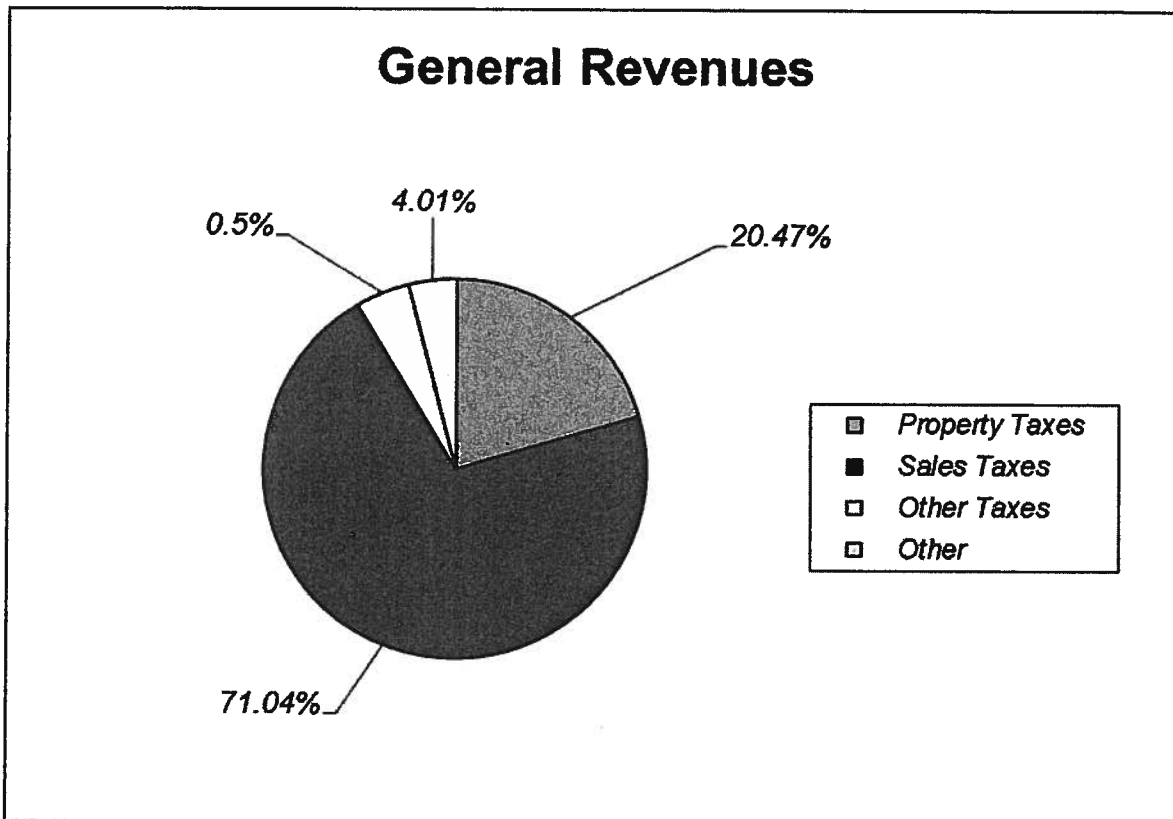
Charges for Services in the Business-Type Activities increased \$129,322 or 1.6% due in most part to rate increases in water, wastewater, and solid waste collection to offset increased operating expenses and an increase in debt service expenses for the water system capital expenditures. Business-Type Activities Capital Grants and Contributions decreased by \$535,376 or 85.5%

Program Revenues total \$12,544,804 for 2011. Governmental Activities provided \$4,062,746 and Business-Type Activities provided \$8,482,058. Revenue collected for Charges for Services during 2011 was \$11,446,229 accounting for 91.2% of the total program revenues. Revenue collected for Capital Grants and Contributions accounts for 5.6% of the total program revenues. The following chart breaks down program revenues by sources:



General Revenues for 2011 totaled \$11,319,005. Governmental Activities provided \$11,188,980 and Business-Type Activities provided \$130,025. Sales Tax Revenues for 2011 totaled \$8,040,671 and Property Tax Revenue totaled \$2,316,869. The Sales Tax Revenues accounted for 71.04% and Property Tax Revenues were 20.47% of General Revenues. The following chart breaks down General Revenues by source:

GENERAL REVENUES



Expenses for 2011 totaled \$23,099,616, an increase of 3.99%. Expenses for Governmental Activities totaled \$14,529,662 accounting for 62.9% of the total expenses. Expenses for Business-Type Activities totaled \$8,569,954 accounting for 37.1% of total expenses.

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

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

Governmental Activities

To aid in the understanding of the Statement of Activities (Exhibit 2) some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$3,128,242 and received \$27,032 in charges for services, \$60,365 in operating grants and contributions, and \$61,314 in capital grants and contributions thus leaving a cost to the taxpayers of \$2,979,531 to be funded by various other methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

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

The total cost of governmental activities this year was \$14,529,662. Of these costs, \$3,054,625 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 \$394,197, and costs paid by other governments and organizations that subsidized certain programs with capital grants and contributions were \$613,924, leaving a Net Expense of \$10,466,916 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 \$72,433,433, consisting of Net Assets January 1, 2011 of \$57,357,831, General Revenues and transfers of \$11,012,856, and Program Revenues of \$4,062,746. Total Governmental Activities during the year expended \$14,529,662; thus, Net Assets were increased by \$545,940 to \$57,903,771.

Business Type Activities

Business-Type Activities increased the City's net assets by \$218,253.

The cost of all Business-Type Activities this year was \$8,569,954. As shown in the Statement of Activities, the amounts paid by users of the systems was \$8,391,604 and \$90,454 was funded from capital grants and contributions, resulting in a slight net loss for Business-Type Activities of (\$87,896).

Total resources available during the year to finance Business-Type Activities were \$32,499,587 consisting of Net Assets January 1, 2011 of \$23,711,380, Program Revenues of \$8,482,058 and General Revenues and transfers of \$306,149. Total Business-Type Activities during the year expended \$8,569,954; thus Net Assets were increased by \$218,253 to \$23,929,633.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending as the end of a fiscal year. The City's governmental funds reported combined ending fund balances of \$10,951,223 (5.3% non-spendable, 69.5% restricted, 0.8% assigned, and 24.4% unassigned). The combined Governmental Funds fund balance increased \$1,480,929 from the prior year. The fund balance amount consists of \$579,415 of non-spendable funds committed for 1) perpetual care for cemetery \$50,000, 2) \$189,248 in prepaid expenses 3) \$270,270 in vested reserve in our insurance carrier the South Dakota Public Assurance Association or SDPAA, 4) inventory of land for resale \$27,247, and 5) long-term note receivable \$42,650, \$7,609,832 of restricted funds, \$83,618 of assigned funds, and \$2,678,358 of unassigned funds.

The general fund is the chief operating fund of the City of Yankton. At the end of the current fiscal year total general fund balance was \$3,933,058, an increase of \$373,736. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32.3 percent of total general fund expenditures, while total fund balance represents 40.4 percent of that same amount.

General fund revenues increased \$1,345,722 or 14.2%, and expenditures increased \$1,771,847 or 22.3%. The increase in expenditures was largely for culture and recreation but merely reflects the re-categorizing of some previous special revenue funds (Marne Creek, Summit Activities Center, Memorial Park Pool, and Parks and Recreation). See Note 20 for further detail.

The Special Capital Improvements Fund showed an increase in fund balance of \$638,041. This reflects an increase in revenues of \$112,914 and a decrease in expenditures of \$150,924.

The Debt Service Fund balance increased \$442,152 to end 2011 at \$2,031,452.

The Other Governmental Funds end of year balance increased \$27,000 to \$493,050.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the 2011 original (adopted) General Fund budget of \$11,845,100 to the final budget amount of \$12,541,691 shows a net increase of \$696,591. However, actual expenditures were \$2,120,079 less than the original adopted budget. Supplemental changes that would have resulted in actual expenditures higher than the original budget were offset by less expenditures than originally budgeted in various departments.

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

CAPITAL ASSETS

The City's investment in capital assets, including land, construction in progress, building and structures, equipment, streets, water system, wastewater system, transfer station and recycling facilities, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of December 31, 2011 was \$66,143,177 (net of accumulated depreciation and outstanding financings). This was an increase of \$716,180 or 1.1%. The comparative totals for capital assets for 2010 and 2011 are as follows:

CITY OF YANKTON CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,263,654	\$ 3,263,654	\$ 815,123	\$ 815,123	\$ 4,078,777	\$ 4,078,777
Construction in Progress	3,947,206	7,472,548	3,221,777	2,774,882	7,168,983	10,247,430
Buildings & Structures/Infrastructure	41,175,640	36,458,952	24,008,929	25,146,360	65,184,569	61,605,312
Land Improvements	-	-	2,140,584	2,143,691	2,140,584	2,143,691
Furniture and Equipment	5,522,645	5,550,315	1,643,265	1,751,331	7,165,910	7,301,646
Other Fixed Assets	-	600	-	-	-	600
Total	\$ 53,909,145	\$ 52,746,069	\$ 31,829,678	\$ 32,631,387	\$ 85,738,823	\$ 85,377,456

Construction in Progress was the major decrease in capital outlay for 2011. This corresponds to an increase in Buildings and Structures as some outstanding projects were finished in 2011 including the new 2nd Fire Station and airport apron reconstruction expansion. 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 \$22,250,759 of debt outstanding, a net increase of \$1,990,429. During 2011 the City incurred an increase in sales tax revenue bonds of \$2,670,000 to finance the purchase of land for the new Menard's development. We also had a net increase in water revenue bonds of approximately \$890,000 to fund source water development. This increase in debt was partially offset by normal debt service payments to arrive at the net increase of \$1,990,429 in debt outstanding city-wide.

Of the total debt, \$6,815,286 or 30.6% is to be paid from governmental activities including \$4,610,000 specifically from sales tax funds, \$2,135,000 from property tax opt-out dollars, and \$70,286 from general fund revenues; and \$15,435,473 or 69.4% in business type activities including \$6,906,724 to be repaid from water user fees, \$274,354 to be paid from landfill revenues and \$8,254,395 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 \$36,463,934 with outstanding debt (less debt service reserves) of \$18,054,579, leaving an unused balance of \$18,409,355 or 50.48% 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 2011 was \$29,109,321. It was an increase of \$1,897,096 or 7.0% of the 2010 total of \$27,212,225. The average annual building permit value for the last ten years was \$25,515,260 and the 2011 total value was 14.1% more than that average. New construction building permits included the new Menard's, North Town Automotive and the City of Yankton Comfort Station at Riverside Park. Commercial additions and remodels included the L&M Radiator, Vision Care Associates, National Field Archery, Lewis & Clark Medical Office Building, and Burger King Restaurant. There were twenty-two new home-building permits issued during the year, a decrease of one from 2010.

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 2011 sales were up 8.2% over 2010's figures and totaled \$424,502,189. As of the date of this report, the 2012 taxable sales for the City of Yankton are up over 10% from the same period 2011 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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment
ASSETS				
Cash and Cash Equivalents	\$ 8,667,950	\$ 7,190,777	\$ 15,858,727	\$ 315,628
Receivables:				
Taxes	40,030	-	40,030	-
Accounts	120,721	812,819	933,540	3,352
Accrued Interest	3	-	3	-
Special Assessments	185,687	-	185,687	-
Notes Receivable	42,650	-	42,650	-
Other Receivables	-	-	-	62
Due from Other Governmental Agencies	1,267,030	-	1,267,030	-
Prepaid Expenses	292,506	60,499	353,005	1,553
Property Held for Resale, At Cost	27,247	-	27,247	-
Inventories	161,787	328,872	490,659	-
Restricted Assets:				
Cash and Cash Equivalents	425,004	30,414	455,418	-
Deposits	270,270	-	270,270	-
Investments	590,920	-	590,920	-
Accrued Interest Receivable	3,042	-	3,042	-
Bond Issue Costs	154,872	80,394	235,266	-
Land	3,263,654	815,123	4,078,777	-
Construction in Progress	3,947,206	3,221,777	7,168,983	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	46,698,285	27,792,778	74,491,063	-
Total Assets	66,158,864	40,333,453	106,492,317	320,595
LIABILITIES				
Accounts Payable	206,470	478,606	685,076	1,423
Accrued Wages	235,703	75,106	310,809	-
Accrued Interest Payable	80,737	95,851	176,588	-
Unearned Revenue	-	2,500	2,500	-
Customer Deposits	540	-	540	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	1,081,033	1,081,033	-
General Obligation Bonds	685,000	-	685,000	-
Capital Lease	95,000	-	95,000	-
Notes Payable	34,586	-	34,586	-
Compensated Absences	63,127	22,000	85,127	-
Due in more than one year:				
Revenue Bonds Payable	-	14,369,327	14,369,327	-
Capital Lease	2,040,000	-	2,040,000	-
General Obligation Bonds	3,936,016	-	3,936,016	-
Notes Payable	35,700	-	35,700	-
Estimated Postemployment Benefit Obligation	469,575	156,774	626,349	-
Compensated Absences	372,639	122,623	495,262	-
Total Liabilities	8,255,093	16,403,820	24,658,913	1,423
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	49,763,859	16,379,318	66,143,177	-
Restricted for:				
Housing Vouchers	-	-	-	79,581
Debt Service	1,950,715	29,728	1,980,443	-
Lodging Sales Tax	577,312	-	577,312	-
Cumulative Reserve-SDPAA	270,270	-	270,270	-
Other Purposes	136,493	-	136,493	-
Perpetual Care				
Expendable	109,225	-	109,225	-
Nonexpendable	50,000	-	50,000	-
Unrestricted	5,045,897	7,520,587	12,566,484	239,591
Total Net Assets	\$ 57,903,771	\$ 23,929,633	\$ 81,833,404	\$ 319,172

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

<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	\$ 1,610,665	\$ 1,884,381	\$ -
Public Safety	3,128,242	27,032	60,365
Public Works	3,613,934	546,672	287,897
Culture and Recreation	2,898,553	596,540	45,935
Community Development	3,004,440	-	-
Interest on Long-Term Debt	273,828	-	-
Total Governmental Activities	<u>14,529,662</u>	<u>3,054,625</u>	<u>394,197</u>
Business-Type Activities:			
Water	2,733,128	3,272,365	-
Wastewater	3,273,586	2,685,101	-
Solid Waste	759,835	789,907	-
Joint Powers- Landfill	1,007,875	945,133	-
Golf Course	795,530	699,098	-
Total Business-Type Activities	<u>8,569,954</u>	<u>8,391,604</u>	<u>-</u>
Component Units:			
Housing & Redevelopment	594,548	-	580,962
Total Component Unit	<u>\$ 594,548</u>	<u>\$ -</u>	<u>\$ 580,962</u>
General Revenues:			
Property taxes			
Sales and other Taxes			
Lodging Sales Tax			
Interest			
Sale of Non-Capitalized Assets			
Reimbursements			
Miscellaneous			
Gain on Disposition of Assets			
Interfund Transfers			
Total General Revenues and Transfers			
Change in Net Assets			
Net Assets - Beginning			
Net Assets - Ending			

EXHIBIT 2

Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Component Unit Housing & Redevelopment
	Governmental Activities	Business-Type Activities	Total	
\$ 4,500	\$ 278,216		\$ 278,216	-
61,314	(2,979,531)		(2,979,531)	-
528,454	(2,250,911)		(2,250,911)	-
4,656	(2,251,422)		(2,251,422)	-
15,000	(2,989,440)		(2,989,440)	-
-	(273,828)		(273,828)	-
<u>613,924</u>	<u>(10,466,916)</u>		<u>(10,466,916)</u>	-
-		\$ 539,237	539,237	-
90,454		(498,031)	(498,031)	-
-		30,072	30,072	-
-		(62,742)	(62,742)	-
-		(96,432)	(96,432)	-
<u>90,454</u>		<u>(87,896)</u>	<u>(87,896)</u>	-
-	-	-	-	\$ (13,586)
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,586)</u>
	2,316,869	-	2,316,869	-
	8,040,671	-	8,040,671	-
	507,714	-	507,714	-
	108,464	65,280	173,744	-
	-	38	38	-
	185,653	-	185,653	-
	175	64,707	64,882	31,197
	29,434	-	29,434	-
	(176,124)	176,124	-	-
	<u>11,012,856</u>	<u>306,149</u>	<u>11,319,005</u>	<u>31,197</u>
	545,940	218,253	764,193	17,611
	<u>57,357,831</u>	<u>23,711,380</u>	<u>81,069,211</u>	<u>301,561</u>
	<u>\$ 57,903,771</u>	<u>\$ 23,929,633</u>	<u>\$ 81,833,404</u>	<u>\$ 319,172</u>

CITY OF YANKTON, SOUTH DAKOTA
BALANCE SHEET
Governmental Funds
December 31, 2011

	General	Special Capital Improvements	
<u>Assets</u>			
Cash and Cash Equivalents	\$ 3,103,773	\$ 3,645,870	
Receivables (Net where applicable, of allowance for uncollectibles):			
Taxes	40,030	-	
Accounts	119,733	-	
Accrued Interest	-	-	
Special Assessments	10,853	-	
Notes Receivable	42,650	-	
Due from Other Funds	-	638,091	
Due from Other Governmental Agencies	612,022	74,972	
Advances to Other Funds	-	135,689	
Prepaid Expenses	189,248	-	
Property Held for Resale, At Cost	27,247	-	
Restricted Assets:			
Cash and Cash Equivalents	261,687	-	
Deposits	270,270	-	
Investments	-	-	
Accrued Interest Receivable	-	-	
Total Assets	4,677,513	4,494,622	
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	177,311	959	
Accrued Wages	212,128	-	
Unearned Revenue	196,079	-	
Due to Other Funds	22,708	-	
Customer Deposits	540	-	
Advances from Other Funds	135,689	-	
Total Liabilities	744,455	959	
Fund Balances:			
Non-Spendable:			
Perpetual Care	-	-	
Prepaid Expenses	189,248	-	
Cumulative Reserve-SDPAA	270,270	-	
Property Held for Resale	27,247	-	
Long Term Advances	-	135,689	
Notes Receivable	42,650	-	
Restricted:			
Debt Service	-	-	
Lodging Sales Tax	-	-	
Capital Projects	261,687	-	
Perpetual Care	-	-	
Other Purposes	-	-	
Committed:			
Special Capital Improvements (sales tax)	-	4,357,974	
Assigned:			
Capital Projects	-	-	
Unassigned	3,141,956	-	
Total Fund Balances	3,933,058	4,493,663	
Total Liabilities and Fund Balances	\$ 4,677,513	\$ 4,494,622	

EXHIBIT 3

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,175,100	\$ 708,899	\$ 8,633,642
-	-	40,030
-	988	120,721
3	-	3
-	174,834	185,687
-	-	42,650
-	-	638,091
310,804	260,590	1,258,388
-	-	135,689
-	-	189,248
-	-	27,247
10,070	153,247	425,004
-	-	270,270
590,920	-	590,920
3,042	-	3,042
<u>2,089,939</u>	<u>1,298,558</u>	<u>12,560,632</u>
-	13,881	192,151
-	19,588	231,716
58,487	156,656	411,222
-	615,383	638,091
-	-	540
-	-	135,689
<u>58,487</u>	<u>805,508</u>	<u>1,609,409</u>
-	50,000	50,000
-	-	189,248
-	-	270,270
-	-	27,247
-	-	135,689
-	-	42,650
2,031,452	-	2,031,452
-	577,312	577,312
-	-	261,687
-	109,225	109,225
-	136,493	136,493
-	-	4,357,974
-	83,618	83,618
-	(463,598)	2,678,358
<u>2,031,452</u>	<u>493,050</u>	<u>10,951,223</u>
<u>\$ 2,089,939</u>	<u>\$ 1,298,558</u>	<u>\$ 12,560,632</u>

CITY OF YANKTON, SOUTH DAKOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2011

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

Total Fund Balance - Governmental Funds (page 17)	\$ 10,951,223
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	53,810,075
Deferred revenues that do not provide current financial resources for governmental activities	411,222
Accrued expenses from the balance sheet that do not require current financial resources for governmental activities	(80,737)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	101,679
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	154,872
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	(7,253,307)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds	(460,299)
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.	269,043
Total Net Assets - Governmental Activities (page 13)	<u>\$ 57,903,771</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended December 31, 2011

	<u>General</u>	<u>Special Capital Improvements</u>
Revenue:		
Property Taxes	\$ 2,285,268	\$ -
Sales and Other Taxes	4,835,776	2,325,154
Special Assessments	-	-
Licenses and Permits	452,593	-
Intergovernmental	470,322	49,741
Charges for Services	2,532,175	-
Fines and Forfeits	16,824	-
Interest on Investments	28,739	62,440
Contributions	7,185	-
Miscellaneous	215,583	-
Total Revenue	<u>10,844,465</u>	<u>2,437,335</u>
Current Expenditures:		
General Government	1,572,592	-
Public Safety	2,495,630	-
Public Works	2,341,416	-
Culture and Recreation	2,263,756	-
Community Development	-	-
Capital Outlay:		
Public Works	328,177	1,799,294
Culture and Recreation	132,458	-
General Government	68,663	-
Public Safety	287,325	-
Debt Service	235,004	-
Total Expenditures	<u>9,725,021</u>	<u>1,799,294</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,119,444</u>	<u>638,041</u>
Other Financing Sources (Uses):		
Bond Issue Premium	-	-
Bond Issuance	-	-
Proceeds From Sale of Fixed Assets	33,105	-
Transfers In	183,699	-
Transfers Out	(962,512)	-
Total Other Financing Sources (Uses)	<u>(745,708)</u>	<u>-</u>
Net Change in Fund Balance	373,736	638,041
Fund Balances -Beginning of Year	<u>3,559,322</u>	<u>3,855,622</u>
Fund Balances- End of Year	<u>\$ 3,933,058</u>	<u>\$ 4,493,663</u>

EXHIBIT 4

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 30,993	\$ 2,316,261
933,282	535,731	8,629,943
-	49,165	49,165
-	-	452,593
-	495,118	1,015,181
-	33,261	2,565,436
-	-	16,824
8,149	9,136	108,464
-	28,230	35,415
-	750	216,333
<u>941,431</u>	<u>1,182,384</u>	<u>15,405,615</u>
-	-	1,572,592
-	433,421	2,929,051
-	-	2,341,416
-	81,424	2,345,180
2,603,788	399,752	3,003,540
-	641,529	2,769,000
-	262,717	395,175
-	-	68,663
-	-	287,325
769,485	15,656	1,020,145
<u>3,373,273</u>	<u>1,834,499</u>	<u>16,732,087</u>
<u>(2,431,842)</u>	<u>(652,115)</u>	<u>(1,326,472)</u>
11,596	-	11,596
2,670,000	-	2,670,000
-	-	33,105
192,398	974,707	1,350,804
-	(295,592)	(1,258,104)
<u>2,873,994</u>	<u>679,115</u>	<u>2,807,401</u>
442,152	27,000	1,480,929
<u>1,589,300</u>	<u>466,050</u>	<u>9,470,294</u>
<u>\$ 2,031,452</u>	<u>\$ 493,050</u>	<u>\$ 10,951,223</u>

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, 2011

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

Net change in fund balances - total governmental funds (page 20) \$ 1,480,929

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:

Expenditures for capital assets	\$ 3,449,807	
Depreciation Expense	<u>(2,274,889)</u>	1,174,918

Capital Contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds. 3,580

Revenues reported in the funds that are not available to provide current financial resources: (208,766)

Accrued interest expense that does not require current financial resources: (45,461)

Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied. (416)

The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was: (2,670,000)

The effect of bond issuance costs is shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities: 58,029

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. (3,671)

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. 22,279

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources: 1,979

The effect of bond issuance premiums are shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and accreted in the Statement of Activities: (11,016)

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

Compensated absences that do not require current financial resources. (14,915)

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:

733,169

Change in net assets of governmental activities (page 15) \$ 545,940

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET ASSETS
Proprietary Funds
December 31, 2011

	<u>Business-Type</u>	
	<u>Golf Course</u>	<u>Water</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 7,734	\$ 4,132,278
Receivables (Net where applicable, of allowance for uncollectibles):		
Accounts	1,819	311,129
Due from Other Governmental Agencies	-	-
Prepaid Insurance	3,343	17,548
Inventories	32,754	188,508
Total Current Assets	<u>45,650</u>	<u>4,649,463</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	-	-
Bond Issue Costs	-	-
Land	533,787	128,117
Construction in Progress	-	3,221,777
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>2,602,338</u>	<u>11,796,185</u>
Total Noncurrent Assets	<u>3,136,125</u>	<u>15,146,079</u>
Total Assets	<u>3,181,775</u>	<u>19,795,542</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	8,483	393,422
Accrued Wages	9,199	27,014
Accrued Interest Payable	-	50,438
Accrued Compensated Absences	2,725	8,403
Unearned Revenue	2,500	-
Revenue Bonds Payable- Current	-	339,648
Total Current Liabilities	<u>22,907</u>	<u>818,925</u>
Noncurrent Liabilities:		
Revenue Bonds Payable	-	6,567,076
Accrued Compensated Absences	15,439	47,616
Estimated Postemployment Benefit Obligation	18,551	44,184
Total Noncurrent Liabilities	<u>33,990</u>	<u>6,658,876</u>
Total Liabilities	<u>56,897</u>	<u>7,477,801</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	3,136,125	8,239,355
Restricted for:		
Debt Service	-	-
Unrestricted	(11,247)	4,078,386
Total Net Assets	<u>\$ 3,124,878</u>	<u>\$ 12,317,741</u>

EXHIBIT 5

Business-Type			Governmental
Wastewater	Non-Major Enterprise Funds	Totals	Activities- Internal Service Fund
\$ 2,181,771	\$ 868,994	\$ 7,190,777	\$ 34,308
326,451	173,420	812,819	-
-	-	-	8,642
20,861	18,747	60,499	1,579
107,610	-	328,872	161,787
<u>2,636,693</u>	<u>1,061,161</u>	<u>8,392,967</u>	<u>206,316</u>
-	30,414	30,414	-
80,394	-	80,394	-
66,666	86,553	815,123	7,000
-	-	3,221,777	-
<u>11,781,698</u>	<u>1,612,557</u>	<u>27,792,778</u>	<u>92,070</u>
<u>11,928,758</u>	<u>1,729,524</u>	<u>31,940,486</u>	<u>99,070</u>
<u>14,565,451</u>	<u>2,790,685</u>	<u>40,333,453</u>	<u>305,386</u>
35,900	40,801	478,606	14,319
21,000	17,893	75,106	3,987
44,727	686	95,851	-
4,932	5,940	22,000	1,314
-	-	2,500	-
718,988	22,397	1,081,033	-
<u>825,547</u>	<u>87,717</u>	<u>1,755,096</u>	<u>19,620</u>
7,550,294	251,957	14,369,327	-
25,911	33,657	122,623	7,447
39,797	54,242	156,774	9,276
<u>7,616,002</u>	<u>339,856</u>	<u>14,648,724</u>	<u>16,723</u>
<u>8,441,549</u>	<u>427,573</u>	<u>16,403,820</u>	<u>36,343</u>
3,579,082	1,424,756	16,379,318	99,070
-	29,728	29,728	-
2,544,820	908,628	7,520,587	169,973
<u>\$ 6,123,902</u>	<u>\$ 2,363,112</u>	<u>\$ 23,929,633</u>	<u>\$ 269,043</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended December 31, 2011

	<u>Business-Type</u>	
	<u>Golf Course</u>	<u>Water</u>
Operating Revenues:		
Charges for Services	\$ 699,098	\$ 3,272,365
Operating Expenses:		
Personal Services	287,332	597,861
Insurance	4,967	50,225
Professional Services	18,548	39,168
Tipping Fees	-	-
State Fees	-	5,000
Repairs and Maintenance	65,622	244,129
Cost of Sales and Service	214,049	-
Supplies and Materials	49,210	219,632
Travel and Conference	2,411	1,813
Utilities	32,268	236,038
Billing and Administration	65,378	606,800
Other Current Expenses	-	-
Depreciation	55,745	515,313
Total Operating Expenses	<u>795,530</u>	<u>2,515,979</u>
Operating Income (Loss)	(96,432)	756,386
Non-Operating Income (Expense):		
Interest Income	633	31,473
Intergovernmental Revenue	-	-
Gain (Loss) on Disposition of Assets	-	(10,546)
Miscellaneous, net	5,561	19,244
Interest Expense	-	(206,603)
Total Non-Operating Income (Expenses)	<u>6,194</u>	<u>(166,432)</u>
Income (Loss) Before Contributions and Transfers	(90,238)	589,954
Transfers (Out)	-	(52,000)
Capital Contributions	-	144,821
Change in Net Assets	(90,238)	682,775
Net Assets - Beginning	<u>3,215,116</u>	<u>11,634,966</u>
Net Assets - Ending	<u>\$ 3,124,878</u>	<u>\$ 12,317,741</u>

EXHIBIT 6

Waste-water	Business-Type		Governmental Activities- Internal Service Fund
	Non-Major Enterprise Funds	Totals	
\$ 2,685,101	\$ 1,735,040	\$ 8,391,604	\$ 764,412
531,350	541,051	1,957,594	115,776
79,841	18,954	153,987	-
26,642	32,610	116,968	2,673
-	116,575	116,575	-
12,500	-	17,500	-
346,350	204,981	861,082	3,754
-	395,895	609,944	-
54,862	12,108	335,812	559,200
654	-	4,878	-
162,239	20,307	450,852	26,296
583,876	239,059	1,495,113	-
-	-	-	20,770
1,109,445	177,379	1,857,882	13,664
2,907,759	1,758,919	7,978,187	742,133
(222,658)	(23,879)	413,417	22,279
26,534	6,640	65,280	-
90,454	-	90,454	-
38	-	(10,508)	-
30,958	8,944	64,707	-
(365,827)	(8,791)	(581,221)	-
(217,843)	6,793	(371,288)	-
(440,501)	(17,086)	42,129	22,279
(40,700)	-	(92,700)	-
124,003	-	268,824	-
(357,198)	(17,086)	218,253	22,279
6,481,100	2,380,198	23,711,380	246,764
\$ 6,123,902	\$ 2,363,112	\$ 23,929,633	\$ 269,043

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended December 31, 2011

	<u>Business-Type</u>	
	<u>Golf Course</u>	<u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 708,182	\$ 3,177,802
Cash Received from Interfund Services Provided	-	102,007
Cash Paid to Suppliers for Goods and Services	(412,735)	(1,108,965)
Cash Paid to Employees for Services	(293,663)	(598,457)
Cash Paid for Interfund Services	(22,922)	(14,823)
Other Nonoperating Revenues	5,561	19,244
Net Cash Provided from Operating Activities	<u>(15,577)</u>	<u>1,576,808</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(56,369)	(1,001,048)
Proceeds from Sale of Fixed Assets	-	38
Bond Issue Premium	-	-
Proceeds from Bond Sales	-	1,118,297
Bond Issuance Costs	-	-
Principal Paid on Notes, Bonds and Leases	-	(228,270)
Interest Paid on Notes and Bonds	-	(221,144)
Net Cash (Used) by Capital and Related Financing Activities	<u>(56,369)</u>	<u>(332,127)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Due From Other Funds	-	-
Advances to Other Funds	-	-
Due from Other Governments	-	-
Transfers (Out)	-	(52,000)
Receipts from Other Governments	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>(52,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	633	31,473
Net Cash Provided from Investing Activities	<u>633</u>	<u>31,473</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(71,313)	1,224,154
Cash and Cash Equivalents at Beginning of Year	79,047	2,908,124
Cash and Cash Equivalents at End of Year	<u>7,734</u>	<u>4,132,278</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	(96,432)	756,386
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	55,745	515,313
Other Non-Operating Income (Expense)	5,561	19,244
(Increase) Decrease in Assets:		
Accounts Receivable	7,676	7,444
Prepaid Expenses	(67)	(445)
Inventories	18,426	(24,076)
Increase (Decrease) in Liabilities:		
Accounts Payable	(1,563)	303,538
Accrued Wages	(1,137)	(1,123)
Accrued Compensated Absences	(4,192)	2,782
Estimated Postemployment Benefit Obligation	(1,002)	(2,255)
Deferred Revenue	1,408	-
Total Adjustments	<u>80,855</u>	<u>820,422</u>
Net Cash Provided by Operating Activities	<u>(15,577)</u>	<u>1,576,808</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:		
Developers and City Contribution of Distribution System	-	144,821
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents	7,734	4,132,278
Restricted Cash and Cash Equivalents	-	-
	<u>\$ 7,734</u>	<u>\$ 4,132,278</u>

EXHIBIT 7

Business-Type			Governmental
Waste- Water	Nonmajor Enterprise Funds	Totals	Activities- Internal Service Fund
\$ 2,667,725	\$ 1,712,713	\$ 8,266,422	\$ 134,691
23,073	15,288	140,368	629,283
(1,232,395)	(858,983)	(3,613,078)	(636,916)
(540,593)	(544,313)	(1,977,026)	(115,343)
(24,682)	(183,659)	(246,086)	(10,424)
30,958	8,944	64,707	-
<u>924,086</u>	<u>149,990</u>	<u>2,635,307</u>	<u>1,291</u>
(6,785)	(72,945)	(1,137,147)	(1,913)
38	-	76	-
16,541	-	16,541	-
4,325,000	-	5,443,297	-
(89,328)	-	(89,328)	-
(5,133,480)	(27,946)	(5,389,696)	-
(426,270)	(8,862)	(656,276)	-
<u>(1,314,284)</u>	<u>(109,753)</u>	<u>(1,812,533)</u>	<u>(1,913)</u>
21,423	-	21,423	-
158,398	-	158,398	-
-	187,500	187,500	-
(40,700)	-	(92,700)	-
90,454	-	90,454	-
<u>229,575</u>	<u>187,500</u>	<u>365,075</u>	<u>-</u>
26,534	6,639	65,279	-
<u>26,534</u>	<u>6,639</u>	<u>65,279</u>	<u>-</u>
(134,089)	234,376	1,253,128	(622)
<u>2,315,860</u>	<u>665,032</u>	<u>5,968,063</u>	<u>34,930</u>
<u>2,181,771</u>	<u>899,408</u>	<u>7,221,191</u>	<u>34,308</u>
(222,658)	(23,879)	413,417	22,279
1,109,445	177,379	1,857,882	13,664
30,958	8,944	64,707	-
5,697	(7,039)	13,778	(438)
(612)	(344)	(1,468)	(23)
(5,276)	-	(10,926)	(28,790)
15,775	(1,809)	315,941	(5,834)
(1,532)	(1,997)	(5,789)	157
(5,958)	1,490	(5,878)	777
(1,753)	(2,755)	(7,765)	(501)
-	-	1,408	-
<u>1,146,744</u>	<u>173,869</u>	<u>2,221,890</u>	<u>(20,988)</u>
<u>924,086</u>	<u>149,990</u>	<u>2,635,307</u>	<u>1,291</u>
124,003	-	268,824	-
2,181,771	868,994	7,190,777	34,308
-	30,414	30,414	-
<u>\$ 2,181,771</u>	<u>\$ 899,408</u>	<u>\$ 7,221,191</u>	<u>\$ 34,308</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET ASSETS
Fiduciary Funds
December 31, 2011

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$17,361
Total Assets	<u>17,361</u>
Liabilities	
Accounts Payable	538
Other Accrued Expenses	16,823
Total Liabilities	<u>17,361</u>
Net Assets	
Unrestricted	<u>-</u>
Total Net Assets	<u>\$ -</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011**

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, 2011**

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, 2011**

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, 2011**

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.

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

Capital Projects Funds:

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

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

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

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

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

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

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

F. Cash Flows

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

G. Short-Term Interfund Receivables/Payables

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

H. Advance to Other Funds

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

I. Inventories

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund, with small portions being paid by the Central Garage. All accrued sick leave time accumulated is forfeited upon separation from service. Such amounts therefore do not constitute a liability. Sick leave earned over maximum accumulation is paid for, on the basis of one hour pay for each two hours earned, with the first pay day in the next January. These amounts have been accrued at year end.

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

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

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

The Municipality uses restricted / committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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 2011 were \$838,041 of which \$12,490 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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2 - CASH AND CASH EQUIVALENTS – (CONTINUED)

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, 2011 were \$16,462,099. 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 \$590,920 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.

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, 2011, consisted of the following:

	Utility Accounts Receivable	Special Assessment Receivable
Fund:		
Infrastructure Improvement Revolving	\$ -	\$ 42,000
Water Fund	10,137	-
Wastewater Fund	10,725	-
Solid Waste Fund	10,744	-
	\$ 31,606	\$ 42,000

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2011, include the following:

	General	Debt Service Fund	Special Capital Improvement Fund	Non-Major Governmental Funds
County Remitted Taxes	\$ 8,952	\$ -	\$ -	\$ -
County share of Senior Center and Others	8,440	-	-	-
County and Other Garage Charges	-	-	-	-
State Remitted Sales Tax	511,378	310,804	74,972	57,251
State Remitted Liquor and Other Taxes	26,807	-	-	-
State Road Aid	48,764	-	-	-
Federal Grants	1,076	-	-	203,339
Other	6,605	-	-	-
	<u>\$ 612,022</u>	<u>\$ 310,804</u>	<u>\$ 74,972</u>	<u>\$ 260,590</u>

	Internal Service	Total
County Remitted Taxes	\$ -	\$ 8,952
County share of Airport and Senior Center	-	8,440
County and Other Garage Charges	8,642	8,642
State Remitted Sales Tax	-	954,405
State Remitted Liquor and Other Taxes	-	26,807
State Road Aid	-	48,764
Federal Grants	-	204,415
Other Grants	-	6,605
	<u>\$ 8,642</u>	<u>\$ 1,267,030</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 6 - CAPITAL ASSETS

A summary of the changes in the capital assets for the year ended December 31, 2011, is as follows:

	Balance January 1, 2011	Additions	Deletions	Reclassification	Balance December 31, 2011
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 3,263,654	\$ -	\$ -	\$ -	\$ 3,263,654
Construction in Progress	7,472,548	534,345	4,059,687	-	3,947,206
Total capital assets not being depreciated	10,736,202	534,345	4,059,687	-	7,210,860
Capital assets being depreciated:					
Buildings & Structures/Infrastructure	53,257,156	6,273,362	171,519	-	59,358,999
Furniture & Equipment	12,089,757	741,127	400,273	(48,009)	12,382,602
Other Fixed Assets	600	-	600	-	-
Total capital assets being depreciated:	65,347,513	7,014,489	572,392	(48,009)	71,741,601
Less: Accumulated Depreciation for:					
Buildings & Structures/Infrastructure	16,798,204	1,556,674	171,519	-	18,183,359
Furniture & Equipment	6,539,442	731,878	363,354	(48,009)	6,859,957
Other Fixed Assets	-	-	-	-	-
Total Accumulated Depreciation	23,337,646	2,288,552	534,873	(48,009)	25,043,316
Total Capital Assets being depreciated, net	42,009,867	4,725,937	37,519	-	46,698,285
Governmental activities capital assets, net	\$ 52,746,069	\$ 5,260,282	\$ 4,097,206	\$ -	\$ 53,909,145

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

	Balance January 1, 2011	Additions	Deletions	Reclassification	Balance December 31, 2011
Business-Type Activities:					
Capital Assets not being depreciated:					
Land	\$ 815,123	\$ -	\$ -	\$ -	\$ 815,123
Construction in Progress	2,774,882	446,895	-	-	3,221,777
Total capital assets not being depreciated:	3,590,005	446,895	-	-	4,036,900
Capital Assets being depreciated:					
Buildings and Structures	46,907,145	474,926	53,387	-	47,328,684
Land Improvements	2,190,047	-	-	-	2,190,047
Furniture & Equipment	4,747,005	137,658	53,935	48,009	4,878,737
Total capital assets, being depreciated	53,844,197	612,584	107,322	48,009	54,397,468
Less: Accumulated Depreciation for:					
Buildings and Structures	21,760,785	1,601,773	42,803	-	23,319,755
Land Improvements	46,356	3,107	-	-	49,463
Furniture & Equipment	2,995,674	245,724	53,935	48,009	3,235,472
Total Accumulated Depreciation	24,802,815	1,850,604	96,738	48,009	26,604,690
Total Capital Assets, being depreciated, net	29,041,382	(1,238,020)	10,584	-	27,792,778
Business-type activities capital assets, net	\$ 32,631,387	\$ (791,125)	\$ 10,584	\$ -	\$ 31,829,678

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

Governmental Activities:	
General Government	\$ 23,696
Community Development	2,452
Public Safety	196,059
Public Works	1,577,884
Culture & Recreation	488,461
Total depreciation expense - governmental activities	\$ 2,288,552

Depreciation expense of \$13,663 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, 2011**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

Business-Type Activities:	
Water	\$ 515,313
Wastewater	1,102,166
Solid Waste	53,240
Golf Course	55,745
Joint Powers Landfill	<u>124,140</u>
Total depreciation expense - business-type activities	<u>\$ 1,850,604</u>

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Component Unit:				
Capital Assets, being depreciated				
Furniture & Equipment	\$ <u>4,633</u>	\$ -	\$ -	\$ <u>4,633</u>
Total capital assets, being depreciated	<u>4,633</u>	-	-	<u>4,633</u>
Less: Accumulated Depreciation	<u>4,241</u>	<u>392</u>	-	<u>4,633</u>
Component unit capital assets, net	<u>\$ 392</u>	<u>\$ (392)</u>	<u>\$ -</u>	<u>\$ -</u>

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-Type Activities
Land	\$ 3,263,654	\$ 815,123
Construction in Progress	3,947,206	3,221,777
Capital Assets (Net of Accumulated Depreciation)	46,698,285	27,792,778
Less: General Obligation Bonds Payable	1,940,000	-
Revenue Bonds	-	15,450,360
Notes Payable	70,286	-
Capital Leases	<u>2,135,000</u>	<u>-</u>
Invested in Capital Assets, Net of Related Debt	<u>\$ 49,763,859</u>	<u>\$ 16,379,318</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 7 - COMMITMENTS

During the year ended December 31, 2011, the City had entered into several construction contracts totaling approximately \$7,914,143 of which approximately \$7,523,956 had been expended to date. The remaining balance will be paid as work progresses.

NOTE 8 - CAPITAL LEASE

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

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases Payable	\$2,225,000	\$ -	\$ (90,000)	\$2,135,000

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, 2011.

Year Ending December 31,	Principal	Interest	Total
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	105,000	80,280	185,280
2017 – 2021	595,000	333,425	928,425
2022 – 2026	735,000	186,543	921,543
2027 - 2028	310,000	22,500	332,500
Totals	\$2,135,000	\$ 978,388	\$ 3,113,388

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011 (in thousands of dollars):

	Governmental			Enterprise				Total
	2004 Sales Tax Refunding Bonds	2011 Sales Tax Bond	Rural Development Notes Payable	Water Revenue (SRF)	Wastewater Revenue (SRF)	2011 Wastewater Refunding Bonds	Joint Power Landfill Revenue Loans (SWMP) (RLA)	
Notes/Bonds Payable at January 1, 2011	\$ 2,550	\$ -	\$ 103	\$ 6,017	\$ 9,063	\$ -	\$ 302	\$ 18,035
Notes/Bonds Issued	-	2,670	-	1,118	-	4,325	-	8,113
Notes/Bonds Retired	(610)	-	(33)	(228)	(4,904)	(230)	(28)	(6,033)
Notes/Bonds Payable at December 31, 2011	\$ 1,940	\$ 2,670	\$ 70	\$ 6,907	\$ 4,159	\$ 4,095	\$ 274	\$ 20,115

Debt outstanding at December 31, 2011, 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.	\$ 625,000	\$ 1,315,000	\$ 1,940,000
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.	34,586	35,700	70,286
2011 Sales Tax Revenue Bonds – Dated June 1, 2011, maturing December 1, 2012-2031, with an average interest rate of 3.71%. Funds were used to provide economic development incentives and are to be paid by the Debt Service Fund, using TID generated taxes.	60,000	2,610,000	2,670,000
2011 Wastewater Revenue Refunding Bonds – Dated April 1, 2011, maturing December 1, 2011-2020, with an average interest rate of 2.63%, paid by the Wastewater Fund.	420,000	3,675,000	4,095,000
Solid Waste Management Program (SWMP) and Regional Landfill Assistance (RLA) loans maturing June 1, 2012, June 1, 2025, and June 1, 2026 with an interest rate of 3% per annum, paid by the Joint Powers Landfill Fund.	22,397	251,957	274,354

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

Water Revenue Bonds (SRF) maturing October 1, 2023, July 15, 2029, April 15, 2031 and October 15, 2031 with interest rates of 3.5%, 3.25%, 3.0% and 3.0% per annum, paid by the Water Fund.	339,648	6,567,076	6,906,724
Wastewater Revenue Bonds (SRF) maturing October 1, 2023, with an interest rate of 3.5% per annum, paid by the Wastewater Fund.	284,101	3,875,294	4,159,395
Totals	\$1,785,732	\$18,330,027	\$20,115,759

The above governmental bonds are shown net of \$11,016 of unaccreted bond premiums and the business-type activity revenue bonds net of \$14,887 of unaccreted bond premiums on the Statement of Net Assets.

On May 11, 2009 the Board of Commissioners approved the issuance of, not to exceed \$3,000,000 of drinking water state revolving fund loans for various water improvements. At December 31, 2011, there had been \$1,880,333 drawn on this loan, with the remaining to be drawn as work progresses.

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

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

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

B. Annual Debt Service Requirements

The annual requirements to amortize all debt outstanding as of December 31, 2011, including interest payments of \$4,926,211 are as follows:

Year Ending December 31	Sales Tax Refunding		2011 Sales Tax Bonds		Rural Development Note Payable		Wastewater Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$625,000	\$ 54,423	\$ 60,000	\$ 132,398	\$ 34,586	\$ 2,314	\$ 704,101	\$ 241,865
2013	645,000	34,093	105,000	87,065	35,700	806	719,176	223,390
2014	670,000	11,725	110,000	84,965	-	-	739,608	204,458
2015	-	-	110,000	82,765	-	-	760,410	184,956
2016	-	-	115,000	80,565	-	-	776,595	164,871
2017-2021	-	-	610,000	362,560	-	-	3,735,138	461,028
2022-2026	-	-	700,000	263,250	-	-	819,367	32,589
2027-2031	-	-	860,000	114,060	-	-	-	-
	\$1,940,000	\$100,241	\$2,670,000	\$1,207,628	\$ 70,286	\$ 3,120	\$8,254,395	\$1,513,157

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Year Ending December 31	Water Revenue		Joint Power Landfill (RLA) (SWMP)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 339,647	\$ 218,633	\$ 22,397	\$ 8,016	\$ 1,785,731	\$ 657,648
2013	350,880	207,400	16,586	7,435	1,872,342	560,189
2014	362,485	195,794	17,087	6,934	1,899,180	503,876
2015	374,477	183,803	17,603	6,418	1,262,490	457,942
2016	386,868	171,413	18,135	5,885	1,296,598	422,734
2017-2021	2,135,114	656,284	99,238	20,866	6,579,490	1,500,738
2022-2026	1,740,238	314,963	83,308	5,373	3,342,913	616,175
2027-2031	1,217,015	92,849	-	-	2,077,015	206,909
	<u>\$6,906,724</u>	<u>\$2,041,139</u>	<u>\$ 274,354</u>	<u>\$ 60,927</u>	<u>\$20,115,759</u>	<u>\$ 4,926,211</u>

C. Accrued Compensated Absences

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities: Compensated Absences	\$ 420,074	\$ 361,306	\$ 345,614	\$ 435,766	\$ 63,127
Business-Type Activities: Compensated Absences	150,501	129,446	135,324	144,623	22,000
Total Long-Term Accrued Compensated Absences	<u>\$ 570,575</u>	<u>\$ 490,752</u>	<u>\$ 480,938</u>	<u>\$ 580,389</u>	<u>\$ 85,127</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.

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, 2011, were as follows:

	Interfund Receivables	Interfund Payables
Due From/To Other Funds:		
General Fund	\$ -	\$ 22,708
Capital Projects – Special Capital Improvements	638,091	-
Non-major Governmental Funds	-	615,383
	<u>\$ 638,091</u>	<u>\$ 638,091</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 11 - INTERFUND ASSETS/LIABILITIES – (CONTINUED)

As of December 31, 2011, long-term advances were as follows:

	Interfund Receivables	Interfund Payables
Advances From/To Other funds:		
General Fund	\$ -	\$ 135,689
Special Capital Improvements	135,689	-
	\$ 135,389	\$ 135,689

The long-term advance was used as internal financing for equipment purchases for the general fund. Currently, the loan carries a repayment term of ten years and interest rates of 6 percent.

NOTE 12 - DEFICIT FUND BALANCES/RETAINED EARNINGS

As of December 31, 2011, the following funds had deficit fund balances in the amounts shown:

Capital Projects:	
Public Improvement Capital Project	\$ 79,119
Park Capital Projects	366,508
Special Revenue:	
Dispatch	17,971

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. The Dispatch deficit will be funded through future County payments and general fund transfers.

NOTE 13 - 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, 2011, 2010, and 2009 were \$380,628, \$381,709 and \$361,045 respectively, equal to the required contributions each year.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 14 - TRANSFERS

The following is a summary of transfers between funds:

	General	Debt Service Fund	Nonmajor Governmental	Total Transfer Out
General	\$ -	\$ 192,398	\$ 770,114	\$ 962,512
Nonmajor Governmental	90,999	-	204,593	295,592
Wastewater	40,700	-	-	40,700
Water	52,000	-	-	52,000
Transfer In	<u>\$ 183,699</u>	<u>\$ 192,398</u>	<u>\$ 974,707</u>	<u>\$ 1,350,804</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, 2011, the City made the following one-time transfers:

Transfer from the General Fund to the Airport Capital Improvement Fund of \$10,347 to pay the matching share of the airport improvements.

Transfer from the Infrastructure Revolving Fund to the Infrastructure Improvement Capital Fund of \$54,488 to help cash flow special assessment projects.

Transfer to the Public Improvement Capital Project Fund from the Lodging Sales Tax Fund of \$150,105 to help fund the extension of Gehl Drive for the relocation of Dakota Trailer Manufacturing.

Transfer from the General Fund to the Dispatch Fund, to establish the separate fund as required by the State of South Dakota in the amount of \$426,530.

NOTE 15 - 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, 2011, 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, 2011**

NOTE 15 - 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, 2011 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 16 - VIOLATIONS OF FINANCE-RELATED LEGAL REQUIREMENTS

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. In 2011 there were no overdrafts of the expenditures compared to appropriations.

NOTE 17 - 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, 2011 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

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

<i>Annual required contribution</i>	\$ 44,933
<i>Interest on net OPEB obligation</i>	32,996
<i>Adjustment to annual required contribution</i>	
<i>Annual OPEB cost (Expense)</i>	<u>(42,930)</u>
	34,999
<i>Contributions made</i>	<u>(68,565)</u>
<i>Decrease in net OPEB obligation</i>	<u>(33,566)</u>
<i>Net OPEB obligation – beginning of year</i>	<u>659,915</u>
<i>Net OPEB obligation – end of year</i>	<u>\$ 626,349</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 - 2011 was as follows:

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

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2011 was as follows:

Actuarial accrued liability (AAL)	\$ 670,952
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 670,952</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 5,887,184
UAAL as a percentage of covered payroll	11.30%

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

NOTE 18 – SAFETY CENTER AGREEMENT

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

There are two components to the lease. The first being an operations and maintenance cost component in which the County and City will share the costs of operations and maintenance of the facility at a rate of 89.25% and 10.75% respectively. This percentage is based upon the actual square footage used by the City as well as one half of various mutually agreed upon shared areas. Changes to the space allocation will be reviewed each April, and any changes resulting in cost changes will be approved by both parties. The amount paid by the City to the County for 2011 for this component was \$24,559.

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

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

NOTE 19 – SUBSEQUENT EVENTS

On May 14, 2012 the Commission approved the purchase of development property for approximately \$2,000,000 to use for future economic development.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 20 – ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended December 31, 2011. The effect of fund type reclassifications is as follows:

	General Fund	Special Revenue, Park	Special Revenue, Memorial Pool	Special Revenue, Summit Activity Center	Special Revenue, Marne Creek	Special Revenue, Casualty Reserve
Balances December 31, 2010 as previously reported	\$3,344,318	\$ 7,914	\$ 10,000	\$ 2,465	\$ 130,177	\$ 64,448
Change in fund type classification per implementation of GASB 54	215,004	(7,914)	(10,000)	(2,465)	(130,177)	(64,448)
Balances January 1, 2011 as restated	<u>\$ 3,559,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

In addition, the Infrastructure Improvement Revolving Fund was reclassified from a Special Revenue Fund to a Capital Projects Fund.

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, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes - Current Property	\$ 2,089,905	\$ 2,089,905	\$ 2,285,268	\$ 195,363
Taxes - Sales and Other	4,412,632	4,412,632	4,835,776	423,144
Licenses and Permits	337,300	337,300	452,593	115,293
Intergovernmental	649,233	649,233	470,322	(178,911)
Charges for Service	1,952,428	1,952,428	2,532,175	579,747
Fines and Forfeits	33,000	33,000	16,824	(16,176)
Interest	-	-	28,739	28,739
Miscellaneous	31,300	31,300	222,768	191,468
Total Revenues	9,505,798	9,505,798	10,844,465	1,338,667
Expenditures:				
General Government:				
Board of City Commission	149,012	149,012	127,490	21,522
Office of City Manager	287,307	287,307	263,824	23,483
City Attorney	49,401	64,401	54,901	9,500
Department of Finance	539,012	539,012	487,304	51,708
Information Systems	154,007	219,007	182,687	36,320
Community Development	279,956	279,956	253,760	26,196
Contingency	200,000	200,000	-	200,000
Casualty Reserve Fund	10,000	10,000	-	10,000
Special Appropriations	283,098	286,436	271,289	15,147
Total General Government	1,951,793	2,035,131	1,641,255	393,876
Public Safety:				
Police Department	2,887,164	2,887,164	2,252,638	634,526
Animal Control	93,331	93,331	74,936	18,395
Fire Department	1,044,916	1,369,669	640,031	729,638
Civil Defense	13,175	13,175	2,665	10,510
Total Public Safety	4,038,586	4,363,339	2,970,270	1,393,069
Public Works:				
Engineering and Inspection	540,730	540,730	491,316	49,414
Streets and Highways	1,591,590	1,659,590	1,465,292	194,298
Snow and Ice Removal	125,597	174,097	111,360	62,737
City Hall	176,662	176,662	143,466	33,196
Traffic Control	452,865	487,865	299,548	188,317
Chan Gurney Airport	173,405	205,405	169,399	36,006
Total Public Works	3,060,849	3,244,349	2,680,381	563,968

(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, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Positive (Negative)
	Original	Final		
Culture and Recreation:				
Marne Creek	343,135	366,882	97,490	269,392
Summit Activities Center	674,347	674,347	627,886	46,461
Memorial Park Pool	192,097	200,610	195,392	5,218
Parks and Recreation	845,007	905,247	848,858	56,389
Senior Citizens Center	94,500	96,000	83,482	12,518
Yankton Community Library	644,786	655,786	580,007	75,779
Total Culture and Recreation	<u>2,793,872</u>	<u>2,898,872</u>	<u>2,433,115</u>	<u>465,757</u>
Total Expenditures	<u>11,845,100</u>	<u>12,541,691</u>	<u>9,725,021</u>	<u>2,816,670</u>
Excess of Revenues over Expenditures	<u>(2,339,302)</u>	<u>(3,035,893)</u>	<u>1,119,444</u>	<u>4,155,337</u>
Other Financing Sources (Uses):				
Operating Transfers In	115,150	115,150	1,383,480	1,268,330
Operating Transfers (Out)	(1,448,637)	(2,517,612)	(2,162,293)	355,319
Proceeds from Sale of Fixed Assets	-	-	33,105	33,105
Total Other Financing Sources (Uses)	<u>(1,333,487)</u>	<u>(2,402,462)</u>	<u>(745,708)</u>	<u>1,656,754</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>(3,672,789)</u>	<u>(5,438,355)</u>	<u>373,736</u>	<u>5,812,091</u>
Fund Balances at Beginning of Year	<u>3,559,322</u>	<u>3,559,322</u>	<u>3,559,322</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ (113,467)</u>	<u>\$ (1,879,033)</u>	<u>\$ 3,933,058</u>	<u>\$ 5,812,091</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

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, 2011 to the original appropriations by fund were as follows for the General Fund:

	<u>Original Appropriations</u>	<u>Total Revisions</u>	<u>Revised Appropriations</u>
General Fund:			
General Government:			
Information Systems	\$ 154,007	\$ 65,000	\$ 219,007
Special Appropriations	283,098	3,338	286,436
City Attorney	49,401	15,000	64,401
Public Safety:			
Fire Department	1,044,916	324,753	1,369,669
Public Works:			
Snow and Ice Removal	125,597	48,500	174,097
Street and Highways	1,591,590	68,000	1,659,590
Traffic Control	452,865	35,000	487,865
Chan Gurney Airport	173,405	32,000	205,405
Culture and Recreation:			
Senior Citizens Center	94,500	1,500	96,000
Community Library	644,786	11,000	655,786
Parks and Recreation	845,007	60,240	905,247
Memorial Park Pool	192,097	8,513	200,610
Marne Creek	343,135	23,747	366,882
Transfers Out	1,448,637	1,068,975	2,517,612

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, 2011.

CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

Exhibit 10

7. Formal budgetary integration is employed as a management control device during the year for the General Fund, capital projects funds, and all special revenue funds, with the exception of the Library Trust and Historic Easement Trust Funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through bond indenture provisions. The City Manager is authorized to transfer budgeted amounts between departments within any fund, except the General Fund. The component unit does not have a formal budget.
8. Budgets for the General Fund, special revenue funds, and capital projects funds are adopted on a basis consistent with U.S. generally accepted accounting principals (GAAP).
9. The City is prohibited by statute from spending in excess of appropriated amounts at the department level. No overspending was noted for the budget year ended December 31, 2011.
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, 2011

EXHIBIT 11

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

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

OTHER SUPPLEMENTARY INFORMATION

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

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

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

Non-Major Funds:

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

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

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

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

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

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

Major Fund:

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

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

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

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

Major Funds:

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

Non-Major Funds:

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

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.

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.

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, 2011

	<u>Special Revenue</u>		
	<u>Dispatch</u>	<u>Bridge & Street</u>	<u>Lodging Sales Tax</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ -	\$ 93,841	\$ 526,059
Receivables (Net where applicable, of allowance for uncollectibles):			
Accounts	-	-	-
Special Assessments	-	-	-
Due from Other Governmental Agencies	-	-	57,251
Restricted Assets:			
Cash and Cash Equivalents	-	-	-
Total Assets	<u>-</u>	<u>93,841</u>	<u>583,310</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	-	-	150
Accrued Wages	17,971	-	-
Unearned Revenue	-	-	5,848
Due to Other Funds	-	-	-
Total Liabilities	<u>17,971</u>	<u>-</u>	<u>5,998</u>
Fund Balances:			
Non-Spendable:			
Perpetual Care	-	-	-
Restricted:			
Perpetual Care	-	-	-
Lodging Sales Tax	-	-	577,312
Library	-	-	-
Road and Bridge Funds	-	93,841	-
Historic Easement Trust	-	-	-
Assigned:			
Capital Projects	-	-	-
Unassigned			
Total Fund Balances	<u>(17,971)</u>	<u>93,841</u>	<u>577,312</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 93,841</u>	<u>\$ 583,310</u>

EXHIBIT A-1

Special Revenue		Capital Projects		Permanent	Total
Library Trust	Historic Easement Trust	Non-Major Capital Projects	Perpetual Care Cemetery	Governmental Nonmajor Funds	
\$ 21,254	\$ 21,668	\$ 39,293	\$ 6,784	\$ 708,899	
-	-	9	979	988	
-	-	174,834	-	174,834	
-	-	203,339	-	260,590	
-	-	-	153,247	153,247	
<u>21,254</u>	<u>21,668</u>	<u>417,475</u>	<u>161,010</u>	<u>1,298,558</u>	
270	-	13,293	168	13,881	
-	-	-	1,617	19,588	
-	-	150,808	-	156,656	
-	-	615,383	-	615,383	
<u>270</u>	<u>-</u>	<u>779,484</u>	<u>1,785</u>	<u>805,508</u>	
-	-	-	50,000	50,000	
-	-	-	109,225	109,225	
-	-	-	-	577,312	
20,984	-	-	-	20,984	
-	21,668	-	-	93,841	
-	-	83,618	-	21,668	
-	-	(445,627)	-	83,618	
<u>20,984</u>	<u>21,668</u>	<u>(362,009)</u>	<u>159,225</u>	<u>493,050</u>	
<u>\$ 21,254</u>	<u>\$ 21,668</u>	<u>\$ 417,475</u>	<u>\$ 161,010</u>	<u>\$ 1,298,558</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, 2011

	<u>Special Revenue</u>		
	<u>Dispatch</u>	<u>Bridge & Street</u>	<u>Lodging Sales Tax</u>
Revenue:			
Taxes	\$ -	\$ -	\$ -
Sales and Other Taxes	-	21,397	514,334
Special Assessments	-	-	-
Intergovernmental	60,000	-	-
Charges for Services	-	-	5,486
Interest on Investments	-	770	5,939
Contributions	-	-	15,000
Miscellaneous	-	-	-
Total Revenue	<u>60,000</u>	<u>22,167</u>	<u>540,759</u>
Expenditures:			
Current:			
Public Safety	433,421	-	-
Culture and Recreation	-	-	-
Community Development	-	-	399,752
Capital Outlay:			
Public Works	-	4,900	-
Culture-Recreation	-	-	-
Debt Service	-	-	-
Total Expenditures	<u>433,421</u>	<u>4,900</u>	<u>399,752</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(373,421)</u>	<u>17,267</u>	<u>141,007</u>
Other Financing Sources (Uses):			
Transfers In	426,530	-	-
Transfers Out	(71,080)	-	(170,024)
Total Other Financing Sources (Uses)	<u>355,450</u>	<u>-</u>	<u>(170,024)</u>
Net Change in Fund Balance	(17,971)	17,267	(29,017)
Fund Balances (Deficits) - Beginning of Year	-	76,574	606,329
Fund Balances (Deficits)- End of Year	<u>\$ (17,971)</u>	<u>\$ 93,841</u>	<u>\$ 577,312</u>

EXHIBIT A-2

Special Revenue		Capital Projects	Permanent	Total Governmental Nonmajor Funds
Library Trust	Historic Easement Trust	Non-Major Capital Projects	Perpetual Care Cemetery	
\$ -	\$ -	\$ 30,993	\$ -	\$ 30,993
-	-	-	-	535,731
-	-	49,165	-	49,165
-	-	435,118	-	495,118
-	-	1,953	25,822	33,261
198	202	271	1,756	9,136
13,127	-	103	-	28,230
-	-	-	750	750
<u>13,325</u>	<u>202</u>	<u>517,603</u>	<u>28,328</u>	<u>1,182,384</u>
-	-	-	-	433,421
13,026	-	-	68,398	81,424
-	-	-	-	399,752
-	-	636,629	-	641,529
-	-	262,717	-	262,717
-	-	15,656	-	15,656
<u>13,026</u>	<u>-</u>	<u>915,002</u>	<u>68,398</u>	<u>1,834,499</u>
<u>299</u>	<u>202</u>	<u>(397,399)</u>	<u>(40,070)</u>	<u>(652,115)</u>
-	-	508,208	39,969	974,707
-	-	(54,488)	-	(295,592)
-	-	453,720	39,969	679,115
299	202	56,321	(101)	27,000
20,685	21,466	(418,330)	159,326	466,050
<u>\$ 20,984</u>	<u>\$ 21,668</u>	<u>\$ (362,009)</u>	<u>\$ 159,225</u>	<u>\$ 493,050</u>

**CITY OF YANKTON, SOUTH DAKOTA
COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds
December 31, 2011**

	<u>Infrastructure Improvement</u>	<u>Park Capital Projects</u>	<u>TID #2 Morgan Square</u>	<u>Airport Capital Improvement</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 22,932	\$ 16,361	\$ -	\$ -
Accounts Receivable				
Due from Other Governments				119,983
Special Assessments				
Total Assets	<u>22,932</u>	<u>16,361</u>	<u>-</u>	<u>119,983</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable		5,611		6,215
Due to Other Funds		377,258		77,108
Deferred Revenue				-
Total Liabilities	<u>-</u>	<u>382,869</u>	<u>-</u>	<u>83,323</u>
Fund Balances (Deficits):				
Assigned:				
Capital Projects	22,932			36,660
Unassigned	-	(366,508)		-
Total Fund Balances (Deficits)	<u>22,932</u>	<u>(366,508)</u>	<u>-</u>	<u>36,660</u>
Total Liabilities and Fund Balances	<u>\$ 22,932</u>	<u>\$ 16,361</u>	<u>\$ -</u>	<u>\$ 119,983</u>

EXHIBIT A-3

Infrastructure Improvement Revolving	Public Improvement	Totals
\$ -	\$ -	\$ 39,293
	9	9
-	83,356	203,339
174,834		174,834
<u>174,834</u>	<u>83,365</u>	<u>417,475</u>
-	1,467	13,293
-	161,017	615,383
150,808	-	150,808
<u>150,808</u>	<u>162,484</u>	<u>779,484</u>
24,026		83,618
-	(79,119)	(445,627)
<u>24,026</u>	<u>(79,119)</u>	<u>(362,009)</u>
<u>\$ 174,834</u>	<u>\$ 83,365</u>	<u>\$ 417,475</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, 2011**

	<u>Infrastructure Improvement</u>	<u>Park Capital Projects</u>	<u>TID #2 Morgan Square</u>	<u>Airport Capital Improvement</u>
Revenues:				
Taxes	\$ -	\$ -	\$ 30,993	\$ -
Special Assessments				
Intergovernmental				305,782
Interest				
Contributions		-		
Charges for Services				
Total Revenues	<u>-</u>	<u>-</u>	<u>30,993</u>	<u>305,782</u>
Expenditures:				
Capital Outlay:				
Public Works	36,884		30,993	307,490
Culture-Recreation		262,717		
Debt Service	-	15,656		
Total Expenditures	<u>36,884</u>	<u>278,373</u>	<u>30,993</u>	<u>307,490</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(36,884)</u>	<u>(278,373)</u>	<u>-</u>	<u>(1,708)</u>
Other Financing Sources (Uses):				
Transfers In	54,488	293,268		10,347
Transfers (out)				
Total Other Financing Sources (Uses)	<u>54,488</u>	<u>293,268</u>	<u>-</u>	<u>10,347</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	17,604	14,895	-	8,639
Fund Balances (Deficits) at Beginning of Year	<u>5,328</u>	<u>(381,403)</u>	<u>-</u>	<u>28,021</u>
Fund Balances (Deficit) at End of Year	<u>\$ 22,932</u>	<u>\$ (366,508)</u>	<u>\$ -</u>	<u>\$ 36,660</u>

EXHIBIT A-4

<u>Infrastructure Improvement Revolving</u>	<u>Public Improvement</u>	<u>Totals</u>
\$ -	\$ -	\$ 30,993
49,165		49,165
-	129,336	435,118
271	-	271
	103	103
	1,953	1,953
<u>49,436</u>	<u>131,392</u>	<u>517,603</u>
	261,262	636,629
		262,717
		15,656
<u>-</u>	<u>261,262</u>	<u>915,002</u>
<u>49,436</u>	<u>(129,870)</u>	<u>(397,399)</u>
-	150,105	508,208
<u>(54,488)</u>		<u>(54,488)</u>
<u>(54,488)</u>	<u>150,105</u>	<u>453,720</u>
(5,052)	20,235	56,321
<u>29,078</u>	<u>(99,354)</u>	<u>(418,330)</u>
<u>\$ 24,026</u>	<u>\$ (79,119)</u>	<u>\$ (362,009)</u>

**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, 2011

	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 485,327	\$ 383,667	\$ 868,994
Accounts Receivable (Net of allowance for uncollectibles)	119,570	53,850	173,420
Prepaid Expenses	13,734	5,013	18,747
Total Current Assets	<u>618,631</u>	<u>442,530</u>	<u>1,061,161</u>
Noncurrent Assets:			
Restricted Assets : Cash and Cash Equivalents	-	30,414	30,414
Property, Plant and Equipment:			
Land	75,139	11,414	86,553
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>460,459</u>	<u>1,152,098</u>	<u>1,612,557</u>
Total Noncurrent Assets	<u>535,598</u>	<u>1,193,926</u>	<u>1,729,524</u>
Total Assets	<u>1,154,229</u>	<u>1,636,456</u>	<u>2,790,685</u>
Liabilities			
Current Liabilities:			
Accounts Payable	13,886	26,915	40,801
Accrued Interest Payable	-	686	686
Accrued Wages Payable	9,188	8,705	17,893
Accrued Compensated Absences	3,459	2,481	5,940
Revenue Bonds Payable	-	22,397	22,397
Total current liabilities	<u>26,533</u>	<u>61,184</u>	<u>87,717</u>
Noncurrent liabilities:			
Accrued Compensated Absences	19,599	14,058	33,657
Estimated Postemployment Benefit Obligation	32,715	21,527	54,242
Revenue Bonds (net of current portion)	-	251,957	251,957
Total noncurrent liabilities	<u>52,314</u>	<u>287,542</u>	<u>339,856</u>
Total Liabilities	<u>78,847</u>	<u>348,726</u>	<u>427,573</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	535,598	889,158	1,424,756
Restricted for Debt Service	-	29,728	29,728
Unreserved	539,784	368,844	908,628
Total Net Assets	<u>\$1,075,382</u>	<u>\$ 1,287,730</u>	<u>\$ 2,363,112</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, 2011

	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Operating Revenues - Charges for Service	\$ 789,907	\$ 945,133	\$ 1,735,040
Operating Expenses:			
Personal Services	289,833	251,218	541,051
Insurance	5,825	13,129	18,954
Professional Services	6,095	26,515	32,610
Tipping Fees	112,825	3,750	116,575
Repairs and Maintenance	47,532	157,449	204,981
Cost of Sales and Service		395,895	395,895
Supplies and Materials	5,048	7,060	12,108
Utilities	378	19,929	20,307
Billing and Administration	239,059		239,059
Depreciation	53,240	124,139	177,379
Total Operating Expenses	<u>759,835</u>	<u>999,084</u>	<u>1,758,919</u>
Operating Income (Loss)	<u>30,072</u>	<u>(53,951)</u>	<u>(23,879)</u>
Nonoperating Revenues:			
Interest Income	3,122	3,518	6,640
Interest Expense		(8,791)	(8,791)
Miscellaneous, net		8,944	8,944
Total Nonoperating Revenues	<u>3,122</u>	<u>3,671</u>	<u>6,793</u>
Change in Net Assets	33,194	(50,280)	(17,086)
Total Net Assets - Beginning	<u>1,042,188</u>	<u>1,338,010</u>	<u>2,380,198</u>
Total Net Assets - Ending	<u>\$ 1,075,382</u>	<u>\$ 1,287,730</u>	<u>\$ 2,363,112</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds
For the Year Ended December 31, 2011

	Business-Type		Totals
	Solid Waste	Joint Powers Landfill	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 776,367	\$ 936,346	\$ 1,712,713
Cash Received for Interfund Services	15,288	-	15,288
Cash Paid to Suppliers for Goods and Services	(370,249)	(488,734)	(858,983)
Cash Paid to Employees for Services	(291,588)	(252,725)	(544,313)
Cash Paid for Interfund Services	(46,311)	(137,348)	(183,659)
Other Nonoperating Revenues		8,944	8,944
Net Cash Provided from Operating Activities	<u>83,507</u>	<u>66,483</u>	<u>149,990</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	-	(72,945)	(72,945)
Interest Paid on Bonds	-	(8,862)	(8,862)
Principal Paid on Notes, Bonds and Leases	-	(27,946)	(27,946)
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(109,753)</u>	<u>(109,753)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Change in Due From Other Governments	187,500	-	187,500
Net Cash Provided from Non-Capital Financing Activities	<u>187,500</u>	<u>-</u>	<u>187,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	3,121	3,518	6,639
Net Cash Provided from Investing Activities	<u>3,121</u>	<u>3,518</u>	<u>6,639</u>
Net (decrease) in Cash and Cash Equivalents	274,128	(39,752)	234,376
Cash and Cash Equivalents at Beginning of Year	211,199	453,833	665,032
Cash and Cash Equivalents at End of Year	<u>\$ 485,327</u>	<u>\$ 414,081</u>	<u>\$ 899,408</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 30,072	\$ (53,951)	\$ (23,879)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	53,240	124,139	177,379
Other Non-Operating Income	-	8,944	8,944
(Increase) Decrease in Assets:			
Accounts Receivable	1,748	(8,787)	(7,039)
Prepaid Expenses	(222)	(122)	(344)
Increase (Decrease) in Liabilities:			
Accounts Payable	424	(2,233)	(1,809)
Accrued Wages Payable	(809)	(1,188)	(1,997)
Estimated Postemployment Benefit Obligation	(1,503)	(1,252)	(2,755)
Accrued Compensated Absences	557	933	1,490
Total Adjustments	<u>53,435</u>	<u>120,434</u>	<u>173,869</u>
Net Cash Provided by Operating Activities	<u>\$ 83,507</u>	<u>\$ 66,483</u>	<u>\$ 149,990</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 485,327	\$ 383,667	\$ 868,994
Restricted Cash and Cash Equivalents	-	30,414	30,414
	<u>\$ 485,327</u>	<u>\$ 414,081</u>	<u>\$ 899,408</u>

**CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2011**

	Copier- Fax- Postage	Central Garage	Totals
ASSETS:			
Current Assets:			
Cash	\$ -	\$ 34,308	\$ 34,308
Inventory	-	161,787	161,787
Due from Other Governments	-	8,642	8,642
Prepaid Expenses	-	1,579	1,579
Total Current Assets	-	206,316	206,316
Noncurrent Assets:			
Capital Assets:			
Land	-	7,000	7,000
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	92,070	92,070
Total Capital Assets	-	99,070	99,070
Total Assets	-	305,386	305,386
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	14,319	14,319
Accrued Wages	-	3,987	3,987
Accrued Compensated Absences	-	1,314	1,314
Total Current Liabilities	-	19,620	19,620
Noncurrent Liabilities:			
Estimated Postemployment Benefit Obligation	-	9,276	9,276
Accrued Compensated Absences	-	7,447	7,447
Total Noncurrent Liabilities	-	16,723	16,723
Total Liabilities	-	36,343	36,343
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	-	99,070	99,070
Unreserved	-	169,973	169,973
Total Net Assets	\$ -	\$ 269,043	\$ 269,043

**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, 2011**

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
Operating Revenues:			
Charges for Goods and Services	\$ 20,770	\$ 743,642	\$ 764,412
Total Operating Revenue	<u>20,770</u>	<u>743,642</u>	<u>764,412</u>
Operating Expenses:			
Personnel Services		115,776	115,776
Professional Services		2,673	2,673
Repairs and Maintenance		3,754	3,754
Supplies and Materials		559,200	559,200
Utilities		26,296	26,296
Other Current Expenses	20,770		20,770
Depreciation		13,664	13,664
Total Operating Expenses	<u>20,770</u>	<u>721,363</u>	<u>742,133</u>
Operating Income	<u>-</u>	<u>22,279</u>	<u>22,279</u>
Change in Net Assets	-	22,279	22,279
Total Net Assets - Beginning	-	246,764	246,764
Total Net Assets - Ending	<u>\$ -</u>	<u>\$ 269,043</u>	<u>\$ 269,043</u>

**CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customer Services Provided	\$ 20,770	\$ 113,921	\$ 134,691
Cash Received from Interfund Services Provided		629,283	629,283
Cash Paid for Personal Services		(115,343)	(115,343)
Cash Paid to Suppliers	(21,084)	(615,832)	(636,916)
Cash Paid for Interfund Services		(10,424)	(10,424)
Net Cash (Used) by Operating Activities	<u>(314)</u>	<u>1,605</u>	<u>1,291</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	-	(1,913)	(1,913)
Net Cash (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(1,913)</u>	<u>(1,913)</u>
Net (Decrease) in Cash and Cash Equivalents	(314)	(308)	(622)
Cash and Cash Equivalents Beginning of Year	<u>314</u>	<u>34,616</u>	<u>34,930</u>
Cash and Cash Equivalents End of Year	<u>\$ -</u>	<u>\$ 34,308</u>	<u>\$ 34,308</u>
RENCONCILIATION OF OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES			
Operating Income	\$ -	\$ 22,279	\$ 22,279
Adjustments to Reconcile Net Operating Income to Net Cash (Used) by Operating Activities:			
Depreciation	-	13,664	13,664
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Accounts Receivable	-	(438)	(438)
Prepaid Expenses	-	(23)	(23)
Inventory	-	(28,790)	(28,790)
Accounts Payable	(314)	(5,520)	(5,834)
Accrued Wages Payable	-	157	157
Estimated Postemployment Benefit Obligation	-	(501)	(501)
Accrued Compensated Absences	-	777	777
Net Cash (Used) by Operating Activities	<u>\$ (314)</u>	<u>\$ 1,605</u>	<u>\$ 1,291</u>

**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, 2011

	Employee Benefits	Sales Tax	Totals
Assets			
Cash and Cash Equivalents	\$ 16,823	\$ 538	\$ 17,361
Total assets	<u>16,823</u>	<u>538</u>	<u>17,361</u>
Liabilities			
Other accrued expenses	16,823	-	16,823
Accounts Payable	-	538	538
Total liabilities	<u>16,823</u>	<u>538</u>	<u>17,361</u>
Net Assets			
Unrestricted	-	-	-
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, 2011

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2011</u>
<u>Employee Benefits</u>				
ASSETS				
Cash and Cash Equivalents	\$ 14,317	\$ 3,595,614	\$ 3,593,108	\$ 16,823
Total Assets	<u>14,317</u>	<u>3,595,614</u>	<u>3,593,108</u>	<u>16,823</u>
LIABILITIES				
Accrued Taxes Payable		1,472,726	1,472,726	-
Accrued Fringe Benefit Payable	14,317	2,124,176	2,121,670	16,823
Total Liabilities	<u>14,317</u>	<u>3,596,902</u>	<u>3,594,396</u>	<u>16,823</u>
 <u>Sales Tax</u>				
ASSETS				
Cash and Cash Equivalents	-	2,008	1,470	538
LIABILITIES				
Accounts Payable	-	1,130	592	538
Due to State Government		1,416	1,416	-
Total Liabilities	<u>-</u>	<u>2,546</u>	<u>2,008</u>	<u>538</u>
 <u>Totals - All Agency Funds</u>				
ASSETS				
Cash and Cash Equivalents	14,317	3,597,622	3,594,578	17,361
Total Assets	<u>14,317</u>	<u>3,597,622</u>	<u>3,594,578</u>	<u>17,361</u>
LIABILITIES				
Accounts Payable	-	1,130	592	538
Accrued Taxes Payable	-	1,472,726	1,472,726	-
Accrued Fringe Benefit Payable	14,317	2,124,176	2,121,670	16,823
Due to State Government	-	1,416	1,416	-
Total Liabilities	<u>\$ 14,317</u>	<u>\$ 3,599,448</u>	<u>\$ 3,596,404</u>	<u>\$ 17,361</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, 2011

	<u>Dispatch</u>		
	<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Taxes:			
General Sales & Use	\$ -	\$ -	\$ -
Intergovernmental	110,000	60,000	(50,000)
Charges for goods & services			-
Interest earned			-
Contributions & Donations from Private Sources			-
Total revenue	<u>110,000</u>	<u>60,000</u>	<u>(50,000)</u>
EXPENDITURES			
Current:			
Public works	-	-	-
Special Appropriations	-	-	-
Public Safety	551,537	433,421	(118,116)
Total expenditures	<u>551,537</u>	<u>433,421</u>	<u>(118,116)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(441,537)</u>	<u>(373,421)</u>	<u>(168,116)</u>
OTHER FINANCING SOURCES(USES)			
Transfers in	512,617	426,530	(86,087)
Transfer (out)	71,080	(71,080)	-
Total other financing sources(uses)	<u>583,697</u>	<u>355,450</u>	<u>(228,247)</u>
Net change in fund balances	<u>142,160</u>	<u>(17,971)</u>	<u>(396,363)</u>
Fund balances - beginning			
Fund balances - ending		<u>\$ (17,971)</u>	

EXHIBIT D-1

Bridge & Street			Lodging Sales Tax		
Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
\$ 21,397	\$ 21,397	\$ -	\$ 479,400	\$ 514,334	\$ 34,934
-	-	-	-	-	-
-	770	770	7,500	5,486	5,486
-	-	-	15,000	5,939	(1,561)
<u>21,397</u>	<u>22,167</u>	<u>770</u>	<u>501,900</u>	<u>540,759</u>	<u>38,859</u>
163,000	4,900	158,100	-	-	-
-	-	-	432,503	399,752	32,751
-	-	-	-	-	-
<u>163,000</u>	<u>4,900</u>	<u>158,100</u>	<u>432,503</u>	<u>399,752</u>	<u>32,751</u>
<u>(141,603)</u>	<u>17,267</u>	<u>158,870</u>	<u>69,397</u>	<u>141,007</u>	<u>71,610</u>
135,115	-	(135,115)	-	-	-
-	-	-	172,250	(170,024)	342,274
<u>135,115</u>	<u>-</u>	<u>(135,115)</u>	<u>172,250</u>	<u>(170,024)</u>	<u>342,274</u>
<u>(6,488)</u>	<u>17,267</u>	<u>23,755</u>	<u>69,397</u>	<u>(29,017)</u>	<u>413,884</u>
	<u>76,574</u>			<u>606,329</u>	
	<u>\$ 93,841</u>			<u>\$ 577,312</u>	

CITY OF YANKTON, SOUTH DAKOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CAPITAL PROJECT FUNDS AND PERMANENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Capital Improvement Fund			Airport Capital Improvement		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 2,336,668	\$ 2,325,154	\$ (11,514)	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-	-
Intergovernmental	2,100,000	49,741	(2,050,259)	467,009	305,782	(161,227)
Charges for Services	-	-	-	-	-	-
Interest	30,000	62,440	32,440	-	-	-
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenue	<u>4,466,668</u>	<u>2,437,335</u>	<u>(2,029,333)</u>	<u>467,009</u>	<u>305,782</u>	<u>(161,227)</u>
EXPENDITURES						
Culture and Recreation	-	-	-	-	-	-
Public Works	7,039,181	1,799,294	5,239,887	477,356	307,490	169,866
Total expenditures	<u>7,039,181</u>	<u>1,799,294</u>	<u>5,239,887</u>	<u>477,356</u>	<u>307,490</u>	<u>169,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,572,513)</u>	<u>638,041</u>	<u>3,210,554</u>	<u>(10,347)</u>	<u>(1,708)</u>	<u>8,639</u>
OTHER FINANCING SOURCES(USES)						
Bond Proceeds	-	-	-	-	-	-
Transfers (out)	(324,664)	-	324,664	-	-	-
Transfer in	-	-	-	10,347	10,347	-
Total other financing sources(uses)	<u>(324,664)</u>	<u>-</u>	<u>324,664</u>	<u>10,347</u>	<u>10,347</u>	<u>-</u>
Net change in fund balances	<u>(2,897,177)</u>	<u>638,041</u>	<u>3,535,218</u>	<u>-</u>	<u>8,639</u>	<u>8,639</u>
Fund balances - beginning		<u>3,855,622</u>			<u>28,021</u>	
Fund balances - ending		<u>\$ 4,493,663</u>			<u>\$ 36,660</u>	

EXHIBIT D-2

Public Improvement Cap. Project			Infrastructure Improvement			Park Capital		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95,770	129,338	33,568	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	103	103	-	-	-	-	-	-
-	1,953	1,953	-	-	-	-	-	-
<u>95,770</u>	<u>131,392</u>	<u>35,622</u>	-	-	-	-	-	-
-	-	-	-	-	-	358,361	278,373	77,988
285,875	261,262	24,613	396,300	36,884	359,416	-	-	-
<u>285,875</u>	<u>261,262</u>	<u>24,613</u>	<u>396,300</u>	<u>36,884</u>	<u>359,416</u>	<u>358,361</u>	<u>278,373</u>	<u>77,988</u>
(190,105)	(129,870)	60,235	(396,300)	(36,884)	359,416	(358,361)	(278,373)	77,988
-	-	-	98,575	-	(98,575)	-	-	-
-	-	-	-	-	-	-	-	-
150,105	150,105	-	259,529	54,488	(205,041)	344,449	293,268	(51,181)
150,105	150,105	-	358,104	54,488	(303,616)	344,449	293,268	(51,181)
<u>(40,000)</u>	<u>20,235</u>	<u>60,235</u>	<u>(38,196)</u>	<u>17,604</u>	<u>55,800</u>	<u>(11,912)</u>	<u>14,895</u>	<u>26,807</u>
	<u>(99,354)</u>			<u>5,328</u>			<u>(381,403)</u>	
	<u>\$ (79,119)</u>			<u>\$ 22,932</u>			<u>\$ (386,508)</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, 2011

	TID #2 Morgan Square			Infrastructure Improvement Revolving			Permanent Fund Perpetual Care Cemetery		
	Final		Variance	Final		Variance	Final		Variance
	Budgeted	Actual	Favorable (Unfavorable)	Budgeted	Actual	Favorable (Unfavorable)	Budgeted	Actual	Favorable (Unfavorable)
REVENUES									
Taxes	\$ 30,993	\$ 30,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	71,200	49,165	(22,035)	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	18,300	25,822	7,522
Interest	-	-	-	-	271	271	1,700	1,756	56
Contributions	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	1,000	750	-
Total revenue	<u>30,993</u>	<u>30,993</u>	<u>-</u>	<u>71,200</u>	<u>49,436</u>	<u>(21,764)</u>	<u>21,000</u>	<u>28,328</u>	<u>7,328</u>
EXPENDITURES									
Culture and Recreation	-	-	-	-	-	-	85,866	68,398	17,468
Public Works	30,993	30,993	-	-	-	-	-	-	-
Total expenditures	<u>30,993</u>	<u>30,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,866</u>	<u>68,398</u>	<u>17,468</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	71,200	49,436	(21,764)	(64,866)	(40,070)	24,796
OTHER FINANCING SOURCES(USES)									
Bond Proceeds	-	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	(70,000)	(54,488)	15,512	-	-	-
Transfer in	-	-	-	-	-	-	64,866	39,969	(24,897)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(70,000)</u>	<u>(54,488)</u>	<u>15,512</u>	<u>64,866</u>	<u>39,969</u>	<u>(24,897)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>(5,052)</u>	<u>(6,252)</u>	<u>-</u>	<u>(101)</u>	<u>(101)</u>
Fund balances - beginning					29,078			159,326	
Fund balances - ending		\$ -		\$ 24,026				\$ 159,225	

SINGLE AUDIT SECTION

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Expenditures of Federal Awards (Cash Basis)
For The Year Ended December 31, 2011

	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	\$ 136,622
Department of Justice:		
Direct Federal Funding:		
Bullet Proof Vest Partnership	16.607	365
Department of Transportation:		
Direct Federal Funding:		
Airport Improvement Program	20.106	377,624
General Services Administration:		
Indirect Federal Funding:		
SD Federal Property Agency, Donation of Federal Surplus Personal Property	39.003	1,179
Environmental Protection Agency:		
Indirect Federal Funding:		
SD Department of Environment and Natural Resources, Capitalization Grants for Drinking Water State Revolving Funds	66.468	403,023
Department of Health and Human Services:		
Direct Federal Funding:		
Centers for Medicare and Medicaid Services Early Retiree Reinsurance Program (ERRP)	93.546	43,323
Department of Homeland Security		
Direct Federal Funding:		
Assistance to Firefighters Grant	97.044	61,314
Indirect Federal Funding:		
SD Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	103,312
Total Expenditures of Federal Awards		<u>\$ 1,126,762</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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, 2011.

	Total Amount Of Loan Outstanding	Federal Portion Of Loan Outstanding
Wastewater System #3, Series 2011 (83.33%)	\$ 4,159,396	\$ 3,466,025
Total Wastewater System	<u>\$ 4,159,396</u>	<u>\$ 3,466,025</u>
Water System Services 2001 (76.97%)	\$ 2,396,163	\$ 1,844,327
Water System, Services Series #2 (50.06%)	823,045	412,016
Water System, Services Series #3 (53.25%)	1,743,958	928,658
Water System, Services Series #4 (56.05%)	1,943,558	1,089,364
Total Water System	<u>\$ 6,906,724</u>	<u>\$ 4,274,365</u>

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No 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.
 - CFDA #20.106 – Airport Improvement Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Yankton did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Material Weakness:

II-A-11 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, 2011**

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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2012. 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 \$320,595 and total revenues of \$612,159 as of and for the year ended June 30, 2011. 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-11, 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 25, 2012



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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, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 \$576,956 in federal awards which is not included in the Schedule of Federal Awards for the year ended December 31, 2011. 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 programs for the year ended December 31, 2011.

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 25, 2012