

CITY OF YANKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended

December 31, 2014



CITY OF YANKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014

PREPARED BY:
FINANCE DEPARTMENT

AL VIERECK
FINANCE OFFICER

CITY OF YANKTON
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2014
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FINANCIAL SECTION

This Section Contains the Following Subsections:

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AUDITORS' REPORT

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MANAGEMENT DISCUSSION AND ANALYSIS

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BASIC FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF YANKTON, SOUTH DAKOTA, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Yankton Housing and Redevelopment Commission (a discretely presented component unit), which statements reflect total assets of \$249,304 and total revenues of \$493,902 as of and for the year ended June 30, 2014. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the Yankton Housing and Redevelopment Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Yankon, South Dakota as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, OPEB schedule of funding progress and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and budgetary compliance schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and budgetary compliance schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our

opinion, the combining nonmajor fund financial statements, budgetary compliance schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2015, on our consideration of the City of Yankton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Yankton's internal control over financial reporting and compliance.

Yankton, South Dakota
August 15, 2015

Williams & Company, P.C.
Certified Public Accountants

Management Discussion and Analysis December 31, 2014

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, 2014. 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, 2014 by \$93,715,460. Of this amount \$19,825,122 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$5,099,585 during the year. Of this amount the net position of our Governmental Activities increased \$3,330,961 and the net position of our Business-Type Activities increased by \$1,768,624. The governmental net position and the business type net position increased in large part due to increases in cash and cash equivalents, and decreases in liabilities at years end.
- The City's Governmental Fund Balances increased \$1,939,794 in 2014. Exhibit 4 details the increases.
- The City's long-term debt decreased \$1,353,916 in 2014. This decrease occurred from decreases in long term debt from annual debt service payments in the Water Revenue Bonds, 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 Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as an agent for the benefit of those outside of the government. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is, "Is the City of Yankton in a better financial position at the end of this fiscal year, compared to last year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net position, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure are also important in making this determination.

The government-wide financial statements of the City are reported in three categories:

- **Governmental Activities** -- This category includes most of the City's basic services, such as police, fire, public works, parks department, cemetery and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-Type Activities** -- The City charges a fee to customers to help cover the costs of certain services it provides. The City's Water, Wastewater, Solid Waste Collection, Transfer Station, and Golf Course are included here.
- **Component Units** -- The City includes one other entity in its report – the Housing and Redevelopment Commission. Although legally separate, this "component unit" is important because the City is financially accountable for them.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond resolution. The City Commission also established funds to control and manage money for particular purposes (such as construction projects) and show that it is properly using certain revenues. The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in the governmental funds, which focus on how money moves into and out of funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The major differences between the proprietary funds report and the business type activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary funds report.

THE CITY AS TRUSTEE

The City has two agency funds: the Employee Benefits Fund to account for the deductions and disbursements of employee benefits; and the Sales Tax Fund, to account for sales tax charged on services for the State of South Dakota. Monthly payments are made to insurance companies for employee benefits, and to the state of South Dakota for sales taxes.

THE CITY AS A WHOLE

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The largest part of the City's net position reflects its investment in capital assets (land, buildings and improvements and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF YANKTON'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 15,920,921	\$ 14,075,401	\$ 10,996,264	\$ 10,172,825	\$ 26,917,185	\$ 24,248,226
Capital Assets	<u>56,813,874</u>	<u>55,824,856</u>	<u>29,715,960</u>	<u>29,934,318</u>	<u>86,529,834</u>	<u>85,759,174</u>
Total Assets	<u>72,734,795</u>	<u>69,900,257</u>	<u>40,712,224</u>	<u>40,107,143</u>	<u>113,447,019</u>	<u>110,007,400</u>
Long-term Liabilities Outstanding	4,625,086	5,049,509	11,824,098	13,067,935	16,449,184	18,117,444
Other Liabilities	<u>1,135,577</u>	<u>1,207,577</u>	<u>2,146,798</u>	<u>2,066,504</u>	<u>3,282,375</u>	<u>3,274,081</u>
Total Liabilities	<u>5,760,663</u>	<u>6,257,086</u>	<u>13,970,896</u>	<u>15,134,439</u>	<u>19,731,559</u>	<u>21,391,525</u>
Net Position:						
Net Investment in Capital Assets	54,968,874	53,879,856	16,908,811	15,981,597	71,877,685	69,861,453
Restricted	1,989,178	1,375,585	23,475	23,433	2,012,653	1,399,018
Unrestricted	<u>10,016,080</u>	<u>8,387,730</u>	<u>9,809,042</u>	<u>8,967,674</u>	<u>19,825,122</u>	<u>17,355,404</u>
Ending Net Position	<u>\$ 66,974,132</u>	<u>\$ 63,643,171</u>	<u>\$ 26,741,328</u>	<u>\$ 24,972,704</u>	<u>\$ 93,715,460</u>	<u>\$ 88,615,875</u>

This summary reflects an increase in net position of 5.23% for the Governmental Activities and an increase of 7.08% in the Business-Type Activities. The increase in Governmental Activities net position was largely Cash and Cash Equivalents and Capital Assets. The overall liabilities of the City of Yankton decreased by (\$1,659,966) or 7.76%, due mainly to a decrease in Revenue Bonds Payable.

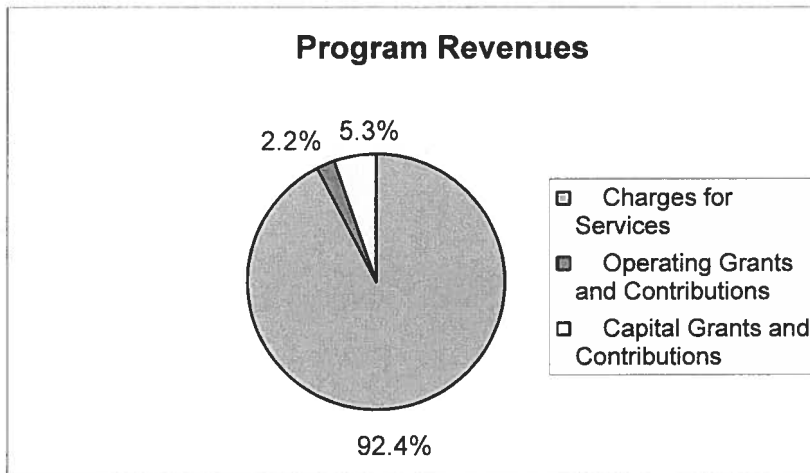
Total revenue reported in 2014 was \$27,836,016, an increase of \$74,321 or 0.27%. The largest increase in revenues was in Charges for Services; an increase of \$1,324,969 or 10.3%. The Property Tax revenues increased \$155,522 or 5.98%, Capital Grants and Contributions revenues decreased (\$1,757,857) or 68.4%. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities:

**CITY OF YANKTON
CHANGES IN NET POSITION**

Revenue Sources	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,641,238	\$ 3,611,976	\$ 10,553,787	\$ 9,258,080	\$ 14,195,025	\$ 12,870,056
Operating Grants and Contributions	344,055	466,569	-	-	344,055	466,569
Capital Grants and Contributions	736,436	2,517,165	75,101	52,229	811,537	2,569,394
General Revenues:						
Property Taxes	2,755,525	2,600,003	-	-	2,755,525	2,600,003
Sales Taxes	8,886,729	8,466,651	-	-	8,886,729	8,466,651
Other Taxes	691,783	631,782	-	-	691,783	631,782
Other	115,021	89,769	36,341	67,471	151,362	157,240
Total Revenues	17,170,787	18,383,915	10,665,229	9,377,780	27,836,016	27,761,695
Expenses:						
General Government	1,640,045	1,770,039	-	-	1,640,045	1,770,039
Public Safety	3,166,992	3,335,826	-	-	3,166,992	3,335,826
Public Works	5,376,611	5,315,038	-	-	5,376,611	5,315,038
Culture & Recreation	2,780,444	3,058,774	-	-	2,780,444	3,058,774
Community & Economic Development	788,343	627,779	-	-	788,343	627,779
Interest on Long-term Debt	180,091	186,696	-	-	180,091	186,696
Water	-	-	3,024,292	2,985,267	3,024,292	2,985,267
Wastewater	-	-	3,097,315	3,150,079	3,097,315	3,150,079
Golf	-	-	869,101	863,922	869,101	863,922
Non-Major Enterprise Funds	-	-	1,813,197	1,785,405	1,813,197	1,785,405
Total Expenses	13,932,526	14,294,152	8,803,905	8,784,673	22,736,431	23,078,825
Increase (Decrease) in						
Net Position Before Transfers	3,238,261	4,089,763	1,861,324	593,107	5,099,585	4,682,870
Transfers	92,700	108,622	(92,700)	(108,622)	-	-
Increase in Net Position	3,330,961	4,198,385	1,768,624	484,485	5,099,585	4,682,870
Net Position January 1	63,643,171	59,444,786	24,972,704	24,488,219	88,615,875	83,933,005
Net Position December 31	\$ 66,974,132	\$ 63,643,171	\$ 26,741,328	\$ 24,972,704	\$ 93,715,460	\$ 88,615,875

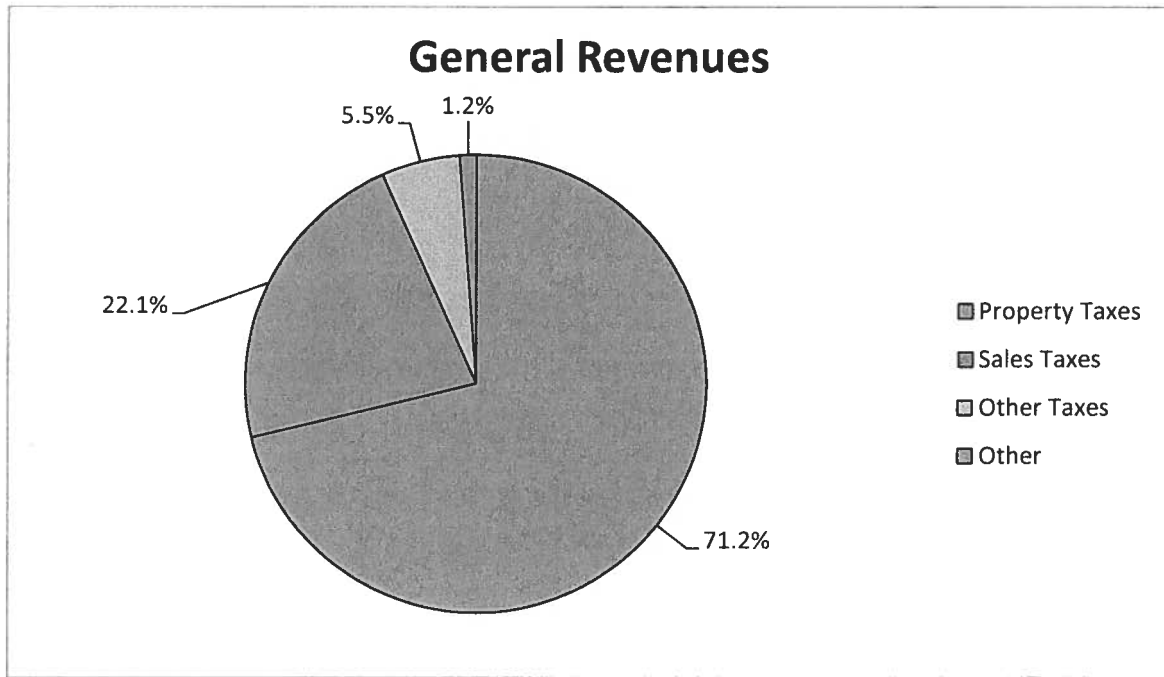
Charges for Services in the Business-Type Activities increased \$1,295,707 or 14.0% due in most part to increased consumption in water and modest 3% rate increases in Water and Solid Waste Collections and a 5% increase in Wastewater. Business-Type Activities Total Expenses increased by a very modest \$19,232 or 0.22%. Governmental Activities Total Expenses decreased \$361,626 or 2.53%.

Program Revenues total \$15,350,617 for 2014. Governmental Activities provided \$4,721,729 and Business-Type Activities provided \$10,628,888. Revenue collected for Charges for Services during 2014 was \$14,195,025 accounting for 92.4% of the total program revenues. Revenue collected for Capital Grants and Contributions accounts for 5.3% of the total program revenues. The following chart breaks down program revenues by sources:



General Revenues for 2014 totaled \$12,485,399. Governmental Activities provided \$12,449,058 and Business-Type Activities provided \$36,341. Sales Tax Revenues for 2014 totaled \$8,886,729 and Property Tax Revenue totaled \$2,755,525. The Sales Tax Revenues accounted for 71.2% and Property Tax Revenues were 22.1% of General Revenues. The following chart breaks down General Revenues by source:

GENERAL REVENUES



Expenses for 2014 totaled \$22,736,431, a decrease of (1.48)%. Expenses for Governmental Activities totaled \$13,932,526 accounting for 61.3% of the total expenses. Expenses for Business-Type Activities totaled \$8,803,905 accounting for 38.7% 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 \$3,166,992 and received \$57,921 in charges for services, \$84,792 in operating grants and contributions, and \$11,100 in Capital Grants and Contributions thus leaving a cost to the taxpayers of (\$3,013,179) to be funded by various other methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

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

The total cost of governmental activities this year was \$13,932,526. Of these costs, \$3,641,238 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 \$344,055, and costs paid by other governments and organizations that subsidized certain programs with capital grants and contributions were \$736,436, leaving a Net Expense of (\$9,210,797) 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 \$80,906,658, consisting of Net Assets January 1, 2014 of \$63,643,171, General Revenues and transfers of \$12,541,758, and Program Revenues of \$4,721,729. Total Governmental Activities during the year expended \$13,932,526; thus, Net Assets were increased by \$3,330,961 to \$66,974,132.

Business Type Activities

Business-Type Activities increased the City's net position by \$1,768,624.

The cost of all Business-Type Activities this year was \$8,803,905. As shown in the Statement of Activities, the amounts paid by users of the systems were \$10,553,787 and \$75,101 was funded from capital grants and contributions, resulting in a net gain for Business-Type Activities of \$1,824,983.

Total resources available during the year to finance Business-Type Activities were \$35,545,233 consisting of Net Position January 1, 2014 of \$24,972,704, Program Revenues of \$10,628,888 and General Revenues and transfers of (\$56,359). Total Business-Type Activities during the year expended \$8,803,905; thus Net Position was increased by \$1,768,624 to \$26,741,328.

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 \$14,355,620 (25.4% non-spendable, 11.6% restricted, 50.9% committed, 1.6% assigned, and 10.5% unassigned). The combined Governmental Funds fund balance increased \$1,939,794 from the prior year. The fund balance amount consists of \$3,651,600 of non-spendable funds committed for 1) perpetual care for cemetery \$50,000, 2) \$270,270 in vested reserve in our insurance carrier the South Dakota Public Assurance Association or SDPAA, 3) inventory of land for resale \$1,982,792, and 4) long term advances \$1,348,538; \$1,673,485 of restricted funds; \$7,302,460 of committed funds; \$225,105 of assigned funds, and \$1,502,970 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 \$6,893,123, an increase of \$1,419,461. 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 48.5 percent of total general fund expenditures, while total fund balance represents 66.9 percent of that same amount.

General fund revenues in 2014 increased \$206,944 or 1.8% due mostly to an increase in property taxes and sales taxes. Expenditures decreased (\$85,188) or 0.8%. The decrease in expenditures included an increase of \$6,011 in current expenditures, an increase of 0.06%, a decrease of (\$55,979) in capital outlay or a decrease of 5.8% less than 2013's expenditures, and a decrease of (\$35,220) in debt service, a decrease of 15.3% from 2013.

The Special Capital Improvements Fund showed an increase in fund balance of \$622,425. This reflects a decrease in expenditures of \$466,775.

The TID #5 Fund balance decreased (\$482,286) to end 2014 at (\$1,466,447) due to expenditures being made to be reimbursed by future tax receipts.

The Other Governmental Funds end of year balance increased \$420,139 to \$1,703,076.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the 2014 original (adopted) General Fund budget of \$12,442,118 to the final budget amount of \$13,384,312 shows a net increase of \$962,194. However, actual expenditures were \$2,112,334 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, 2014 was \$71,877,685 (net of accumulated depreciation and outstanding financings). This was an increase of \$2,016,232 or 2.9%. The comparative totals for capital assets for 2013 and 2014 are as follows:

CITY OF YANKTON CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 3,504,939	\$ 3,497,853	\$ 814,622	\$ 815,123	\$ 4,319,561	\$ 4,312,976
Construction in Progress	3,616,637	5,945,025	2,548,951	1,019,538	6,165,588	6,964,563
Buildings & Structures / Infrastructure	43,363,817	40,506,206	22,859,554	24,458,787	66,223,371	64,964,993
Land Improvements	-	-	2,131,264	2,134,370	2,131,264	2,134,370
Furniture and Equipment	<u>6,328,481</u>	<u>5,875,772</u>	<u>1,361,569</u>	<u>1,506,500</u>	<u>7,690,050</u>	<u>7,382,272</u>
Total	<u>\$ 56,813,874</u>	<u>\$ 55,824,856</u>	<u>\$ 29,715,960</u>	<u>\$ 29,934,318</u>	<u>\$ 86,529,834</u>	<u>\$ 85,759,174</u>

Construction in Progress was the major increase in capital outlays for 2014 for Business-Type Activities and Buildings & Structures / Infrastructure was the major increase in Governmental Activities. See notes 6 and 7 in the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year end the City had \$17,037,224 of debt outstanding, a net decrease of (\$1,353,916). This decrease in debt was accomplished through normal debt service payments.

Of the total debt, \$4,240,000 or 24.9% is to be paid from governmental activities including \$2,395,000 specifically from sales tax funds, and \$1,845,000 from property tax opt-out dollars; and \$12,797,224 or 75.1% in business type activities including \$6,487,429 to be repaid from water user fees, \$218,285 to be paid from landfill revenues and \$6,091,510 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 \$40,982,175 with outstanding debt (less debt service reserves) of \$16,818,931, leaving an unused balance of \$24,163,244 or 58.9% of the legal debt limit available. More detailed information on debt administration is provided in Notes 8 and 9 of the financial statements.

ECONOMIC FACTORS

The total building permit value for 2014 was \$31,193,679. It was an increase of \$18,351,294 or 242.9% of the 2013 total of \$12,842,385. The average annual building permit value for the last ten years was \$26,613,567 and the 2014 total value was 17.2% more than that average. New construction building permits included Yankton Heights Apartments, Schwan's Warehouse Depot, Farm Credit Services Office Building, Groseth Crossing Retail, Johnson Electric Office/Warehouse, Culver's Restaurant, Olson's Storage Building, and the National Field Archery Concession and Comfort Station. Commercial additions and remodels included Wilson Trailer, Avera Sister James Care Center, Kellen Concrete Plant Addition, Discovery Church renovation, SAPA addition, and tenant finishes for Tokyo Japanese Restaurant, Papa Murphy's Pizza, Domino's Pizza, Cherry Berry and the Big River Burrito. There were twenty-six new home-building permits issued during the year, an increase of six from 2013. There were also 30 new apartments with a new apartment complex.

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 2014 sales were up 4.35% over 2013's figures and totaled \$472,369,305.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the City Finance Office at 605-668-5241.

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BASIC FINANCIAL STATEMENTS

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment
ASSETS				
Cash and Cash Equivalents	\$ 11,218,999	\$ 9,563,114	\$ 20,782,113	\$ 241,844
Receivables:				
Taxes	28,942	-	28,942	
Accounts	113,078	875,005	988,083	1,796
Estimated Unbilled Usage	-	304,332	304,332	
Special Assessments	133,235	-	133,235	
Other Receivables	-	-	-	1,894
Due from Other Governmental Agencies	1,234,755	-	1,234,755	
Prepaid Expenses	114,506	65,391	179,897	1,837
Internal Balances	281,110	(281,110)	-	
Property Held for Resale, At Cost	1,982,792	-	1,982,792	
Inventories	144,473	445,511	589,984	
Restricted Assets:				
Cash and Cash Equivalents	398,761	24,021	422,782	
Deposits	270,270	-	270,270	
Land	3,504,939	814,622	4,319,561	
Construction in Progress	3,616,637	2,548,951	6,165,588	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	49,692,298	26,352,387	76,044,685	1,933
Total Assets	<u>72,734,795</u>	<u>40,712,224</u>	<u>113,447,019</u>	<u>249,304</u>
LIABILITIES				
Accounts Payable	481,037	698,894	1,179,931	232
Accrued Wages	331,531	97,128	428,659	5,861
Accrued Interest Payable	13,904	81,181	95,085	
Revenue Collected in Advance	26,628	66,938	93,566	
Payables from Restricted Assets:				
Customer Deposits	820	-	820	
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	1,180,148	1,180,148	
General Obligation Bonds	110,000	-	110,000	
Capital Lease	100,000	-	100,000	
Compensated Absences	71,657	22,509	94,166	5,907
Due in more than one year:				
Revenue Bonds Payable	-	11,627,001	11,627,001	
Capital Lease	1,745,000	-	1,745,000	
General Obligation Bonds	2,294,276	-	2,294,276	
Estimated Postemployment Benefit Obligation	179,755	69,548	249,303	
Compensated Absences	406,055	127,549	533,604	
Total Liabilities	<u>5,760,663</u>	<u>13,970,896</u>	<u>19,731,559</u>	<u>12,000</u>
NET POSITION				
Net Investment in Capital Assets	54,968,874	16,908,811	71,877,685	1,933
Restricted for:				
Housing Vouchers	-	-	-	36,965
Debt Service	180,914	23,475	204,389	
Capital Projects	245,514	-	245,514	
Lodging Sales Tax	898,282	-	898,282	
Cumulative Reserve-SDPAA	270,270	-	270,270	
Other Purposes	238,459	-	238,459	
Perpetual Care				
Expendable	105,739	-	105,739	
Nonexpendable	50,000	-	50,000	
Unrestricted	10,016,080	9,809,042	19,825,122	198,406
Total Net Position	<u>\$ 66,974,132</u>	<u>\$ 26,741,328</u>	<u>\$ 93,715,460</u>	<u>\$ 237,304</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

<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	\$ 1,640,045	\$ 2,030,303	\$ -
Public Safety	3,166,992	57,921	84,792
Public Works	5,376,611	867,179	214,508
Culture and Recreation	2,780,444	625,627	44,755
Community Development	788,343	60,208	-
Interest on Long-Term Debt	180,091	-	-
Total Governmental Activities	<u>13,932,526</u>	<u>3,641,238</u>	<u>344,055</u>
Business-Type Activities:			
Water	3,024,292	4,825,847	-
Wastewater	3,097,315	3,104,815	-
Solid Waste	829,600	912,605	-
Joint Powers- Landfill	983,597	951,426	-
Golf Course	869,101	759,094	-
Total Business-Type Activities	<u>8,803,905</u>	<u>10,553,787</u>	<u>-</u>
Component Units:			
Housing & Redevelopment	533,723	-	492,178
Total Component Unit	<u>\$ 533,723</u>	<u>\$ -</u>	<u>\$ 492,178</u>
General Revenues:			
Property taxes			
Sales and other Taxes			
Lodging Sales Tax			
Interest			
Reimbursements			
Miscellaneous			
Gain on Disposition of Assets			
Interfund Transfers			
Total General Revenues and Transfers			
Change in Net Position			
Net Position - Beginning			
Net Position - Ending			

Program Revenues	Net (Expense) Revenue and Changes in Net Position			Component Unit Housing & Redevelopment
	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
\$ -	\$ 390,258		\$ 390,258	-
11,100	(3,013,179)		(3,013,179)	-
298,336	(3,996,588)		(3,996,588)	-
425,000	(1,685,062)		(1,685,062)	-
2,000	(726,135)		(726,135)	-
-	(180,091)		(180,091)	-
<u>736,436</u>	<u>(9,210,797)</u>		<u>(9,210,797)</u>	-
52,325		\$ 1,853,880	1,853,880	-
22,776		30,276	30,276	-
-		83,005	83,005	-
-		(32,171)	(32,171)	-
-		(110,007)	(110,007)	-
<u>75,101</u>		<u>1,824,983</u>	<u>1,824,983</u>	-
-	-	-	-	\$ (41,545)
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,545)</u>
	2,755,525	-	2,755,525	-
	8,886,729	-	8,886,729	-
	691,783	-	691,783	-
	37,991	23,139	61,130	306
	42,370	-	42,370	-
	12	13,202	13,214	1,418
	34,648	-	34,648	-
	92,700	(92,700)	-	-
	<u>12,541,758</u>	<u>(56,359)</u>	<u>12,485,399</u>	<u>1,724</u>
	3,330,961	1,768,624	5,099,585	(39,821)
	<u>63,643,171</u>	<u>24,972,704</u>	<u>88,615,875</u>	<u>277,125</u>
	<u>\$ 66,974,132</u>	<u>\$ 26,741,328</u>	<u>\$ 93,715,460</u>	<u>\$ 237,304</u>

CITY OF YANKTON, SOUTH DAKOTA
BALANCE SHEET
Governmental Funds
December 31, 2014

	General	Special Capital Improvements
<u>Assets</u>		
Cash and Cash Equivalents	\$ 4,824,429	\$ 4,889,704
Receivables (Net where applicable, of allowance for uncollectibles):		
Taxes	28,942	-
Accounts	112,099	-
Special Assessments	19,547	-
Due from Other Funds	281,109	2,048,201
Due from Other Governmental Agencies	691,632	400,707
Advances to Other Funds	1,348,538	59,058
Property Held for Resale, At Cost	23,414	-
Restricted Assets:		
Cash and Cash Equivalents	245,514	-
Deposits	270,270	-
Total Assets	7,845,494	7,397,670
 <u>Liabilities</u>		
Accounts Payable	270,118	23,650
Accrued Wages	298,409	-
Unearned Revenue	7,028	-
Due to Other Funds	27,046	-
Customer Deposits	820	-
Advances from Other Funds	59,058	-
Total Liabilities	662,479	23,650
 <u>Deferred Inflows of Resources</u>		
Unavailable revenue- property taxes	28,942	-
Unavailable revenue- special assessments	19,547	-
Unavailable revenue- other taxes	196,190	71,560
Unavailable revenue- other	45,213	-
Total Deferred Inflows of Resources	289,892	71,560
 <u>Fund Balances</u>		
Non-Spendable:		
Perpetual Care	-	-
Cumulative Reserve-SDPAA	270,270	-
Property Held for Resale	23,414	-
Long Term Advances	1,348,538	-
Restricted:		
Debt Service	-	-
Lodging Sales Tax	-	-
Capital Projects	245,514	-
Perpetual Care	-	-
Other Purposes	-	-
Committed:		
Special Capital Improvements (sales tax)	-	7,302,460
Assigned:		
Capital Projects	-	-
Unassigned	5,005,387	-
Total Fund Balances (Deficits)	6,893,123	7,302,460
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 7,845,494	\$ 7,397,670

EXHIBIT 3

Public Improvement	TID #5	Other Governmental Funds	Total Governmental Funds
\$ 6,550	\$ 818	\$ 1,449,925	\$ 11,171,426
-	-	-	28,942
-	-	979	113,078
-	-	113,688	133,235
-	-	-	2,329,310
8,316	-	123,118	1,223,773
-	-	-	1,407,596
1,959,378	-	-	1,982,792
-	-	153,247	398,761
-	-	-	270,270
<u>1,974,244</u>	<u>818</u>	<u>1,840,957</u>	<u>19,059,183</u>
8,316	118,727	23,657	444,468
-	-	27,291	325,700
19,600	-	-	26,628
2,021,154	-	-	2,048,200
-	-	-	820
-	1,348,538	-	1,407,596
<u>2,049,070</u>	<u>1,467,265</u>	<u>50,948</u>	<u>4,253,412</u>
-	-	-	28,942
-	-	77,606	97,153
1,766	-	9,327	278,843
-	-	-	45,213
<u>1,766</u>	<u>-</u>	<u>86,933</u>	<u>450,151</u>
-	-	50,000	50,000
-	-	-	270,270
1,959,378	-	-	1,982,792
-	-	-	1,348,538
-	-	194,818	194,818
-	-	888,955	888,955
-	-	-	245,514
-	-	105,739	105,739
-	-	238,459	238,459
-	-	-	7,302,460
-	-	225,105	225,105
(2,035,970)	(1,466,447)	-	1,502,970
(76,592)	(1,466,447)	1,703,076	14,355,620
<u>\$ 1,974,244</u>	<u>\$ 818</u>	<u>\$ 1,840,957</u>	<u>\$ 19,059,183</u>

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CITY OF YANKTON, SOUTH DAKOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2014

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

Total Fund Balance - Governmental Funds (page 18)	\$ 14,355,620
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	56,709,832
Deferred revenues that do not provide current financial resources for governmental activities	450,151
Accrued expenses from the balance sheet that do not require current financial resources for governmental activities	(13,904)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	112,726
Long-term liabilities, such as Bonds and Notes Payable as well as Capital Leases and Accrued Compensated Absences are not due and payable in the current period and therefore are not reported in the funds	(4,720,542)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds	(176,109)
Internal Service Funds are used by management to charge the costs of certain activities, such as the central garage to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	<u>256,358</u>
Total Net Position - Governmental Activities (page 14)	<u>\$ 66,974,132</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended December 31, 2014

	<u>General</u>	<u>Special Capital Improvements</u>	<u>Public Improvement</u>
Revenue:			
Property Taxes	\$ 2,554,178	\$ -	\$ -
Sales and Other Taxes	5,281,489	3,584,853	-
Special Assessments	-	-	-
Licenses and Permits	367,941	-	-
Intergovernmental	443,574	-	66,367
Charges for Services	3,040,815	-	100
Fines and Forfeits	11,963	-	-
Gain on Sale of Land	60,208	-	-
Interest on Investments	10,319	24,162	2
Contributions	1,165	-	-
Miscellaneous	50,092	-	2,000
Total Revenue	<u>11,821,744</u>	<u>3,609,015</u>	<u>68,469</u>
Current Expenditures:			
General Government	1,730,403	-	-
Public Safety	2,487,488	-	-
Public Works	2,682,178	-	-
Culture and Recreation	2,311,316	-	-
Community Development	-	-	22,061
Capital Outlay:			
Public Works	252,644	2,717,787	86,353
Culture and Recreation	159,328	-	-
General Government	36,702	-	-
Public Safety	454,053	-	-
Debt Service	195,672	-	-
Total Expenditures	<u>10,309,784</u>	<u>2,717,787</u>	<u>108,414</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,511,960</u>	<u>891,228</u>	<u>(39,945)</u>
Other Financing Sources (Uses):			
Proceeds From Sale of Fixed Assets	36,168	-	-
Transfers In	431,816	-	-
Transfers Out	(560,483)	(268,803)	-
Total Other Financing Sources (Uses)	<u>(92,499)</u>	<u>(268,803)</u>	<u>-</u>
Net Change in Fund Balance	1,419,461	622,425	(39,945)
Fund Balances (Deficits)-Beginning of Year	<u>5,473,662</u>	<u>6,680,035</u>	<u>(36,647)</u>
Fund Balances (Deficits)- End of Year	<u>\$ 6,893,123</u>	<u>\$ 7,302,460</u>	<u>\$ (76,592)</u>

EXHIBIT 4

TID #5	Other Governmental Funds	Total Governmental Funds
\$ 147,296	\$ 57,758	\$ 2,759,232
-	711,215	9,577,557
-	35,240	35,240
-	-	367,941
-	107,093	617,034
-	48,969	3,089,884
-	-	11,963
-	-	60,208
-	3,509	37,992
-	14,506	15,671
-	1,400	53,492
<u>147,296</u>	<u>979,690</u>	<u>16,626,214</u>
-	-	1,730,403
-	510,453	2,997,941
-	57,758	2,739,936
-	109,040	2,420,356
436,817	325,702	784,580
-	33,109	3,089,893
-	10,959	170,287
-	-	36,702
-	-	454,053
-	195,465	391,137
<u>436,817</u>	<u>1,242,486</u>	<u>14,815,288</u>
<u>(289,521)</u>	<u>(262,796)</u>	<u>1,810,926</u>
-	-	36,168
-	788,810	1,220,626
<u>(192,765)</u>	<u>(105,875)</u>	<u>(1,127,926)</u>
<u>(192,765)</u>	<u>682,935</u>	<u>128,868</u>
(482,286)	420,139	1,939,794
<u>(984,161)</u>	<u>1,282,937</u>	<u>12,415,826</u>
<u>\$ (1,466,447)</u>	<u>\$ 1,703,076</u>	<u>\$ 14,355,620</u>

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CITY OF YANKTON, SOUTH DAKOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

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

Net change in fund balances - total governmental funds (page 21) \$ 1,939,794

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year:

	\$ 2,993,371	
Expenditures for capital assets		
Depreciation Expense	(2,537,537)	455,834

Capital Contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds. 548,477

Revenues reported in the funds that are not available to provide current financial resources: 30,725

Accrued interest expense that does not require current financial resources: 466

Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied. (23,660)

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 position on the statement of activities. (1,521)

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. (45,618)

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources: 8,025

The effect of bond issuance premiums are shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and accreted in the Statement of Activities: 580

Other Post-Employment Benefits that do not require current financial resources. 233,586

Compensated absences that do not require current financial resources. (25,727)

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: 210,000

Change in net position of governmental activities (page 16) \$ 3,330,961

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET POSITION
Proprietary Funds
December 31, 2014

	Business-Type	
	Water	Wastewater
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 6,147,983	\$ 2,198,049
Receivables (Net where applicable, of allowance for uncollectibles):		
Accounts	532,547	391,108
Due from Other Governmental Agencies	-	-
Prepaid Insurance	18,875	22,007
Inventories	241,911	155,038
Total Current Assets	6,941,316	2,766,202
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	-	-
Land	128,117	66,666
Construction in Progress	2,010,795	538,156
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	13,800,822	8,634,957
Total Noncurrent Assets	15,939,734	9,239,779
Total Assets	22,881,050	12,005,981
LIABILITIES		
Current Liabilities:		
Accounts Payable	367,648	274,847
Accrued Wages	32,525	25,166
Accrued Interest Payable	45,767	34,868
Accrued Compensated Absences	8,053	5,357
Revenues Collected in Advance	-	-
Due to Other Funds	-	-
Revenue Bonds Payable- Current	402,135	760,410
Total Current Liabilities	856,128	1,100,648
Noncurrent Liabilities:		
Revenue Bonds Payable	6,085,294	5,341,025
Accrued Compensated Absences	45,634	30,356
Estimated Postemployment Benefit Obligation	18,862	20,100
Total Noncurrent Liabilities	6,149,790	5,391,481
Total Liabilities	7,005,918	6,492,129
NET POSITION		
Net investment in capital assets,	9,452,305	3,138,344
Restricted for:		
Debt Service	-	-
Unrestricted	6,422,827	2,375,508
Total Net Position	\$ 15,875,132	\$ 5,513,852

EXHIBIT 5

<u>Business-Type</u>		<u>Governmental</u>
<u>Non-Major</u>		<u>Activities-</u>
<u>Enterprise Funds</u>	<u>Totals</u>	<u>Internal</u>
		<u>Service Fund</u>
\$ 1,217,082	\$ 9,563,114	\$ 47,573
255,682	1,179,337	-
-	-	10,982
24,509	65,391	1,780
48,562	445,511	144,473
<u>1,545,835</u>	<u>11,253,353</u>	<u>204,808</u>
24,021	24,021	-
619,839	814,622	7,000
-	2,548,951	-
3,916,608	26,352,387	97,042
<u>4,560,468</u>	<u>29,739,981</u>	<u>104,042</u>
<u>6,106,303</u>	<u>40,993,334</u>	<u>308,850</u>
56,399	698,894	36,569
39,437	97,128	5,831
546	81,181	-
9,099	22,509	967
66,938	66,938	-
281,110	281,110	-
17,603	1,180,148	-
<u>471,132</u>	<u>2,427,908</u>	<u>43,367</u>
200,682	11,627,001	-
51,559	127,549	5,479
30,586	69,548	3,646
<u>282,827</u>	<u>11,824,098</u>	<u>9,125</u>
<u>753,959</u>	<u>14,252,006</u>	<u>52,492</u>
4,318,162	16,908,811	104,042
23,475	23,475	-
1,010,707	9,809,042	152,316
<u>\$ 5,352,344</u>	<u>\$ 26,741,328</u>	<u>\$ 256,358</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended December 31, 2014

	<u>Business-Type</u>	
	<u>Water</u>	<u>Waste- water</u>
Operating Revenues:		
Charges for Services	\$ 4,825,847	\$ 3,104,815
Operating Expenses:		
Personal Services	606,969	530,392
Insurance	50,105	81,303
Professional Services	121,625	60,510
Tipping Fees	-	-
State Fees	5,000	12,500
Repairs and Maintenance	234,976	234,787
Cost of Sales and Service	-	-
Supplies and Materials	237,603	42,453
Travel and Conference	1,748	1,769
Utilities	272,664	236,505
Billing and Administration	655,905	626,754
Other Current Expenses	-	-
Depreciation	644,244	1,070,929
Total Operating Expenses	<u>2,830,839</u>	<u>2,897,902</u>
Operating Income (Loss)	1,995,008	206,913
Non-Operating Income (Expense):		
Interest Income	14,690	5,394
Donations	-	-
Gain (Loss) on Disposition of Assets	-	-
Miscellaneous, net	3,242	2,105
Interest Expense	(193,432)	(199,413)
Miscellaneous Expense	(21)	-
Total Non-Operating Income (Expenses)	<u>(175,521)</u>	<u>(191,914)</u>
Income (Loss) Before Contributions and Transfers	1,819,487	14,999
Transfers (Out)	(52,000)	(40,700)
Capital Contributions	52,325	22,776
Change in Net Position	1,819,812	(2,925)
Net Position - Beginning	<u>14,055,320</u>	<u>5,516,777</u>
Net Position - Ending	<u>\$ 15,875,132</u>	<u>\$ 5,513,852</u>

EXHIBIT 6

<u>Business-Type</u>		<u>Governmental</u>
<u>Non-Major</u>		<u>Activities-</u>
<u>Enterprise Funds</u>	<u>Totals</u>	<u>Internal</u>
		<u>Service Fund</u>
\$ 2,623,125	\$ 10,553,787	\$ 746,348
859,438	1,996,799	106,572
24,583	155,991	-
75,677	257,812	1,505
139,759	139,759	-
-	17,500	-
304,395	774,158	9,555
544,799	544,799	-
68,740	348,796	617,785
1,797	5,314	-
56,691	565,860	19,097
322,248	1,604,907	-
-	-	22,577
266,317	1,981,490	14,875
<u>2,664,444</u>	<u>8,393,185</u>	<u>791,966</u>
(41,319)	2,160,602	(45,618)
3,055	23,139	-
500	500	-
(10,963)	(10,963)	-
7,355	12,702	-
(6,891)	(399,736)	-
	(21)	-
<u>(6,944)</u>	<u>(374,379)</u>	<u>-</u>
(48,263)	1,786,223	(45,618)
-	(92,700)	-
-	75,101	-
(48,263)	1,768,624	(45,618)
<u>5,400,607</u>	<u>24,972,704</u>	<u>301,976</u>
<u>\$ 5,352,344</u>	<u>\$ 26,741,328</u>	<u>\$ 256,358</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended December 31, 2014

	<u>Business-Type</u>	
	<u>Water</u>	<u>Waste- Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 4,676,883	\$ 3,051,863
Cash Received from Interfund Services Provided	113,609	27,302
Cash Paid to Suppliers for Goods and Services	(1,773,779)	(1,091,983)
Cash Paid to Employees for Services	(620,073)	(535,182)
Cash Paid for Interfund Services	(16,390)	(34,454)
Other Nonoperating Revenues	3,221	2,105
Net Cash Provided (Used) from Operating Activities	<u>2,383,471</u>	<u>1,419,651</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(1,296,631)	(267,719)
Proceeds from Sale of Fixed Assets	-	-
Principal Paid on Notes, Bonds and Leases	(387,223)	(739,608)
Interest Paid on Notes and Bonds	(195,700)	(204,459)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,879,554)</u>	<u>(1,211,786)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Due to Other Funds	-	-
Transfers (Out)	(52,000)	(40,700)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(52,000)</u>	<u>(40,700)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	14,690	5,394
Net Cash Provided from Investing Activities	<u>14,690</u>	<u>5,394</u>
Net Increase (Decrease) in Cash and Cash Equivalents	466,607	172,559
Cash and Cash Equivalents at Beginning of Year	<u>5,681,376</u>	<u>2,025,490</u>
Cash and Cash Equivalents at End of Year	<u>6,147,983</u>	<u>2,198,049</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	<u>1,995,008</u>	<u>206,913</u>
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	644,244	1,070,929
Other Non-Operating Income (Expense)	3,221	2,105
(Increase) Decrease in Assets:		
Accounts Receivable	(35,355)	(25,650)
Prepaid Expenses	(1,013)	(945)
Inventories	(34,140)	11,621
Increase (Decrease) in Liabilities:		
Accounts Payable	(175,390)	159,468
Accrued Wages	1,755	5,104
Accrued Compensated Absences	5,954	6,296
Estimated Postemployment Benefit Obligation	(20,813)	(16,190)
Unearned Revenue	-	-
Total Adjustments	<u>388,463</u>	<u>1,212,738</u>
Net Cash Provided by Operating Activities	<u>2,383,471</u>	<u>1,419,651</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:		
Developers and City Contribution of Capital Assets	<u>52,325</u>	<u>22,776</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents	6,147,983	2,198,049
Restricted Cash and Cash Equivalents	-	-
	<u>\$ 6,147,983</u>	<u>\$ 2,198,049</u>

EXHIBIT 7

<u>Business-Type</u>		<u>Governmental</u>
<u>Nonmajor</u>		<u>Activities-</u>
<u>Enterprise Funds</u>	<u>Totals</u>	<u>Internal</u>
		<u>Service Fund</u>
\$ 2,603,924	\$ 10,332,670	\$ 117,482
6,316	147,227	627,255
(1,342,241)	(4,208,003)	(679,218)
(893,969)	(2,049,224)	(107,776)
(207,178)	(258,022)	(2,034)
7,355	12,681	-
<u>174,207</u>	<u>3,977,329</u>	<u>(44,291)</u>
(177,645)	(1,741,995)	(1,101)
43,500	43,500	-
(17,087)	(1,143,918)	-
<u>(6,933)</u>	<u>(407,092)</u>	<u>-</u>
<u>(158,165)</u>	<u>(3,249,505)</u>	<u>(1,101)</u>
104,608	104,608	-
-	(92,700)	-
<u>104,608</u>	<u>11,908</u>	<u>-</u>
3,055	23,139	-
<u>3,055</u>	<u>23,139</u>	<u>-</u>
123,705	762,871	(45,392)
<u>1,117,398</u>	<u>8,824,264</u>	<u>92,965</u>
<u>1,241,103</u>	<u>9,587,135</u>	<u>47,573</u>
(41,319)	2,160,602	(45,618)
266,317	1,981,490	14,875
7,355	12,681	-
(78,855)	(139,860)	(1,611)
(1,737)	(3,695)	(145)
900	(21,619)	33,032
(9,894)	(25,816)	(43,620)
(1,469)	5,390	478
1,632	13,882	2,944
(34,693)	(71,696)	(4,626)
65,970	65,970	-
<u>215,526</u>	<u>1,816,727</u>	<u>1,327</u>
<u>174,207</u>	<u>3,977,329</u>	<u>(44,291)</u>
	75,101	-
1,217,082	9,563,114	47,573
24,021	24,021	-
<u>\$ 1,241,103</u>	<u>\$ 9,587,135</u>	<u>\$ 47,573</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET POSITION
Fiduciary Funds
December 31, 2014

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$26,650
Prepaid Expenses	26
Total Assets	<u>26,676</u>
Liabilities	
Accounts Payable	473
Other Accrued Expenses	26,203
Total Liabilities	<u>26,676</u>
Net Position	
Unrestricted	<u>-</u>
Total Net Position	<u>\$ -</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Yankton was incorporated June 8, 1869, under the provisions of South Dakota Codified Law, as amended. The City operates under a Commission-Manager form of government.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) that apply to governmental units. All funds created under the authority of the South Dakota Codified Law, the operations of which are under the control of the City's governing body, and by financial reporting standards for governmental units are included herewith. The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

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

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

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

Joint Ventures A joint powers agreement between the City of Yankton, City of Vermillion, Yankton County and Clay County was adopted. The purpose of this agreement is to provide for the joint ownership, administration and operation of a solid waste disposal and recycling system including; a solid waste transfer station or stations, the transportation of solid waste, a sanitary landfill licensed by the State of South Dakota, a recycling program and facilities, establishing and collecting such fees as are necessary to support the joint operation and such other operations and facilities as are necessary to exercise the primary responsibilities established under the joint powers agreement. It is not the purpose of the agreement to create a separate entity. The membership of the Advisory Board consists of: one member of the governing body of each participating government, the city managers

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

of the Cities of Yankton and Vermillion, and one citizen chosen by each participating governing body. The undivided interest in the joint agreement is reported as Joint Power Landfill as an enterprise fund. A separately issued financial statement for the joint venture is not issued.

B. Basic Financial Statements – Government-Wide Statement

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, and capital project funds are classified as governmental activities. The City's internal service fund is classified as a governmental-type activity.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net positions are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The City first uses restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (general government, public works, public safety, health & welfare, culture & recreation, community development) and business-type activities. The functions are supported by general government revenues and related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through an internal service fund on a cost-reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C. Basis of Accounting

Basis of accounting refers to the point when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 30 days after year-end. A 30-day availability period is also used for revenue recognition for all other governmental fund revenues. The exception to this would be for receivables derived from reimbursement grant arrangements where the revenue would be recognized in the same period as the expenditure.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

D. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City can electively add a fund, as a major fund, which have a specific community focus. The nonmajor funds are combined in a column in the fund financial statements. The various funds reported in the financial statements are grouped into fund types as follows:

Governmental Fund Types – The focus of the governmental funds’ measurement (in the fund statements) is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental fund types of the City:

General Fund – The General fund is the general operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds - The Special Revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Debt Service Fund - The Debt Service fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs not being financed by proprietary or nonexpendable trust funds.

Capital Project Funds - The Capital Project funds account for the acquisition of fixed assets or construction of major capital projects not being financed by Proprietary Funds or Fiduciary Funds.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

Permanent Fund – Account for resources that are legally restricted to allow the earnings (and not principal) to be used to support the government's programs.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets.

Enterprise Funds - Enterprise funds are used to account for those operations (a) that are financed and operated in a manner similar to private business or enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

The City's internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the governmental-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the City's internal service funds are as follows:

Central Garage Fund – To account for the cost of supplying the fuel, repairs and maintenance of equipment used by all City departments, and fuel for the Yankton County automotive equipment. All purchases are billed at cost plus nominal overhead to defray administrative, equipment and shop maintenance and depreciation costs.

Copies and Postage – This fund has been established to record all charges for copies and postage by all departments prior to allocating these charges to the respective departments.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

The City has the following agency funds:

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

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

The City reports the following major governmental funds:

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

Special Revenue Fund:

TID #5 – This fund accounts for collection of property taxes and expenditures related to tax rebates and the servicing of debt related to economic development projects within the District.

Capital Projects Funds:

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

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

The City reports the following major enterprise funds:

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

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

E. Cash and Investments

The City combines all cash to participate in an entity-wide cash and investment pool except for specific bond indenture investments required to be separately invested. In general, SDCL 4-5-6 permits municipal funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly, including, without limitations, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government; 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, 2014**

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	Cost
U.S. Treasury Notes, State and Local Government Series	Fair Value Determined based on Quoted Market Price

F. Cash Flows

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

G. Short-Term Interfund Receivables/Payables

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

H. Advance to Other Funds

Noncurrent portions of long-term interfund loans are reported as advances and are offset equally by a 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, 2014**

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

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

J. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, special assessments, other taxes and other income. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

K. Restricted Assets

Certain proceeds of bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Part of the proceeds from cemetery lot sales are permanently set aside in the perpetual care account as required by state statutes, and only income from the restricted investments are used for care and maintenance of the cemetery.

L. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensation time hours for subsequent use or for payment upon termination, death or retirement. This liability as well as the corresponding employee benefits, is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for the portion which is expected to be liquidated with expendable available financial resources. This amount normally consists of payments to employees who had resigned or retired at year end, but had not yet been compensated for the accrued absences. The compensated absences liability has been computed based on rates of pay in effect at December 31, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund, with small portions being paid by the Central Garage. All accrued sick leave time accumulated is forfeited upon separation from service. Such amounts therefore do not constitute a liability. Sick leave earned over maximum accumulation is paid for, on the basis of one hour pay for each two hours earned, with the first pay day in the next January. These amounts have been accrued at year end.

M. Amortization of Bond Discounts and Premiums

For governmental fund types, bond premiums and discounts, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. For proprietary fund types, bond premiums and discounts, are deferred and amortized over

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

the life of the bonds based on interest expense which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

N. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition construction or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints places on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments: of (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

O. Application of Net Position

It is the City’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

P. Fund Equity

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

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

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

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

Q. Fixed Assets

Assets with an initial individual cost of \$500 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been retroactively capitalized using historical or estimated historical cost as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

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

Interest costs for capital-asset construction within enterprise funds are capitalized. Interest costs incurred during 2014 were \$596,862 of which \$18,450 has been capitalized.

NOTE 2 - CASH AND CASH EQUIVALENTS

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

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

At year-end, the City's deposits in banks were covered by federal depository insurance, and the accounts which exceeded FDIC coverage were properly collateralized per state statutes. The City's bank deposits, per banks, at December 31, 2014 were \$21,267,231. At year-end, the Yankton Housing and Redevelopment Commission's deposits were fully insured or collateralized.

Investments – The City's only investment during the year consisted of U.S. Treasury notes which were not held at year end. Credit and concentration risk disclosures are not necessary in accordance with GASB 40. At year end the Housing Commission had no investments.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 - CASH AND CASH EQUIVALENTS – (CONTINUED)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City had no exposure to interest rate risk at year end.

NOTE 3 - PROPERTY TAXES

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

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

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

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

NOTE 4 - ESTIMATED UNCOLLECTIBLE RECEIVABLES

An allowance for uncollectible taxes, utility accounts receivable and special assessments is provided based upon analysis of historical trends. The allowance for uncollectible receivables at December 31, 2014, consisted of the following:

	Utility Accounts Receivable	Special Assessment Receivable
Fund:		
Infrastructure Improvement Revolving	\$ -	\$ 42,000
Water Fund	15,394	-
Wastewater Fund	13,504	-
Solid Waste Fund	10,341	-
	\$ 39,239	\$ 42,000

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2014, include the following:

	General	Public Improvement Fund	Special Capital Improvement Fund	Non-Major Governmental Funds
County Remitted Taxes	\$ 31,415	\$ -	\$ -	\$ -
County share of Senior Center and Others	4,729	-	-	35,974
County and Other Garage Charges	-	-	-	-
State Remitted Sales Tax	531,170	-	400,707	58,896
State Remitted Liquor and Other Taxes	22,902	-	-	-
State Road Aid	59,111	-	-	-
Federal Grants	22,471	8,316	-	20,700
Other	19,834	-	-	7,548
	\$ 691,632	\$ 8,316	\$ 400,707	\$ 123,118

	Internal Service	Total
County Remitted Taxes	\$ -	\$ 31,415
County share of Senior Center and Others	-	40,703
County and Other Garage Charges	10,982	10,982
State Remitted Sales Tax	-	990,773
State Remitted Liquor and Other Taxes	-	22,902
State Road Aid	-	59,111
Federal Grants	-	51,487
Other	-	27,382
	\$ 10,982	\$ 1,234,755

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 - CAPITAL ASSETS

A summary of the changes in the capital assets for the year ended December 31, 2014, is as follows:

	Balance January 1, 2014	Additions	Deletions	Reclassification	Balance December 31, 2014
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 3,497,853	\$ 7,086	\$ -	\$ -	\$ 3,504,939
Construction in Progress	5,945,025	405,240	2,733,628	-	3,616,637
Total capital assets not being depreciated	9,442,878	412,326	2,733,628	-	7,121,576
Capital assets being depreciated:					
Buildings & Structures/Infrastructure	61,715,495	4,600,413	302,762	-	66,013,146
Furniture & Equipment	13,654,471	1,268,538	261,600	(22,422)	14,638,987
Total capital assets being depreciated:	75,369,966	5,868,951	564,362	(22,422)	80,652,133
Less: Accumulated Depreciation for:					
Buildings & Structures/Infrastructure	21,209,289	1,737,843	302,762	4,959	22,649,329
Furniture & Equipment	7,778,699	814,569	255,381	(27,381)	8,310,506
Total Accumulated Depreciation	28,987,988	2,552,412	558,143	(22,422)	30,959,835
Total Capital Assets being depreciated, net	46,381,978	3,316,539	6,219	-	49,692,298
Governmental activities capital assets, net	\$ 55,824,856	\$ 3,728,865	\$ 2,739,847	\$ -	\$ 56,813,874

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 - CAPITAL ASSETS -- (CONTINUED)

	Balance January 1, 2014	Additions	Deletions	Reclassification	Balance December 31, 2014
Business-Type Activities:					
Capital Assets not being depreciated:					
Land	\$ 815,123	\$ -	\$ 501	\$ -	\$ 814,622
Construction in Progress	1,019,538	1,560,703	31,290	-	2,548,951
Total capital assets not being depreciated:	<u>1,834,661</u>	<u>1,560,703</u>	<u>31,791</u>	<u>-</u>	<u>3,363,573</u>
Capital Assets being depreciated:					
Buildings and Structures	51,124,000	106,391	-	-	51,230,391
Land Improvements	2,190,047	-	-	-	2,190,047
Furniture & Equipment	5,154,374	181,791	99,962	-	5,236,203
Total capital assets, being depreciated	<u>58,468,421</u>	<u>288,182</u>	<u>99,962</u>	<u>-</u>	<u>58,656,641</u>
Less: Accumulated Depreciation for:					
Buildings and Structures	26,665,213	1,705,624	-	-	28,370,837
Land Improvements	55,677	3,106	-	-	58,783
Furniture & Equipment	3,647,874	272,760	46,000	-	3,874,634
Total Accumulated Depreciation	<u>30,368,764</u>	<u>1,981,490</u>	<u>46,000</u>	<u>-</u>	<u>32,304,254</u>
Total Capital Assets, being depreciated, net	<u>28,099,657</u>	<u>(1,693,308)</u>	<u>53,962</u>	<u>-</u>	<u>26,352,387</u>
Business-type activities capital assets, net	<u>\$ 29,934,318</u>	<u>\$ (132,605)</u>	<u>\$ 85,753</u>	<u>\$ -</u>	<u>\$ 29,715,960</u>

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

Governmental Activities:	
General Government	\$ 33,350
Community Development	2,259
Public Safety	242,393
Public Works	1,783,981
Culture & Recreation	490,429
Total depreciation expense - governmental activities	<u>\$ 2,552,412</u>

Depreciation expense of \$14,875 was charged to the Internal Service Fund and is included in the Public Works total shown above.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

Business-Type Activities:	
Water	\$ 644,244
Wastewater	1,070,929
Solid Waste	56,577
Golf Course	60,286
Joint Powers Landfill	<u>149,454</u>
Total depreciation expense - business-type activities	<u>\$ 1,981,490</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>2,000</u>	\$ <u>-</u>	\$ <u>6,633</u>
Total capital assets, being depreciated	<u>4,633</u>	<u>2,000</u>	<u>-</u>	<u>6,633</u>
Less: Accumulated Depreciation	<u>4,633</u>	<u>67</u>	<u>-</u>	<u>4,700</u>
Component unit capital assets, net	<u>\$ -</u>	<u>\$ 1,933</u>	<u>\$ -</u>	<u>\$ 1,933</u>

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-Type Activities
Land	\$ 3,504,939	\$ 814,622
Construction in Progress	3,616,637	2,548,951
Capital Assets (Net of Accumulated Depreciation)	49,692,298	26,352,387
Less: Revenue Bonds	-	12,807,149
Capital Leases	<u>1,845,000</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 54,968,874</u>	<u>\$ 16,908,811</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 - COMMITMENTS

During the year ended December 31, 2014, the City had entered into several construction contracts totaling approximately \$14,940,907 of which approximately \$2,725,179 had been expended to date. The remaining balance will be paid as work progresses.

NOTE 8 - CAPITAL LEASE

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

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases Payable	\$1,945,000	\$ -	\$ (100,000)	\$1,845,000

An agreement was entered with The First Dakota National Bank in Sioux Falls (Lessor/Trustee) for the financing to construct a new city fire station. The Declaration of Trust Agreement, the Lease-Purchase Agreement and Ground Lease Agreement between the City and The First Dakota National Bank along with the issuance of \$2,420,000 of Certificates of Participation were completed in February 2009. These agreements are evidence of the Bank's ownership interest in the lease-purchase assets with the City of Yankton. The City is the agent for the Bank for the construction of the fire station building. The bid was awarded and construction began on the fire station building in January 2009 and was completed in 2010. The interest rate on the Certificates of Participation varies from 2.10% to 5.00% and the lease payment terms match the terms of the certificates with final payment December 1, 2028. Property tax funds have been pledged to make the lease payments over the term of the lease.

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of December 31, 2014.

Year Ending December 31,	Principal	Interest	Total
2015	\$ 100,000	\$ 84,080	\$ 184,080
2016	105,000	80,280	185,280
2017	110,000	76,290	186,290
2018	115,000	71,780	186,780
2019	120,000	67,065	187,065
2020 – 2024	670,000	250,795	920,795
2025 – 2029	625,000	76,538	701,538
Totals	\$1,845,000	\$ 706,828	\$ 2,551,828

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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, 2014 (in thousands of dollars):

	Governmental		Enterprise			Total
	2011 Sales Tax Bond	Water Revenue (SRF)	Wastewater Revenue (SRF)	2011 Wastewater Refunding Bonds	Joint Power Landfill Revenue Loans (SWMP) (RLA)	
Notes/Bonds Payable at January 1, 2014	\$ 2,505	\$ 6,875	\$ 3,581	\$ 3,250	\$ 235	\$ 16,446
Notes/Bonds Issued	-	-	-	-	-	-
Notes/Bonds Retired	(110)	(388)	(304)	(435)	(17)	(1,254)
Notes/Bonds Payable at December 31, 2014	\$ 2,395	\$ 6,487	\$ 3,277	\$ 2,815	\$ 218	\$ 15,192

Debt outstanding at December 31, 2014, is comprised of the following individual issues:

	Due Within One Year	Due After One Year	Total
2011 Sales Tax Revenue Bonds – Dated June 1, 2011, maturing December 1, 2012-2031, with an average interest rate of 3.71%. Funds were used to provide economic development incentives and are to be paid by the Debt Service Fund, using TID generated taxes.	\$ 110,000	\$ 2,285,000	\$ 2,395,000
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.	445,000	2,370,000	2,815,000
Solid Waste Management Program (SWMP) and Regional Landfill Assistance (RLA) loans maturing June 1, 2012, June 1, 2025, and June 1, 2026 with an interest rate of 3% per annum, paid by the Joint Powers Landfill Fund.	17,603	200,682	218,285
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.	402,135	6,085,294	6,487,429
Wastewater Revenue Bonds (SRF) maturing October 1, 2023, with an interest rate of 3.5% per annum, paid by the Wastewater Fund.	315,410	2,961,100	3,276,510
Totals	\$1,290,148	\$ 13,902,076	\$ 15,192,224

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 9 - LONG-TERM DEBT – (CONTINUED)

The governmental bonds are shown net of \$9,276 of unaccreted bond premiums and the business-type activity revenue bonds net of \$9,925 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, 2014, there had been \$2,542,146 drawn on this loan, with the remaining to be drawn as work progresses.

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

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

On November 25, 2014, the City issued not to exceed \$3,330,000 of Clean Water State Revolving Fund loans for sewer improvements. The bonds carry an interest rate of 3.0%. At December 31, 2014, no amounts had been drawn on the bonds.

On November 17, 2014, the City issued \$12,850,000 of Drinking Water State Revolving Fund Bonds, to be used to finance improvements to its system of waterworks. The bonds have an interest rate of 3%. As of December 31, 2014, no amounts had been drawn on the loan.

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

B. Annual Debt Service Requirements

The annual requirements to amortize all debt outstanding as of December 31, 2014, including interest payments of \$3,373,661 are as follows:

Year Ending December 31	2011 Sales Tax Bonds		Wastewater Revenue		Water Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 110,000	\$ 82,765	\$ 760,410	\$ 184,956	\$ 402,135	\$ 201,602
2016	115,000	80,565	776,595	164,871	415,365	188,373
2017	115,000	78,265	798,177	143,164	429,032	174,704
2018	120,000	75,850	825,170	119,671	443,151	160,585
2019	120,000	72,850	847,587	94,191	457,738	145,999
2020-2024	660,000	308,420	2,083,571	136,593	2,255,611	496,964
2025-2029	790,000	180,285	-	-	1,572,107	204,277
2030-2031	365,000	24,200	-	-	512,290	15,968
	\$2,395,000	\$ 903,200	\$6,091,510	\$ 843,446	\$6,487,429	\$ 1,588,472

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Year Ending December 31	Joint Power Landfill (RLA) (SWMP)		Total	
	Principal	Interest	Principal	Interest
2015	\$ 17,603	\$ 6,418	\$ 1,290,148	\$ 475,741
2016	18,135	5,885	1,325,095	439,694
2017	18,683	5,337	1,360,892	401,470
2018	19,248	4,773	1,407,569	360,879
2019	19,831	4,191	1,445,156	317,231
2020-2024	108,512	11,593	5,107,694	953,570
2025-2029	16,273	346	2,378,380	384,908
2030-2031	-	-	877,290	40,168
	<u>\$ 218,285</u>	<u>\$ 38,543</u>	<u>\$15,192,224</u>	<u>\$ 3,373,661</u>

C. Accrued Compensated Absences and OPEB Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 449,041	\$ 359,233	\$ 330,562	\$ 477,712	\$ 71,657
Other Post Employment Benefit Obligation	417,968	-	238,213	179,755	-
Business-Type Activities:					
Compensated Absences	136,176	108,941	95,059	150,058	22,509
Other Post Employment Benefit Obligation	141,243	-	71,695	69,548	-
Total Accrued Compensated Absences and OPEB Liabilities	<u>\$ 1,144,428</u>	<u>\$ 468,174</u>	<u>\$ 735,529</u>	<u>\$ 877,073</u>	<u>\$ 94,166</u>

For the governmental activities, compensated absences and OPEB liabilities are primarily liquidated by the general fund, however, a small portion is also liquidated by the Central garage and dispatch funds.

NOTE 10 - INTERFUND ASSETS/LIABILITIES

The purpose of the City's interfund balances is to help finance short-term cash flow shortages of various funds. Individual short-term interfund receivable and payable balances at December 31, 2014 were as follows:

	Interfund Receivables	Interfund Payables
Due From/To Other Funds:		
General Fund	\$ 281,109	\$ 27,046
Capital Projects – Special Capital Improvements	2,048,201	-
Capital Projects – Public Improvement	-	2,021,154
Non-major Enterprise Fund	-	281,110
	<u>\$ 2,329,310</u>	<u>\$ 2,329,310</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 10 - INTERFUND ASSETS/LIABILITIES – (CONTINUED)

As of December 31, 2014, long-term advances were as follows:

	Interfund Receivables	Interfund Payables
Advances From/To Other funds:		
General Fund	\$ 1,348,538	\$ 59,058
Special Capital Improvements	59,058	-
TID #5	-	1,348,538
	\$ 1,407,596	\$ 1,407,596

The long-term advances were used as internal financing for equipment purchases for the general fund and interim borrowing to the TID #5 fund until property tax revenues are available for repayment. Currently, the equipment loan carries a repayment term of ten years and interest rates of 6 percent and the TID loan is variable.

NOTE 11 - DEFICIT FUND BALANCES/RETAINED EARNINGS

As of December 31, 2014, the following funds had deficit fund balances:

Capital Projects:	
Public Improvement Capital Project	\$ 76,592
Special Revenue:	
TID #5	1,466,447

The Public Improvement Capital Project Fund balance deficit will be funded through revenues obtained from future property transactions. TID #5 deficit will be refunded through future TID property tax collections.

NOTE 12 - RETIREMENT PLAN

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

General employees are required by state statute to contribute 6 percent of their salary for a Class A member and 8 percent for Class B public safety members to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013, and 2012 were \$403,645, \$406,399 and \$392,805 respectively, equal to the required contributions each year.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 13 - TRANSFERS

The following is a summary of transfers between funds:

	General	Nonmajor Governmental	Total Transfer Out
General	\$ -	\$ 560,483	\$ 560,483
Nonmajor Governmental	70,313	35,562	105,875
Special Cap. Improvements	268,803	-	268,803
TID #5	-	192,765	192,765
Wastewater	40,700	-	40,700
Water	52,000	-	52,000
Transfer In	<u>\$ 431,816</u>	<u>\$ 788,810</u>	<u>\$ 1,220,626</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, 2014, the City made the following one-time transfers:

Transfer from the Special Capital Improvement Fund to the General Fund of \$268,803 to pay the rebate to Menard's for half of sales tax payment.

Transfer to the Debt Service Fund from the TID #5 Fund of \$192,765 to fund the annual debt service on the 2011 sales tax bonds.

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2014, 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, 2014**

NOTE 14 - RISK MANAGEMENT (CONTINUED)

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

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

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

As of December 31, 2014, the City has vested balance in the cumulative reserve fund of \$270,270.

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

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

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

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

NOTE 15 - VIOLATIONS OF FINANCE-RELATED LEGAL REQUIREMENTS

The City is prohibited by statute from spending in excess of appropriated amounts at the department/fund level. In 2014, expenditures exceeded appropriated amounts by \$1,414 in the Public Improvement Capital Project Fund.

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS

Plan Description. The City of Yankton's Other Post-Employment Benefit Plan is a single-employer defined benefit healthcare plan administered by the Municipality. Under the plan an employee who has a minimum of 15 years' service and who has been insured through the City's group health insurance for a minimum of 5 years is eligible to continue with the City's health insurance plan until they reach the age of Medicare eligibility with the City paying 50% of the premium. The retiree's spouse may also continue on the City's plan with the City paying 50% of the premium. The retiree's spouse may also continue on the City's plan with the City paying 50% if the spouse was added to the group prior to retirement. Authority for providing such benefits are found in South Dakota Codified Law 6-1-16 and 9-14-35. Benefit provisions were established and may be amended by the City Board of Commissioners. Premiums are based on the full active employee premium rate. The plan does not issue separately stated standalone financial statements. Following January 1, 2014, no new retirees shall be admitted into the program.

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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. Because the Plan was terminated as of December 31, 2013, allowing no new participants, the liability was calculated based upon known premium costs for the 13 participants. 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>	\$ 49,280
<i>Interest on net OPEB obligation</i>	-
<i>Adjustment to annual required contribution</i>	<u>(306,594)</u>
<i>Annual OPEB cost</i>	(257,314)
<i>Contributions made</i>	<u>(52,595)</u>
<i>Decrease in net OPEB obligation</i>	(309,909)
<i>Net OPEB obligation – beginning of year</i>	559,211
<i>Net OPEB obligation – end of year</i>	<u>\$ 249,302</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 - 2014 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)	-	626,349
2012	(34,995)	-	592,779
2013	(34,995)	-	559,211
2014	(257,314)	-	249,302

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2014 as follows:

Accrued liability	\$ 249,302
Value of plan assets	-
Unfunded accrued liability	<u>\$ 249,302</u>
Funded ratio (value of plan assets/AL)	0%
Covered payroll (active plan members)	\$ 0
UAAL as a percentage of covered payroll	N/A

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the value of plan assets are increasing or decreasing over time relative to the accrued liabilities for benefits.

The assumptions included an annual medical healthcare cost trend rate of 5%.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 17 – SAFETY CENTER AGREEMENT

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

There are two components to the lease. The first being an operations and maintenance cost component in which the County and City will share the costs of operations and maintenance of the facility at a rate of 89.25% and 10.75% respectively. This percentage is based upon the actual square footage used by the City as well as one half of various mutually agreed upon shared areas. Changes to the space allocation will be reviewed each April, and any changes resulting in cost changes will be approved by both parties. The amount paid by the City to the County for 2014 for this component was \$34,955.

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

Lastly, the City agreed to continue to provide dispatch services for the County, with the County agreeing to pay the City an annually agreed upon amount, associated with the costs of providing the service. For 2009, 2010, 2011, 2012, 2013, and 2014 it was agreed the County would pay \$60,000 per year for dispatch services, which was appropriately paid.

NOTE 18 – SUBSEQUENT EVENT

On August 10, 2015, the City approved issuance of \$2,000,000, Special Assessment Bonds, Series 2015.

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REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

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

CITY OF YANKTON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACUTAL
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Revenues:				
Taxes - Current Property	\$ 2,378,558	\$ 2,378,558	\$ 2,554,178	\$ 175,620
Taxes - Sales and Other	5,145,233	5,145,233	5,281,489	136,256
Licenses and Permits	347,800	347,800	367,941	20,141
Intergovernmental	712,588	712,588	443,574	(269,014)
Charges for Service	2,355,776	2,355,776	3,040,815	685,039
Fines and Forfeits	15,000	15,000	11,963	(3,037)
Interest	-	-	10,319	10,319
Miscellaneous	23,500	23,500	111,465	87,965
Total Revenues	<u>10,978,455</u>	<u>10,978,455</u>	<u>11,821,744</u>	<u>843,289</u>
Expenditures:				
General Government:				
Board of City Commission	167,080	167,080	140,172	26,908
Office of City Manager	321,748	321,748	262,784	58,964
City Attorney	52,449	52,449	47,346	5,103
Department of Finance	575,912	575,912	517,404	58,508
Information Systems	238,386	318,886	213,107	105,779
Community Development	390,120	390,120	311,360	78,760
Contingency	200,000	200,000	-	200,000
Casulty Reserve Fund	5,000	5,000	-	5,000
Special Appropriations	286,927	286,927	274,932	11,995
Total General Government	<u>2,237,622</u>	<u>2,318,122</u>	<u>1,767,105</u>	<u>551,017</u>
Public Safety:				
Police Department	2,803,228	2,803,228	2,236,584	566,644
Animal Control	60,960	60,960	51,315	9,645
Fire Department	675,792	1,241,486	838,014	403,472
Civil Defense	2,240	6,240	4,603	1,637
Total Public Safety	<u>3,542,220</u>	<u>4,111,914</u>	<u>3,130,516</u>	<u>981,398</u>
Public Works:				
Engineering and Inspection	635,686	635,686	541,734	93,952
Streets and Highways	1,627,084	1,627,084	1,258,101	368,983
Snow and Ice Removal	202,860	202,860	96,796	106,064
City Hall	188,235	296,235	239,919	56,316
Traffic Control	346,876	346,876	310,007	36,869
Chan Gurney Airport	706,487	706,487	494,962	211,525
Total Public Works	<u>3,707,228</u>	<u>3,815,228</u>	<u>2,941,519</u>	<u>873,709</u>

(continued)

CITY OF YANKTON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACUTAL
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Culture and Recreation:				
Marne Creek	169,789	369,789	100,968	268,821
Summit Activities Center	738,553	738,553	634,379	104,174
Memorial Park Pool	217,492	221,492	182,276	39,216
Parks and Recreation	1,043,738	1,043,738	895,986	147,752
Senior Citizens Center	110,852	110,852	50,808	60,044
Yankton Community Library	654,624	654,624	606,227	48,397
Total Culture and Recreation	<u>2,935,048</u>	<u>3,139,048</u>	<u>2,470,644</u>	<u>668,404</u>
Total Expenditures	<u>12,422,118</u>	<u>13,384,312</u>	<u>10,309,784</u>	<u>3,074,528</u>
Excess of Revenues over Expenditures	<u>(1,443,663)</u>	<u>(2,405,857)</u>	<u>1,511,960</u>	<u>3,917,817</u>
Other Financing Sources (Uses):				
Operating Transfers In	544,362	544,362	431,816	(112,546)
Operating Transfers (Out)	(2,653,002)	(2,733,338)	(560,483)	2,172,855
Proceeds from Sale of Fixed Assets			36,168	36,168
Total Other Financing Sources (Uses)	<u>(2,108,640)</u>	<u>(2,188,976)</u>	<u>(92,499)</u>	<u>2,096,477</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>(3,552,303)</u>	<u>(4,594,833)</u>	<u>1,419,461</u>	<u>6,014,294</u>
Fund Balances at Beginning of Year	<u>5,473,662</u>	<u>5,473,662</u>	<u>5,473,662</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 1,921,359</u>	<u>\$ 878,829</u>	<u>\$ 6,893,123</u>	<u>\$ 6,014,294</u>

CITY OF YANKTON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACUTAL
Major Special Revenue Fund- TID #5
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes - Current Property	\$ 140,000	\$ 140,000	\$ 147,296	\$ 7,296
Total Revenues	<u>140,000</u>	<u>140,000</u>	<u>147,296</u>	<u>7,296</u>
Expenditures:				
Community Development	484,240	484,240	436,817	47,423
Total Expenditures	<u>484,240</u>	<u>484,240</u>	<u>436,817</u>	<u>47,423</u>
Excess of Revenues over Expenditures	<u>(344,240)</u>	<u>(344,240)</u>	<u>(289,521)</u>	<u>54,719</u>
Other Financing Sources (Uses):				
Operating Transfers In	536,638	536,638	--	(536,638)
Operating Transfers (Out)	(198,200)	(198,200)	(192,765)	5,435
Total Other Financing Sources (Uses)	<u>338,438</u>	<u>338,438</u>	<u>(192,765)</u>	<u>(531,203)</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	(5,802)	(5,802)	(482,286)	(476,484)
Fund Balances at Beginning of Year	(984,161)	(984,161)	(984,161)	-
Fund Balances at End of Year	<u>\$ (989,963)</u>	<u>\$ (989,963)</u>	<u>\$ (1,466,447)</u>	<u>\$ (476,484)</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

Exhibit 11

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

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

Revisions made during the fiscal year ending December 31, 2014 to the original appropriations by fund were as follows for the General Fund and TID #5 Fund:

	<u>Original Appropriations</u>	<u>Total Revisions</u>	<u>Revised Appropriations</u>
General Fund:			
General Government:			
Information Systems	\$ 238,386	\$ 80,500	\$ 318,886
Public Safety			
Fire Department	675,792	565,694	1,241,486
Civil Defense	2,240	4,000	6,240
Public Works:			
City Hall	188,235	108,000	296,235
Culture and Recreation:			
Memorial Park Pool	217,492	4,000	221,492
Marne Creek	169,789	200,000	369,789
Transfers Out	2,653,002	80,336	2,733,338
Special Revenue Fund:			
TID #5 Fund Expenditures:			
Community Development	493,200	189,240	682,440

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, 2014.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

Exhibit 11

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. Expenditures exceeded appropriations in the Public Improvement Capital Projects Fund by \$1,414 for the year ended December 31, 2014.
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, 2014

EXHIBIT 12

Audit Period	Actuarial Valuation Date	Value of Assets (a)	Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2008	1/1/2008 *	\$ -	\$ 2,605,358	\$ 2,605,358	0.00%	\$ 5,036,433	51.7%
12/31/2009	1/1/2008	-	2,605,358	2,605,358	0.00%	5,583,033	46.6%
12/31/2010	1/1/2008	-	2,605,358	2,605,358	0.00%	5,912,008	44.1%
12/31/2011	1/1/2011	-	670,952	670,952	0.00%	5,887,184	11.3%
12/31/2012	1/1/2011	-	670,952	670,952	0.00%	6,079,945	11.0%
12/31/2013	1/1/2011	-	670,952	670,952	0.00%	6,285,630	10.7%
12/31/2014	N/A	-	249,302	249,302	0.00%	-	n/a

* 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:

Major Funds:

Tax Increment District #5 – This fund accounts for collection of property taxes and expenditures related to tax rebates and the servicing of debt related to economic development projects within the District.

Non-Major Funds:

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

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

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

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

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

Tax Increment District #2 Morgan Square – This fund is used to account for expenditures for improvements in the Morgan Square TIF District and the corresponding TIF revenues.

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

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

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

Non-Major Fund:

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

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

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

Major Fund:

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

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

Non-Major Funds:

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

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

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

Infrastructure Improvement Revolving – This fund helps finance special assessment construction projects that are paid for by the citizens who receive the direct benefits of these projects. Most repayments are in the form of a revolving loan established by the City of Yankton.

PERMANENT FUNDS – Account for resources that are legally restricted to allow the earnings (and not principal) to be used to support the government's programs.

Non-Major Fund:

Cemetery Perpetual Care – This fund accounts for the operations and restricted funds of the cemetery.

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CITY OF YANKTON, SOUTH DAKOTA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
December 31, 2014

	<u>Special Revenue</u>				
	<u>Debt Service</u>	<u>Dispatch</u>	<u>Business Improvement District</u>	<u>TID #2 Morgan Square</u>	<u>Bridge & Street</u>
Assets					
Cash and Cash Equivalents	\$ 194,818	\$ 30,503	\$ 192,253	\$ -	\$ 150,868
Receivables (Net where applicable, of allowance for uncollectibles):					
Accounts	-	-	-	-	-
Special Assessments	-	-	-	-	-
Due from Other Governmental Agencies	-	35,729	7,548	-	-
Restricted Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Total Assets	<u>194,818</u>	<u>66,232</u>	<u>199,801</u>	<u>-</u>	<u>150,868</u>
Liabilities					
Accounts Payable	-	1,718	-	-	-
Accrued Wages	-	23,883	-	-	-
Total Liabilities	<u>-</u>	<u>25,601</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue- special assessments	-	-	-	-	-
Unavailable revenue- other taxes	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Non-Spendable:					
Perpetual Care	-	-	-	-	-
Restricted:					
Debt Service	194,818	-	-	-	-
Dispatch	-	40,631	-	-	-
Perpetual Care	-	-	-	-	-
Lodging Sales Tax	-	-	199,801	-	-
Library	-	-	-	-	-
Road and Bridge Funds	-	-	-	-	150,868
Historic Easement Trust	-	-	-	-	-
Assigned:					
Capital Projects	-	-	-	-	-
Total Fund Balances (Deficits)	<u>194,818</u>	<u>40,631</u>	<u>199,801</u>	<u>-</u>	<u>150,868</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 194,818</u>	<u>\$ 66,232</u>	<u>\$ 199,801</u>	<u>\$ -</u>	<u>\$ 150,868</u>

EXHIBIT A-1

Special Revenue		Capital Projects		Permanent	Total Governmental Nonmajor Funds
Lodging Sales Tax	Library Trust	Historic Easement Trust	Non-Major Capital Projects	Perpetual Care Cemetery	
\$ 652,667	\$ 25,506	\$ 21,880	\$ 174,487	\$ 6,943	\$ 1,449,925
-	-	-	-	979	979
-	-	-	113,688	-	113,688
58,896	-	-	20,945	-	123,118
-	-	-	-	153,247	153,247
<u>711,563</u>	<u>25,506</u>	<u>21,880</u>	<u>309,120</u>	<u>161,169</u>	<u>1,840,957</u>
13,082	426	-	6,409	2,022	23,657
-	-	-	-	3,408	27,291
<u>13,082</u>	<u>426</u>	<u>-</u>	<u>6,409</u>	<u>5,430</u>	<u>50,948</u>
-	-	-	77,606	-	77,606
9,327	-	-	-	-	9,327
<u>9,327</u>	<u>-</u>	<u>-</u>	<u>77,606</u>	<u>-</u>	<u>86,933</u>
-	-	-	-	50,000	50,000
-	-	-	-	-	194,818
-	-	-	-	-	40,631
-	-	-	-	105,739	105,739
689,154	-	-	-	-	888,955
-	25,080	-	-	-	25,080
-	-	-	-	-	150,868
-	-	21,880	-	-	21,880
-	-	-	225,105	-	225,105
<u>689,154</u>	<u>25,080</u>	<u>21,880</u>	<u>225,105</u>	<u>155,739</u>	<u>1,703,076</u>
<u>\$ 711,563</u>	<u>\$ 25,506</u>	<u>\$ 21,880</u>	<u>\$ 309,120</u>	<u>\$ 161,169</u>	<u>\$ 1,840,957</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, 2014

	<u>Special Revenue</u>				
	<u>Debt Service</u>	<u>Dispatch</u>	<u>Business Improvement District</u>	<u>TID #2 Morgan Square</u>	<u>Bridge & Street</u>
Revenue:					
Taxes	\$ -	\$ -	\$ -	\$ 57,758	\$ -
Sales and Other Taxes	-	-	124,654	-	21,396
Special Assessments	-	-	-	-	-
Intergovernmental	-	81,744	-	-	-
Charges for Services	-	-	-	-	-
Interest on Investments	-	510	264	-	360
Contributions	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenue	<u>-</u>	<u>82,254</u>	<u>124,918</u>	<u>57,758</u>	<u>21,756</u>
Expenditures:					
Current:					
Public Safety	-	510,453	-	-	-
Public Works	-	-	-	57,758	-
Culture and Recreation	-	-	-	-	-
Community Development	-	-	-	-	-
Capital Outlay:					
Public Works	-	-	-	-	3,064
Culture-Recreation	-	-	8,814	-	-
Debt Service	195,465	-	-	-	-
Total Expenditures	<u>195,465</u>	<u>510,453</u>	<u>8,814</u>	<u>57,758</u>	<u>3,064</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(195,465)</u>	<u>(428,199)</u>	<u>116,104</u>	<u>-</u>	<u>18,692</u>
Other Financing Sources (Uses):					
Transfers In	192,765	463,925	-	-	-
Transfers Out	-	-	(2,492)	-	-
Total Other Financing Sources (Uses)	<u>192,765</u>	<u>463,925</u>	<u>(2,492)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(2,700)	35,726	113,612	-	18,692
Fund Balances (Deficits) - Beginning of Year	197,518	4,905	86,189	-	132,176
Fund Balances (Deficits)- End of Year	<u>\$ 194,818</u>	<u>\$ 40,631</u>	<u>\$ 199,801</u>	<u>\$ -</u>	<u>\$ 150,868</u>

EXHIBIT A-2

Special Revenue			Capital Projects	Permanent	Total Governmental Nonmajor Funds
Lodging Sales Tax	Library Trust	Historic Easement Trust	Non-Major Capital Projects	Perpetual Care Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,758
565,165	-	-	-	-	711,215
-	-	-	35,240	-	35,240
-	-	-	25,349	-	107,093
24,900	-	-	-	24,069	48,969
1,622	69	58	92	534	3,509
-	14,506	-	-	-	14,506
-	-	-	-	1,400	1,400
<u>591,687</u>	<u>14,575</u>	<u>58</u>	<u>60,681</u>	<u>26,003</u>	<u>979,690</u>
-	-	-	-	-	510,453
-	-	-	-	-	57,758
-	13,767	-	-	95,273	109,040
325,702	-	-	-	-	325,702
-	-	-	30,045	-	33,109
-	-	-	2,145	-	10,959
-	-	-	-	-	195,465
<u>325,702</u>	<u>13,767</u>	<u>-</u>	<u>32,190</u>	<u>95,273</u>	<u>1,242,486</u>
<u>265,985</u>	<u>808</u>	<u>58</u>	<u>28,491</u>	<u>(69,270)</u>	<u>(262,796)</u>
-	-	-	61,562	70,558	788,810
(67,821)	-	-	(35,562)	-	(105,875)
<u>(67,821)</u>	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>70,558</u>	<u>682,935</u>
198,164	808	58	54,491	1,288	420,139
490,990	24,272	21,822	170,614	154,451	1,282,937
<u>\$ 689,154</u>	<u>\$ 25,080</u>	<u>\$ 21,880</u>	<u>\$ 225,105</u>	<u>\$ 155,739</u>	<u>\$ 1,703,076</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds
December 31, 2014

	<u>Infrastructure Improvement</u>	<u>Park Capital Projects</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 102,345	\$ 90
Due from Other Governments	-	-
Special Assessments	-	-
Total Assets	<u>102,345</u>	<u>90</u>
<u>Liabilities</u>		
Accounts Payable	-	-
Total Liabilities	<u>-</u>	<u>-</u>
<u>Deferred Inflows of Resources</u>		
Unavailable revenue- special assessments	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
<u>Fund Balances</u>		
Assigned:		
Capital Projects	<u>102,345</u>	<u>90</u>
Total Fund Balances	<u>102,345</u>	<u>90</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 102,345</u>	<u>\$ 90</u>

EXHIBIT A-3

<u>Airport Capital Improvement</u>	<u>Infrastructure Improvement Revolving</u>	<u>Totals</u>
\$ 72,052	\$ -	\$ 174,487
20,700	245	20,945
-	113,688	113,688
<u>92,752</u>	<u>113,933</u>	<u>309,120</u>
<u>6,409</u>	-	<u>6,409</u>
<u>6,409</u>	-	<u>6,409</u>
	<u>77,606</u>	<u>77,606</u>
<u>-</u>	<u>77,606</u>	<u>77,606</u>
<u>86,343</u>	<u>36,327</u>	<u>225,105</u>
<u>86,343</u>	<u>36,327</u>	<u>225,105</u>
<u>\$ 92,752</u>	<u>\$ 113,933</u>	<u>\$ 309,120</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, 2014**

	Infrastructure Improvement	Park Capital Projects	
Revenues:			
Special Assessments	\$ -	\$ -	
Intergovernmental	-	-	
Interest	-	-	
Total Revenues	-	-	
Expenditures:			
Capital Outlay:			
Public Works			
Culture-Recreation		2,145	
Total Expenditures	-	2,145	
Excess (Deficiency) of Revenues over Expenditures	-	(2,145)	
Other Financing Sources (Uses):			
Transfers In	35,562	26,000	
Transfers (out)			
Total Other Financing Sources (Uses)	35,562	26,000	
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	35,562	23,855	
Fund Balances (Deficits) at Beginning of Year	66,783	(23,765)	
Fund Balances at End of Year	\$ 102,345	\$ 90	

EXHIBIT A-4

Airport Capital Improvement	Infrastructure Improvement Revolving	Totals
\$ -	\$ 35,240	\$ 35,240
25,349	-	25,349
	92	92
<u>25,349</u>	<u>35,332</u>	<u>60,681</u>
30,045		30,045
		2,145
<u>30,045</u>	<u>-</u>	<u>32,190</u>
<u>(4,696)</u>	<u>35,332</u>	<u>28,491</u>
		61,562
	<u>(35,562)</u>	<u>(35,562)</u>
<u>-</u>	<u>(35,562)</u>	<u>26,000</u>
(4,696)	(230)	54,491
<u>91,039</u>	<u>36,557</u>	<u>170,614</u>
<u>\$ 86,343</u>	<u>\$ 36,327</u>	<u>\$ 225,105</u>

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

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

Non-Major Enterprise Funds:

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

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

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

Internal Service Funds:

Copies and Postage – This fund has been established to record all charges for copies and postage by all departments prior to allocating these charges to the respective departments.

Central Garage Fund – To account for the cost of supplying the fuel, repairs and maintenance of equipment used by all City departments, and fuel for the Yankton County automotive equipment, all purchases are billed at cost plus nominal overhead to defray administrative, equipment and shop maintenance and depreciation costs.

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
Nonmajor Enterprise Funds
December 31, 2014

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 96,910	\$ 726,325	\$ 393,847	\$ 1,217,082
Accounts Receivable (Net of allowance for uncollectibles)	19,881	131,928	103,873	255,682
Prepaid Expenses	3,677	15,381	5,451	24,509
Inventory	48,562	-	-	48,562
Total Current Assets	<u>169,030</u>	<u>873,634</u>	<u>503,171</u>	<u>1,545,835</u>
Noncurrent Assets:				
Restricted Assets : Cash and Cash Equivalents	-	-	24,021	24,021
Property, Plant and Equipment:				
Land	533,787	74,639	11,413	619,839
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>2,501,013</u>	<u>348,842</u>	<u>1,066,753</u>	<u>3,916,608</u>
Total Noncurrent Assets	<u>3,034,800</u>	<u>423,481</u>	<u>1,102,187</u>	<u>4,560,468</u>
Total Assets	<u>3,203,830</u>	<u>1,297,115</u>	<u>1,605,358</u>	<u>6,106,303</u>
Liabilities				
Current Liabilities:				
Accounts Payable	13,164	17,693	25,542	56,399
Accrued Interest Payable	-	-	546	546
Accrued Wages Payable	13,052	14,975	11,410	39,437
Accrued Compensated Absences	3,429	2,939	2,731	9,099
Revenue Bonds Payable	-	-	17,603	17,603
Due to other Funds	281,110	-	-	281,110
Revenues Collected in Advance	66,938	-	-	66,938
Total current liabilities	<u>377,693</u>	<u>35,607</u>	<u>57,832</u>	<u>471,132</u>
Noncurrent liabilities:				
Accrued Compensated Absences	19,433	16,651	15,475	51,559
Estimated Postemployment Benefit Obligation	7,296	15,831	7,459	30,586
Revenue Bonds (net of current portion)	-	-	200,682	200,682
Total noncurrent liabilities	<u>26,729</u>	<u>32,482</u>	<u>223,616</u>	<u>282,827</u>
Total Liabilities	<u>404,422</u>	<u>68,089</u>	<u>281,448</u>	<u>753,959</u>
Net Position				
Net Investment in Capital Assets	3,034,800	423,481	859,881	4,318,162
Restricted for Debt Service	-	-	23,475	23,475
Unreserved	(235,392)	805,545	440,554	1,010,707
Total Net Position	<u>\$2,799,408</u>	<u>\$1,229,026</u>	<u>\$ 1,323,910</u>	<u>\$ 5,352,344</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Nonmajor Enterprise Funds
For the Year Ended December 31, 2014

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Operating Revenues - Charges for Service	\$ 759,094	\$ 912,605	\$ 951,426	\$2,623,125
Operating Expenses:				
Personal Services	331,768	309,096	218,574	859,438
Insurance	5,066	5,927	13,590	24,583
Professional Services	29,027	19,188	27,462	75,677
Tipping Fees	-	135,799	3,960	139,759
Repairs and Maintenance	54,238	42,109	208,048	304,395
Cost of Sales and Service	230,901	-	313,898	544,799
Supplies and Materials	58,451	5,048	5,241	68,740
Travel and conference	1,797	-	-	1,797
Utilities	30,227	448	26,016	56,691
Billing and Administration	67,340	254,908	-	322,248
Depreciation	60,286	56,577	149,454	266,317
Total Operating Expenses	<u>869,101</u>	<u>829,100</u>	<u>966,243</u>	<u>2,664,444</u>
Operating Income (Loss)	<u>(110,007)</u>	<u>83,505</u>	<u>(14,817)</u>	<u>(41,319)</u>
Nonoperating Revenues:				
Interest Income	92	1,714	1,249	3,055
Donations	500	-	-	500
Interest Expense	-	-	(6,891)	(6,891)
Miscellaneous, net	1,838	-	5,517	7,355
Gain (loss) on disposition of assets	-	(500)	(10,463)	(10,963)
Total Nonoperating Revenues	<u>2,430</u>	<u>1,214</u>	<u>(10,588)</u>	<u>(6,944)</u>
Change in Net Position	(107,577)	84,719	(25,405)	(48,263)
Total Net Position - Beginning	<u>2,906,985</u>	<u>1,144,307</u>	<u>1,349,315</u>	<u>5,400,607</u>
Total Net Position - Ending	<u>\$ 2,799,408</u>	<u>\$ 1,229,026</u>	<u>\$ 1,323,910</u>	<u>\$5,352,344</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds
For the Year Ended December 31, 2014

	Business-Type			Totals
	Golf Course	Solid Waste	Joint Powers Landfill	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 805,715	\$ 900,870	\$ 897,339	\$ 2,603,924
Cash Received for Interfund Services	-	6,316	-	6,316
Cash Paid to Suppliers for Goods and Services	(452,644)	(420,694)	(468,903)	(1,342,241)
Cash Paid to Employees for Services	(349,377)	(314,156)	(230,436)	(893,969)
Cash Paid for Interfund Services	(22,580)	(42,275)	(142,323)	(207,178)
Other Nonoperating Revenues	1,838	-	5,517	7,355
Net Cash Provided (Used) from Operating Activities	<u>(17,048)</u>	<u>130,061</u>	<u>61,194</u>	<u>174,207</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(48,483)	-	(129,162)	(177,645)
Proceeds from Sale of Fixed Assets	-	-	43,500	43,500
Interest Paid on Bonds	-	-	(6,933)	(6,933)
Principal Paid on Notes, Bonds and Leases	-	-	(17,087)	(17,087)
Net Cash (Used) by Capital and Related Financing Activities	<u>(48,483)</u>	<u>-</u>	<u>(109,682)</u>	<u>(158,165)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Change in Due to Other Funds	104,608	-	-	104,608
Transfers Out	-	-	-	-
Net Cash Provided (Used) from Non-Capital Financing Activities	<u>104,608</u>	<u>-</u>	<u>-</u>	<u>104,608</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	92	1,714	1,249	3,055
Net Cash Provided from Investing Activities	<u>92</u>	<u>1,714</u>	<u>1,249</u>	<u>3,055</u>
Net Increase (decrease) in Cash and Cash Equivalents	39,169	131,775	(47,239)	123,705
Cash and Cash Equivalents at Beginning of Year	57,741	594,550	465,107	1,117,398
Cash and Cash Equivalents at End of Year	<u>\$ 96,910</u>	<u>\$ 726,325</u>	<u>\$ 417,868</u>	<u>\$ 1,241,103</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	<u>\$ (110,007)</u>	<u>\$ 83,505</u>	<u>\$ (14,817)</u>	<u>\$ (41,319)</u>
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	60,286	56,577	149,454	266,317
Other Non-Operating Income	1,838	-	5,517	7,355
(Increase) Decrease in Assets:				
Accounts Receivable	(19,349)	(5,419)	(54,087)	(78,855)
Inventory	900	-	-	900
Prepaid Expenses	(245)	(1,187)	(305)	(1,737)
Increase (Decrease) in Liabilities:				
Accounts Payable	1,169	1,643	(12,706)	(9,894)
Unearned Revenue	65,970	-	-	65,970
Accrued Wages Payable	(9,038)	6,471	1,098	(1,469)
Estimated Postemployment Benefit Obligation	(9,252)	(13,878)	(11,563)	(34,693)
Accrued Compensated Absences	680	2,349	(1,397)	1,632
Total Adjustments	<u>92,959</u>	<u>46,556</u>	<u>76,011</u>	<u>215,526</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (17,048)</u>	<u>\$ 130,061</u>	<u>\$ 61,194</u>	<u>\$ 174,207</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:				
Cash and Cash Equivalents	\$ 96,910	\$ 726,325	\$ 393,847	\$ 1,217,082
Restricted Cash and Cash Equivalents	-	-	24,021	24,021
	<u>\$ 96,910</u>	<u>\$ 726,325</u>	<u>\$ 417,868</u>	<u>\$ 1,241,103</u>

**CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2014**

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash	\$ 1,311	46,262	\$ 47,573
Inventory	-	144,473	144,473
Due from Other Governments	-	10,982	10,982
Prepaid Expenses	-	1,780	1,780
Total Current Assets	<u>1,311</u>	<u>203,497</u>	<u>204,808</u>
Noncurrent Assets:			
Capital Assets:			
Land	-	7,000	7,000
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	97,042	97,042
Total Capital Assets	<u>-</u>	<u>104,042</u>	<u>104,042</u>
Total Assets	<u>1,311</u>	<u>307,539</u>	<u>308,850</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,311	35,258	36,569
Accrued Wages	-	5,831	5,831
Accrued Compensated Absences	-	967	967
Total Current Liabilities	<u>1,311</u>	<u>42,056</u>	<u>43,367</u>
Noncurrent Liabilities:			
Estimated Postemployment Benefit Obligation	-	3,646	3,646
Accrued Compensated Absences	-	5,479	5,479
Total Noncurrent Liabilities	<u>-</u>	<u>9,125</u>	<u>9,125</u>
Total Liabilities	<u>1,311</u>	<u>51,181</u>	<u>52,492</u>
NET POSITION			
Net Investment in Capital Assets	-	104,042	104,042
Unreserved	-	152,316	152,316
Total Net Position	<u>\$ -</u>	<u>\$ 256,358</u>	<u>\$ 256,358</u>

CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
Operating Revenues:			
Charges for Goods and Services	\$ 22,577	723,771	\$ 746,348
Total Operating Revenue	<u>22,577</u>	<u>723,771</u>	<u>746,348</u>
Operating Expenses:			
Personnel Services	-	106,572	106,572
Professional Services	-	1,505	1,505
Repairs and Maintenance	-	9,555	9,555
Supplies and Materials	-	617,785	617,785
Utilities	-	19,097	19,097
Other Current Expenses	22,577	-	22,577
Depreciation	-	14,875	14,875
Total Operating Expenses	<u>22,577</u>	<u>769,389</u>	<u>791,966</u>
Operating Income	<u>-</u>	<u>(45,618)</u>	<u>(45,618)</u>
Change in Net Position	-	(45,618)	(45,618)
Total Net Position - Beginning	-	301,976	301,976
Total Net Position - Ending	<u>\$ -</u>	<u>\$ 256,358</u>	<u>\$ 256,358</u>

**CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customer Services Provided	\$ -	117,482	\$ 117,482
Cash Received from Interfund Services Provided	22,577	604,678	627,255
Cash Paid for Personal Services	-	(107,776)	(107,776)
Cash Paid to Suppliers	(22,543)	(656,675)	(679,218)
Cash Paid for Interfund Services	-	(2,034)	(2,034)
Net Cash Provided by Operating Activities	<u>34</u>	<u>(44,325)</u>	<u>(44,291)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	-	(1,101)	(1,101)
Net Cash (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(1,101)</u>	<u>(1,101)</u>
Net Increase in Cash and Cash Equivalents	34	(45,426)	(45,392)
Cash and Cash Equivalents Beginning of Year	<u>1,277</u>	<u>91,688</u>	<u>92,965</u>
Cash and Cash Equivalents End of Year	<u>\$ 1,311</u>	<u>\$ 46,262</u>	<u>\$ 47,573</u>
RENCONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ -	(45,618)	\$ (45,618)
Adjustments to Renconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	-	14,875	14,875
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Accounts Receivable	-	(1,611)	(1,611)
Prepaid Expenses	-	(145)	(145)
Inventory	-	33,032	33,032
Accounts Payable	34	(43,654)	(43,620)
Accrued Wages Payable	-	478	478
Estimated Postemployment Benefit Obligation	-	(4,626)	(4,626)
Accrued Compensated Absences	-	2,944	2,944
Net Cash Provided by Operating Activities	<u>\$ 34</u>	<u>\$ (44,325)</u>	<u>\$ (44,291)</u>

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

AGENCY FUNDS

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

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

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
Agency Funds
December 31, 2014

	<u>Employee Benefits</u>	<u>Sales Tax</u>	<u>Totals</u>
Assets			
Cash and Cash Equivalents	\$ 26,177	\$ 473	\$ 26,650
Prepaid Expenses	26	-	26
Total assets	<u>26,203</u>	<u>473</u>	<u>26,676</u>
Liabilities			
Other accrued expenses	26,203	-	26,203
Accounts Payable	-	473	473
Total liabilities	<u>26,203</u>	<u>473</u>	<u>26,676</u>
Net Position			
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
 Total Net Position	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the Year Ended December 31, 2014

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2014</u>
<u>Employee Benefits</u>				
ASSETS				
Cash and Cash Equivalents	\$ 16,572	\$ 3,896,887	\$ 3,887,282	\$ 26,177
Prepaid Expenses	518	7,254	7,746	26
Total Assets	<u>17,090</u>	<u>3,904,141</u>	<u>3,895,028</u>	<u>26,203</u>
LIABILITIES				
Accrued Taxes Payable	-	1,703,935	1,703,935	-
Accrued Fringe Benefit Payable	17,090	2,206,447	2,197,334	26,203
Total Liabilities	<u>17,090</u>	<u>3,910,382</u>	<u>3,901,269</u>	<u>26,203</u>
<u>Sales Tax</u>				
ASSETS				
Cash and Cash Equivalents	<u>401</u>	<u>3,206</u>	<u>3,134</u>	<u>473</u>
LIABILITIES				
Accounts Payable	401	473	401	473
Due to State Government	-	3,205	3,205	-
Total Liabilities	<u>401</u>	<u>3,678</u>	<u>3,606</u>	<u>473</u>
<u>Totals - All Agency Funds</u>				
ASSETS				
Cash and Cash Equivalents	16,973	3,900,093	3,890,416	26,650
Prepaid Expenses	518	7,254	7,746	26
Total Assets	<u>17,491</u>	<u>3,907,347</u>	<u>3,898,162</u>	<u>26,676</u>
LIABILITIES				
Accounts Payable	401	473	401	473
Accrued Taxes Payable	-	1,703,935	1,703,935	-
Accrued Fringe Benefit Payable	17,090	2,206,447	2,197,334	26,203
Due to State Government	-	3,205	3,205	-
Total Liabilities	<u>\$ 17,491</u>	<u>\$ 3,914,060</u>	<u>\$ 3,904,875</u>	<u>\$ 26,676</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, 2014

	Dispatch			Business Improvement District			TID #2 Morgan Square		
	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
REVENUES									
Taxes:									
General Sales & Use	\$ -	\$ -	\$ -	\$ 120,000	\$ 124,654	\$ 4,654	\$ -	\$ -	\$ -
Property Tax	-	-	-	-	-	-	58,000	57,758	(242)
Intergovernmental	85,000	81,744	(3,256)	-	-	-	-	-	-
Charges for goods & services	-	-	-	-	-	-	-	-	-
Interest earned	120	510	390	300	264	(36)	-	-	-
Contributions & Donations from Private Sources	-	-	-	-	-	-	-	-	-
Total revenue	<u>85,120</u>	<u>82,254</u>	<u>(2,866)</u>	<u>120,300</u>	<u>124,918</u>	<u>4,618</u>	<u>58,000</u>	<u>57,758</u>	<u>(242)</u>
EXPENDITURES									
Current:									
Public works	-	-	-	-	-	-	58,000	57,758	242
Public Safety	646,430	510,453	135,977	-	-	-	-	-	-
Community Development	-	-	-	117,900	8,814	109,086	-	-	-
Total Expenditures	<u>646,430</u>	<u>510,453</u>	<u>135,977</u>	<u>117,900</u>	<u>8,814</u>	<u>109,086</u>	<u>58,000</u>	<u>57,758</u>	<u>242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(561,310)</u>	<u>(428,199)</u>	<u>133,111</u>	<u>2,400</u>	<u>116,104</u>	<u>113,704</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES(USES)									
Proceeds from Sale of Fixed Assets	-	-	-	-	-	-	-	-	-
Transfers in	561,310	463,925	(97,385)	-	-	-	-	-	-
Transfer (out)	-	-	-	(2,400)	(2,492)	-	-	-	-
Total other financing sources(uses)	<u>561,310</u>	<u>463,925</u>	<u>(97,385)</u>	<u>(2,400)</u>	<u>(2,492)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>35,726</u>	<u>35,726</u>	<u>-</u>	<u>113,612</u>	<u>113,704</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning	-	4,905	-	-	86,189	-	-	-	-
Fund balances - ending	\$ -	\$ <u>40,631</u>	\$ -	\$ -	\$ <u>199,801</u>	\$ -	\$ -	\$ -	\$ -

(Continued)

EXHIBIT D-1

Bridge & Street			Lodging Sales Tax		
Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
\$ 21,397	\$ 21,396	\$ (1)	\$ 545,700	\$ 565,165	\$ 19,465
		-			-
		-		24,900	24,900
250	360	110	1,500	1,622	122
		-			-
<u>21,647</u>	<u>21,756</u>	<u>109</u>	<u>547,200</u>	<u>591,687</u>	<u>44,487</u>
60,000	3,064	56,936			-
		-			-
			339,703	325,702	14,001
<u>60,000</u>	<u>3,064</u>	<u>56,936</u>	<u>339,703</u>	<u>325,702</u>	<u>14,001</u>
<u>(38,353)</u>	<u>18,692</u>	<u>57,045</u>	<u>207,497</u>	<u>265,985</u>	<u>58,488</u>
		-			-
10,000	-	(10,000)			-
		-	(74,543)	(67,821)	(6,722)
<u>10,000</u>	<u>-</u>	<u>(10,000)</u>	<u>(74,543)</u>	<u>(67,821)</u>	<u>(6,722)</u>
<u>(28,353)</u>	<u>18,692</u>	<u>47,045</u>	<u>207,497</u>	<u>198,164</u>	<u>51,766</u>
	132,176			490,980	
\$ <u>150,868</u>			\$ <u>689,154</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, 2014

	Special Capital Improvement Fund			Airport Capital Improvement		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 3,272,266	\$ 3,584,853	\$ 312,587	\$ -		\$ -
Special Assessments						
Intergovernmental	1,665,600		(1,665,600)	826,952	25,349	(801,603)
Charges for Services						
Interest	6,000	24,162	18,162			
Contributions						
Miscellaneous						
Total revenue	<u>4,943,866</u>	<u>3,609,015</u>	<u>(1,334,851)</u>	<u>826,952</u>	<u>25,349</u>	<u>(801,603)</u>
EXPENDITURES						
Current						
Culture and Recreation						
Community Development						
General Government						
Public Works	8,836,537	2,717,787	6,118,750	875,476	30,045	845,431
Total expenditures	<u>8,836,537</u>	<u>2,717,787</u>	<u>6,118,750</u>	<u>875,476</u>	<u>30,045</u>	<u>845,431</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,892,671)</u>	<u>891,228</u>	<u>4,783,899</u>	<u>(48,524)</u>	<u>(4,696)</u>	<u>43,828</u>
OTHER FINANCING SOURCES(USES)						
Transfers (out)	(305,000)	(268,803)	36,197			
Transfer in				8,524		(8,524)
Total other financing sources(uses)	<u>(305,000)</u>	<u>(268,803)</u>	<u>36,197</u>	<u>8,524</u>	<u>-</u>	<u>(8,524)</u>
Net change in fund balances	<u>(4,197,671)</u>	<u>622,425</u>	<u>4,820,096</u>	<u>(40,000)</u>	<u>(4,696)</u>	<u>35,304</u>
Fund balances - beginning		<u>6,680,035</u>			<u>91,039</u>	
Fund balances - ending		<u>\$ 7,302,460</u>		<u>\$ 86,343</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
107,000	68,367	(38,633)	-	-	-	-	-	-
	100	100						
	2	2						
<u>107,000</u>	<u>68,469</u>	<u>(38,531)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
20,000	22,061	(2,061)				61,812	2,145	59,667
87,000	86,353	647						
<u>107,000</u>	<u>108,414</u>	<u>(1,414)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,812</u>	<u>2,145</u>	<u>59,667</u>
-	(39,945)	(39,945)	-	-	-	(61,812)	(2,145)	59,667
-	-	-	30,000	35,562	5,562	61,812	26,000	(35,812)
-	-	-	30,000	35,562	5,562	61,812	26,000	(35,812)
-	(39,945)	(39,945)	30,000	35,562	5,562	-	23,855	23,855
	(36,647)			66,783			(23,765)	
\$ (76,592)			\$ 102,345			\$ 90		

(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, 2014

	Infrastructure Improvement Revolving			Permanent Fund		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	64,600	35,240	(29,360)	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	29,600	24,069	(5,531)
Interest	120	92	(28)	300	534	234
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,400	1,400
Total revenue	<u>64,720</u>	<u>35,332</u>	<u>(29,388)</u>	<u>29,900</u>	<u>26,003</u>	<u>(3,897)</u>
EXPENDITURES						
Current						
Culture and Recreation	-	-	-	165,624	95,273	70,351
Economic Development	-	-	-	-	-	-
General Government	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,624</u>	<u>95,273</u>	<u>70,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>64,720</u>	<u>35,332</u>	<u>(29,388)</u>	<u>(135,724)</u>	<u>(69,270)</u>	<u>66,454</u>
OTHER FINANCING SOURCES(USES)						
Transfers (out)	(40,000)	(35,562)	4,438	-	-	-
Transfer in	-	-	-	89,478	70,558	(18,920)
Total other financing sources(uses)	<u>(40,000)</u>	<u>(35,562)</u>	<u>4,438</u>	<u>89,478</u>	<u>70,558</u>	<u>(18,920)</u>
Net change in fund balances	<u>24,720</u>	<u>(230)</u>	<u>(24,950)</u>	<u>(46,246)</u>	<u>1,288</u>	<u>47,534</u>
Fund balances - beginning	-	<u>36,557</u>	-	-	<u>154,451</u>	-
Fund balances - ending	-	<u>\$ 36,327</u>	-	<u>\$ 155,739</u>	-	-

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings
For the Year Ended December 31, 2014

Part I: Summary of the Independent Auditors' Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

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

Instances of Non-Compliance:

No matters were noted.

Material Weakness:

II-A-14 Financial Reporting

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

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

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

Recommendation – The City should implement procedures to ensure all payables are identified and included in the City's financial statements and that any required adjustments are made.

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

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF YANKTON, SOUTH DAKOTA as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 15, 2015. Our report includes a reference to other auditors who audited the financial statements of the Yankton Housing and Redevelopment Commission, as described in our report on the City of Yankton's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting:

In planning and performing our audit of the financial statements, we considered the City of Yankton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Yankton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Yankton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. As described in the accompanying schedule of findings we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters:

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

City of Yankton's Response to Findings

The City of Yankton's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Yankton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

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

Williams & Company, P.C.
Certified Public Accountants

Yankton, South Dakota
August 15, 2015

the 1990s, the number of people with a mental health problem has increased in the UK (Mental Health Act 1983, 1990).

There is a growing awareness of the need to improve the lives of people with mental health problems. The Department of Health (1999) has set out a vision of a new mental health system, which will be based on the following principles:

- People with mental health problems should be treated as individuals, with their own needs and wishes.
- People with mental health problems should be given the opportunity to participate in decisions about their care and treatment.
- People with mental health problems should be given the opportunity to live in their own homes and communities.

These principles are reflected in the new Mental Health Act 2003, which came into force in 2005.

The new Act is based on the following principles:

- People with mental health problems should be given the opportunity to live in their own homes and communities.
- People with mental health problems should be given the opportunity to participate in decisions about their care and treatment.
- People with mental health problems should be given the opportunity to live a normal life.

The new Act is a landmark in the history of mental health care in the UK.

It is based on the following principles:

- People with mental health problems should be given the opportunity to live in their own homes and communities.
- People with mental health problems should be given the opportunity to participate in decisions about their care and treatment.
- People with mental health problems should be given the opportunity to live a normal life.

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