

CITY OF YANKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

Year Ended

December 31, 2017



CITY OF YANKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

PREPARED BY:
FINANCE DEPARTMENT

AL VIERECK
FINANCE OFFICER

CITY OF YANKTON
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2017
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FINANCIAL SECTION

This Section Contains the Following Subsections:

- AUDITORS' REPORT
- MANAGEMENT DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
- NOTES TO THE FINANCIAL STATEMENTS



614 Broadway
P.O. Box 36
Yankton, SD 57078-0036
Phone (605) 665-9401
Fax (605) 665-9418

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Yankton Housing and Redevelopment Commission (a discretely presented component unit), which statements reflect total assets of \$182,823 and total revenues of \$608,879 as of and for the year ended June 30, 2017. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Yankton Housing and Redevelopment Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

Opinions

In our opinion, based on our audit, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Yankton, South Dakota as of December 31, 2017, 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, schedules of net pension proportionate share and required contributions and budgetary comparison information found on pages 4-13 and 57-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and budgetary compliance schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200. *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, budgetary compliance schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, budgetary compliance schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 23, 2018, 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
July 23, 2018


Certified Public Accountants

Management Discussion and Analysis December 31, 2017

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, 2017. We encourage the readers to consider the information presented here in conjunction with the City's financial statements, which follow this report, as well as the separately issued financial statements of the Yankton Housing and Redevelopment Commission, a discretely presented component unit of the City.

Financial Highlights

- The assets and deferred outflows of resources of the City of Yankton exceeded liabilities and deferred inflows of resources at December 31, 2017 by \$119,735,682. Of this amount \$24,240,058 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$7,105,195 during the year. Of this amount the net position of our Governmental Activities increased \$2,788,575 and the net position of our Business-Type Activities increased by \$4,316,620. The governmental net position increased in large part due to decreases in expenses, and the business type net position increases in large part due to increases in charges for services.
- The City's Governmental Fund Balances increased \$2,028,752 in 2017. Exhibit 4 details the increases.
- The City's long-term debt decreased \$110,348 in 2017. This decrease occurred from net increases in the Water Revenue Bonds and Solid Waste Management Loans offset by decreases in long term debt Wastewater Revenue Bonds, the Sales Tax Revenue Bonds, and the Certificates of Participation from annual debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE CITY AS TRUSTEE

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

THE CITY AS A WHOLE

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

CITY OF YANKTON'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 22,449,424	\$ 20,574,451	\$ 8,841,070	\$ 13,850,155	\$ 31,290,494	\$ 34,424,606
Capital Assets	<u>58,946,350</u>	<u>59,202,936</u>	<u>56,046,581</u>	<u>46,218,724</u>	<u>114,992,931</u>	<u>105,421,660</u>
Total Assets	<u>81,395,774</u>	<u>79,777,387</u>	<u>64,887,651</u>	<u>60,068,879</u>	<u>146,283,425</u>	<u>139,846,266</u>
Pension Related						
Deferred Outflows	<u>2,725,745</u>	<u>2,222,301</u>	<u>808,714</u>	<u>681,276</u>	<u>3,534,459</u>	<u>2,903,577</u>
Long-term Liabilities Outstanding	3,891,928	5,151,868	20,242,545	20,584,043	24,134,473	25,735,911
Other Liabilities	<u>1,008,211</u>	<u>949,355</u>	<u>4,237,369</u>	<u>3,424,747</u>	<u>5,245,580</u>	<u>4,374,102</u>
Total Liabilities	<u>4,900,139</u>	<u>6,101,223</u>	<u>24,479,914</u>	<u>24,008,790</u>	<u>29,380,053</u>	<u>30,110,013</u>
Pension Related						
Deferred Inflows	<u>541,491</u>	<u>7,151</u>	<u>160,658</u>	<u>2,192</u>	<u>702,149</u>	<u>9,343</u>
Net Position:						
Net Investment in						
Capital Assets	57,416,350	57,562,936	32,463,155	23,971,769	89,879,505	81,534,705
Restricted	3,849,364	2,974,338	1,766,755	1,223,420	5,616,119	4,197,758
Unrestricted	<u>17,414,175</u>	<u>15,354,040</u>	<u>6,825,883</u>	<u>11,543,984</u>	<u>24,240,058</u>	<u>26,898,024</u>
Ending Net Position	<u>\$ 78,679,889</u>	<u>\$ 75,891,314</u>	<u>\$ 41,055,793</u>	<u>\$ 36,739,173</u>	<u>\$ 119,735,682</u>	<u>\$ 112,630,487</u>

This summary reflects an increase in net position of 3.67% for the Governmental Activities and an increase of 11.75% in the Business-Type Activities. The increase in Business-Type Activities net position was largely Capital Assets. The overall liabilities of the City of Yankton decreased by (\$729,960) or (2.42%), due mainly to decreases in long term debt Wastewater Revenue Bonds, the Sales Tax Revenue Bonds, and the Certificates of Participation.

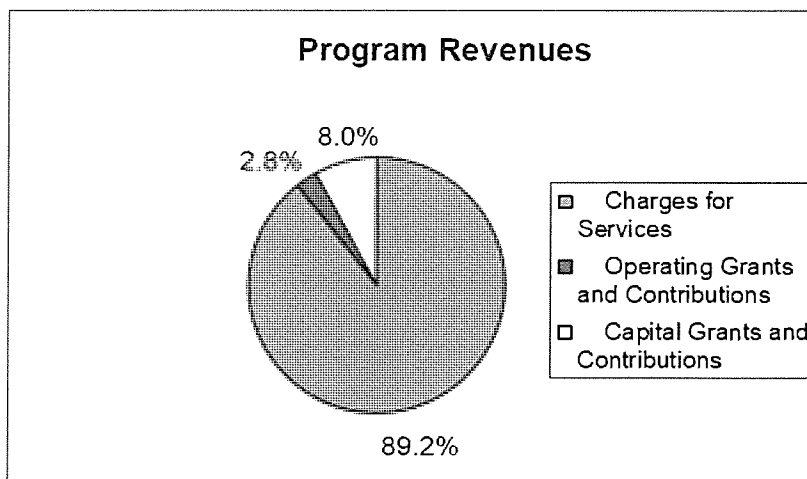
Total revenue reported in 2017 was \$32,299,158, a decrease of (\$2,787,659) or (8.63%). The largest decrease in revenues was in Capital Grants and Contributions; an decrease of (\$3,465,539) or (70.30%). The Property Tax revenues increased \$18,367 or 0.63%, and Sales Tax revenues increased \$249,284 or 2.61%. 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	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,446,071	\$ 3,673,532	\$ 12,782,320	\$ 12,059,275	\$ 16,228,391	\$ 15,732,807
Operating Grants and Contributions	501,267	821,714	-	-	501,267	821,714
Capital Grants and Contributions	343,733	2,121,993	1,120,548	2,807,827	1,464,281	4,929,820
General Revenues:						
Property Taxes	2,953,544	2,935,177	-	-	2,953,544	2,935,177
Sales Taxes	9,793,170	9,543,886	-	-	9,793,170	9,543,886
Other Taxes	781,617	771,235	-	-	781,617	771,235
Other	377,807	241,287	199,081	100,377	576,888	352,178
Total Revenues	18,197,209	20,108,824	14,101,949	14,967,479	32,299,158	35,086,817
Expenses:						
General Government	1,729,472	1,913,534	-	-	1,684,413	1,913,534
Public Safety	3,490,579	3,730,048	-	-	3,133,037	3,730,048
Public Works	6,283,356	7,039,397	-	-	2,706,186	7,039,397
Culture & Recreation	3,190,623	3,543,709	-	-	2,778,728	3,543,709
Community & Economic Development	496,196	1,255,196	-	-	496,196	1,255,196
Interest on Long-term Debt	149,115	166,279	-	-	149,115	166,279
Water	-	-	3,334,393	3,191,494	3,334,393	3,191,494
Wastewater	-	-	2,894,857	2,939,520	2,894,857	2,939,520
Golf	-	-	838,430	922,031	838,430	922,031
Non-Major Enterprise Funds	-	-	2,786,942	2,238,164	2,786,942	2,238,164
Total Expenses	15,339,341	17,648,163	9,854,622	9,291,209	25,193,963	26,939,372
Increase (Decrease) in Net Position						
Before Transfers	2,857,868	2,460,661	4,247,327	5,686,784	7,105,195	8,147,445
Transfers	(69,293)	(394,412)	69,293	394,412	-	-
Increase in Net Position	2,788,575	2,066,249	4,316,620	6,081,196	7,105,195	8,147,445
Net Position January 1	75,891,314	73,825,065	36,739,173	30,657,977	112,630,487	104,483,042
Net Position December 31	\$ 78,679,889	\$ 75,891,314	\$ 41,055,793	\$ 36,739,173	\$ 119,735,682	\$ 112,630,487

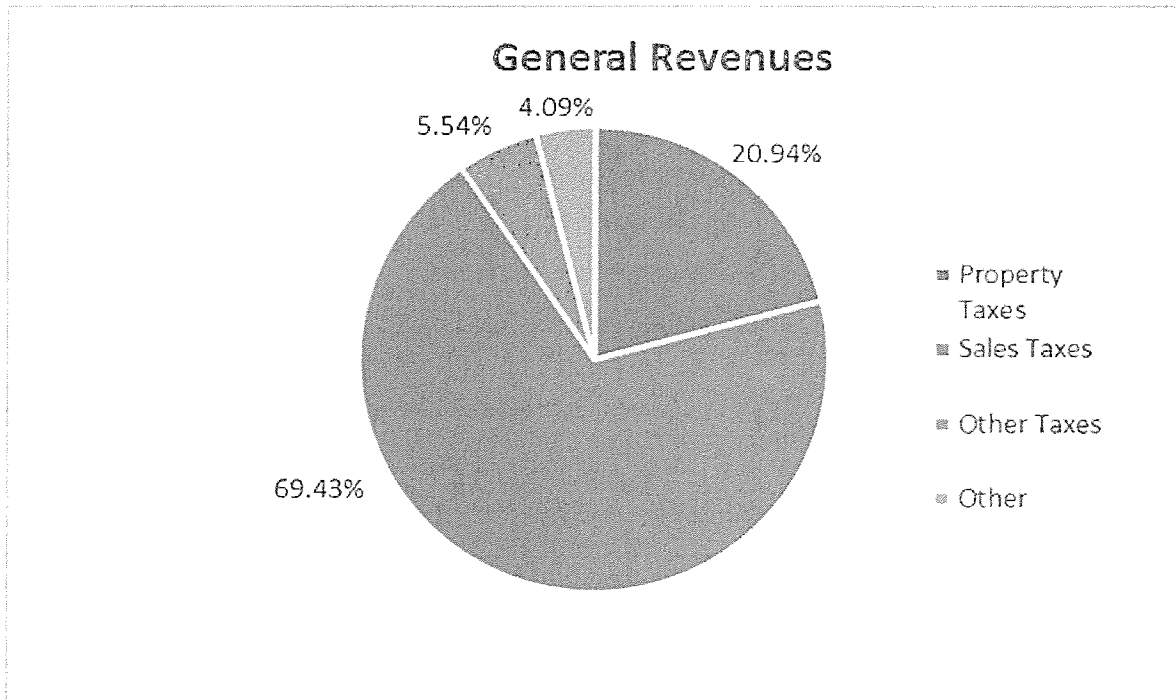
Charges for Services in the Business-Type Activities increased \$723,045 or 6.0% due in most part to a modest 3% rate increase in Water, a 5% increase in Wastewater, and a 17.8% in Solid Waste Collections (reflective of a City Commission decision to implement single stream recycling). Business-Type Activities Total Expenses increased by \$563,413 or 6.06%. Governmental Activities Total Expenses decreased (\$2,308,822) or (13.08%).

Program Revenues total \$18,193,939 for 2017. Governmental Activities provided \$4,291,071 and Business-Type Activities provided \$13,902,868. Revenue collected for Charges for Services during 2017 was \$16,228,391 accounting for 89.2% of the total program revenues. Revenue collected for Capital Grants and Contributions accounts for 8.0% of the total program revenues. The following chart breaks down program revenues by sources:



General Revenues for 2017 totaled \$14,105,219. Governmental Activities provided \$13,906,138 and Business-Type Activities provided \$199,081. Sales Tax Revenues for 2017 totaled \$9,793,170 and Property Tax Revenue totaled \$2,953,544. The Sales Tax Revenues accounted for 69.43% and Property Tax Revenues were 20.94% of General Revenues. The following chart breaks down General Revenues by source:

GENERAL REVENUES



Expenses for 2017 totaled \$25,193,963, a decrease of (6.48%). Expenses for Governmental Activities totaled \$15,339,341 accounting for 60.9% of the total expenses. Expenses for Business-Type Activities totaled \$9,854,622 accounting for 39.1% of total expenses.

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

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

Governmental Activities

To aid in the understanding of the Statement of Activities (Exhibit 2) some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety in 2017, the City spent \$3,490,579 and received \$94,566 in charges for services, \$119,677 in operating grants and contributions, thus leaving a cost to the taxpayers of (\$3,276,336) 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 \$15,339,341. Of these costs, \$3,446,071 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 \$501,267, and costs paid by other governments and organizations that subsidized certain programs with capital grants and contributions were \$343,733, leaving a Net Expense of (\$11,048,270) 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 \$94,019,230, consisting of Net Position January 1, 2017 of \$75,891,314, General Revenues and transfers of \$13,836,845, and Program Revenues of \$4,291,071. Total Governmental Activities during the year expended \$15,339,341; thus, Net Position was increased by \$2,788,575 to \$78,679,889.

Business Type Activities

Business-Type Activities increased the City's net position by \$4,316,620.

The cost of all Business-Type Activities this year was \$9,854,622. As shown in the Statement of Activities, the amounts paid by users of the systems were \$12,782,320 and \$1,120,548 was funded from capital grants and contributions, resulting in a net gain for Business-Type Activities of \$4,048,246.

Total resources available during the year to finance Business-Type Activities were \$50,910,415 consisting of Net Position January 1, 2017 of \$36,739,173, Program Revenues of \$13,902,868 and General Revenues and Transfers of \$268,374. Total Business-Type Activities during the year expended \$9,854,622; thus Net Position was increased by \$4,316,620 to \$41,055,793.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending as the end of a fiscal year. The City's governmental funds reported combined ending fund balances in 2017 of \$20,958,835 (30.5% non-spendable, 6.35% restricted, 59.51% committed, 3.11% assigned, and 0.53% unassigned). The combined Governmental Funds fund balance increased \$2,028,752 from the prior year. The fund balance amount consists of \$6,392,489 of non-spendable funds committed for 1) perpetual care for cemetery \$50,000, 2) \$9,416 of inventories, 3) \$270,270 in vested reserve in our insurance carrier the South Dakota Public Assurance Association or SDPAA, 4) inventory of land for resale \$2,373,411 and 5) long term advances \$3,689,392; \$1,329,920 of restricted funds; \$12,473,448 of committed funds; \$651,436 of assigned funds, and \$111,542 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 \$9,815,635, an increase of \$346,122. 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 50.2% of total general fund expenditures, while total fund balance represents 84.5% of that same amount.

General fund revenues in 2017 increased \$28,885 or 0.23% due mostly to increases in property taxes, sales taxes, and licenses and permits. Expenditures increased \$349,181 or 3.1%. The increase in expenditures included an increase of \$137,958 in current expenditures, an increase of 13.35%, an increase of \$213,933 in capital outlay, an increase of 20.47% from 2016's expenditures and a decrease of \$2,710 in debt service, a decrease of 1.42% from 2016.

The Special Capital Improvements Fund showed an increase in fund balance of \$1,504,421. This reflects a decrease in revenues of (\$262,614), an increase in expenditures of \$1,078,037, and a decrease in transfers out of (\$1,901,966).

The Public Improvements Fund showed an increase in fund balance of \$29,393. This reflects a decrease in revenues of (\$535,124), an increase in expenditures of (\$534,375), and a decrease in transfers in of (\$175,000).

The Infrastructure Improvements Fund showed an increase in fund balance of \$22,778. This reflects zero change in revenues, an increase in expenditures of \$2,074,963, an increase in transfers in of (\$1,464,367) and a decrease in transfers out of (\$20,223).

Financial Analysis of the City's Funds (Continued)

The TID #5 Fund balance remained a negative fund balance to end 2017 at (\$3,689,392) due to no expenditures being made for Capital Improvements or operating as well as no revenues received in excess of debt service. The negative fund balance should be reduced by future tax receipts.

The Other Governmental Funds end of year balance increased \$126,038 to \$2,031,338.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the 2017 original (adopted) General Fund budget of \$14,408,650 to the final budget amount of \$14,906,455 shows a net increase of \$497,805. However, actual expenditures were \$2,789,555 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, 2017 was \$89,879,505 (net of accumulated depreciation and outstanding financings). This was an increase of \$8,344,800 or 10.23%. The comparative totals for capital assets for 2016 and 2017 are as follows:

CITY OF YANKTON CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,623,276	\$ 3,623,276	\$ 814,623	\$ 814,623	\$ 4,437,899	\$ 4,437,899
Construction in Progress	4,046,774	3,748,548	13,003,921	18,719,577	17,050,695	22,468,125
Buildings & Structures / Infrastructure	43,433,868	44,219,194	38,548,043	23,067,299	81,981,911	67,286,493
Land Improvements	-	-	2,121,948	2,125,054	2,121,948	2,125,054
Furniture and Equipment	<u>7,842,432</u>	<u>7,611,918</u>	<u>1,558,046</u>	<u>1,492,171</u>	<u>9,400,478</u>	<u>9,104,089</u>
Total	<u>\$ 58,946,350</u>	<u>\$ 59,202,936</u>	<u>\$ 56,046,581</u>	<u>\$ 46,218,724</u>	<u>\$ 114,992,931</u>	<u>\$ 105,421,660</u>

Buildings and Structures / Infrastructure was the major increase in capital outlays for 2017 for Business-Type Activities; and the only decrease (slight) in capital assets in Governmental Activities. See note 6 in the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At 2017 year end the City had \$25,280,557 of debt outstanding, an decrease of \$110,000. This increase in debt was due to increases in the Water Revenue Bonds and Solid Waste Management Loans offset by decreases in long term debt Wastewater Revenue Bonds, the Sales Tax Revenue Bonds, and the Certificates of Participation from annual debt service payments.

Of the total debt, \$3,585,000 or 14.18% is to be paid from governmental activities including \$2,055,000 specifically from sales tax funds, and \$1,530,000 from property tax opt-out dollars; and \$21,695,557 or 85.82% in business type activities including \$16,781,388 to be repaid from water user fees, \$580,492 to be paid from landfill revenues and \$4,333,677 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 \$46,773,179 with outstanding debt (less debt service reserves) of \$12,453,703, leaving an unused balance of \$34,319,476 or 73.3% of the legal debt limit available. The State allows an additional 10% legal debt margin of the assessed value for Water and Wastewater debt that is secured and backed by surcharges. The City has \$11,519,782 of outstanding debt backed by surcharges with the legal debt capacity being \$93,546,359 leaving \$82,026,578 or 87.6% 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 2017 was \$58,597,456. It was an increase of \$40,320,536 or 320.7% of the 2016 total of \$18,276,920. The average annual building permit value for the last ten years was \$27,902,801 and the 2017 total value was 210% more than that average. New construction building permits included a new Wells Fargo Bank, Yankton Water Treatment Plant, the 70-unit Westbrook Estates Apartments, the new 4-unit Larry's Rental Apartments and a Jimmy John's Restaurant. Commercial additions and remodels included Bomgaar's Supply renovation, Northtown Motors addition, Crane-Youngworth Field renovations, National Field Archery Association addition, and Perkin's Family Restaurant renovation. There were thirty-three new home-building permits issued during the year, a decrease of five from 2016. There were also 30 new Housing units in town home situations and 78 apartments with new apartment complexes.

The City continues to reinvest in its infrastructure with street improvements, wastewater distribution improvements, and the water utility continues to replace water mains to improve the reliability of the water supply as well as beginning construction on an estimated \$34 million water treatment facility. The City also completed construction of a new Collector Well to replace and supplement our current water supplies and completed construction on a replacement Lift Station on the East side of Yankton.

Another indicator of economic activity is the taxable sales for Yankton that are reported by the South Dakota Department of Revenue. Our 2017 sales were up 2.53% over 2016's figures and totaled \$522,446,543.

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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment
ASSETS				
Cash and Cash Equivalents	\$ 17,512,663	\$ 5,233,662	\$ 22,746,325	\$ 168,377
Receivables:				
Taxes	28,285	-	28,285	-
Accounts	50,954	1,507,069	1,558,023	5,736
Special Assessments	157,426	-	157,426	-
Due from Other Governmental Agencies	1,546,953	349,755	1,896,708	-
Prepaid Expenses	154,976	83,989	238,965	7,977
Property Held for Resale, At Cost	2,373,411	-	2,373,411	-
Inventories	174,016	410,848	584,864	-
Restricted Assets:				
Cash and Cash Equivalents	153,247	1,247,670	1,400,917	-
Deposits	270,270	-	270,270	-
Net Pension Asset	27,223	8,077	35,300	-
Land	3,623,276	814,623	4,437,899	-
Construction in Progress	4,046,774	13,003,921	17,050,695	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	51,276,300	42,228,037	93,504,337	733
Total Assets	<u>81,395,774</u>	<u>64,887,651</u>	<u>146,283,425</u>	<u>182,823</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	2,725,745	808,714	3,534,459	-
LIABILITIES				
Accounts Payable	496,683	2,413,877	2,910,560	145
Accrued Wages	179,700	50,733	230,433	-
Accrued Interest Payable	12,303	137,048	149,351	-
Revenue Collected in Advance	-	-	-	3,020
Payables from Restricted Assets:				
Customer Deposits	1,020	4,070	5,090	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	1,603,307	1,603,307	-
General Obligation Bonds	120,000	-	120,000	-
Capital Lease	115,000	-	115,000	-
Compensated Absences	83,505	28,334	111,839	2,637
Due in more than one year:				
Revenue Bonds Payable	-	20,097,212	20,097,212	-
Capital Lease	1,415,000	-	1,415,000	-
General Obligation Bonds	1,935,000	-	1,935,000	-
Estimated Postemployment Benefit Obligation	68,731	16,254	84,985	-
Compensated Absences	473,197	129,079	602,276	1,563
Total Liabilities	<u>4,900,139</u>	<u>24,479,914</u>	<u>29,380,053</u>	<u>7,365</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	541,491	160,658	702,149	-
Total Deferred Inflows of Resources	<u>541,491</u>	<u>160,658</u>	<u>702,149</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	57,416,350	32,463,155	89,879,505	733
Restricted for:				
Housing Vouchers	-	-	-	24,639
Debt Service	184,147	1,110,622	1,294,769	-
SDRS Pension Purposes	2,211,477	656,133	2,867,610	-
Lodging Sales Tax	960,272	-	960,272	-
Cumulative Reserve-SDPAA	270,270	-	270,270	-
Other Purposes	65,652	-	65,652	-
Expendable	107,546	-	107,546	-
Nonexpendable	50,000	-	50,000	-
Unrestricted	17,414,175	6,825,883	24,240,058	150,086
Total Net Position	<u>\$ 78,679,889</u>	<u>\$ 41,055,793</u>	<u>\$ 119,735,682</u>	<u>\$ 175,458</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

<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	\$ 1,729,472	\$ 1,989,683	\$ -
Public Safety	3,490,579	94,566	119,677
Public Works	6,283,356	731,368	279,753
Culture and Recreation	3,190,623	630,454	101,837
Community Development	496,196	-	-
Interest on Long-Term Debt	149,115	-	-
Total Governmental Activities	<u>15,339,341</u>	<u>3,446,071</u>	<u>501,267</u>
Business-Type Activities:			
Water	3,334,393	6,113,359	-
Wastewater	2,894,857	3,640,266	-
Solid Waste	1,509,658	1,105,793	-
Joint Powers- Landfill	1,277,284	1,210,946	-
Golf Course	838,430	711,956	-
Total Business-Type Activities	<u>9,854,622</u>	<u>12,782,320</u>	<u>-</u>
Component Units:			
Housing & Redevelopment	610,559	-	608,382
Total Component Unit	<u>\$ 610,559</u>	<u>\$ -</u>	<u>\$ 608,382</u>
General Revenues:			
Property taxes			
Sales and other Taxes			
Lodging Sales Tax			
Interest			
Reimbursements			
Miscellaneous			
Proceeds from Sale of Non Capitalized Assets			
Interfund Transfers			
Total General Revenues and Transfers			
Change in Net Position			
Net Position - Beginning			
Net Position - Ending			

EXHIBIT 2

Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Component Unit Housing & Redevelopment
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ 260,211	\$ -	\$ 260,211	\$ -
-	(3,276,336)	-	(3,276,336)	-
242,983	(5,029,252)	-	(5,029,252)	-
100,000	(2,358,332)	-	(2,358,332)	-
750	(495,446)	-	(495,446)	-
-	(149,115)	-	(149,115)	-
<u>343,733</u>	<u>(11,048,270)</u>		<u>(11,048,270)</u>	<u>-</u>
99,543		2,878,509	2,878,509	-
1,019,076		1,764,485	1,764,485	-
-		(403,865)	(403,865)	-
1,929		(64,409)	(64,409)	-
-		(126,474)	(126,474)	-
<u>1,120,548</u>		<u>4,048,246</u>	<u>4,048,246</u>	<u>-</u>
-	-	-	-	(2,177)
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,177)</u>
	2,953,544	-	2,953,544	-
	9,793,170	-	9,793,170	-
	781,617	-	781,617	-
	232,360	128,990	361,350	332
	116,244	-	116,244	-
	-	67,091	67,091	1,165
	29,203	3,000	32,203	-
	(69,293)	69,293	-	-
	<u>13,836,845</u>	<u>268,374</u>	<u>14,105,219</u>	<u>1,497</u>
	2,788,575	4,316,620	7,105,195	(680)
	<u>75,891,314</u>	<u>36,739,173</u>	<u>112,630,487</u>	<u>176,138</u>
	<u>\$ 78,679,889</u>	<u>\$ 41,055,793</u>	<u>\$ 119,735,682</u>	<u>\$ 175,458</u>

CITY OF YANKTON, SOUTH DAKOTA
BALANCE SHEET
Governmental Funds
December 31, 2017

	<u>General</u>	<u>Special Capital Improvements</u>	<u>Public Improvement</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 5,573,402	\$ 10,044,264	\$ -
Receivables (Net where applicable, of allowance for uncollectibles):			
Taxes	28,285	-	-
Accounts	34,815	-	-
Special Assessments	28,005	-	-
Due from Other Funds	-	2,026,590	-
Due from Other Governmental Agencies	774,186	658,972	-
Advances to Other Funds	3,689,392	-	-
Inventories	9,416	-	-
Property Held for Resale, At Cost	19,033	-	2,354,378
Restricted Assets:			
Cash and Cash Equivalents	-	-	-
Deposits	270,270	-	-
Total Assets	<u>10,426,804</u>	<u>12,729,826</u>	<u>2,354,378</u>
<u>Liabilities</u>			
Accounts Payable	248,133	156,956	-
Accrued Wages	157,158	-	-
Due to Other Funds	-	-	1,611,670
Customer Deposits	1,020	-	-
Advances from Other Funds	-	-	-
Total Liabilities	<u>406,311</u>	<u>156,956</u>	<u>1,611,670</u>
<u>Deferred Inflows of Resources</u>			
Unavailable revenue- property taxes	28,285	-	-
Unavailable revenue- special assessments	28,005	-	-
Unavailable revenue- other taxes	131,791	99,422	-
Unavailable revenue- other	16,777	-	-
Total Deferred Inflows of Resources	<u>204,858</u>	<u>99,422</u>	<u>-</u>
<u>Fund Balances</u>			
Non-Spendable:			
Perpetual Care	-	-	-
Inventories	9,416	-	-
Cumulative Reserve-SDPAA	270,270	-	-
Property Held for Resale	19,033	-	2,354,378
Long Term Advances	3,689,392	-	-
Restricted:			
Debt Service	-	-	-
Lodging Sales Tax	-	-	-
Perpetual Care	-	-	-
Other Purposes	-	-	-
Committed:			
Special Capital Improvements (sales tax)	-	12,473,448	-
Assigned:			
Capital Projects	-	-	-
Unassigned	5,827,524	-	(1,611,670)
Total Fund Balances (Deficits)	<u>9,815,635</u>	<u>12,473,448</u>	<u>742,708</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 10,426,804</u>	<u>\$ 12,729,826</u>	<u>\$ 2,354,378</u>

EXHIBIT 3

TID #5	Infrastructure Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,781,085	\$ 17,398,751
-	-	-	28,285
-	-	16,139	50,954
-	-	129,421	157,426
-	-	-	2,026,590
-	-	104,989	1,538,147
-	-	-	3,689,392
-	-	-	9,416
-	-	-	2,373,411
-	-	153,247	153,247
-	-	-	270,270
-	-	2,184,881	27,695,889
-	-	20,305	425,394
-	-	19,280	176,438
-	414,902	18	2,026,590
-	-	-	1,020
3,689,392	-	-	3,689,392
3,689,392	414,902	39,603	6,318,834
-	-	-	28,285
-	-	102,054	130,059
-	-	11,886	243,099
-	-	-	16,777
-	-	113,940	418,220
-	-	50,000	50,000
-	-	-	9,416
-	-	-	270,270
-	-	-	2,373,411
-	-	-	3,689,392
-	-	196,450	196,450
-	-	960,272	960,272
-	-	107,546	107,546
-	-	65,652	65,652
-	-	-	12,473,448
-	-	651,436	651,436
(3,689,392)	(414,902)	(18)	111,542
(3,689,392)	(414,902)	2,031,338	20,958,835
\$ -	\$ -	\$ 2,184,881	\$ 27,695,889

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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, 2017

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

Total Fund Balance - Governmental Funds (page 18)	\$ 20,958,835
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	58,786,046
Unavailable revenues that do not provide current financial resources for governmental activities	418,220
Accrued expenses from the balance sheet that do not require current financial resources for governmental activities	(12,303)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	152,442
Pension related deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, are not due and payable in the current year and, therefore are not reported in the governmental funds.	2,150,924
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	(4,134,575)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds	(55,281)
The Net Pension Asset does not provide resources in the current period and therefore is not reported in the funds	26,808
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.	388,773
Total Net Position - Governmental Activities (page 14)	<u>\$ 78,679,889</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Capital Improvements</u>	<u>Public Improvement</u>
Revenue:			
Property Taxes	\$ 2,733,551	\$ -	\$ -
Sales and Other Taxes	5,827,059	3,926,223	-
Special Assessments	-	-	-
Licenses and Permits	437,955	-	-
Intergovernmental	504,565	180,859	11,928
Charges for Services	2,844,950	-	-
Fines and Forfeits	7,394	-	-
Interest on Investments	59,867	141,221	6
Contributions	8,771	-	-
Miscellaneous	71,591	24,400	-
Total Revenue	<u>12,495,703</u>	<u>4,272,703</u>	<u>11,934</u>
Current Expenditures:			
General Government	1,887,855	-	-
Public Safety	2,775,560	-	-
Public Works	2,737,636	-	-
Culture and Recreation	2,770,297	-	-
Community Development	-	-	-
Capital Outlay:			
Public Works	516,282	2,743,936	7,541
Culture and Recreation	340,256	-	-
General Government	45,059	-	-
Public Safety	357,542	-	-
Debt Service	188,608	-	-
Total Expenditures	<u>11,619,095</u>	<u>2,743,936</u>	<u>7,541</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>876,608</u>	<u>1,528,767</u>	<u>4,393</u>
Other Financing Sources (Uses):			
Proceeds From Sale of Capital Assets	29,203	-	-
Transfers In	201,515	-	25,000
Transfers Out	(761,204)	(24,346)	-
Total Other Financing Sources (Uses)	<u>(530,486)</u>	<u>(24,346)</u>	<u>25,000</u>
Net Change in Fund Balance	346,122	1,504,421	29,393
Fund Balances (Deficits)-Beginning of Year	<u>9,469,513</u>	<u>10,969,027</u>	<u>713,315</u>
Fund Balances (Deficits)- End of Year	<u>\$ 9,815,635</u>	<u>\$ 12,473,448</u>	<u>\$ 742,708</u>

EXHIBIT 4

Infrastructure Improvement	TID #5	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 140,281	\$ 78,481	\$ 2,952,313
-	-	802,568	10,555,850
-	-	249,443	249,443
-	-	-	437,955
-	-	161,483	858,835
-	-	48,803	2,893,753
-	-	-	7,394
-	-	25,907	227,001
-	-	11,806	20,577
-	6,000	1,940	103,931
-	146,281	1,380,431	18,307,052
-	-	-	1,887,855
-	-	578,247	3,353,807
-	-	78,499	2,816,135
-	-	106,380	2,876,677
-	-	562,943	562,943
1,719	-	307,692	3,577,170
-	-	71,639	411,895
-	-	-	45,059
-	-	-	357,542
-	-	193,865	382,473
1,719	-	1,899,265	16,271,556
(1,719)	146,281	(518,834)	2,035,496
-	-	-	29,203
44,720	-	795,415	1,066,650
(20,223)	(146,281)	(150,543)	(1,102,597)
24,497	(146,281)	644,872	(6,744)
22,778	-	126,038	2,028,752
(437,680)	(3,689,392)	1,905,300	18,930,083
\$ (414,902)	\$ (3,689,392)	\$ 2,031,338	\$ 20,958,835

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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, 2017

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

Net change in fund balances - total governmental funds (page 21) \$ 2,028,752

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 depreciation expense exceeded capital outlays in the current year:

Expenditures for capital assets	\$ 2,591,018	
Depreciation Expense	<u>(2,897,220)</u>	(306,202)

Governmental fixed assets are not recorded in governmental funds. In the current year, an asset was transferred from governmental activities to business type activities. The net book value of the asset was recorded as a transfer out on the Statement of Activities (33,346)

Revenues reported in the funds that are not available to provide current financial resources: (73,572)

Capital contributions reported in the Statement of Activities do not provide current financial resources and are not reported as revenues in the funds 100,000

Accrued interest expense that does not require current financial resources: 577

Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied. (195,691)

Pension expenses reported in the Statement of Activities do not require the use of current financial resources. 798,095

The current year City employer share of SDRS contributions are reported as expenditures in the governmental funds, but reported as a deferred outflow of resources in the Statement of Net Position 173,150

Governmental funds report the proceeds from the sale of fixed assets as revenue, whereas the statement of activities reports the (Loss) on the sale of fixed assets. This is the effect on the change in net position on the statement of activities. (4,613)

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. 29,640

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources: 19,867

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: 8,358

Other Post-Employment Benefits that do not require current financial resources. 32,794

Compensated absences that do not require current financial resources. (14,234)

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: 225,000

Change in net position of governmental activities (page 16) \$ 2,788,575

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET POSITION
Proprietary Funds
December 31, 2017

	Business-Type	
	Water	Wastewater
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,841,296	\$ 592,439
Receivables (Net where applicable, of allowance for uncollectibles):		
Accounts	732,958	525,194
Due from Other Governmental Agencies	-	349,755
Prepaid Insurance	23,921	26,558
Inventories	197,538	156,805
Total Current Assets	4,795,713	1,650,751
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	655,831	518,863
Net Pension Asset	2,151	2,209
Land	128,117	66,666
Construction in Progress	13,003,921	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	25,829,330	11,928,480
Total Noncurrent Assets	39,619,350	12,516,218
Total Assets	44,415,063	14,166,969
 DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	215,345	221,216
 LIABILITIES		
Current Liabilities:		
Accounts Payable	2,101,006	237,704
Accrued Wages	17,416	11,923
Accrued Interest Payable	108,500	27,357
Accrued Compensated Absences	9,473	6,545
Customer Deposits	4,070	-
Revenue Bonds Payable- Current	696,564	847,691
Total Current Liabilities	2,937,029	1,131,220
Noncurrent Liabilities:		
Revenue Bonds Payable	16,084,824	3,490,948
Accrued Compensated Absences	43,153	29,815
Estimated Postemployment Benefit Obligation	-	7,132
Total Noncurrent Liabilities	16,127,977	3,527,895
Total Liabilities	19,065,006	4,659,115
 DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	42,780	43,946
 NET POSITION		
Net investment in capital assets,	20,321,753	7,631,827
Restricted for:		
Debt Service	547,331	491,506
SDRS Pension Purposes	174,716	179,479
Unrestricted	4,478,822	1,382,312
Total Net Position	\$ 25,522,622	\$ 9,685,124

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>
\$ 799,927	\$ 5,233,662	\$ 113,912
248,917	1,507,069	-
-	349,755	8,806
33,510	83,989	2,534
56,505	410,848	164,600
<u>1,138,859</u>	<u>7,585,323</u>	<u>289,852</u>
72,976	1,247,670	-
3,717	8,077	415
619,840	814,623	7,000
-	13,003,921	-
<u>4,470,227</u>	<u>42,228,037</u>	<u>153,304</u>
<u>5,166,760</u>	<u>57,302,328</u>	<u>160,719</u>
<u>6,305,619</u>	<u>64,887,651</u>	<u>450,571</u>
<u>372,153</u>	<u>808,714</u>	<u>41,593</u>
75,167	2,413,877	71,289
21,394	50,733	3,262
1,191	137,048	-
12,316	28,334	1,069
-	4,070	-
59,052	1,603,307	-
<u>169,120</u>	<u>4,237,369</u>	<u>75,620</u>
521,440	20,097,212	-
56,111	129,079	6,058
9,122	16,254	13,450
<u>586,673</u>	<u>20,242,545</u>	<u>19,508</u>
<u>755,793</u>	<u>24,479,914</u>	<u>95,128</u>
<u>73,932</u>	<u>160,658</u>	<u>8,263</u>
4,509,575	32,463,155	160,304
71,785	1,110,622	-
301,938	656,133	33,745
964,749	6,825,883	194,724
<u>\$ 5,848,047</u>	<u>\$ 41,055,793</u>	<u>\$ 388,773</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type	
	Water	Waste- water
Operating Revenues:		
Charges for Services	\$ 6,113,359	\$ 3,640,266
Operating Expenses:		
Personal Services	586,598	508,497
Insurance	65,461	89,053
Professional Services	34,721	63,261
Tipping Fees	-	-
State Fees	5,000	12,500
Repairs and Maintenance	195,727	207,253
Cost of Sales and Service	-	-
Supplies and Materials	254,523	40,005
Travel and Conference	1,007	798
Utilities	311,776	172,798
Billing and Administration	655,905	626,754
Depreciation	867,219	1,030,693
Total Operating Expenses	2,977,937	2,751,612
Operating Income (Loss)	3,135,422	888,654
Non-Operating Income (Expense):		
Interest Income	108,506	8,562
Intergovernmental Revenue	99,543	994,746
Gain on Disposition of Assets	-	-
Miscellaneous, net	2,622	912
Interest Expense	(356,456)	(143,245)
Total Non-Operating Income (Expenses)	(145,785)	860,975
Income Before Contributions and Transfers	2,989,637	1,749,629
Transfers In	-	-
Transfers (Out)	(71,346)	(60,047)
Capital Contributions	-	24,330
Change in Net Position	2,918,291	1,713,912
Net Position - Beginning	22,604,331	7,971,212
Net Position - Ending	\$ 25,522,622	\$ 9,685,124

EXHIBIT 6

<u>Business-Type</u>		<u>Governmental</u>
<u>Non-Major</u>		<u>Activities-</u>
<u>Enterprise Funds</u>	<u>Totals</u>	<u>Internal</u>
		<u>Service Fund</u>
\$ 3,028,695	\$ 12,782,320	\$ 743,416
946,068	2,041,163	102,123
26,685	181,199	-
619,531	717,513	36,594
165,209	165,209	-
-	17,500	-
288,675	691,655	4,941
822,028	822,028	-
87,899	382,427	504,155
1,561	3,366	-
56,330	540,904	17,282
254,908	1,537,567	-
343,082	2,240,994	23,338
<u>3,611,976</u>	<u>9,341,525</u>	<u>713,776</u>
(583,281)	3,440,795	29,640
11,922	128,990	-
1,929	1,096,218	-
3,000	3,000	-
63,557	67,091	-
(13,396)	(513,097)	-
<u>67,012</u>	<u>782,202</u>	<u>-</u>
(516,269)	4,222,997	29,640
167,340	167,340	-
-	(131,393)	-
<u>33,346</u>	<u>57,676</u>	<u>-</u>
(315,583)	4,316,620	29,640
<u>6,163,630</u>	<u>36,739,173</u>	<u>359,133</u>
<u>\$ 5,848,047</u>	<u>\$ 41,055,793</u>	<u>\$ 388,773</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type	
	Water	Waste- Water
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 6,034,248	\$ 3,569,820
Cash Received from Interfund Services Provided	-	23,540
Cash Paid to Suppliers for Goods and Services	(2,134,988)	(1,890,028)
Cash Paid to Employees for Services	(661,114)	(591,847)
Cash Paid for Interfund Services	(13,690)	(28,930)
Other Nonoperating Revenues	2,622	911
Net Cash Provided (Used) from Operating Activities	<u>3,227,078</u>	<u>1,083,466</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(7,943,444)	(1,725,688)
Proceeds from Sale of Fixed Assets	-	-
Proceeds from Bond Issuance	1,268,047	-
Principal Paid on Notes, Bonds and Leases	(637,168)	(814,632)
Interest Paid on Notes and Bonds	(349,971)	(148,276)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,662,536)</u>	<u>(2,688,596)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Due to Other Funds	-	-
Due from Other Governments	-	994,746
Transfers (Out)	(71,346)	(60,047)
Receipts from Other Governments	-	209,733
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(71,346)</u>	<u>1,144,432</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	108,506	8,562
Net Cash Provided from Investing Activities	<u>108,506</u>	<u>8,562</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,398,298)	(452,136)
Cash and Cash Equivalents at Beginning of Year	8,895,425	1,563,438
Cash and Cash Equivalents at End of Year	<u>4,497,127</u>	<u>1,111,302</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	3,135,422	888,654
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	867,219	1,030,693
Other Non-Operating Income (Expense)	2,622	911
(Increase) Decrease in Assets:		
Accounts Receivable	(79,111)	(46,906)
Prepaid Expenses	(2,464)	(2,235)
Net Pension Asset / Liability	(82,459)	(85,558)
Pension Related Deferred Outflows	(34,946)	(33,986)
Inventories	(6,420)	8,290
Increase (Decrease) in Liabilities:		
Accounts Payable	(617,049)	(712,591)
Customer Deposits	1,376	-
Accrued Wages	618	(545)
Accrued Compensated Absences	1,479	1,785
Estimated Postemployment Benefit Obligation	(1,409)	(8,390)
Pension Related Deferred Inflows	42,200	43,344
Unearned Revenue	-	-
Total Adjustments	<u>91,656</u>	<u>194,812</u>
Net Cash Provided by Operating Activities	<u>3,227,078</u>	<u>1,083,466</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:		
Transfer of Asset from Governmental Activities to Business Type Activities	\$ -	\$ -
Developers and City Contribution of Capital Assets	-	24,330
	<u>\$ -</u>	<u>\$ 24,330</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents	3,841,296	592,439
Restricted Cash and Cash Equivalents	655,831	518,863
	<u>\$ 4,497,127</u>	<u>\$ 1,111,302</u>

EXHIBIT 7

Business-Type		Governmental
Nonmajor		Activities-
Enterprise Funds	Totals	Internal
		Service Fund
\$ 3,008,684	\$ 12,612,752	\$ 93,000
6,669	30,209	623,547
(2,103,671)	(6,128,687)	(548,874)
(1,082,726)	(2,335,687)	(122,667)
(223,876)	(266,496)	23,839
63,557	67,090	-
<u>(331,363)</u>	<u>3,979,181</u>	<u>68,845</u>
(341,523)	(10,010,655)	(10,913)
3,000	3,000	-
436,200	1,704,247	-
(38,254)	(1,490,054)	-
(12,661)	(510,908)	-
<u>46,762</u>	<u>(10,304,370)</u>	<u>(10,913)</u>
(148,749)	(148,749)	-
288,871	1,283,617	-
167,340	35,947	-
1,929	211,662	-
<u>309,391</u>	<u>1,382,477</u>	<u>-</u>
11,922	128,990	-
<u>11,922</u>	<u>128,990</u>	<u>-</u>
36,712	(4,813,722)	57,932
<u>836,191</u>	<u>11,295,054</u>	<u>55,980</u>
<u>872,903</u>	<u>6,481,332</u>	<u>113,912</u>
(583,281)	3,440,795	29,640
343,082	2,240,994	23,338
63,557	67,090	-
(13,342)	(139,359)	(1,189)
(4,354)	(9,053)	(365)
(143,341)	(311,358)	(16,059)
(58,506)	(127,438)	(6,452)
127	1,997	7,571
(494)	(1,330,134)	30,411
-	1,376	-
(825)	(752)	520
(1,777)	1,487	(742)
(5,131)	(14,930)	(5,978)
72,922	158,466	8,150
-	-	-
<u>251,918</u>	<u>538,386</u>	<u>39,205</u>
<u>(331,363)</u>	<u>3,979,181</u>	<u>68,845</u>
\$ -	\$ -	\$ -
<u>33,346</u>	<u>57,676</u>	<u>-</u>
<u>\$ 33,346</u>	<u>\$ 57,676</u>	<u>\$ -</u>
799,927	5,233,662	113,912
72,976	1,247,670	-
<u>\$ 872,903</u>	<u>\$ 6,481,332</u>	<u>\$ 113,912</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET POSITION
Fiduciary Funds
December 31, 2017

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 29,725
Total Assets	<u>29,725</u>
 Liabilities	
Accounts Payable	483
Other Accrued Expenses	29,242
Total Liabilities	<u>29,725</u>
 Net Position	
Unrestricted	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

Proprietary Fund-type Discretely Presented The Yankton Housing and Redevelopment Commission is a proprietary fund-type discretely presented component unit of the City of Yankton whose year end is June 30, 2017. In October of 1994, the City of Yankton adopted a resolution to establish the Yankton Housing and Redevelopment Commission to administer the United States Department of Housing and Urban Development, Section 8 Existing Certificate, Voucher, and Moderate Rehabilitation Program. The program became operational in November 1994. The governing board of the commission is made up of five residents of the City of Yankton who have been appointed by the Mayor of the City of Yankton and with the approval of the City Commission. The City of Yankton retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to enter into any housing development involving the use of eminent domain, which gives the City the ability to impose its will on the Commission. The Commission had a June 30, 2017 Year End and the report may be obtained by writing to the Yankton Housing and Redevelopment Commission, PO Box 176, Yankton, South Dakota 57078.

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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

B. Basic Financial Statements – Government-Wide Statement

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

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

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

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

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

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

C. Basis of Accounting

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

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

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017**

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, 2017**

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.

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

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, 2017**

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

F. Cash Flows

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

G. Short-Term Interfund Receivables/Payables

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

H. Advance to Other Funds

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

I. Inventories/Property Held for Resale

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 and salt inventory.

J. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and pension contributions from the City after the measurement date but before the end of the City's reporting period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within thirty days after year end.

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

K. Restricted Assets

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

L. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensation time hours for subsequent use or for payment upon termination, death or retirement. This liability as well as the corresponding employee benefits, is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for the portion which is expected to be liquidated with expendable available financial resources. This amount normally consists of payments to employees who had resigned or retired at year end, but had not yet been compensated for the accrued absences. The compensated absences liability has been computed based on rates of pay in effect at December 31, 2017. 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.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Amortization of Bond Discounts and Premiums

For governmental fund types, bond premiums and discounts, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. For proprietary fund types, bond premiums and discounts, are deferred and amortized over the life of the bonds based on interest expense which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balances may be assigned by action of the City Commission.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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 2017 were \$453,022 of which \$168,393 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,

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 - CASH AND CASH EQUIVALENTS – (CONTINUED)

per banks, at December 31, 2017 were \$24,410,062. At year-end, the Yankton Housing and Redevelopment Commission's deposits were fully insured or collateralized.

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

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

NOTE 3 - PROPERTY TAXES

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

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, 2017, consisted of the following:

	Utility Accounts Receivable	Special Assessment Receivable
Fund:		
Infrastructure Improvement Revolving	\$ -	\$ 42,000
Water Fund	24,313	-
Wastewater Fund	12,835	-
Solid Waste Fund	12,316	-
	\$ 49,464	\$ 42,000

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2017, include the following:

	General	Special Capital Improvement Fund	Non-Major Governmental Funds
County Remitted Taxes	\$ 6,148	\$ -	\$ -
County share of Senior Center and Others	7,068	-	-
County and Other Garage Charges	-	-	-
State Remitted Sales Tax	662,170	658,972	71,824
State Remitted Liquor and Other Taxes	27,319	-	-
State Road Aid	53,376	-	-
Grants	-	-	7,563
Other	18,105	-	25,602
	<u>\$ 774,186</u>	<u>\$ 658,972</u>	<u>\$ 104,989</u>

	Internal Service	Wastewater	Total
County Remitted Taxes	\$ -	\$ -	\$ 6,148
County share of Senior Center and Others	-	-	7,068
County and Other Garage Charges	8,806	-	8,806
State Remitted Sales Tax	-	-	1,392,966
State Remitted Liquor and Other Taxes	-	-	27,319
State Road Aid	-	-	53,376
Grants	-	349,755	357,318
Other	-	-	43,707
	<u>\$ 8,806</u>	<u>\$ 349,755</u>	<u>\$ 1,896,708</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 - CAPITAL ASSETS

A summary of the changes in the capital assets for the year ended December 31, 2017, is as follows:

	Balance January 1, 2017	Additions	Deletions	Reclassification	Balance December 31, 2017
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 3,623,276	\$ -	\$ -	\$ -	\$ 3,623,276
Construction in Progress	3,748,548	1,415,800	1,117,574	-	4,046,774
Total capital assets not being depreciated	7,371,824	1,415,800	1,117,574	-	7,670,050
Capital assets being depreciated:					
Buildings & Structures/Infrastructure	70,102,246	1,117,574	157,012	-	71,062,808
Furniture & Equipment	16,611,949	1,292,795	285,694	(83,364)	17,535,686
Total capital assets being depreciated:	86,714,195	2,410,369	442,706	(83,364)	88,598,494
Less: Accumulated Depreciation for:					
Buildings & Structures/Infrastructure	25,883,052	1,902,900	157,012	-	27,628,940
Furniture & Equipment	9,000,031	1,017,658	274,417	(50,018)	9,693,254
Total Accumulated Depreciation	34,883,083	2,920,558	431,429	(50,018)	37,322,194
Total Capital Assets being depreciated, net	51,831,112	(510,189)	11,277	(33,346)	51,276,300
Governmental activities capital assets, net	\$ 59,202,936	\$ 905,611	\$ 1,128,851	\$ (33,346)	\$ 58,946,350

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

	Balance January 1, 2017	Additions	Deletions	Reclassification	Balance December 31, 2017
Business-Type Activities:					
Capital Assets not being depreciated:					
Land	\$ 814,623	\$ -	\$ -	\$ -	\$ 814,623
Construction in Progress	18,719,577	11,664,131	17,379,787	-	13,003,921
Total capital assets not being depreciated:	<u>19,534,200</u>	<u>11,664,131</u>	<u>17,379,787</u>	<u>-</u>	<u>13,818,544</u>
Capital Assets being depreciated:					
Buildings and Structures	54,429,200	17,379,787	71,015	-	71,737,972
Land Improvements	2,190,048	-	-	-	2,190,048
Furniture & Equipment	5,769,255	371,374	189,240	83,364	6,034,753
Total capital assets, being depreciated	<u>62,388,503</u>	<u>17,751,161</u>	<u>260,255</u>	<u>83,364</u>	<u>79,962,773</u>
Less: Accumulated Depreciation for:					
Buildings and Structures	31,361,901	1,899,043	71,015	-	33,189,929
Land Improvements	64,994	3,106	-	-	68,100
Furniture & Equipment	4,277,084	338,845	189,240	50,018	4,476,707
Total Accumulated Depreciation	<u>35,703,979</u>	<u>2,240,994</u>	<u>260,255</u>	<u>50,018</u>	<u>37,734,736</u>
Total Capital Assets, being depreciated, net	<u>26,684,524</u>	<u>15,510,167</u>	<u>-</u>	<u>33,346</u>	<u>42,228,037</u>
Business-type activities capital assets, net	<u>\$ 46,218,724</u>	<u>\$ 27,174,298</u>	<u>\$ 17,379,787</u>	<u>\$ 33,346</u>	<u>\$ 56,046,581</u>

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

Governmental Activities:	
General Government	\$ 21,395
Community Development	2,273
Public Safety	322,507
Public Works	1,988,480
Culture & Recreation	<u>585,903</u>
Total depreciation expense - governmental activities	<u>\$ 2,920,558</u>

Depreciation expense of \$23,338 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, 2017**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

Business-Type Activities:	
Water	\$ 867,219
Wastewater	1,030,693
Solid Waste	83,187
Golf Course	65,699
Joint Powers Landfill	<u>194,196</u>
Total depreciation expense - business-type activities	<u>\$ 2,240,994</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	\$ 4,615	\$ -	\$ -	\$ 4,615
Total capital assets, being depreciated	<u>4,615</u>	<u>-</u>	<u>-</u>	<u>4,615</u>
Less: Accumulated Depreciation	<u>3,482</u>	<u>400</u>	<u>-</u>	<u>3,882</u>
Component unit capital assets, net	<u>\$ 1,133</u>	<u>\$ (400)</u>	<u>\$ -</u>	<u>\$ 733</u>

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-Type Activities
Land	\$ 3,623,276	\$ 814,623
Construction in Progress	4,046,774	13,003,921
Capital Assets (Net of Accumulated Depreciation)	51,276,300	42,228,037
Less: Revenue Bonds	-	21,700,519
Capital Leases	1,530,000	-
Retainage Payable	-	815,151
Accounts Payable	-	<u>1,067,756</u>
Net Investment in Capital Assets	<u>\$ 57,416,350</u>	<u>\$ 32,463,155</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 - COMMITMENTS

During the year ended December 31, 2017, the City had entered into several construction contracts totaling approximately \$53,077,169 of which approximately \$24,712,952 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	\$1,640,000	\$ -	\$ (110,000)	\$1,530,000

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, 2017.

Year Ending December 31,	Principal	Interest	Total
2018	\$ 115,000	\$ 71,780	\$ 186,780
2019	120,000	67,065	187,065
2020	120,000	61,785	181,785
2021	130,000	56,505	186,505
2022	135,000	50,525	185,525
2023 – 2027	770,000	151,518	921,518
2028	140,000	7,000	147,000
Totals	\$1,530,000	\$ 466,178	\$ 1,996,178

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017 (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, 2017	\$ 2,170	\$ 16,250	\$ 3,228	\$ 1,920	\$ 183	\$ 23,751
Notes/Bonds Issued	-	1,268	-	-	436	1,704
Notes/Bonds Retired	(115)	(737)	(354)	(460)	(38)	(1,704)
Notes/Bonds Payable at December 31, 2017	\$ 2,055	\$ 16,781	\$ 2,874	\$ 1,460	\$ 581	\$ 23,751

Debt outstanding at December 31, 2017, is comprised of the following individual issues:

	Due Within One Year	Due After One Year	Total
2011 Sales Tax Revenue Bonds – Dated June 1, 2011, maturing December 1, 2012-2031, with an average interest rate of 3.71%. Funds were used to provide economic development incentives and are to be paid by the Debt Service Fund, using TID generated taxes.	\$ 120,000	\$ 1,935,000	\$ 2,055,000
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.	475,000	985,000	1,460,000
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.	59,052	521,440	580,492
Water Revenue Bonds (SRF) maturing October 1, 2023, through 2046 with interest rates of 3.5%, 3.25% and 3.0% per annum, paid by the Water Fund.	696,564	16,084,824	16,781,388
Wastewater Revenue Bonds (SRF) maturing October 1, 2023 and January 15, 2037, with an interest rate of 3.5% and 3.0% per annum, paid by the Wastewater Fund.	372,691	2,500,986	2,873,677
Totals	\$1,723,307	\$ 22,027,250	\$ 23,750,557

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 9 - LONG-TERM DEBT – (CONTINUED)

The business-type activity revenue bonds are shown net of \$4,962 of unaccreted bond premiums on the Statement of Net Position.

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, 2017, \$593,805 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, 2017, \$11,519,782 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, 2017, including interest payments of \$8,059,075 are as follows:

Year Ending December 31	2011 Sales Tax Bonds		Wastewater Revenue		Water Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 120,000	\$ 75,850	\$ 372,691	\$ 92,878	\$ 696,564	\$ 503,346
2019	120,000	72,850	385,792	79,777	718,839	481,071
2020	125,000	69,610	399,355	66,214	741,830	458,080
2021	130,000	65,845	413,394	52,175	765,561	434,349
2022	130,000	62,085	427,928	37,641	790,053	409,856
2023-2027	730,000	237,695	555,760	68,172	3,297,424	1,720,530
2028-2032	700,000	77,530	161,334	36,619	2,976,276	1,234,219
2033-2037	-	-	157,423	10,838	2,107,902	872,964
2038-2042	-	-	-	-	2,447,663	533,204
2043-2046	-	-	-	-	2,239,276	145,420
	<u>\$2,055,000</u>	<u>\$ 661,465</u>	<u>\$2,873,677</u>	<u>\$ 444,314</u>	<u>\$16,781,388</u>	<u>\$ 6,793,039</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Year Ending December 31	Joint Power Landfill (RLA) (SWMP)		Wastewater Refunding		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 59,052	\$ 13,924	\$ 475,000	\$ 43,862	\$ 1,723,307	\$ 729,860
2019	60,534	12,442	485,000	30,800	1,770,165	676,940
2020	62,054	10,921	500,000	16,250	1,828,239	621,075
2021	63,614	9,362	-	-	1,372,569	561,731
2022	65,213	7,763	-	-	1,413,194	517,345
2023-2027	270,025	14,933	-	-	4,853,209	2,041,330
2028-2032	-	-	-	-	3,837,610	1,348,368
2033-2037	-	-	-	-	2,265,325	883,802
2038-2042	-	-	-	-	2,447,663	533,204
2043-2046	-	-	-	-	2,239,276	145,420
	<u>\$ 580,492</u>	<u>\$ 69,345</u>	<u>\$ 1,460,000</u>	<u>\$ 90,912</u>	<u>\$ 23,750,557</u>	<u>\$ 8,059,075</u>

C. Accrued Compensated Absences and OPEB Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 543,210	\$ 96,181	\$ 82,689	\$ 556,702	\$ 83,505
Other Post Employment Benefit Obligation	107,485	-	38,754	68,731	-
Business-Type Activities:					
Compensated Absences	155,928	24,874	23,389	157,413	28,334
Other Post Employment Benefit Obligation	31,184	-	14,930	16,254	-
Total Accrued Compensated Absences and OPEB Liabilities	<u>\$ 837,807</u>	<u>\$ 121,055</u>	<u>\$ 159,762</u>	<u>\$ 799,100</u>	<u>\$ 111,839</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, 2017 were as follows:

	Interfund Receivables	Interfund Payables
Due From/To Other Funds:		
Capital Projects – Special Capital Improvements	\$ 2,026,590	\$ -
Capital Projects – Public Improvement	-	1,611,670
Infrastructure Improvement	-	414,902
Special Revenue – TID #5	-	18
	<u>\$ 2,026,590</u>	<u>\$ 2,026,590</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - INTERFUND ASSETS/LIABILITIES – (CONTINUED)

As of December 31, 2017, long-term advances were as follows:

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

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

NOTE 11 - DEFICIT FUND BALANCES/RETAINED EARNINGS

As of December 31, 2017, the following funds had deficit fund balances:

Special Revenue:	
TID #5	\$ 3,689,392
TID #8	18
Capital Projects:	
Infrastructure Improvement	\$ 414,902

The TID #5 deficit will be refunded through future TID property tax collections.
The TID #8 deficit will be refunded through future TID property tax collections.
The Capital Projects funds will be funded through assessment collections and other financing.

NOTE 12 - PENSION PLAN

Plan Information

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

Benefits Provided

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 12 - PENSION PLAN (CONTINUED)

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
- 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
- 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the years ended 2017, 2016, and 2015 were \$460,571, \$449,258, and \$441,414, respectively, equal to the required contributions each year.

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

At June 30, 2017, SDRS is 100.1% funded and, accordingly, has a net pension liability. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of the measurement period ending June 30, 2017 and reported by the City as of December 31, 2017 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 45,257,646
Less: proportionate share Net Pension restricted for pension benefits	<u>45,292,946</u>
Proportionate share of net pension liability (asset)	<u>\$ (35,300)</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 12 - PENSION PLAN (CONTINUED)

At December 31, 2017, the City reported an (asset) of \$(35,300) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2017 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the City's proportion was 0.38897970%, which is an increase of .00063231% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$805,384. At December 31, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 565,607	\$ -
Changes in assumption	2,740,850	-
Net Difference between projected and actual earnings on pension plan investments	-	678,684
Changes in Proportion and difference between City contributions and proportionate share of contributions	-	23,465
City contributions subsequent to the measurement date	228,002	-
TOTAL	\$ 3,534,459	\$ 702,149

\$228,002 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ended</u> <u>December 31</u>	
2018	\$ 704,218
2019	1,189,345
2020	874,264
2021	(163,519)
Total	\$ 2,604,308

Actuarial Assumptions:

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	6.5 percent at entry to 3.00 percent after 30 years of service
Discount Rate	6.5 percent net of plan investment expense

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 12 - PENSION PLAN (CONTINUED)

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 6,465,245	\$ (35,300)	\$(5,328,859)

Pension Plan Fiduciary Net Position:

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 13 - TRANSFERS

The following is a summary of transfers between funds:

	General	Public Improvement	Infrastructure Improvement	Nonmajor Governmental	Nonmajor Enterprise	Total Transfer Out
General Nonmajor	\$ -	\$ -	\$ -	\$ 593,864	\$ 167,340	\$ 761,204
Governmental Infrastructure Improvement	30,553	25,000	44,720	50,270	-	150,543
Special Capital Improvements	19,346	-	-	5,000	-	24,346
TID #5 Wastewater	20,223	-	-	-	-	20,223
Water	-	-	-	146,281	-	146,281
Transfer In	60,047	-	-	-	-	60,047
	71,346	-	-	-	-	71,346
	<u>\$201,515</u>	<u>\$ 25,000</u>	<u>\$ 44,720</u>	<u>\$ 795,415</u>	<u>\$ 167,340</u>	<u>\$ -</u>

Transfers are used to:

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

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2017, the City managed its risks as follows:

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

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

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 14 - RISK MANAGEMENT (CONTINUED)

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, 2017, 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 2017, expenditures did not exceed the appropriated amounts in any department of the General Fund.

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS

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

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

Annual OPEB Cost and 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:

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

<i>Annual required contribution</i>	\$ -
<i>Interest on net OPEB obligation</i>	-
<i>Adjustment to annual required contribution</i>	<u>(8,304)</u>
<i>Annual OPEB cost</i>	(8,304)
<i>Contributions made</i>	<u>(45,380)</u>
<i>Decrease in net OPEB obligation</i>	(53,684)
<i>Net OPEB obligation – beginning of year</i>	<u>138,669</u>
<i>Net OPEB obligation – end of year</i>	<u>\$ 84,985</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 - 2017 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
2015	(9,522)	-	190,500
2016	(8,304)	-	138,669
2017	(8,304)	-	84,985

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2017 as follows:

Accrued liability	\$ 84,985
Value of plan assets	-
Unfunded accrued liability	<u>\$ 84,985</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, 2017**

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 2017 for this component was \$30,143.

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

Lastly, the City agreed to continue to provide dispatch services for the County, with the County agreeing to pay the City an annually agreed upon amount, associated with the costs of providing the service. For 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017 it was agreed the County would pay \$60,000 per year for dispatch services, which was appropriately paid.

NOTE 18 – RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2017 was as follows:

Major Purposes:

Lodging Sales Tax – Enabling Legislation	\$ 960,272	
Debt Service – External Creditors	1,294,769	
Library – Enabling Legislation	24,608	
Road and Bridges – Enabling Legislation	399	
Total Major Purposes	\$ 2,280,048	

Permanently Restricted Purposes:

Cemetery Perpetual Care – Expendable	107,546	
Cemetery Perpetual Care – Nonexpendable	50,000	
Total Permanently Restricted Purposes	157,546	

Other Purposes:

Dispatch	18,249	
Historic Easement Trust	22,396	
Cumulative Reserve – SDPAA	270,270	
SDRS Pension	2,867,610	
Total Other Purposes	3,178,525	

Total Restricted Net Position	\$ 5,616,119
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**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 19 – TAX ABATEMENTS

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

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

For the year ended December 31, 2017, the City abated \$13,884 of property tax under the urban renewal and economic development projects.

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

For the year ended December 31, 2017, the City abated \$305,594 of municipal retail occupation sales and service tax under said agreements.

NOTE 20 – SUBSEQUENT EVENTS

On February 12, 2018, the City issued \$1,585,000 of certificates of participation refunding bonds series 2018. Interest rates range from 4.4% to 5% over the life of the bond. Proceeds are to be used to refund the certificates issued for the construction of the North Fire Station.

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REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

In accordance with the Governmental Accounting Standards Statements No. 25, No. 27, No. 34, No. 45, No. 68 and No. 77, the following information is a required part of the financial statements.

CITY OF YANKTON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACUTAL
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Revenues:				
Taxes - Current Property	\$ 2,556,526	\$ 2,556,526	\$ 2,733,551	\$ 177,025
Taxes - Sales and Other	5,608,091	5,608,091	5,827,059	218,968
Licenses and Permits	352,675	352,675	437,955	85,280
Intergovernmental	1,573,867	1,573,867	504,565	(1,069,302)
Charges for Service	2,317,762	2,317,762	2,844,950	527,188
Fines and Forfeits	14,500	14,500	7,394	(7,106)
Interest	-	--	59,867	59,867
Miscellaneous	35,500	35,500	80,362	44,862
Total Revenues	12,458,921	12,458,921	12,495,703	36,782
Expenditures:				
General Government:				
Board of City Commission	159,446	159,446	154,738	4,708
Office of City Manager	397,965	397,965	299,243	98,722
City Attorney	57,081	57,081	49,490	7,591
Department of Finance	629,447	629,447	578,086	51,361
Information Systems	383,403	497,160	326,910	170,250
Community Development	458,255	476,522	395,576	80,946
Contingency	160,000	160,000	-	160,000
Casulty Reserve Fund	5,000	5,000	-	5,000
Special Appropriations	130,064	130,064	128,871	1,193
Total General Government	2,380,661	2,512,685	1,932,914	579,771
Public Safety:				
Police Department	3,395,506	3,585,796	2,734,077	851,719
Animal Control	74,748	74,748	34,163	40,585
Fire Department	897,956	923,961	550,429	373,532
Civil Defense	5,415	5,415	1,218	4,197
Total Public Safety	4,373,625	4,589,920	3,319,887	1,270,033
Public Works:				
Engineering and Inspection	638,649	638,649	489,181	149,468
Streets and Highways	1,933,651	1,933,651	1,501,596	432,055
Snow and Ice Removal	199,020	256,506	179,881	76,625
City Hall	205,426	215,426	150,259	65,167
Traffic Control	402,103	452,103	419,083	33,020
Chan Gurney Airport	710,559	710,559	515,741	194,818
Total Public Works	4,089,408	4,206,894	3,255,741	951,153

(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, 2017

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Culture and Recreation:				
Marne Creek	209,861	223,861	156,868	66,993
Summit Activities Center	791,342	791,342	733,328	58,014
Memorial Park Pool	230,312	234,312	198,285	36,027
Parks and Recreation	1,476,341	1,487,341	1,300,741	186,600
Senior Citizens Center	65,706	68,706	52,684	16,022
Yankton Community Library	791,394	791,394	668,647	122,747
Total Culture and Recreation	<u>3,564,956</u>	<u>3,596,956</u>	<u>3,110,553</u>	<u>486,403</u>
Total Expenditures	<u>14,408,650</u>	<u>14,906,455</u>	<u>11,619,095</u>	<u>3,287,360</u>
Excess of Revenues over Expenditures	<u>(1,949,729)</u>	<u>(2,447,534)</u>	<u>876,608</u>	<u>3,324,142</u>
Other Financing Sources (Uses):				
Operating Transfers In	258,379	258,379	201,515	(56,864)
Operating Transfers (Out)	(3,690,438)	(3,785,057)	(761,204)	3,023,853
Proceeds from Sale of Fixed Assets	-	-	29,203	29,203
Total Other Financing Sources (Uses)	<u>(3,432,059)</u>	<u>(3,526,678)</u>	<u>(530,486)</u>	<u>2,996,192</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>(5,381,788)</u>	<u>(5,974,212)</u>	<u>346,122</u>	<u>6,320,334</u>
Fund Balances at Beginning of Year	<u>9,469,513</u>	<u>9,469,513</u>	<u>9,469,513</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 4,087,725</u>	<u>\$ 3,495,301</u>	<u>\$ 9,815,635</u>	<u>\$ 6,320,334</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, 2017

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Revenues:				
Taxes - Current Property	\$ 140,000	\$ 140,000	\$ 140,281	\$ 281
Miscellaneous	-	-	6,000	6,000
Total Revenues	<u>140,000</u>	<u>140,000</u>	<u>146,281</u>	<u>6,281</u>
Expenditures:				
Community Development	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues over Expenditures	<u>140,000</u>	<u>140,000</u>	<u>146,281</u>	<u>6,281</u>
Other Financing Sources (Uses):				
Operating Transfers In	53,265	53,265	-	(53,265)
Operating Transfers (Out)	(193,265)	(193,265)	(146,281)	46,984
Total Other Financing Sources (Uses)	<u>(140,000)</u>	<u>(140,000)</u>	<u>(146,281)</u>	<u>(6,281)</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances at Beginning of Year	<u>(3,689,392)</u>	<u>(3,689,392)</u>	<u>(3,689,392)</u>	-
Fund Balances at End of Year	<u>\$ (3,689,392)</u>	<u>\$ (3,689,392)</u>	<u>\$ (3,689,392)</u>	<u>\$ -</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017 to the original appropriations by fund were as follows for the General Fund:

	Original Appropriations	Total Revisions	Revised Appropriations
General Fund:			
General Government			
Information Systems	\$ 383,403	\$ 113,757	\$ 497,160
Community Development	458,255	18,267	476,522
Public Safety			
Police Department	3,395,506	190,290	3,585,796
Fire Department	897,956	26,005	923,961
Public Works			
Snow & Ice Removal	199,020	57,486	256,506
City Hall	205,426	10,000	215,426
Traffic Control	402,103	50,000	452,103
Culture and Recreation			
Parks & Recreation	1,476,341	11,000	1,487,341
Memorial Park Pool	230,312	4,000	234,312
Marne Creek	209,861	14,000	223,861
Senior Citizens Center	65,706	3,000	68,706
Transfers Out	3,690,438	94,619	3,785,057

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

CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit 11

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, 2017.

7. Formal budgetary integration is employed as a management control device during the year for the General Fund, capital projects funds, and all special revenue funds, with the exception of the Library Trust and Historic Easement Trust Funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through bond indenture provisions. The City Manager is authorized to transfer budgeted amounts between departments within any fund, except the General Fund. The component unit does not have a formal budget.
8. Budgets for the General Fund, special revenue funds, and capital projects funds are adopted on a basis consistent with U.S. generally accepted accounting principals (GAAP).
9. The City is prohibited by statute from spending in excess of appropriated amounts at the department level in the General Fund. There were no departments where expenditures exceeded appropriations in the General Fund for the year ended December 31, 2017.
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, 2017

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
12/31/2015	N/A	-	190,500	190,500	0.00%	-	N/A
12/31/2016	N/A	-	138,669	138,669	0.00%	-	N/A
12/31/2017	N/A	-	84,985	84,985	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.

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

EXHIBIT 13

South Dakota Retirement System

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	2014	2015	2016	2017
Municipality's proportion of the net pension liability (asset)	0.37916180%	0.38171770%	0.38265660%	0.38897970%
Municipality's proportionate share of net pension liability (asset)	\$ (2,732)	\$ (1,619)	\$ 1,293	\$ (35)
Municipality's covered-employee payroll	\$ 6,257	\$ 6,487	\$ 6,764	\$ 7,360
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-43.66%	-24.96%	19.12%	-0.48%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%	96.9%	100.1%

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

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

**CITY OF YANKTON, SOUTH DAKOTA
SCHEDULE OF THE CITY CONTRIBUTIONS**

Exhibit 14

South Dakota Retirement System

Last 10 Years
(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 460	\$ 449	\$ 441	\$ 404	\$ 406	\$ 393	\$ 381	\$ 382	\$ 361	\$ 354
Contributions in relation to the contractually required contribution	<u>460</u>	<u>449</u>	<u>441</u>	<u>404</u>	<u>406</u>	<u>393</u>	<u>381</u>	<u>382</u>	<u>361</u>	<u>354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipality's covered-employee payroll	\$ 7,141	\$ 6,973	\$ 6,843	\$ 6,257	\$ 6,286	\$ 6,080	\$ 5,887	\$ 5,912	\$ 5,583	\$ 5,480
Contributions as a percentage of covered-employee payroll	6.45%	6.44%	6.45%	6.46%	6.46%	6.46%	6.47%	6.46%	6.47%	6.46%

OTHER SUPPLEMENTARY INFORMATION

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

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

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

Major Funds:

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

Non-Major Funds:

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

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

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

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

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

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

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

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

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

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

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

Non-Major Fund:

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

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

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

Major Fund:

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

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

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

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 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, 2017

	Special Revenue				
	Debt Service	Dispatch	Business Improvement District	TID #2 Morgan Square	TID #8 Westbrook Estates Phase II
Assets					
Cash and Cash Equivalents	\$ 196,450	\$ 20,000	\$ 365,292	\$ -	\$ -
Receivables (Net where applicable, of allowance for uncollectibles):					
Accounts	-	-	-	-	-
Special Assessments	-	-	-	-	-
Due from Other Governmental Agencies	-	16,532	9,070	-	-
Restricted Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Total Assets	<u>196,450</u>	<u>36,532</u>	<u>374,362</u>	<u>-</u>	<u>-</u>
Liabilities					
Accounts Payable	-	1,242	-	-	-
Accrued Wages	-	17,041	-	-	-
Due to Other Funds	-	-	-	-	18
Total Liabilities	<u>-</u>	<u>18,283</u>	<u>-</u>	<u>-</u>	<u>18</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	196,450	-	-	-	-
Dispatch	-	18,249	-	-	-
Perpetual Care	-	-	-	-	-
Lodging Sales Tax	-	-	374,362	-	-
Library	-	-	-	-	-
Road and Bridge Funds	-	-	-	-	-
Historic Easement Trust	-	-	-	-	-
Assigned:					
Capital Projects	-	-	-	-	-
Unassigned	-	-	-	-	(18)
Total Fund Balances	<u>196,450</u>	<u>18,249</u>	<u>374,362</u>	<u>-</u>	<u>(18)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 196,450</u>	<u>\$ 36,532</u>	<u>\$ 374,362</u>	<u>\$ -</u>	<u>\$ -</u>

TID #6 Westbrook Estates	Special Revenue				Capital Projects	Permanent	Total Governmental Nonmajor Funds
	Bridge & Street	Lodging Sales Tax	Library Trust	Historic Easement Trust	Non-Major Capital Projects	Perpetual Care Cemetery	
\$ 7,450	\$ 399	\$ 526,897	\$ 25,506	\$ 22,396	\$ 610,794	\$ 5,901	\$ 1,781,085
-	-	9,449	-	-	5,712	978	16,139
-	-	-	-	-	129,421	-	129,421
-	-	71,824	-	-	7,563	-	104,989
-	-	-	-	-	-	153,247	153,247
<u>7,450</u>	<u>399</u>	<u>608,170</u>	<u>25,506</u>	<u>22,396</u>	<u>753,490</u>	<u>160,126</u>	<u>2,184,881</u>
7,450	-	10,374	898	-	-	341	20,305
-	-	-	-	-	-	2,239	19,280
-	-	-	-	-	-	-	18
<u>7,450</u>	<u>-</u>	<u>10,374</u>	<u>898</u>	<u>-</u>	<u>-</u>	<u>2,580</u>	<u>39,603</u>
-	-	-	-	-	102,054	-	102,054
-	-	11,886	-	-	-	-	11,886
-	-	11,886	-	-	102,054	-	113,940
-	-	-	-	-	-	50,000	50,000
-	-	-	-	-	-	-	196,450
-	-	-	-	-	-	-	18,249
-	-	-	-	-	-	107,546	107,546
-	-	585,910	-	-	-	-	960,272
-	-	-	24,608	-	-	-	24,608
-	399	-	-	-	-	-	399
-	-	-	-	22,396	-	-	22,396
-	-	-	-	-	651,436	-	651,436
-	-	-	-	-	-	-	(18)
-	399	585,910	24,608	22,396	651,436	157,546	2,031,338
<u>\$ 7,450</u>	<u>\$ 399</u>	<u>\$ 608,170</u>	<u>\$ 25,506</u>	<u>\$ 22,396</u>	<u>\$ 753,490</u>	<u>\$ 160,126</u>	<u>\$ 2,184,881</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, 2017

	<u>Special Revenue</u>				
	<u>Debt Service</u>	<u>Dispatch</u>	<u>Business Improvement District</u>	<u>TID #2 Morgan Square</u>	<u>TID #8 Westbrook Estates Phase II</u>
Revenue:					
Taxes	\$ -	\$ -	\$ -	\$ 50,393	\$ -
Sales and Other Taxes	-	-	140,884	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	-	150,816	-	-	-
Charges for Services	-	-	-	-	-
Interest on Investments	-	9,361	5,697	-	-
Contributions	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenue	<u>-</u>	<u>160,177</u>	<u>146,581</u>	<u>50,393</u>	<u>-</u>
Expenditures:					
Current:					
Public Safety	-	578,247	-	-	-
Public Works	-	-	-	50,393	18
Culture and Recreation	-	-	-	-	-
Community Development	-	-	-	-	-
Capital Outlay:					
Public Works	-	-	229,890	-	-
Culture-Recreation	-	-	-	-	-
Debt Service	193,865	-	-	-	-
Total Expenditures	<u>193,865</u>	<u>578,247</u>	<u>229,890</u>	<u>50,393</u>	<u>18</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(193,865)</u>	<u>(418,070)</u>	<u>(83,309)</u>	<u>-</u>	<u>(18)</u>
Other Financing Sources (Uses):					
Transfers In	196,550	418,684	-	-	-
Transfers Out	-	-	(2,949)	-	-
Total Other Financing Sources (Uses)	<u>196,550</u>	<u>418,684</u>	<u>(2,949)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	2,685	614	(86,258)	-	(18)
Fund Balances - Beginning of Year	193,765	17,635	460,620	-	-
Fund Balances- End of Year	<u>\$ 196,450</u>	<u>\$ 18,249</u>	<u>\$ 374,362</u>	<u>\$ -</u>	<u>\$ (18)</u>

		Special Revenue			Capital Projects		Permanent	Total
TID #6	Bridge	Lodging	Library	Historic	Non-Major	Perpetual	Governmental	
Westbrook	& Street	Sales Tax	Trust	Easement	Capital	Cemetery	Nonmajor	
Estates				Trust	Projects		Funds	
\$ 28,088	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,481	
-	21,397	640,287	-	-	-	-	802,568	
-	-	-	-	-	249,443	-	249,443	
-	-	-	-	-	10,667	-	161,483	
-	-	19,104	-	-	-	29,699	48,803	
-	309	7,167	312	284	-	2,777	25,907	
-	-	-	11,806	-	-	-	11,806	
-	-	750	-	-	-	1,190	1,940	
<u>28,088</u>	<u>21,706</u>	<u>667,308</u>	<u>12,118</u>	<u>284</u>	<u>260,110</u>	<u>33,666</u>	<u>1,380,431</u>	
-	-	-	-	-	-	-	578,247	
28,088	-	-	-	-	-	-	78,499	
-	-	-	10,342	-	-	96,038	106,380	
-	-	562,943	-	-	-	-	562,943	
-	61,281	-	-	-	16,521	-	307,692	
-	-	-	-	-	71,639	-	71,639	
-	-	-	-	-	-	-	193,865	
<u>28,088</u>	<u>61,281</u>	<u>562,943</u>	<u>10,342</u>	<u>-</u>	<u>88,160</u>	<u>96,038</u>	<u>1,899,265</u>	
-	(39,575)	104,365	1,776	284	171,950	(62,372)	(518,834)	
-	5,000	-	-	-	110,000	65,181	795,415	
-	-	(102,874)	-	-	(44,720)	-	(150,543)	
-	5,000	(102,874)	-	-	65,280	65,181	644,872	
-	(34,575)	1,491	1,776	284	237,230	2,809	126,038	
-	34,974	584,419	22,832	22,112	414,206	154,737	1,905,300	
<u>\$ -</u>	<u>\$ 399</u>	<u>\$ 585,910</u>	<u>\$ 24,608</u>	<u>\$ 22,396</u>	<u>\$ 651,436</u>	<u>\$ 157,546</u>	<u>\$ 2,031,338</u>	

CITY OF YANKTON, SOUTH DAKOTA
 COMBINING BALANCE SHEET
 Nonmajor Capital Projects Funds
 December 31, 2017

	<u>Park Capital Projects</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 24,397
Accounts Receivable	-
Due from Other Governments	-
Special Assessments	-
Total Assets	<u>24,397</u>
<u>Deferred Inflows of Resources</u>	
Unavailable revenue- special assessments	-
Total Deferred Inflows of Resources	<u>-</u>
<u>Fund Balances</u>	
Assigned:	
Capital Projects	<u>24,397</u>
Total Fund Balances	<u>24,397</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 24,397</u>

EXHIBIT A-3

Airport Capital Improvement	Infrastructure Improvement Revolving	Totals
\$ 69,068	\$ 517,329	\$ 610,794
-	5,712	5,712
7,563	-	7,563
-	129,421	129,421
<u>76,631</u>	<u>652,462</u>	<u>753,490</u>
-	102,054	102,054
-	<u>102,054</u>	<u>102,054</u>
76,631	550,408	651,436
<u>76,631</u>	<u>550,408</u>	<u>651,436</u>
<u>\$ 76,631</u>	<u>\$ 652,462</u>	<u>\$ 753,490</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, 2017**

	<u>Park Capital Projects</u>	<u>Airport Capital Improvement</u>
Revenues:		
Special Assessments	\$ -	\$ -
Intergovernmental	-	10,667
Total Revenues	<u>-</u>	<u>10,667</u>
Expenditures:		
Capital Outlay:		
Public Works	-	16,521
Culture-Recreation	71,639	-
Total Expenditures	<u>71,639</u>	<u>16,521</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(71,639)</u>	<u>(5,854)</u>
Other Financing Sources (Uses):		
Transfers In	110,000	-
Transfers (out)	-	-
Total Other Financing Sources (Uses)	<u>110,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	38,361	(5,854)
Fund Balances at Beginning of Year	<u>(13,964)</u>	<u>82,485</u>
Fund Balances at End of Year	<u>\$ 24,397</u>	<u>\$ 76,631</u>

EXHIBIT A-4

Infrastructure Improvement Revolving	Totals
\$ 249,443	\$ 249,443
-	10,667
<u>249,443</u>	<u>260,110</u>
-	16,521
-	71,639
<u>-</u>	<u>88,160</u>
 249,443	 171,950
 -	 110,000
<u>(44,720)</u>	<u>(44,720)</u>
<u>(44,720)</u>	<u>65,280</u>
 204,723	 237,230
<u>345,685</u>	<u>414,206</u>
<u>\$ 550,408</u>	<u>\$ 651,436</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, 2017

	Golf Course	Solid Waste	Joint Powers Landfill	Totals
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 18,359	\$ 262,641	\$ 518,927	\$ 799,927
Accounts Receivable (Net of allowance for uncollectibles)	13,484	171,835	63,598	248,917
Prepaid Expenses	4,939	21,534	7,037	33,510
Inventory	56,505	-	-	56,505
Total Current Assets	<u>93,287</u>	<u>456,010</u>	<u>589,562</u>	<u>1,138,859</u>
Noncurrent Assets:				
Restricted Assets : Cash and Cash Equivalents	-	-	72,976	72,976
Net Pension Asset	1,406	1,202	1,109	3,717
Property, Plant and Equipment:				
Land	533,787	74,639	11,414	619,840
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>2,489,185</u>	<u>512,509</u>	<u>1,468,533</u>	<u>4,470,227</u>
Total Noncurrent Assets	<u>3,024,378</u>	<u>588,350</u>	<u>1,554,032</u>	<u>5,166,760</u>
Total Assets	<u>3,117,665</u>	<u>1,044,360</u>	<u>2,143,594</u>	<u>6,305,619</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	<u>140,734</u>	<u>120,356</u>	<u>111,063</u>	<u>372,153</u>
Liabilities				
Current Liabilities:				
Accounts Payable	8,064	20,220	46,883	75,167
Accrued Interest Payable	-	-	1,191	1,191
Accrued Wages Payable	5,996	8,546	6,852	21,394
Accrued Compensated Absences	2,830	5,295	4,191	12,316
Revenue Bonds Payable	-	-	59,052	59,052
Total current liabilities	<u>16,890</u>	<u>34,061</u>	<u>118,169</u>	<u>169,120</u>
Noncurrent liabilities:				
Accrued Compensated Absences	12,895	24,124	19,092	56,111
Estimated Postemployment Benefit Obligation	-	9,122	-	9,122
Revenue Bonds (net of current portion)	-	-	521,440	521,440
Total noncurrent liabilities	<u>12,895</u>	<u>33,246</u>	<u>540,532</u>	<u>586,673</u>
Total Liabilities	<u>29,785</u>	<u>67,307</u>	<u>658,701</u>	<u>755,793</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	<u>27,958</u>	<u>23,910</u>	<u>22,064</u>	<u>73,932</u>
Net Position				
Net Investment in Capital Assets	3,022,972	587,148	899,455	4,509,575
Restricted for:				
Debt Service	-	-	71,785	71,785
SDRS Pension Purposes	114,182	97,648	90,108	301,938
Unrestricted	<u>63,502</u>	<u>388,703</u>	<u>512,544</u>	<u>964,749</u>
Total Net Position	<u>\$ 3,200,656</u>	<u>\$ 1,073,499</u>	<u>\$ 1,573,892</u>	<u>\$ 5,848,047</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, 2017

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Operating Revenues - Charges for Service	\$ 711,956	\$ 1,105,793	\$ 1,210,946	\$ 3,028,695
Operating Expenses:				
Personal Services	329,573	347,821	268,674	946,068
Insurance	5,461	6,801	14,423	26,685
Professional Services	35,724	569,868	13,939	619,531
Tipping Fees	-	163,769	1,440	165,209
Repairs and Maintenance	52,779	65,900	169,996	288,675
Cost of Sales and Service	245,810	-	576,218	822,028
Supplies and Materials	66,058	16,712	5,129	87,899
Travel and conference	1,561	-	-	1,561
Utilities	35,765	692	19,873	56,330
Billing and Administration	-	254,908	-	254,908
Depreciation	65,699	83,187	194,196	343,082
Total Operating Expenses	<u>838,430</u>	<u>1,509,658</u>	<u>1,263,888</u>	<u>3,611,976</u>
Operating Income (Loss)	<u>(126,474)</u>	<u>(403,865)</u>	<u>(52,942)</u>	<u>(583,281)</u>
Nonoperating Revenues:				
Interest Income	3	5,902	6,017	11,922
Intergovernmental	-	-	1,929	1,929
Interest Expense	-	-	(13,396)	(13,396)
Miscellaneous, net	59,679	-	3,878	63,557
Gain on disposition of assets	-	3,000	-	3,000
Total Nonoperating Revenues	<u>59,682</u>	<u>8,902</u>	<u>(1,572)</u>	<u>67,012</u>
(Loss) before Transfers	<u>(66,792)</u>	<u>(394,963)</u>	<u>(54,514)</u>	<u>(516,269)</u>
Other Financing Sources (Uses):				
Transfers In	167,340	-	-	167,340
Contributed Capital Revenue	-	33,346	-	33,346
Total Other Financing Sources (Uses):	<u>167,340</u>	<u>33,346</u>	<u>-</u>	<u>200,686</u>
Change in Net Position	100,548	(361,617)	(54,514)	(315,583)
Total Net Position - Beginning	<u>3,100,108</u>	<u>1,435,116</u>	<u>1,628,406</u>	<u>6,163,630</u>
Total Net Position - Ending	<u>\$ 3,200,656</u>	<u>\$ 1,073,499</u>	<u>\$ 1,573,892</u>	<u>\$ 5,848,047</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds
For the Year Ended December 31, 2017

	Business-Type			
	Golf Course	Solid Waste	Joint Powers Landfill	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 710,260	\$ 1,089,721	\$ 1,208,703	\$ 3,008,684
Cash Received for Interfund Services	-	6,669	-	6,669
Cash Paid to Suppliers for Goods and Services	(428,439)	(1,016,757)	(658,475)	(2,103,671)
Cash Paid to Employees for Services	(381,072)	(394,405)	(307,249)	(1,082,726)
Cash Paid for Interfund Services	(19,505)	(62,701)	(141,670)	(223,876)
Other Nonoperating Revenues	59,679	-	3,878	63,557
Net Cash Provided (Used) from Operating Activities	<u>(59,077)</u>	<u>(377,473)</u>	<u>105,187</u>	<u>(331,363)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(91,307)	(179,058)	(71,158)	(341,523)
Proceeds from Sale of Fixed Assets	-	3,000	-	3,000
Proceeds from Bond Sales	-	-	436,200	436,200
Interest Paid on Bonds	-	-	(12,661)	(12,661)
Principal Paid on Notes, Bonds and Leases	-	-	(38,254)	(38,254)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(91,307)</u>	<u>(176,058)</u>	<u>314,127</u>	<u>46,762</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Change in Due to Other Funds	-	-	(148,749)	(148,749)
Receipts from Other Governments	-	-	1,929	1,929
Transfers In	167,340	-	-	167,340
Change in Due From Other Governments	-	-	288,871	288,871
Net Cash Provided from Non-Capital Financing Activities	<u>167,340</u>	<u>-</u>	<u>142,051</u>	<u>309,391</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	3	5,902	6,017	11,922
Net Cash Provided from Investing Activities	<u>3</u>	<u>5,902</u>	<u>6,017</u>	<u>11,922</u>
Net increase (decrease) in Cash and Cash Equivalents	16,959	(547,629)	567,382	36,712
Cash and Cash Equivalents at Beginning of Year	1,400	810,270	24,521	836,191
Cash and Cash Equivalents at End of Year	<u>\$ 18,359</u>	<u>\$ 262,641</u>	<u>\$ 591,903</u>	<u>\$ 872,903</u>
Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (126,474)	\$ (403,865)	\$ (52,942)	\$ (583,281)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	65,699	83,187	194,196	343,082
Other Non-Operating Income	59,679	-	3,878	63,557
(Increase) Decrease in Assets:				
Accounts Receivable	(1,696)	(9,403)	(2,243)	(13,342)
Inventory	127	-	-	127
Net Pension Asset / Liability	(59,037)	(42,727)	(41,577)	(143,341)
Pension Related Deferred Outflow	(11,274)	(27,075)	(20,157)	(58,506)
Prepaid Expenses	(614)	(2,985)	(755)	(4,354)
Increase (Decrease) in Liabilities:				
Accounts Payable	(4,299)	2,176	1,629	(494)
Accrued Wages Payable	(1,682)	627	230	(825)
Estimated Postemployment Benefit Obligation	-	(5,131)	-	(5,131)
Pension Related Deferred Inflow	27,541	23,610	21,771	72,922
Accrued Compensated Absences	(7,047)	4,113	1,157	(1,777)
Total Adjustments	<u>67,397</u>	<u>26,392</u>	<u>158,129</u>	<u>251,918</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (59,077)</u>	<u>\$ (377,473)</u>	<u>\$ 105,187</u>	<u>\$ (331,363)</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:				
Developers and City Contribution of Capital Assets	<u>\$ -</u>	<u>\$ 33,346</u>	<u>\$ -</u>	<u>\$ 33,346</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:				
Cash and Cash Equivalents	\$ 18,359	\$ 262,641	\$ 518,927	\$ 799,927
Restricted Cash and Cash Equivalents	-	-	72,976	72,976
	<u>\$ 18,359</u>	<u>\$ 262,641</u>	<u>\$ 591,903</u>	<u>\$ 872,903</u>

CITY OF YANKTON, SOUTH DAKOTA
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2017

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash	\$ 888	\$ 113,024	\$ 113,912
Inventory	-	164,600	164,600
Due from Other Governments	-	8,806	8,806
Prepaid Expenses	-	2,534	2,534
Total Current Assets	<u>888</u>	<u>288,964</u>	<u>289,852</u>
Noncurrent Assets:			
Net Pension Asset	-	415	415
Capital Assets:			
Land	-	7,000	7,000
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	153,304	153,304
Total Noncurrent Assets	<u>-</u>	<u>160,719</u>	<u>160,719</u>
Total Assets	<u>888</u>	<u>449,683</u>	<u>450,571</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	-	41,593	41,593
	<u>-</u>	<u>41,593</u>	<u>41,593</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	888	70,401	71,289
Accrued Wages	-	3,262	3,262
Accrued Compensated Absences	-	1,069	1,069
Total Current Liabilities	<u>888</u>	<u>74,732</u>	<u>75,620</u>
Noncurrent Liabilities:			
Estimated Postemployment Benefit Obligation	-	13,450	13,450
Accrued Compensated Absences	-	6,058	6,058
Total Noncurrent Liabilities	<u>-</u>	<u>19,508</u>	<u>19,508</u>
Total Liabilities	<u>888</u>	<u>94,240</u>	<u>95,128</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable - Other	-	-	-
Pension Related Deferred Inflows	-	8,263	8,263
	<u>-</u>	<u>8,263</u>	<u>8,263</u>
NET POSITION			
Net Investment in Capital Assets	-	160,304	160,304
Restricted for SDRS Pension Purposes	-	33,745	33,745
Unrestricted	-	194,724	194,724
Total Net Position	<u>\$ -</u>	<u>\$ 388,773</u>	<u>\$ 388,773</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, 2017

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
Operating Revenues:			
Charges for Goods and Services	\$ 25,343	\$ 718,073	\$ 743,416
Total Operating Revenue	<u>25,343</u>	<u>718,073</u>	<u>743,416</u>
Operating Expenses:			
Personnel Services	-	102,123	102,123
Professional Services	-	36,594	36,594
Repairs and Maintenance	-	4,941	4,941
Supplies and Materials	-	504,155	504,155
Utilities	-	17,282	17,282
Other Current Expenses	25,343	-	25,343.00
Depreciation	-	23,338	23,338
Total Operating Expenses	<u>25,343</u>	<u>688,433</u>	<u>713,776</u>
Operating Income	<u>-</u>	<u>29,640</u>	<u>29,640</u>
Change in Net Position	-	29,640	29,640
Total Net Position - Beginning	<u>-</u>	<u>359,133</u>	<u>359,133</u>
Total Net Position - Ending	<u>\$ -</u>	<u>\$ 388,773</u>	<u>\$ 388,773</u>

CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	Copier- Fax- Postage	Central Garage	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customer Services Provided	\$ -	\$ 93,000	\$ 93,000
Cash Received from Interfund Services Provided	-	623,547	623,547
Cash Paid to Employees for Services	-	(122,667)	(122,667)
Cash Received/ (Paid) from/to Suppliers	(24,777)	(524,097)	(548,874)
Cash Paid for Interfund Services	25,665	(1,826)	23,839
Net Cash Provided by Operating Activities	<u>888</u>	<u>67,957</u>	<u>68,845</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	-	(10,913)	(10,913)
Net Cash (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(10,913)</u>	<u>(10,913)</u>
Net Increase in Cash and Cash Equivalents	888	57,044	57,932
Cash and Cash Equivalents Beginning of Year	-	55,980	55,980
Cash and Cash Equivalents End of Year	<u>\$ 888</u>	<u>\$ 113,024</u>	<u>\$ 113,912</u>
RENCONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ -	\$ 29,640	\$ 29,640
Adjustments to Renconcile Net Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	-	23,338	23,338
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Accounts Receivable	322	(1,511)	(1,189)
Unearned Revenue	-	-	-
Prepaid Expenses	-	(365)	(365)
Inventory	-	7,571	7,571
Net Pension Asset / Liability	-	(16,059)	(16,059)
Pension Related Deferred Outflow	-	(6,452)	(6,452)
Accounts Payable	566	29,845	30,411
Accrued Wages Payable	-	520	520
Estimated Postemployment Benefit Obligation	-	(5,978)	(5,978)
Pension Related Deferred Inflows	-	8,150	8,150
Accrued Compensated Absences	-	(742)	(742)
Net Cash Provided (used) by Operating Activities	<u>\$ 888</u>	<u>\$ 67,957</u>	<u>\$ 68,845</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, 2017

	<u>Employee Benefits</u>	<u>Sales Tax</u>	<u>Totals</u>
Assets			
Cash and Cash Equivalents	\$ 29,242	\$ 483	\$ 29,725
Total assets	<u>29,242</u>	<u>483</u>	<u>29,725</u>
Liabilities			
Other accrued expenses	29,242	-	29,242
Accounts Payable	-	483	483
Total liabilities	<u>29,242</u>	<u>483</u>	<u>29,725</u>
Net Position			
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>	<u><u>\$ -</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, 2017

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2017</u>
<u>Employee Benefits</u>				
ASSETS				
Cash and Cash Equivalents	\$ 106,710	\$ 4,466,989	\$ 4,544,457	\$ 29,242
Total Assets	<u>106,710</u>	<u>4,466,989</u>	<u>4,544,457</u>	<u>29,242</u>
LIABILITIES				
Accrued Taxes Payable	-	1,977,592	1,977,592	-
Accrued Fringe Benefit Payable	106,710	2,510,627	2,588,095	29,242
Total Liabilities	<u>106,710</u>	<u>4,488,219</u>	<u>4,565,687</u>	<u>29,242</u>
<u>Sales Tax</u>				
ASSETS				
Cash and Cash Equivalents	626	2,569	2,712	483
LIABILITIES				
Accounts Payable	626	483	626	483
Due to State Government	-	2,569	2,569	-
Total Liabilities	<u>626</u>	<u>3,052</u>	<u>3,195</u>	<u>483</u>
<u>Totals - All Agency Funds</u>				
ASSETS				
Cash and Cash Equivalents	107,336	4,469,558	4,547,169	29,725
Total Assets	<u>107,336</u>	<u>4,469,558</u>	<u>4,547,169</u>	<u>29,725</u>
LIABILITIES				
Accounts Payable	626	483	626	483
Accrued Taxes Payable	-	1,977,592	1,977,592	-
Accrued Fringe Benefit Payable	106,710	2,510,627	2,588,095	29,242
Due to State Government	-	2,569	2,569	-
Total Liabilities	<u>\$ 107,336</u>	<u>\$ 4,491,271</u>	<u>\$ 4,568,882</u>	<u>\$ 29,725</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, 2017

	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	\$ 140,884	\$ 20,884	\$ -	\$ -	\$ -
Property Tax	-	-	-	-	-	-	57,000	50,393	(6,607)
Intergovernmental	213,163	150,816	(62,347)	-	-	-	-	-	-
Charges for goods & services	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Interest earned	120	9,361	9,241	1,000	5,697	4,697	-	-	-
Total revenue	<u>213,283</u>	<u>160,177</u>	<u>(53,106)</u>	<u>121,000</u>	<u>146,581</u>	<u>25,581</u>	<u>57,000</u>	<u>50,393</u>	<u>(6,607)</u>
EXPENDITURES									
Current									
Public works	-	-	-	-	-	-	57,000	50,393	6,607
Public Safety	1,426,343	578,247	848,096	-	-	-	-	-	-
Community Development	-	-	-	247,900	229,890	18,010	-	-	-
Total Expenditures	<u>1,426,343</u>	<u>578,247</u>	<u>848,096</u>	<u>247,900</u>	<u>229,890</u>	<u>18,010</u>	<u>57,000</u>	<u>50,393</u>	<u>6,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,213,060)</u>	<u>(418,070)</u>	<u>794,990</u>	<u>(126,900)</u>	<u>(83,309)</u>	<u>43,591</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES(USES)									
Transfers in	1,213,090	418,684	(794,406)	-	-	-	-	-	-
Transfer (out)	-	-	-	(2,400)	(2,949)	(549)	-	-	-
Total other financing sources(uses)	<u>1,213,090</u>	<u>418,684</u>	<u>(794,406)</u>	<u>(2,400)</u>	<u>(2,949)</u>	<u>(549)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>30</u>	<u>614</u>	<u>584</u>	<u>(129,300)</u>	<u>(86,258)</u>	<u>43,042</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		<u>17,635</u>			<u>460,620</u>				
Fund balances - ending	\$	<u><u>18,249</u></u>		\$	<u><u>374,362</u></u>		\$	<u><u>-</u></u>	

(Continued)

TID #8 Westbrook Estates Phase II			TID #6 Westbrook Estates			Bridge & Street			Lodging Sales Tax		
Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 876,302	\$ 21,397	\$ (854,905)	\$ 624,436	\$ 640,287	\$ 15,851
-	-	-	75,000	28,088	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	19,104	19,104
-	-	-	-	-	-	-	-	-	-	750	750
-	-	-	-	-	-	225	309	84	1,750	7,167	5,417
-	-	-	<u>75,000</u>	<u>28,088</u>	-	<u>876,527</u>	<u>21,706</u>	<u>(854,821)</u>	<u>626,186</u>	<u>667,308</u>	<u>41,122</u>
100	18	82	75,000	28,088	(46,912)	1,482,321	61,281	1,421,040	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	644,621	562,943	81,678
<u>100</u>	<u>18</u>	<u>82</u>	<u>75,000</u>	<u>28,088</u>	<u>(46,912)</u>	<u>1,482,321</u>	<u>61,281</u>	<u>1,421,040</u>	<u>644,621</u>	<u>562,943</u>	<u>81,678</u>
(100)	(18)	82	-	-	(46,912)	(605,794)	(39,575)	566,219	(18,435)	104,365	122,800
-	-	-	-	-	-	652,130	5,000	(647,130)	-	-	-
-	-	-	-	-	-	-	-	-	(75,410)	(102,874)	27,464
-	-	-	-	-	-	652,130	5,000	(647,130)	(75,410)	(102,874)	27,464
<u>(100)</u>	<u>(18)</u>	<u>82</u>	<u>-</u>	<u>-</u>	<u>(46,912)</u>	<u>46,336</u>	<u>(34,575)</u>	<u>(80,911)</u>	<u>(18,435)</u>	<u>1,491</u>	<u>150,264</u>
-	-	-	-	-	-	-	34,974	-	-	584,419	-
\$	(18)	-	\$	-	-	\$	399	-	\$	585,910	-

(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, 2017

	Special Capital Improvement Fund			Airport Capital Improvement		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 3,841,572	\$ 3,926,223	\$ 84,651	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-	-
Intergovernmental	1,454,328	180,859	(1,273,469)	760,000	10,667	(749,333)
Charges for Services	-	-	-	-	-	-
Interest	25,000	141,221	116,221	-	-	-
Contributions	-	-	-	-	-	-
Miscellaneous	-	24,400	24,400	-	-	-
Total revenue	<u>5,320,900</u>	<u>4,272,703</u>	<u>(1,048,197)</u>	<u>760,000</u>	<u>10,667</u>	<u>(749,333)</u>
EXPENDITURES						
Current						
Culture and Recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	6,020,100	2,743,936	3,276,164	800,000	16,521	783,479
Total expenditures	<u>6,020,100</u>	<u>2,743,936</u>	<u>3,276,164</u>	<u>800,000</u>	<u>16,521</u>	<u>783,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(699,200)</u>	<u>1,528,767</u>	<u>2,227,967</u>	<u>(40,000)</u>	<u>(5,854)</u>	<u>34,146</u>
OTHER FINANCING SOURCES(USES)						
Proceeds From Sale of Assets	-	-	-	-	-	-
Transfers (out)	(625,364)	(24,346)	601,018	-	-	-
Transfer in	-	-	-	-	-	-
Total other financing sources(uses)	<u>(625,364)</u>	<u>(24,346)</u>	<u>601,018</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(1,324,564)</u>	<u>1,504,421</u>	<u>2,828,985</u>	<u>(40,000)</u>	<u>(5,854)</u>	<u>34,146</u>
Fund balances - beginning		<u>10,969,027</u>			<u>82,485</u>	
Fund balances - ending		<u>\$ 12,473,448</u>			<u>\$ 76,631</u>	

Public Improvement Cap. Project			Infrastructure Improvement			Park Capital		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
100	11,928	11,828	-	-	-	-	-	-
-	6	6	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>100</u>	<u>11,934</u>	<u>11,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	132,400	71,639	60,761
-	-	-	-	-	-	-	-	-
100	7,541	(7,441)	100,000	1,719	98,281	-	-	-
<u>100</u>	<u>7,541</u>	<u>(7,441)</u>	<u>100,000</u>	<u>1,719</u>	<u>98,281</u>	<u>132,400</u>	<u>71,639</u>	<u>60,761</u>
-	4,393	4,393	(100,000)	(1,719)	98,281	(132,400)	(71,639)	60,761
-	-	-	-	-	-	-	-	-
-	-	-	-	(20,223)	(20,223)	-	-	-
-	25,000	25,000	44,720	44,720	-	132,400	110,000	(22,400)
-	25,000	25,000	44,720	24,497	(20,223)	132,400	110,000	(22,400)
-	29,393	29,393	(55,280)	22,778	78,058	-	38,361	38,361
-	713,315	-	-	(437,680)	-	-	(13,964)	-
<u>\$ 742,708</u>	<u>-</u>	<u>-</u>	<u>\$ (414,902)</u>	<u>-</u>	<u>-</u>	<u>\$ 24,397</u>	<u>-</u>	<u>-</u>

(continued)

CITY OF YANKTON, SOUTH DAKOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL PROJECT FUNDS AND PERMANENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Infrastructure Improvement Revolving			Permanent Fund Perpetual Care Cemetery		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	44,600	249,443	204,843	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	24,300	29,699	5,399
Interest	120	-	(120)	450	2,777	2,327
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,190	1,190
Total revenue	<u>44,720</u>	<u>249,443</u>	<u>204,723</u>	<u>24,750</u>	<u>33,666</u>	<u>8,916</u>
EXPENDITURES						
Current						
Culture and Recreation	-	-	-	149,931	96,038	53,893
Economic Development	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,931</u>	<u>96,038</u>	<u>53,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44,720</u>	<u>249,443</u>	<u>204,723</u>	<u>(125,181)</u>	<u>(62,372)</u>	<u>62,809</u>
OTHER FINANCING SOURCES(USES)						
Proceeds From Sale of Real Estate	-	-	-	-	-	-
Transfers (out)	(44,720)	(44,720)	-	-	-	-
Transfer in	-	-	-	125,181	65,181	(60,000)
Total other financing sources(uses)	<u>(44,720)</u>	<u>(44,720)</u>	<u>-</u>	<u>125,181</u>	<u>65,181</u>	<u>(60,000)</u>
Net change in fund balances	<u>-</u>	<u>204,723</u>	<u>204,723</u>	<u>-</u>	<u>2,809</u>	<u>2,809</u>
Fund balances - beginning		<u>345,685</u>			<u>154,737</u>	
Fund balances - ending		<u>\$ 550,408</u>			<u>\$ 157,546</u>	

SINGLE AUDIT SECTION

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Expenditures of Federal Awards (Cash Basis)
For The Year Ended December 31, 2017

	Federal CFDA Number	Agency or Pass-through Number	Amount	Expenditures to Subrecipients
United States Department of Agriculture:				
Direct Federal Funding:				
Economic Adjustment Assistance	11.307	05-79-05291	\$ 983,197	\$ -
Economic Development Cluster subtotal			<u>983,197</u>	
Department of Housing and Urban Development:				
Indirect Federal Funding:				
SD Governor's Office of Economic Development, Community Development Block Grants/ State's Program	14.228	CDBG-1414-111	4,428	4,428
State's Program	14.228	CDBG 1515-301	7,500	-
Program subtotal			<u>11,928</u>	
National Park Service				
Indirect Federal Funding:				
SD Department of Game, Fish, & Parks Outdoor Recreation Acquisition, Development and Planning	15.916	46-01467	40,000	-
Department of Justice:				
Direct Federal Funding:				
Bullet Proof Vest Partnership	16.607		4,516	-
Department of Transportation:				
Direct Federal Funding:				
Airport Improvement Program	20.106	3-46-0062-025-2014	1,384	-
Airport Improvement Program	20.106	3-46-0062-26-2015	11,821	-
Airport Improvement Program	20.106	3-46-4600-22-2016	21,446	-
Program subtotal			<u>34,651</u>	
Indirect Federal Funding:				
SD Department of Transportation State and Community Highway Safety	20.600	2017-00-78	1,600	-
National Priority Safety Programs	20.616	2017-00-79	3,912	-
Program subtotal			<u>5,512</u>	
Department of Homeland Security				
Indirect Federal Funding:				
SD Department of Public Safety Homeland Security Grant Program	97.067	FY16HLSLLE0202	5,990	-
Homeland Security Grant Program	97.067	HLS-2017-00187	8,500	-
Program subtotal			<u>14,490</u>	
Total Expenditures of Federal Awards			<u>\$ 1,094,294</u>	

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1 - Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Yankton and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 - The City of Yankton had the following loan balances outstanding from the SD Clean Water State Revolving Fund, CFDA #66.458 and the SD Drinking Water State Revolving Fund, CFDA #66.468 at December 31, 2017.

	<u>Total Amount Of Loan Outstanding</u>	<u>Federal Portion Of Loan Outstanding</u>
Wastewater System #3, Series 2011 (83.33%)	\$ 2,296,328	\$ 1,913,530
Total Wastewater System	<u>\$ 2,296,328</u>	<u>\$ 1,913,530</u>
Water System Services 2001 (76.97%)	\$ 1,322,878	\$ 1,018,220
Water System, Services Series #2 (50.06%)	595,790	298,252
Water System, Services Series #3 (62.25%)	1,881,939	1,171,507
Water System, Services Series #4 (56.05%)	1,460,999	818,890
Water System, Services Series #5 (28.42%)	11,519,782	3,273,922
Total Water System	<u>\$ 16,781,388</u>	<u>\$ 6,580,791</u>

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

NOTE 4 - The City expended \$4,428 of CDBG Funds, through CFDA number 14.228 as a pass-through, to the sub recipient Regional Technical Education Center, who received \$4,428 from grant identification number 1414-111.

See accompanying independent auditors' report.



614 Broadway
P.O. Box 36
Yankton, SD 57078-0036
Phone (605) 665-9401
Fax (605) 665-9418
www.williamscpas.com

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF YANKTON, SOUTH DAKOTA as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 23, 2018. Our report includes a reference to other auditors who audited the financial statements of the Yankton Housing and Redevelopment Commission, as described in our report on the City of Yankton's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting:

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs, as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters:

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

City of Yankton's Response to Findings

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

Purpose of this Report

This purpose of this 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.


Certified Public Accountants

Yankton, South Dakota
July 23, 2018



614 Broadway
P.O. Box 36
Yankton, SD 57078
Phone (605) 665-9401
Fax (605) 665-9418
www.williamscpas.com

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Yankton, South Dakota's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2017. The City's major federal program is identified in the summary of the independent auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Yankton Housing and Redevelopment Commission, which received \$537,427 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended December 31, 2017. Our audit, described below, did not include the operations of the Yankton Housing and Redevelopment Commission because the Commission engaged other auditors to perform an audit of compliance.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Economic Adjustment Assistance

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA 11.307 Economic Adjustment Assistance as described in finding number 2017-002 related to cash management. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on Economic Adjustment Assistance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Economic Adjustment Assistance Program for the year ended December 31, 2017.

Other Matters

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-003 to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Williams + Company, P.C.
Certified Public Accountants

Yankton, South Dakota
July 23, 2018

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CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings & Questioned Costs
For the Year Ended December 31, 2017

Part I: Summary of the Independent Auditors' Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed in the audit of the financial statements.
- (e) The auditors' report on compliance for the major federal award programs expresses a qualified opinion regarding the Economic Adjustment Assistance Program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with the Uniform Guidance, Section 200.516(a).
- (g) The major program was as follows:
 - CFDA #11.307 – Economic Adjustment Assistance
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
- (i) The Auditee did not qualify as a low-risk auditee.

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

Instances of Non-Compliance:

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

Material Weakness:

2017-001 Financial Reporting

Condition - During the audit, we identified material adjustments required to be made to the City's financial statements. Adjustments were made by the City to properly include these changes to the financial statements. A similar condition was noted in the prior audit.

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

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

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

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

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

Conclusion – Response accepted.

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings & Questioned Costs
For the Year Ended December 31, 2017

Part III: Findings and Questioned Costs Relating to Federal Awards

Instances of Non-Compliance:

**CFDA Number 11.307 – Economic Adjustment Assistance
Federal Award Year 2012
U.S. Department of Commerce
Questioned Cost: \$66,414
Prior Year’s Audit Reference number: N/A**

2017-002 Cash Management

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

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

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

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

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

Significant Deficiency:

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

2017-003 Cash Management

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

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings & Questioned Costs
For the Year Ended December 31, 2017

Part III: Findings and Questioned Costs Relating to Federal Awards (Continued)

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

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

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

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

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Prior Year Findings
For the Year Ended December 31, 2017

Material Weaknesses:

2016-001 Financial Reporting

Condition - During the audit, we identified material adjustments required to be made to the City's financial statements. Adjustments were made by the City to properly include these changes to the financial statements. A similar condition was noted in the prior audit.

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

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

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

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

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

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

Schedule of Findings and Questioned Costs
Corrective Action Plan
December 31, 2017

The City of Yankton, South Dakota, respectfully submits the following corrective action plan for the year ended December 31, 2017.

The audit was performed by Williams & Company, P.C., P.O. Box 36, Yankton, South Dakota, for the fiscal year ended December 31, 2017.

The findings from the December 31, 2017 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS:

2017-001 Financial Reporting

Condition – During the audit, we identified material adjustments required to be made to the City’s financial statements. Adjustments were made by the City to properly include these changes to the financial statements. A similar condition was noted in the prior audit.

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

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

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

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

Responses – We will double check the financial statements in the future and all supporting schedules to verify that all adjustments are made properly and a review process to ensure statements are fairly presented. The City will attempt to implement these processes for the 2018 calendar year report.

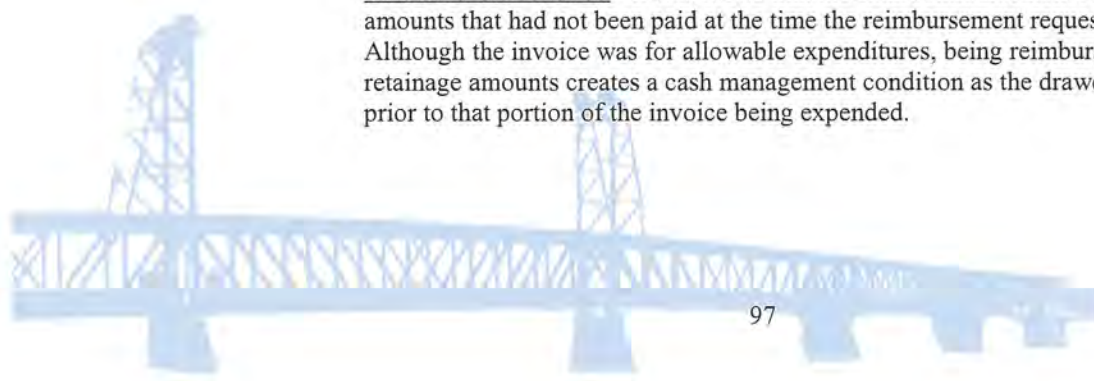
FINDINGS – FEDERAL AWARD PROGRAMS AUDIT

INSTANCES OF NON-COMPLIANCE:

2017-002 Cash Management

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

416 Walnut St
PO Box 176
Yankton, SD 57078-0176
Phone (605) 668-5221
www.cityofyankton.org



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

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

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

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

SIGNIFICANT DEFICIENCY:

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

2017-003 Cash Management

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

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

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

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

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

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

Sincerely yours,

CITY OF YANKTON, SOUTH DAKOTA


Al Viereck, Finance Officer

