

CITY OF YANKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended

December 31, 2015



CITY OF YANKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

PREPARED BY:
FINANCE DEPARTMENT

AL VIERECK
FINANCE OFFICER

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FINANCIAL SECTION

This Section Contains the Following Subsections:

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AUDITORS' REPORT

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MANAGEMENT DISCUSSION AND ANALYSIS

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BASIC FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF YANKTON, SOUTH DAKOTA, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Yankton Housing and Redevelopment Commission (a discretely presented component unit), which statements reflect total assets of \$195,670 and total revenues of \$514,062 as of and for the year ended June 30, 2015. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the Yankton Housing and Redevelopment Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

Opinions

In our opinion, based on our audit, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Yankton, South Dakota as of December 31, 2015, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the City of Yankton adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 15, 2016, 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 15, 2016

Williams & Company, P.C.
Certified Public Accountants

Management Discussion and Analysis December 31, 2015

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, 2015. We encourage the readers to consider the information presented here in conjunction with the City's financial statements, which follow this report, as well as the separately issued financial statements of the Yankton Housing and Redevelopment Commission, a discretely presented component unit of the City.

Financial Highlights

- The assets of the City of Yankton exceeded liabilities at December 31, 2015 by \$104,483,042. Of this amount \$17,718,613 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$9,000,371 during the year. Of this amount the net position of our Governmental Activities increased \$5,474,671 and the net position of our Business-Type Activities increased by \$3,525,700. The governmental net position and the business type net position increased in large part due to increases in capital expenditures, and decreases in liabilities at years end.
- The City's Governmental Fund Balances increased \$2,965,159 in 2015. Exhibit 4 details the increases.
- The City's long-term debt increased \$1,331,487 in 2015. This increase occurred from an increase in the Water Revenue Bonds of \$2,319,501 offset by decreases in long term debt from annual debt service payments in the Solid Waste Loans, the Wastewater Revenue Bonds, the Sales Tax Revenue Bonds, and the Certificates of Participation for construction of the North Fire Station.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE CITY AS TRUSTEE

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

THE CITY AS A WHOLE

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

CITY OF YANKTON'S NET POSITION

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)
Current and Other Assets	\$ 20,111,962	\$ 15,920,921	\$ 8,556,875	\$ 14,359,837	\$ 28,668,837	\$ 30,280,758
Capital Assets	<u>58,755,975</u>	<u>56,813,874</u>	<u>39,140,166</u>	<u>26,352,387</u>	<u>97,896,141</u>	<u>83,166,261</u>
Total Assets	<u>78,867,937</u>	<u>72,734,795</u>	<u>47,697,041</u>	<u>40,712,224</u>	<u>126,564,978</u>	<u>113,447,019</u>
Pension Related Deferred Outflows	<u>2,181,926</u>	<u>-</u>	<u>651,258</u>	<u>-</u>	<u>2,833,184</u>	<u>-</u>
Long-term Liabilities Outstanding	4,387,532	4,625,086	13,335,482	11,824,098	17,723,014	16,449,184
Other Liabilities	<u>991,190</u>	<u>1,135,577</u>	<u>3,803,826</u>	<u>2,146,798</u>	<u>4,795,016</u>	<u>3,282,375</u>
Total Liabilities	<u>5,378,722</u>	<u>5,760,663</u>	<u>17,139,308</u>	<u>13,970,896</u>	<u>22,518,030</u>	<u>19,731,559</u>
Pension Related Deferred Inflows	<u>1,846,076</u>	<u>-</u>	<u>551,014</u>	<u>-</u>	<u>2,397,090</u>	<u>-</u>
Net Position:						
Net Investment in Capital Assets	57,010,975	54,968,874	24,772,476	16,908,811	81,783,451	71,877,685
Restricted	3,295,091	1,989,178	1,685,887	23,475	4,980,978	2,012,653
Unrestricted	<u>13,518,999</u>	<u>10,016,080</u>	<u>4,199,614</u>	<u>9,809,042</u>	<u>17,718,613</u>	<u>19,825,122</u>
Ending Net Position	<u>\$ 73,825,065</u>	<u>\$ 66,974,132</u>	<u>\$ 30,657,977</u>	<u>\$ 26,741,328</u>	<u>\$ 104,483,042</u>	<u>\$ 93,715,460</u>

This summary reflects an increase in net position of 10.23% for the Governmental Activities and an increase of 14.72% in the Business-Type Activities. The increase in Governmental Activities net position was largely Capital Assets. The overall liabilities of the City of Yankton increased by \$2,786,471 or 14.1%, due mainly to an increase in Water Revenue Bonds Payable.

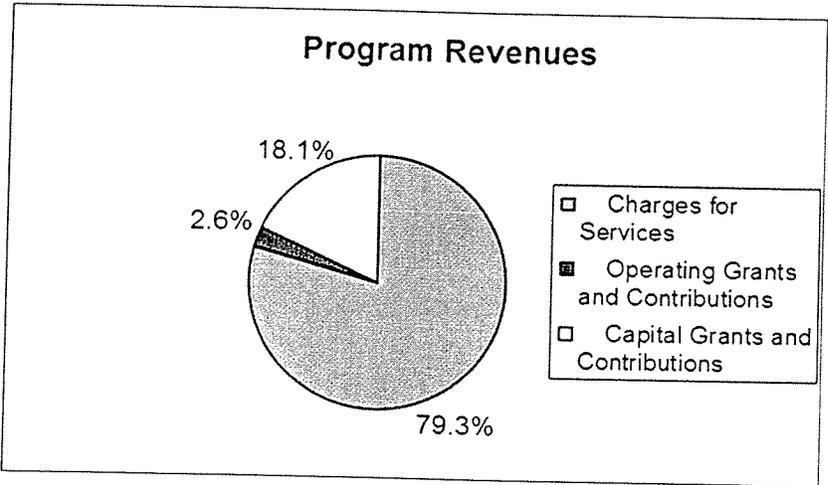
Total revenue reported in 2015 was \$32,251,475, an increase of \$4,415,459 or 15.86%. The largest increase in revenues was in Capital Grants and Contributions; an increase of \$2,607,895 or 318.7%. The Property Tax revenues increased \$65,744 or 2.38%, Sales Tax revenues increased \$496,373 or 5.59%. 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	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,674,653	\$ 3,641,238	\$ 11,341,796	\$ 10,553,787	\$ 15,016,449	\$ 14,195,025
Operating Grants and Contributions	492,086	344,055	-	-	492,086	344,055
Capital Grants and Contributions	3,114,307	743,133	311,822	75,101	3,426,129	818,234
General Revenues:						
Property Taxes	2,821,269	2,755,525	-	-	2,821,269	2,755,525
Sales Taxes	9,383,102	8,886,729	-	-	9,383,102	8,886,729
Other Taxes	746,650	691,783	-	-	746,650	691,783
Other	309,257	108,324	56,533	36,341	365,790	144,665
Total Revenues	20,541,324	17,170,787	11,710,151	10,665,229	32,251,475	27,836,016
Expenses:						
General Government	1,821,638	1,640,045	-	-	1,821,638	1,640,045
Public Safety	3,338,989	3,166,992	-	-	3,338,989	3,166,992
Public Works	6,322,499	5,376,611	-	-	6,322,499	5,376,611
Culture & Recreation	2,529,346	2,780,444	-	-	2,529,346	2,780,444
Community & Economic Development	645,421	788,343	-	-	645,421	788,343
Interest on Long-term Debt	172,168	180,091	-	-	172,168	180,091
Water	-	-	2,772,971	3,024,292	2,772,971	3,024,292
Wastewater	-	-	2,853,477	3,097,315	2,853,477	3,097,315
Golf	-	-	848,490	869,101	848,490	869,101
Non-Major Enterprise Funds	-	-	1,946,105	1,813,197	1,946,105	1,813,197
Total Expenses	14,830,061	13,932,526	8,421,043	8,803,905	23,251,104	22,736,431
Increase (Decrease) in Net Position						
Before Transfers	5,711,263	3,238,261	3,289,108	1,861,324	9,000,371	5,099,585
Transfers	(236,592)	92,700	236,592	(92,700)	-	-
Increase in Net Position	5,474,671	3,330,961	3,525,700	1,768,624	9,000,371	5,099,585
Net Position January 1	66,974,132	63,643,171	26,741,328	24,972,704	93,715,460	88,615,875
Prior Period Adjustment	1,376,262	-	390,949	-	1,767,211	-
Net Position December 31	\$ 73,825,065	\$ 66,974,132	\$ 30,657,977	\$ 26,741,328	\$ 104,483,042	\$ 93,715,460

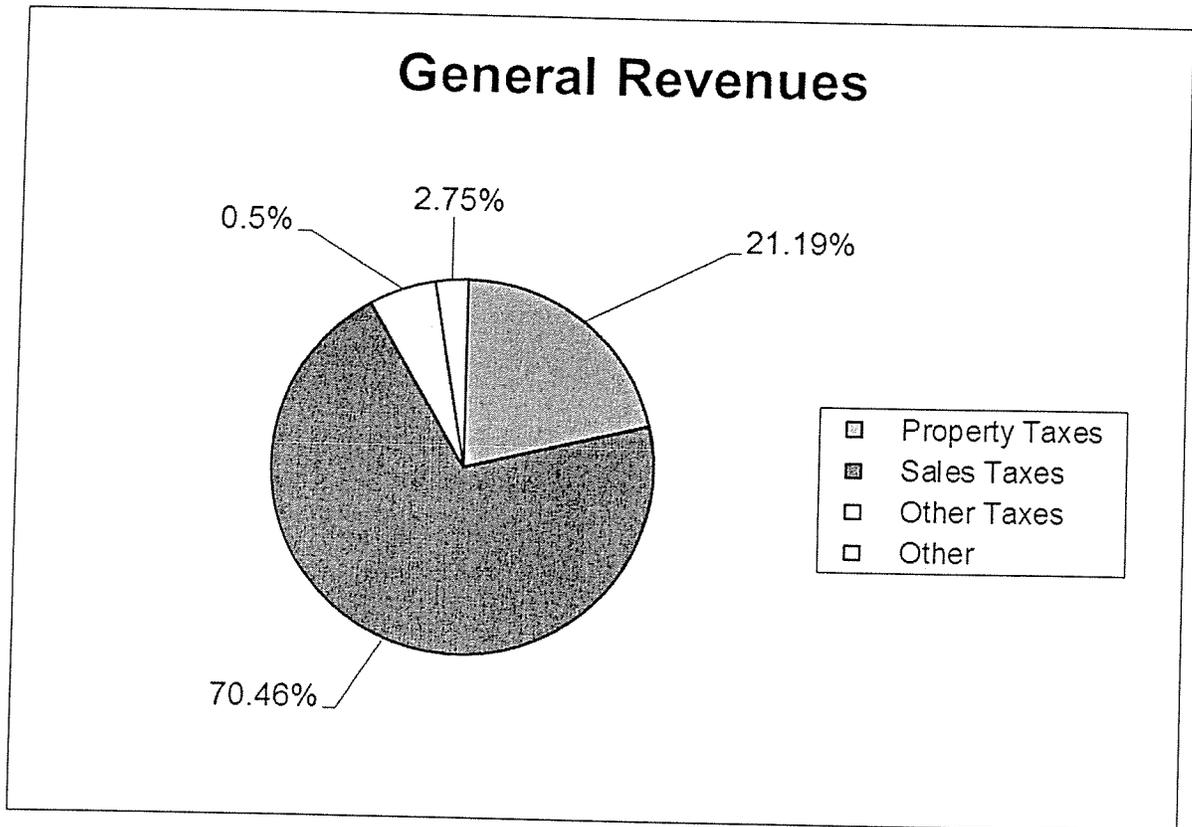
Charges for Services in the Business-Type Activities increased \$788,009 or 7.47% due in most part to increased consumption in water and modest 3% rate increases in Water and Solid Waste Collections and a 5% increase in Wastewater. Business-Type Activities Total Expenses decreased by \$382,872 or 4.35%. Governmental Activities Total Expenses increased \$897,535 or 6.44%.

Program Revenues total \$18,934,664 for 2015. Governmental Activities provided \$7,281,046 and Business-Type Activities provided \$11,653,618. Revenue collected for Charges for Services during 2015 was \$15,016,449 accounting for 79.3% of the total program revenues. Revenue collected for Capital Grants and Contributions accounts for 18.1% of the total program revenues. The following chart breaks down program revenues by sources:



General Revenues for 2015 totaled \$13,316,811. Governmental Activities provided \$13,023,686 and Business-Type Activities provided \$293,125. Sales Tax Revenues for 2015 totaled \$9,383,102 and Property Tax Revenue totaled \$2,821,269. The Sales Tax Revenues accounted for 70.46% and Property Tax Revenues were 21.19% of General Revenues. The following chart breaks down General Revenues by source:

GENERAL REVENUES



Expenses for 2015 totaled \$23,251,104, an increase of 2.26%. Expenses for Governmental Activities totaled \$14,830,061 accounting for 63.8% of the total expenses. Expenses for Business-Type Activities totaled \$8,421,043 accounting for 36.2% 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 2015, the City spent \$3,338,989 and received \$41,863 in charges for services, \$87,052 in operating grants and contributions, and \$22,428 in Capital Grants and Contributions thus leaving a cost to the taxpayers of (\$3,187,646) to be funded by various other methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

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

The total cost of governmental activities this year was \$14,830,061. Of these costs, \$3,674,653 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 \$492,086, and costs paid by other governments and organizations that subsidized certain programs with capital grants and contributions were \$3,114,307, leaving a Net Expense of (\$7,549,015) 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 \$88,655,126, consisting of Net Position January 1, 2015 of \$66,974,132, Prior Period Adjustment of \$1,376,262, General Revenues and transfers of \$13,023,686, and Program Revenues of \$7,281,046. Total Governmental Activities during the year expended \$14,830,061; thus, Net Position was increased by \$5,474,671 to \$73,825,065.

Business Type Activities

Business-Type Activities increased the City's net position by \$3,525,700.

The cost of all Business-Type Activities this year was \$8,421,043. As shown in the Statement of Activities, the amounts paid by users of the systems were \$11,341,796 and \$311,822 was funded from capital grants and contributions, resulting in a net gain for Business-Type Activities of \$3,232,575.

Total resources available during the year to finance Business-Type Activities were \$39,079,020 consisting of Net Position January 1, 2015 of \$26,741,328, Prior Period Adjustment of \$390,949, Program Revenues of \$11,653,618 and General Revenues and Transfers of \$293,125. Total Business-Type Activities during the year expended \$8,421,043; thus Net Position was increased by \$3,525,700 to \$30,657,977.

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 2015 of \$17,320,779 (23.3% non-spendable, 8.1% restricted, 55.3% committed, 1.5% assigned, and 11.8% unassigned). The combined Governmental Funds fund balance increased \$2,965,159 from the prior year. The fund balance amount consists of \$4,031,754 of non-spendable funds committed for 1) perpetual care for cemetery \$50,000, 2) \$270,270 in vested reserve in our insurance carrier the South Dakota Public Assurance Association or SDPAA, 3) inventory of land for resale \$19,033, and 4) long term advances \$3,692,451; \$1,410,974 of restricted funds; \$9,583,322 of committed funds; \$253,720 of assigned funds, and \$2,041,009 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 \$9,304,376, an increase of \$2,411,253. 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 45.4 percent of total general fund expenditures, while total fund balance represents 79.4 percent of that same amount.

General fund revenues in 2015 increased \$350,810 or 2.9% due mostly to an increase in property taxes, sales taxes, and licenses and permits. Expenditures increased \$1,401,378 or 13.6%. The increase in expenditures included an increase of \$408,020 in current expenditures, an increase of 4.43%, an increase of \$999,289 in capital outlay, an increase of 110.7% from 2014's expenditures, and a decrease of (\$5,931) in debt service, a decrease of 3.03% from 2014.

The Special Capital Improvements Fund showed an increase in fund balance of \$2,280,862. This reflects an increase in revenues of \$2,663,173 and a decrease in expenditures of (\$993,659).

The TID #5 Fund balance decreased (\$2,240,262) to end 2015 at (\$3,706,709) due to expenditures being made for Capital Improvements to be reimbursed by future tax receipts.

The Other Governmental Funds end of year balance increased \$11,618 to \$1,714,694.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the 2015 original (adopted) General Fund budget of \$13,693,382 to the final budget amount of \$14,251,649 shows a net increase of \$558,267. However, actual expenditures were \$1,982,220 less than the original adopted budget. Supplemental changes that would have resulted in actual expenditures higher than the original budget were offset by less expenditures than originally budgeted in various departments.

The City complied with statutory requirements for expenditures not exceeding the budget appropriation on all programs except Traffic Control (\$20,129 over the adopted budget for repair and maintenance on equipment, vehicles, and central garage charges).

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, 2015 was \$81,804,159 (net of accumulated depreciation and outstanding financings). This was an increase of \$9,926,474 or 13.8%. The comparative totals for capital assets for 2014 and 2015 are as follows:

CITY OF YANKTON CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,296,853	\$ 3,504,939	\$ 814,623	\$ 814,622	\$ 4,111,476	\$ 4,319,561
Construction in Progress	4,149,020	3,616,637	12,144,682	2,548,951	16,293,702	6,165,588
Buildings & Structures / Infrastructure	43,981,793	43,363,817	22,446,804	22,859,554	66,428,597	66,223,371
Land Improvements	-	-	2,128,161	2,131,264	2,128,161	2,131,264
Furniture and Equipment	<u>7,328,309</u>	<u>6,328,481</u>	<u>1,605,896</u>	<u>1,361,569</u>	<u>8,934,205</u>	<u>7,690,050</u>
Total	<u>\$ 58,755,975</u>	<u>\$ 56,813,874</u>	<u>\$ 39,140,166</u>	<u>\$ 29,715,960</u>	<u>\$ 97,896,141</u>	<u>\$ 86,529,834</u>

Construction in Progress and Furniture and Equipment were the major increases in capital outlays for 2015 for Business-Type Activities; as well as in Governmental Activities. See note 6 in the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At 2015 year end the City had \$18,389,419 of debt outstanding, an increase of \$1,352,195. This increase in debt was due to a net increase in Water Revenue Bonds of \$2,319,501 offset by normal debt service payments.

Of the total debt, \$4,030,000 or 21.9% is to be paid from governmental activities including \$2,285,000 specifically from sales tax funds, and \$1,745,000 from property tax opt-out dollars; and \$14,359,419 or 78.1% in business type activities including \$8,827,638 to be repaid from water user fees, \$200,681 to be paid from landfill revenues and \$5,331,100 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 \$43,178,513 with outstanding debt (less debt service reserves) of \$14,938,168, leaving an unused balance of \$28,240,345 or 65.4% 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 \$2,041,693 of outstanding debt backed by surcharges with the legal debt capacity being \$86,357,026 leaving \$84,315,333 or 97.6% 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 2015 was \$25,743,008. It was a decrease of \$5,450,671 or 82.59% of the 2014 total of \$31,193,679. The average annual building permit value for the last ten years was \$26,553,881 and the 2015 total value was 3.1% less than that average. New construction building permits included Great Clips and Shoe Sensation at Groseth Crossing, Scooter's Coffee, Westbrook 70 Unit Apartment Building, Yankton Boys & Girls Club, and Olson's Storage Building. Commercial additions and remodels included Avera Sacred Heart Hospital 4th & 5th Floor renovations and Dialysis renovation, Truxedo addition, Lewis & Clark Ford renovation, Yankton Medical Clinic Fluoroscopy renovation, and Menard's Mezzanine Remodel. There were thirty-nine new home-building permits issued during the year, an increase of thirteen from 2014. There were also 76 new apartments with a new apartment complex.

The City continues to reinvest in its infrastructure with street improvements, and the water utility continues to replace water mains to improve the reliability of the water supply. The City also began construction of a new Collector Well to replace and supplement our current water supplies.

Another indicator of economic activity is the taxable sales for Yankton that are reported by the South Dakota Department of Revenue. Our 2015 sales were up 5.94% over 2014's figures and totaled \$500,468,804.

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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment
ASSETS				
Cash and Cash Equivalents	\$ 13,606,428	\$ 5,709,649	\$ 19,316,077	\$ 187,200
Receivables:				
Taxes	30,502	-	30,502	
Accounts	181,581	599,027	780,608	2,018
Estimated Unbilled Usage	-	506,267	506,267	
Special Assessments	112,067	-	112,067	
Other Receivables	-	-	-	3,067
Due from Other Governmental Agencies	1,493,388	15,300	1,508,688	
Prepaid Expenses	124,787	70,754	195,541	1,852
Internal Balances	373,695	(373,695)	-	
Property Held for Resale, At Cost	2,373,411	-	2,373,411	
Inventories	145,762	414,589	560,351	
Restricted Assets:				
Cash and Cash Equivalents	153,247	1,242,834	1,396,081	
Deposits	270,270	-	270,270	
Net Pension Asset	1,246,824	372,150	1,618,974	
Land	3,296,853	814,623	4,111,476	
Construction in Progress	4,149,020	12,144,682	16,293,702	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	51,310,102	26,180,861	77,490,963	1,533
Total Assets	<u>78,867,937</u>	<u>47,697,041</u>	<u>126,564,978</u>	<u>195,670</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	2,181,926	651,258	2,833,184	-
LIABILITIES				
Accounts Payable	530,088	2,428,950	2,959,038	1,025
Accrued Wages	143,055	41,112	184,167	6,042
Accrued Interest Payable	13,404	98,030	111,434	
Revenue Collected in Advance	8,719	-	8,719	
Payables from Restricted Assets:				
Customer Deposits	920	2,529	3,449	
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	1,210,094	1,210,094	
General Obligation Bonds	115,000	-	115,000	
Capital Lease	105,000	-	105,000	
Compensated Absences	75,004	23,111	98,115	2,465
Due in more than one year:				
Revenue Bonds Payable	-	13,157,596	13,157,596	
Capital Lease	1,640,000	-	1,640,000	
General Obligation Bonds	2,178,938	-	2,178,938	
Estimated Postemployment Benefit Obligation	143,574	46,926	190,500	
Compensated Absences	425,020	130,960	555,980	778
Total Liabilities	<u>5,378,722</u>	<u>17,139,308</u>	<u>22,518,030</u>	<u>10,310</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	1,846,076	551,014	2,397,090	-
Total Deferred Inflows of Resources	<u>1,846,076</u>	<u>551,014</u>	<u>2,397,090</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	57,010,975	24,772,476	81,783,451	1,533
Restricted for:				
Housing Vouchers	-	-	-	2,085
Debt Service	182,161	1,213,493	1,395,654	
SDRS Pension Purposes	1,582,674	472,394	2,055,068	
Lodging Sales Tax	927,161	-	927,161	
Cumulative Reserve-SDPAA	270,270	-	270,270	
Other Purposes	173,651	-	173,651	
Perpetual Care				
Expendable	109,174	-	109,174	
Nonexpendable	50,000	-	50,000	
Unrestricted	13,518,999	4,199,614	17,718,613	181,742
Total Net Position	<u>\$ 73,825,065</u>	<u>\$ 30,657,977</u>	<u>\$ 104,483,042</u>	<u>\$ 185,360</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General Government	\$ 1,821,638	\$ 2,122,294	\$ -
Public Safety	3,338,989	41,863	87,052
Public Works	6,322,499	862,251	305,120
Culture and Recreation	2,529,346	580,222	99,914
Community Development	645,421	68,023	-
Interest on Long-Term Debt	172,168	-	-
Total Governmental Activities	<u>14,830,061</u>	<u>3,674,653</u>	<u>492,086</u>
Business-Type Activities:			
Water	2,772,971	5,277,007	-
Wastewater	2,853,477	3,240,152	-
Solid Waste	873,061	956,006	-
Joint Powers- Landfill	1,073,044	1,104,736	-
Golf Course	848,490	763,895	-
Total Business-Type Activities	<u>8,421,043</u>	<u>11,341,796</u>	<u>-</u>
Component Units:			
Housing & Redevelopment	566,006	-	512,195
Total Component Unit	<u>\$ 566,006</u>	<u>\$ -</u>	<u>\$ 512,195</u>
General Revenues:			
Property taxes			
Sales and other Taxes			
Lodging Sales Tax			
Interest			
Reimbursements			
Miscellaneous			
Gain on Disposition of Assets			
Interfund Transfers			
Total General Revenues and Transfers			
Change in Net Position			
Net Position - Beginning			
Prior Period Adjustment			
Net Position - beginning, as restated			
Net Position - Ending			

Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Component Unit Housing & Redevelopment
	Governmental Activities	Business-Type Activities	Total	
\$ 675	\$ 301,331		\$ 301,331	-
22,428	(3,187,646)		(3,187,646)	-
3,091,204	(2,063,924)		(2,063,924)	-
-	(1,849,210)		(1,849,210)	-
-	(577,398)		(577,398)	-
-	(172,168)		(172,168)	-
<u>3,114,307</u>	<u>(7,549,015)</u>		<u>(7,549,015)</u>	<u>-</u>
260,498		\$ 2,764,534	2,764,534	-
36,024		422,699	422,699	-
-		82,945	82,945	-
15,300		46,992	46,992	-
-		(84,595)	(84,595)	-
<u>311,822</u>		<u>3,232,575</u>	<u>3,232,575</u>	<u>-</u>
-	-	-	-	\$ (53,811)
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,811)</u>
	2,821,269	-	2,821,269	-
	9,383,102	-	9,383,102	-
	746,650	-	746,650	-
	56,828	29,831	86,659	149
	109,960	-	109,960	-
	-	26,052	26,052	1,718
	142,469	650	143,119	-
	(236,592)	236,592	-	-
	<u>13,023,686</u>	<u>293,125</u>	<u>13,316,811</u>	<u>1,867</u>
	5,474,671	3,525,700	9,000,371	(51,944)
	66,974,132	26,741,328	93,715,460	237,304
	1,376,262	390,949	1,767,211	-
	<u>68,350,394</u>	<u>27,132,277</u>	<u>95,482,671</u>	<u>237,304</u>
	<u>\$ 73,825,065</u>	<u>\$ 30,657,977</u>	<u>\$ 104,483,042</u>	<u>\$ 185,360</u>

CITY OF YANKTON, SOUTH DAKOTA
BALANCE SHEET
Governmental Funds
December 31, 2015

	General	Special Capital Improvements
<u>Assets</u>		
Cash and Cash Equivalents	\$ 4,758,501	\$ 7,318,900
Receivables (Net where applicable, of allowance for uncollectibles):		
Taxes	30,502	-
Accounts	165,602	-
Special Assessments	19,980	-
Due from Other Funds	373,695	1,919,963
Due from Other Governmental Agencies	795,400	517,081
Advances to Other Funds	3,692,451	30,389
Property Held for Resale, At Cost	19,033	-
Restricted Assets:		
Cash and Cash Equivalents	-	-
Deposits	270,270	-
Total Assets	10,125,434	9,786,333
 <u>Liabilities</u>		
Accounts Payable	270,109	48,838
Accrued Wages	130,586	-
Unearned Revenue	8,719	-
Due to Other Funds	28,669	-
Customer Deposits	920	-
Advances from Other Funds	30,389	-
Total Liabilities	469,392	48,838
 <u>Deferred Inflows of Resources</u>		
Unavailable revenue- property taxes	30,502	-
Unavailable revenue- special assessments	19,980	-
Unavailable revenue- other taxes	275,716	154,173
Unavailable revenue- other	25,468	-
Total Deferred Inflows of Resources	351,666	154,173
 <u>Fund Balances</u>		
Non-Spendable:		
Perpetual Care	-	-
Cumulative Reserve-SDPAA	270,270	-
Property Held for Resale	19,033	-
Long Term Advances	3,692,451	-
Restricted:		
Debt Service	-	-
Lodging Sales Tax	-	-
Perpetual Care	-	-
Other Purposes	-	-
Committed:		
Special Capital Improvements (sales tax)	-	9,583,322
Assigned:		
Capital Projects	-	-
Unassigned	5,322,622	-
Total Fund Balances (Deficits)	9,304,376	9,583,322
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 10,125,434	\$ 9,786,333

EXHIBIT 3

Public Improvement	TID #5	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,467,200	\$ 13,544,601
-	-	-	30,502
-	-	15,979	181,581
-	-	92,087	112,067
-	-	-	2,293,658
-	59,680	114,233	1,486,394
-	-	-	3,722,840
2,354,378	-	-	2,373,411
-	-	153,247	153,247
-	-	-	270,270
<u>2,354,378</u>	<u>59,680</u>	<u>1,842,746</u>	<u>24,168,571</u>
37,988	73,938	49,856	480,729
-	-	10,454	141,040
-	-	-	8,719
1,891,294	-	-	1,919,963
-	-	-	920
-	3,692,451	-	3,722,840
<u>1,929,282</u>	<u>3,766,389</u>	<u>60,310</u>	<u>6,274,211</u>
-	-	-	30,502
-	-	53,809	73,789
-	-	13,933	443,822
-	-	-	25,468
-	-	<u>67,742</u>	<u>573,581</u>
-	-	50,000	50,000
-	-	-	270,270
2,354,378	-	-	2,373,411
-	-	-	3,692,451
-	-	195,565	195,565
-	-	913,228	913,228
-	-	109,174	109,174
-	-	193,007	193,007
-	-	-	9,583,322
-	-	253,720	253,720
(1,929,282)	(3,706,709)	-	(313,369)
425,096	(3,706,709)	1,714,694	17,320,779
<u>\$ 2,354,378</u>	<u>\$ 59,680</u>	<u>\$ 1,842,746</u>	<u>\$ 24,168,571</u>

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CITY OF YANKTON, SOUTH DAKOTA
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 December 31, 2015

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

Total Fund Balance - Governmental Funds (page 18)	\$ 17,320,779
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	58,632,542
Unavailable revenues that do not provide current financial resources for governmental activities	573,581
Accrued expenses from the balance sheet that do not require current financial resources for governmental activities	(13,404)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	122,805
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.	330,517
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	(4,532,568)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds	(119,795)
The Net Pension Asset does not provide resources in the current period and therefore is not reported in the funds	1,227,024
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.	283,584
Total Net Position - Governmental Activities (page 14)	<u>\$ 73,825,065</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended December 31, 2015

	General	Special Capital Improvements	Public Improvement
Revenue:			
Property Taxes	\$ 2,621,921	\$ -	\$ -
Sales and Other Taxes	5,508,482	3,690,871	-
Special Assessments	-	-	-
Licenses and Permits	442,583	-	-
Intergovernmental	512,403	2,543,420	89,585
Charges for Services	2,950,701	5,801	750
Fines and Forfeits	13,420	-	-
Gain on Sale of Land	-	-	68,023
Interest on Investments	18,048	32,096	226
Contributions	15,099	-	-
Miscellaneous	89,897	-	-
Total Revenue	<u>12,172,554</u>	<u>6,272,188</u>	<u>158,584</u>
Current Expenditures:			
General Government	1,806,452	-	-
Public Safety	2,584,306	-	-
Public Works	2,727,895	-	-
Culture and Recreation	2,500,752	-	-
Community Development	-	-	12,909
Capital Outlay:			
Public Works	559,836	1,724,128	46,300
Culture and Recreation	212,204	-	-
General Government	17,053	-	-
Public Safety	1,112,923	-	-
Debt Service	189,741	-	-
Total Expenditures	<u>11,711,162</u>	<u>1,724,128</u>	<u>59,209</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>461,392</u>	<u>4,548,060</u>	<u>99,375</u>
Other Financing Sources (Uses):			
Proceeds From Sale of Fixed Assets	145,151	80,415	164,475
Transfers In	2,423,759	-	237,838
Transfers Out	(619,049)	(2,347,613)	-
Total Other Financing Sources (Uses)	<u>1,949,861</u>	<u>(2,267,198)</u>	<u>402,313</u>
Net Change in Fund Balance	2,411,253	2,280,862	501,688
Fund Balances (Deficits)-Beginning of Year	<u>6,893,123</u>	<u>7,302,460</u>	<u>(76,592)</u>
Fund Balances (Deficits)- End of Year	<u>\$ 9,304,376</u>	<u>\$ 9,583,322</u>	<u>\$ 425,096</u>

EXHIBIT 4

TID #5	Other Governmental Funds	Total Governmental Funds
\$ 141,101	\$ 56,688	\$ 2,819,710
-	763,441	9,962,794
-	29,522	29,522
-	-	442,583
434,680	117,484	3,697,572
-	25,399	2,982,651
-	-	13,420
-	-	68,023
-	6,365	56,735
-	9,629	24,728
-	650	90,547
<u>575,781</u>	<u>1,009,178</u>	<u>20,188,285</u>
-	-	1,806,452
-	555,120	3,139,426
-	56,688	2,784,583
-	128,962	2,629,714
305,114	353,655	671,678
2,316,917	192,019	4,839,200
-	109,628	321,832
-	-	17,053
-	-	1,112,923
-	193,265	383,006
<u>2,622,031</u>	<u>1,589,337</u>	<u>17,705,867</u>
<u>(2,046,250)</u>	<u>(580,159)</u>	<u>2,482,418</u>
-	-	390,041
-	974,839	3,636,436
<u>(194,012)</u>	<u>(383,062)</u>	<u>(3,543,736)</u>
<u>(194,012)</u>	<u>591,777</u>	<u>482,741</u>
(2,240,262)	11,618	2,965,159
<u>(1,466,447)</u>	<u>1,703,076</u>	<u>14,355,620</u>
<u>\$ (3,706,709)</u>	<u>\$ 1,714,694</u>	<u>\$ 17,320,779</u>

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CITY OF YANKTON, SOUTH DAKOTA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2015

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

Net change in fund balances - total governmental funds (page 21)	\$ 2,965,159
<p>Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year:</p>	
Expenditures for capital assets	\$ 4,786,779
Depreciation Expense	<u>(2,673,624)</u>
	2,113,155
Capital Contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.	57,127
Revenues reported in the funds that are not available to provide current financial resources:	146,794
Accrued interest expense that does not require current financial resources:	500
Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied.	(23,364)
Pension expenses reported in the Statement of Activities do not require the use of current financial resources.	28,956
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	173,516
Governmental funds report the proceeds from the sale of fixed assets as revenue, whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net position on the statement of activities.	(247,572)
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.	30,013
Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources:	10,079
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:	338
Other Post-Employment Benefits that do not require current financial resources.	32,334
Compensated absences that do not require current financial resources.	(22,364)
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>210,000</u>
Change in net position of governmental activities (page 16)	<u>\$ 5,474,671</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET POSITION
Proprietary Funds
December 31, 2015

	Business-Type	
	Water	Wastewater
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,442,781	\$ 941,565
Receivables (Net where applicable, of allowance for uncollectibles):		
Accounts	517,231	382,739
Due from Other Governmental Agencies	-	-
Prepaid Insurance	20,354	23,438
Inventories	202,543	156,397
Total Current Assets	<u>4,182,909</u>	<u>1,504,139</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	703,325	515,488
Net Pension Asset	102,291	105,870
Land	128,117	66,666
Construction in Progress	11,512,440	593,992
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>13,552,936</u>	<u>8,790,790</u>
Total Noncurrent Assets	<u>25,999,109</u>	<u>10,072,806</u>
Total Assets	<u>30,182,018</u>	<u>11,576,945</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	<u>179,008</u>	<u>185,271</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,249,479	93,665
Accrued Wages	14,835	9,234
Accrued Interest Payable	66,161	31,367
Accrued Compensated Absences	8,174	5,600
Due to Other Funds	-	-
Customer Deposits	2,529	-
Revenue Bonds Payable- Current	415,364	776,595
Total Current Liabilities	<u>2,756,542</u>	<u>916,461</u>
Noncurrent Liabilities:		
Revenue Bonds Payable	8,412,274	4,562,776
Accrued Compensated Absences	46,321	31,734
Estimated Postemployment Benefit Obligation	5,914	22,602
Total Noncurrent Liabilities	<u>8,464,509</u>	<u>4,617,112</u>
Total Liabilities	<u>11,221,051</u>	<u>5,533,573</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	<u>151,455</u>	<u>156,753</u>
NET POSITION		
Net investment in capital assets,	16,365,855	4,112,077
Restricted for:		
Debt Service	679,943	510,031
SDRS Pension Purposes	129,844	134,388
Unrestricted	1,812,878	1,315,394
Total Net Position	<u>\$ 18,988,520</u>	<u>\$ 6,071,890</u>

EXHIBIT 5

Business-Type		Governmental
Non-Major	Totals	Activities-
Enterprise Funds		Internal
		Service Fund
\$ 1,325,303	\$ 5,709,649	\$ 63,405
205,324	1,105,294	-
15,300	15,300	6,994
26,962	70,754	1,982
55,649	414,589	145,762
<u>1,628,538</u>	<u>7,315,586</u>	<u>218,143</u>
24,021	1,242,834	-
163,989	372,150	19,800
619,840	814,623	7,000
38,250	12,144,682	-
<u>3,837,135</u>	<u>26,180,861</u>	<u>116,433</u>
<u>4,683,235</u>	<u>40,755,150</u>	<u>143,233</u>
<u>6,311,773</u>	<u>48,070,736</u>	<u>361,376</u>
<u>286,979</u>	<u>651,258</u>	<u>34,650</u>
85,806	2,428,950	50,937
17,043	41,112	2,015
502	98,030	-
9,337	23,111	959
373,695	373,695	-
-	2,529	-
18,135	1,210,094	-
<u>504,518</u>	<u>4,177,521</u>	<u>53,911</u>
182,546	13,157,596	-
52,905	130,960	5,435
18,410	46,926	23,779
<u>253,861</u>	<u>13,335,482</u>	<u>29,214</u>
<u>758,379</u>	<u>17,513,003</u>	<u>83,125</u>
<u>242,806</u>	<u>551,014</u>	<u>29,317</u>
4,294,544	24,772,476	123,433
23,519	1,213,493	-
208,162	472,394	25,133
1,071,342	4,199,614	135,018
<u>\$ 5,597,567</u>	<u>\$ 30,657,977</u>	<u>\$ 283,584</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended December 31, 2015

	<u>Business-Type</u>	
	<u>Water</u>	<u>Waste- water</u>
Operating Revenues:		
Charges for Services	\$ 5,277,007	\$ 3,240,152
Operating Expenses:		
Personal Services	618,413	553,779
Insurance	51,679	83,946
Professional Services	45,628	29,126
Tipping Fees	-	-
State Fees	5,000	12,500
Repairs and Maintenance	157,031	223,597
Cost of Sales and Service	-	-
Supplies and Materials	274,912	49,399
Travel and Conference	6,329	1,380
Utilities	277,326	200,096
Billing and Administration	655,905	626,754
Other Current Expenses	-	-
Depreciation	616,064	899,353
Total Operating Expenses	<u>2,708,287</u>	<u>2,679,930</u>
Operating Income (Loss)	2,568,720	560,222
Non-Operating Income (Expense):		
Interest Income	18,024	7,000
Intergovernmental Revenue	231,848	-
Gain (Loss) on Disposition of Assets	-	-
Miscellaneous, net	1,749	18,904
Interest Expense	(64,684)	(173,547)
Total Non-Operating Income (Expenses)	<u>186,937</u>	<u>(147,643)</u>
Income Before Contributions and Transfers	2,755,657	412,579
Transfers (Out)	(52,000)	(40,700)
Capital Contributions	<u>314,740</u>	<u>79,226</u>
Change in Net Position	3,018,397	451,105
Net Position - Beginning	15,875,132	5,513,852
Prior Period Adjustment	<u>94,991</u>	<u>106,933</u>
Net Position- Beginning as Restated	<u>15,970,123</u>	<u>5,620,785</u>
Net Position - Ending	<u>\$ 18,988,520</u>	<u>\$ 6,071,890</u>

EXHIBIT 6

<u>Business-Type</u>		<u>Governmental</u>
<u>Non-Major</u>		<u>Activities-</u>
<u>Enterprise Funds</u>	<u>Totals</u>	<u>Internal</u>
		<u>Service Fund</u>
\$ 2,824,637	\$ 11,341,796	\$ 691,542
929,946	2,102,138	109,324
25,194	160,819	-
60,716	135,470	2,314
153,911	153,911	-
-	17,500	-
289,967	670,595	5,465
619,063	619,063	-
63,492	387,803	493,424
1,423	9,132	-
52,396	529,818	16,513
322,248	1,604,907	-
-	-	17,394
269,865	1,785,282	15,776
<u>2,788,221</u>	<u>8,176,438</u>	<u>660,210</u>
36,416	3,165,358	31,332
4,807	29,831	-
15,300	247,148	-
650	650	(1,319)
5,399	26,052	-
(6,374)	(244,605)	-
<u>19,782</u>	<u>59,076</u>	<u>(1,319)</u>
56,198	3,224,434	30,013
-	(92,700)	-
-	393,966	-
56,198	3,525,700	30,013
5,352,344	26,741,328	256,358
<u>189,025</u>	<u>390,949</u>	<u>(2,787)</u>
<u>5,541,369</u>	<u>27,132,277</u>	<u>253,571</u>
<u>\$ 5,597,567</u>	<u>\$ 30,657,977</u>	<u>\$ 283,584</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended December 31, 2015

	Business-Type	
	Water	Waste-Water
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 5,169,657	\$ 3,221,365
Cash Received from Interfund Services Provided	122,666	27,156
Cash Paid to Suppliers for Goods and Services	(1,361,645)	(1,383,365)
Cash Paid to Employees for Services	(662,388)	(593,043)
Cash Paid for Interfund Services	(18,848)	(27,405)
Other Nonoperating Revenues	1,749	18,904
Net Cash Provided from Operating Activities	<u>3,251,191</u>	<u>1,263,612</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(7,726,151)	(1,031,797)
Proceeds from Sale of Fixed Assets		
Proceeds from Bond Issuance	2,953,484	
Principal Paid on Notes, Bonds and Leases	(402,135)	(760,410)
Interest Paid on Notes and Bonds	(44,290)	(178,701)
Net Cash (Used) by Capital and Related Financing Activities	<u>(5,219,092)</u>	<u>(1,970,908)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Due to Other Funds	-	-
Transfers (Out)	(52,000)	(40,700)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(52,000)</u>	<u>(40,700)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	18,024	7,000
Net Cash Provided from Investing Activities	<u>18,024</u>	<u>7,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,001,877)	(740,996)
Cash and Cash Equivalents at Beginning of Year	<u>6,147,983</u>	<u>2,198,049</u>
Cash and Cash Equivalents at End of Year	<u>4,146,106</u>	<u>1,457,053</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	<u>2,568,720</u>	<u>560,222</u>
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	616,064	899,353
Other Non-Operating Income (Expense)	1,749	18,904
(Increase) Decrease in Assets:		
Accounts Receivable	15,316	8,369
Prepaid Expenses	(1,479)	(1,431)
Net Pension Asset	70,305	72,765
Pension Related Deferred Outflows	(38,743)	(40,098)
Inventories	39,368	(1,359)
Increase (Decrease) in Liabilities:		
Accounts Payable	52,899	(181,182)
Customer Deposits	2,529	-
Accrued Wages	(17,690)	(15,932)
Accrued Compensated Absences	808	1,621
Estimated Postemployment Benefit Obligation	(10,214)	(7,483)
Pension Related Deferred Inflows	(48,441)	(50,137)
Unearned Revenue	-	-
Total Adjustments	<u>682,471</u>	<u>703,390</u>
Net Cash Provided by Operating Activities	<u>3,251,191</u>	<u>1,263,612</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:		
Developers and City Contribution of Capital Assets	<u>314,740</u>	<u>79,226</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents	3,442,781	941,565
Restricted Cash and Cash Equivalents	<u>703,325</u>	<u>515,488</u>
	<u>\$ 4,146,106</u>	<u>\$ 1,457,053</u>

EXHIBIT 7

<u>Business-Type</u>		<u>Governmental</u>
<u>Nonmajor</u>		<u>Activities-</u>
<u>Enterprise Funds</u>	<u>Totals</u>	<u>Internal</u>
		<u>Service Fund</u>
\$ 2,801,539	\$ 11,192,561	\$ 116,478
6,518	156,340	579,052
(1,393,871)	(4,138,881)	(520,535)
(982,067)	(2,237,498)	(120,979)
(174,672)	(220,925)	(1,698)
5,399	26,052	-
<u>262,846</u>	<u>4,777,649</u>	<u>52,318</u>
(228,645)	(8,986,593)	(36,486)
650	650	-
-	2,953,484	-
(17,604)	(1,180,149)	-
(6,418)	(229,409)	-
<u>(252,017)</u>	<u>(7,442,017)</u>	<u>(36,486)</u>
92,585	92,585	-
-	(92,700)	-
<u>92,585</u>	<u>(115)</u>	<u>-</u>
4,807	29,831	-
<u>4,807</u>	<u>29,831</u>	<u>-</u>
108,221	(2,634,652)	15,832
<u>1,241,103</u>	<u>9,587,135</u>	<u>47,573</u>
<u>1,349,324</u>	<u>6,952,483</u>	<u>63,405</u>
36,416	3,165,358	31,332
269,865	1,785,282	15,776
5,399	26,052	-
50,358	74,043	3,988
(2,453)	(5,363)	(202)
112,711	255,781	13,609
(62,110)	(140,951)	(7,500)
(7,087)	30,922	(1,289)
29,407	(98,876)	14,368
-	2,529	-
(22,394)	(56,016)	(3,816)
1,584	4,013	(55)
(4,253)	(21,950)	(4,517)
(77,659)	(176,237)	(9,376)
(66,938)	(66,938)	-
<u>226,430</u>	<u>1,612,291</u>	<u>20,986</u>
<u>262,846</u>	<u>4,777,649</u>	<u>52,318</u>
-	393,966	-
1,325,303	5,709,649	63,405
24,021	1,242,834	-
<u>\$ 1,349,324</u>	<u>\$ 6,952,483</u>	<u>\$ 63,405</u>

CITY OF YANKTON, SOUTH DAKOTA
 STATEMENT OF NET POSITION
 Fiduciary Funds
 December 31, 2015

	Agency Funds
Assets	
Cash and Cash Equivalents	\$ 26,953
Total Assets	26,953
 Liabilities	
Accounts Payable	757
Other Accrued Expenses	26,196
Total Liabilities	26,953
 Net Position	
Unrestricted	-
Total Net Position	\$ -

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

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

B. Basic Financial Statements – Government-Wide Statement

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

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

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

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

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

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

C. Basis of Accounting

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

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

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

CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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, 2015**

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

The City has the following agency funds:

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

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

The City reports the following major governmental funds:

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

Special Revenue Fund:

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

Capital Projects Funds:

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

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

The City reports the following major enterprise funds:

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

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

E. Cash and Investments

The City combines all cash to participate in an entity-wide cash and investment pool except for specific bond indenture investments required to be separately invested. In general, SDCL 4-5-6 permits municipal funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly, including, without limitations, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

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

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

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

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

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

F. Cash Flows

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

G. Short-Term Interfund Receivables/Payables

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

H. Advance to Other Funds

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

I. Inventories

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

CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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

J. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. 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, 2015. 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, 2015**

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, 2015**

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 2015 were \$579,680 of which \$163,564 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, 2015**

NOTE 2 - CASH AND CASH EQUIVALENTS – (CONTINUED)

per banks, at December 31, 2015 were \$20,921,988. 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, 2015, consisted of the following:

	Utility Accounts Receivable	Special Assessment Receivable	
Fund:			
Infrastructure Improvement Revolving	\$ -	\$ 42,000	
Water Fund	15,671	-	
Wastewater Fund	9,915	-	
Solid Waste Fund	8,979	-	
	\$ 34,565	\$ 42,000	

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2015, include the following:

	General	TID #5 Fund	Special Capital Improvement Fund	Non-Major Governmental Funds
County Remitted Taxes	\$ 26,141	\$ -	\$ -	\$ -
County share of Senior Center and Others	6,283	-	-	-
County and Other Garage Charges	-	-	-	-
State Remitted Sales Tax	654,503	-	517,081	68,451
State Remitted Liquor and Other Taxes	23,177	-	-	-
State Road Aid	60,962	-	-	-
Grants	-	59,680	-	34,452
Other	24,334	-	-	11,330
	<u>\$ 795,400</u>	<u>\$ 59,680</u>	<u>\$ 517,081</u>	<u>\$ 114,233</u>

	Internal Service	Non-Major Enterprise Funds	Total
County Remitted Taxes	\$ -	\$ -	\$ 26,141
County share of Senior Center and Others	-	-	6,283
County and Other Garage Charges	6,994	-	6,994
State Remitted Sales Tax	-	-	1,240,035
State Remitted Liquor and Other Taxes	-	-	23,177
State Road Aid	-	-	60,962
Grants	-	15,300	109,432
Other	-	-	35,664
	<u>\$ 6,994</u>	<u>\$ 15,300</u>	<u>\$ 1,508,688</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 6 - CAPITAL ASSETS

A summary of the changes in the capital assets for the year ended December 31, 2015, is as follows:

	Balance January 1, 2015	Additions	Deletions	Reclassification	Balance December 31, 2015
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 3,504,939	\$ -	\$ 208,086	\$ -	\$ 3,296,853
Construction in Progress	3,616,637	705,397	173,014	-	4,149,020
Total capital assets not being depreciated	7,121,576	705,397	381,100	-	7,445,873
Capital assets being depreciated:					
Buildings & Structures/Infrastructure	66,013,146	2,429,647	64,386	-	68,378,407
Furniture & Equipment	14,638,987	1,924,056	794,562	(20,450)	15,748,031
Total capital assets being depreciated:	80,652,133	4,353,703	858,948	(20,450)	84,126,438
Less: Accumulated Depreciation for:					
Buildings & Structures/Infrastructure	22,649,329	1,811,671	64,386	-	24,396,614
Furniture & Equipment	8,310,506	877,729	748,063	(20,450)	8,419,722
Total Accumulated Depreciation	30,959,835	2,689,400	812,449	(20,450)	32,816,336
Total Capital Assets being depreciated, net	49,692,298	1,664,303	46,499	-	51,310,102
Governmental activities capital assets, net	\$ 56,813,874	\$ 2,369,700	\$ 427,599	\$ -	\$ 58,755,975

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

	Balance January 1, 2015	Additions	Deletions	Reclassification	Balance December 31, 2015
Business-Type Activities:					
Capital Assets not being depreciated:					
Land	\$ 814,623	\$ -	\$ -	\$ -	\$ 814,623
Construction in Progress	2,548,951	9,719,513	123,782	-	12,144,682
Total capital assets not being depreciated:	<u>3,363,574</u>	<u>9,719,513</u>	<u>123,782</u>	<u>-</u>	<u>12,959,305</u>
Capital Assets being depreciated:					
Buildings and Structures	51,230,381	1,082,780	-	-	52,313,169
Land Improvements	2,190,048	-	-	-	2,190,048
Furniture & Equipment	5,236,203	530,978	161,890	20,450	5,625,741
Total capital assets, being depreciated	<u>58,656,640</u>	<u>1,613,758</u>	<u>161,890</u>	<u>20,450</u>	<u>60,128,958</u>
Less: Accumulated Depreciation for:					
Buildings and Structures	28,370,461	1,495,904	-	-	29,866,365
Land Improvements	58,780	3,107	-	-	61,887
Furniture & Equipment	3,875,014	286,271	161,890	20,450	4,019,845
Total Accumulated Depreciation	<u>32,304,255</u>	<u>1,785,282</u>	<u>161,890</u>	<u>20,450</u>	<u>33,948,097</u>
Total Capital Assets, being depreciated, net	<u>26,352,385</u>	<u>(171,524)</u>	<u>-</u>	<u>-</u>	<u>26,180,861</u>
Business-type activities capital assets, net	<u>\$ 29,715,959</u>	<u>\$ 9,547,989</u>	<u>\$ 123,782</u>	<u>\$ -</u>	<u>\$ 39,140,166</u>

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

Governmental Activities:	
General Government	\$ 30,870
Community Development	4,265
Public Safety	268,512
Public Works	1,879,224
Culture & Recreation	<u>506,529</u>
Total depreciation expense - governmental activities	<u>\$ 2,689,400</u>

Depreciation expense of \$15,776 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, 2015**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

Business-Type Activities:	
Water	\$ 616,064
Wastewater	899,353
Solid Waste	51,689
Golf Course	56,085
Joint Powers Landfill	<u>162,091</u>
Total depreciation expense - business-type activities	<u>\$ 1,785,282</u>

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Component Unit:				
Capital Assets, being depreciated				
Furniture & Equipment	\$ <u>6,633</u>	\$ -	\$ -	\$ <u>6,633</u>
Total capital assets, being depreciated	<u>6,633</u>	<u>-</u>	<u>-</u>	<u>6,633</u>
Less: Accumulated Depreciation	<u>4,700</u>	<u>400</u>	<u>-</u>	<u>5,100</u>
Component unit capital assets, net	<u>\$ 1,933</u>	<u>\$ (400)</u>	<u>\$ -</u>	<u>\$ 1,533</u>

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-Type Activities
Land	\$ 3,296,853	\$ 814,623
Construction in Progress	4,149,020	12,144,682
Capital Assets (Net of Accumulated Depreciation)	51,310,102	26,180,861
Less: Revenue Bonds	-	14,367,690
Capital Leases	<u>1,745,000</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 57,010,975</u>	<u>\$ 24,772,476</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 - COMMITMENTS

During the year ended December 31, 2015, the City had entered into several construction contracts totaling approximately \$12,604,178 of which approximately \$8,616,178 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	\$1,845,000	\$ -	\$ (100,000)	\$1,745,000

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, 2015.

Year Ending December 31,	Principal	Interest	Total
2016	\$ 105,000	\$ 80,280	\$ 185,280
2017	110,000	76,290	186,290
2018	115,000	71,780	186,780
2019	120,000	67,065	187,065
2020	120,000	61,785	181,785
2021– 2025	705,000	219,787	924,787
2026 – 2029	470,000	45,761	515,761
Totals	\$1,745,000	\$ 622,748	\$ 2,367,748

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015 (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, 2015	\$ 2,395	\$ 6,508	\$ 3,277	\$ 2,815	\$ 218	\$ 15,213
Notes/Bonds Issued	-	2,953	-	-	-	2,953
Notes/Bonds Retired	(110)	(633)	(316)	(445)	(17)	(1,521)
Notes/Bonds Payable at December 31, 2015	\$ 2,285	\$ 8,828	\$ 2,961	\$ 2,370	\$ 201	\$ 16,645

Debt outstanding at December 31, 2015, 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.	\$ 115,000	\$ 2,170,000	\$ 2,285,000
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.	450,000	1,920,000	2,370,000
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.	18,135	182,546	200,681
Water Revenue Bonds (SRF) maturing October 1, 2023, through 2045 with interest rates of 3.5%, 3.25% and 3.0% per annum, paid by the Water Fund.	415,364	8,412,274	8,827,638
Wastewater Revenue Bonds (SRF) maturing October 1, 2023, with an interest rate of 3.5% per annum, paid by the Wastewater Fund.	326,595	2,634,505	2,961,100
Totals	\$1,325,094	\$ 15,319,325	\$ 16,644,419

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 - LONG-TERM DEBT – (CONTINUED)

The governmental bonds are shown net of \$8,938 of unaccreted bond premiums and the business-type activity revenue bonds net of \$8,271 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, 2015, no amounts had been drawn on the bonds.

On November 17, 2014, the City issued \$12,850,000 of Drinking Water State Revolving Fund Bonds, to be used to finance improvements to its system of waterworks. The bonds have an interest rate of 3%. As of December 31, 2015, \$2,953,484 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, 2015, including interest payments of \$4,292,914 are as follows:

Year Ending December 31	2011 Sales Tax Bonds		Wastewater Revenue		Water Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 115,000	\$ 80,565	\$ 776,595	\$ 164,871	\$ 415,364	\$ 268,958
2017	115,000	78,265	798,177	143,164	488,091	253,552
2018	120,000	75,850	825,170	119,671	504,002	237,641
2019	120,000	72,850	847,587	94,191	520,434	221,208
2020	125,000	69,610	875,445	66,783	537,406	204,236
2021-2025	680,000	286,565	1,208,126	69,809	2,455,643	761,771
2026-2030	825,000	148,450	-	-	1,969,140	435,567
2031-2035	185,000	8,140	-	-	704,130	216,527
2036-2040	-	-	-	-	553,640	135,891
2041-2045	-	-	-	-	679,788	46,653
	<u>\$2,285,000</u>	<u>\$ 820,295</u>	<u>\$5,331,100</u>	<u>\$ 658,489</u>	<u>\$8,827,638</u>	<u>\$ 2,782,005</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Year Ending December 31	Joint Power Landfill (RLA) (SWMP)		Total	
	Principal	Interest	Principal	Interest
2016	\$ 18,135	\$ 5,885	\$ 1,325,094	\$ 520,279
2017	18,683	5,337	1,419,951	480,318
2018	19,248	4,773	1,468,419	437,935
2019	19,830	4,191	1,507,851	392,440
2020	20,429	3,591	1,558,281	344,220
2021-2025	102,085	8,313	4,445,854	1,126,459
2026-2030	2,271	35	2,796,411	584,052
2031-2035	-	-	889,130	224,667
2036-2040	-	-	553,640	135,891
2041-2045	-	-	679,788	46,653
	<u>\$ 200,681</u>	<u>\$ 32,125</u>	<u>\$16,644,419</u>	<u>\$ 4,292,914</u>

C. Accrued Compensated Absences and OPEB Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 477,712	\$ 396,501	\$ 374,189	\$ 500,024	\$ 75,004
Other Post Employment Benefit Obligation	179,755	-	36,181	143,574	-
Business-Type Activities:					
Compensated Absences	150,058	124,548	120,535	154,071	23,111
Other Post Employment Benefit Obligation	69,548	-	22,622	46,926	-
Total Accrued Compensated Absences and OPEB Liabilities	<u>\$ 877,073</u>	<u>\$ 521,049</u>	<u>\$ 553,527</u>	<u>\$ 844,595</u>	<u>\$ 98,115</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, 2015 were as follows:

	Interfund Receivables	Interfund Payables
Due From/To Other Funds:		
General Fund	\$ 373,695	\$ 28,669
Capital Projects – Special Capital Improvements	1,919,963	-
Capital Projects – Public Improvement	-	1,891,294
Non-major Enterprise Fund	-	373,695
	<u>\$ 2,293,658</u>	<u>\$ 2,293,658</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 10 - INTERFUND ASSETS/LIABILITIES – (CONTINUED)

As of December 31, 2015, long-term advances were as follows:

	Interfund Receivables	Interfund Payables
Advances From/To Other funds:		
General Fund	\$ 3,692,451	\$ 30,389
Special Capital Improvements	30,389	-
TID #5	-	3,692,451
	\$ 3,722,840	\$ 3,722,840

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, 2015, the following funds had deficit fund balances:

Special Revenue:	
TID #5	\$ 3,706,709

The TID #5 deficit will be refunded through future TID property tax collections.

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, 2015**

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

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 2015, 2014, and 2013 were \$441,414, \$403,645, and \$406,399, 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, 2015, SDRS is 104.1% funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of June 30, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 41,135,936
Less: proportionate share of total pension liability	<u>39,516,962</u>
Proportionate share of net pension asset	<u><u>\$ 1,618,974</u></u>

At December 31, 2015, the City reported an asset of \$1,618,974 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 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, 2015, the City's proportion was 0.38171770%, which is an increase of .0025559% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension revenue of \$267,121. At December 31, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 12 - PENSION PLAN (CONTINUED)

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 331,492	\$ -
Changes in assumption	1,283,744	-
Net Difference between projected and actual earnings on pension plan investments	989,005	2,388,827
Change in Proportion	-	8,263
City contributions subsequent to the measurement date	228,943	-
TOTAL	\$ 2,833,184	\$ 2,397,090

\$228,943 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, 2016. 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>	
2016	\$ 74,649
2017	74,649
2018	(208,447)
2019	266,300
Total	\$ 207,151

Actuarial Assumptions:

The total pension asset in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2017 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 12 - PENSION PLAN (CONTINUED)

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, 2015 (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	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	<u>2.0%</u>	0.0%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension asset was 7.25 percent through 2017 and 7.50% thereafter. 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 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 7.25 percent through 2017 and 7.50 percent thereafter, 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 (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) 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)	\$ 4,074,939	\$ (1,618,974)	\$(6,261,869)

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, 2015**

NOTE 13 - TRANSFERS

The following is a summary of transfers between funds:

	General	Public Improvement	Nonmajor Governmental	Total Transfer Out
General	\$ -	\$ 237,838	\$ 381,211	\$ 619,049
Nonmajor Governmental	84,033	-	299,029	383,062
Special Capital Improvements	2,247,026	-	100,587	2,347,613
TID #5	-	-	194,012	194,012
Wastewater	40,700	-	-	40,700
Water	52,000	-	-	52,000
Transfer In	<u>\$ 2,423,759</u>	<u>\$ 237,838</u>	<u>\$ 974,839</u>	<u>\$ 3,636,436</u>

Transfers are used to:

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

During the year ended December 31, 2015, the City made the following one-time transfers:

Transfer from the General Fund to the Dispatch Fund of \$451,038 to pay the balance of expenditures not covered through special revenues.

Transfer from the Lodging Sales Tax Fund from the Public Improvement Fund of \$233,458 to fund part of the purchase of additional HSC land.

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, 2015, the City managed its risks as follows:

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

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 14 - RISK MANAGEMENT (CONTINUED)

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

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

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

As of December 31, 2015, 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 2015, expenditures exceeded appropriated amounts by \$20,129 in the Traffic Control 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.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and NET OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution. Because the Plan was terminated as of December 31, 2013, allowing no new participants, the liability was calculated based upon known premium costs for the 13 participants. The following table shows the components of the City's annual OPEB for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

<i>Annual required contribution</i>	\$	-
<i>Interest on net OPEB obligation</i>		-
<i>Adjustment to annual required contribution</i>		<u>(9,522)</u>
<i>Annual OPEB cost</i>		(9,522)
<i>Contributions made</i>		<u>(49,280)</u>
<i>Decrease in net OPEB obligation</i>		(58,802)
<i>Net OPEB obligation – beginning of year</i>		<u>249,302</u>
<i>Net OPEB obligation – end of year</i>		<u>\$ 190,500</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 - 2015 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

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2015 as follows:

Accrued liability	\$	190,500
Value of plan assets		-
Unfunded accrued liability		<u>\$ 190,500</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, 2015**

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 2015 for this component was \$31,249.

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 and 2015 it was agreed the County would pay \$60,000 per year for dispatch services, which was appropriately paid.

NOTE 18 – ACCOUNTING CHANGE / RESTATEMENT

The City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension asset and deferred inflows and outflows of resources as of December 31, 2014. Also, a restatement of beginning net position was also made to reflect the proper allocation of the City's OPEB obligation between the City's funds. An additional restatement was also made to reflect a change in loan forgiveness amounts in connection with SRF Water Loan #3.

	Governmental Activities	Water	Waste- Water	Nonmajor Enterprise Funds	Central Garage Internal Service Fund
Net Position December 31, 2014, as Previously Reported	\$ 66,974,132	\$15,875,132	\$5,513,852	\$ 5,352,344	\$ 256,358
Net Pension Asset at December 31, 2014	2,103,775	172,596	178,635	276,700	33,409
Deferred Outflows of Resources	1,709,685	140,265	145,173	224,867	27,150
Deferred Inflows of Resources	(2,436,526)	(199,896)	(206,890)	(320,465)	(38,693)
Change in OPEB Allocation	(672)	2,734	(9,985)	7,923	(24,653)
Change in Loan Forgiveness	-	(20,708)	-	-	-
Net Position December 31, 2014, as restated	<u>\$ 68,350,394</u>	<u>\$15,970,123</u>	<u>\$5,620,785</u>	<u>\$ 5,541,369</u>	<u>\$ 253,571</u>

REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

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

CITY OF YANKTON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACUTAL
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Revenues:				
Taxes - Current Property	\$ 2,447,289	\$ 2,447,289	\$ 2,621,921	\$ 174,632
Taxes - Sales and Other	5,145,233	5,145,233	5,508,482	363,249
Licenses and Permits	347,800	347,800	442,583	94,783
Intergovernmental	1,238,592	1,261,092	512,403	(748,689)
Charges for Service	2,995,572	2,995,572	2,950,701	(44,871)
Fines and Forfeits	15,000	15,000	13,420	(1,580)
Interest	125	125	18,048	17,923
Miscellaneous	24,000	24,000	104,996	80,996
Total Revenues	<u>12,213,611</u>	<u>12,236,111</u>	<u>12,172,554</u>	<u>(63,557)</u>
Expenditures:				
General Government:				
Board of City Commission	161,140	161,140	132,715	28,425
Office of City Manager	333,162	333,162	279,575	53,587
City Attorney	54,249	69,249	62,385	6,864
Department of Finance	602,062	602,062	535,948	66,114
Information Systems	252,581	314,781	213,064	101,717
Community Development	405,483	405,483	326,767	78,716
Contingency	200,000	200,000	-	200,000
Casualty Reserve Fund	5,000	5,000	-	5,000
Special Appropriations	285,265	285,265	273,051	12,214
Total General Government	<u>2,298,942</u>	<u>2,376,142</u>	<u>1,823,505</u>	<u>552,637</u>
Public Safety:				
Police Department	2,756,686	2,942,386	2,313,253	629,133
Animal Control	69,554	69,554	57,447	12,107
Fire Department	1,713,678	1,733,678	1,487,641	246,037
Civil Defense	2,240	24,740	23,464	1,276
Total Public Safety	<u>4,542,158</u>	<u>4,770,358</u>	<u>3,881,805</u>	<u>888,553</u>
Public Works:				
Engineering and Inspection	666,374	687,774	595,160	92,614
Streets and Highways	1,678,487	1,803,487	1,531,934	271,553
Snow and Ice Removal	272,138	318,138	270,498	47,640
City Hall	203,677	207,677	175,921	31,756
Traffic Control	349,040	349,040	369,169	(20,129)
Chan Gurney Airport	614,838	618,205	350,214	267,991
Total Public Works	<u>3,784,554</u>	<u>3,984,321</u>	<u>3,292,896</u>	<u>691,425</u>

(continued)

CITY OF YANKTON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACUTAL
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Culture and Recreation:				
Marne Creek	170,050	206,150	126,287	79,863
Summit Activities Center	727,430	727,430	664,551	62,879
Memorial Park Pool	219,517	223,517	188,406	35,111
Parks and Recreation	1,102,000	1,115,000	1,017,460	97,540
Senior Citizens Center	94,092	94,092	63,744	30,348
Yankton Community Library	754,639	754,639	652,508	102,131
Total Culture and Recreation	<u>3,067,728</u>	<u>3,120,828</u>	<u>2,712,956</u>	<u>407,872</u>
Total Expenditures	<u>13,693,382</u>	<u>14,251,649</u>	<u>11,711,162</u>	<u>2,540,487</u>
Excess of Revenues over Expenditures	<u>(1,479,771)</u>	<u>(2,015,538)</u>	<u>461,392</u>	<u>2,476,930</u>
Other Financing Sources (Uses):				
Operating Transfers In	2,953,541	2,953,541	2,423,759	(529,782)
Operating Transfers (Out)	(5,281,504)	(5,338,604)	(619,049)	4,719,555
Proceeds from Sale of Fixed Assets			145,151	145,151
Total Other Financing Sources (Uses)	<u>(2,327,963)</u>	<u>(2,385,063)</u>	<u>1,949,861</u>	<u>4,334,924</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>(3,807,734)</u>	<u>(4,400,601)</u>	<u>2,411,253</u>	<u>6,811,854</u>
Fund Balances at Beginning of Year	<u>6,893,123</u>	<u>6,893,123</u>	<u>6,893,123</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 3,085,389</u>	<u>\$ 2,492,522</u>	<u>\$ 9,304,376</u>	<u>\$ 6,811,854</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, 2015

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes - Current Property	\$ 140,000	\$ 140,000	\$ 141,101	\$ 1,101
Intergovernmental	-	--	434,680	434,680
Total Revenues	<u>140,000</u>	<u>140,000</u>	<u>575,781</u>	<u>435,781</u>
Expenditures:				
Capital Outlay	2,400,000	2,400,000	2,316,917	83,083
Community Development	295,000	295,000	305,114	(10,114)
Total Expenditures	<u>2,695,000</u>	<u>2,695,000</u>	<u>2,622,031</u>	<u>72,969</u>
Excess of Revenues over Expenditures	<u>(2,555,000)</u>	<u>(2,555,000)</u>	<u>(2,046,250)</u>	<u>508,750</u>
Other Financing Sources (Uses):				
Operating Transfers In	2,747,398	2,747,398	--	(2,747,398)
Operating Transfers (Out)	(198,200)	(198,200)	(194,012)	4,188
Total Other Financing Sources (Uses)	<u>2,549,198</u>	<u>2,549,198</u>	<u>(194,012)</u>	<u>(2,743,210)</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>(5,802)</u>	<u>(5,802)</u>	<u>(2,240,262)</u>	<u>(2,234,460)</u>
Fund Balances at Beginning of Year	<u>(1,466,447)</u>	<u>(1,466,447)</u>	<u>(1,466,447)</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ (1,472,249)</u>	<u>\$ (1,472,249)</u>	<u>\$ (3,706,709)</u>	<u>\$ (2,234,460)</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015 to the original appropriations by fund were as follows for the General Fund:

	Original Appropriations	Total Revisions	Revised Appropriations
General Fund:			
General Government			
City Attorney	\$ 54,249	\$ 15,000	\$ 69,249
Information Systems	252,581	62,200	314,781
Public Safety			
Police Department	2,756,686	185,700	2,942,386
Fire Department	1,713,678	20,000	1,733,678
Civil Defense	2,240	22,500	24,740
Public Works			
Engineering & Inspection	666,374	21,400	687,774
Street & Highways	1,678,487	125,000	1,803,487
Snow and Ice Removal	272,138	46,000	318,138
City Hall	203,677	4,000	207,677
Chan Gurney Airport	614,838	3,367	618,205
Culture and Recreation			
Parks & Recreation	1,102,000	13,000	1,115,000
Memorial Park Pool	219,517	4,000	223,517
Marne Creek	170,050	36,100	206,150
Transfers Out	5,281,504	57,100	5,338,604

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.

CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit 11

6. Unexpended appropriations lapse at year-end. A supplemental appropriation ordinance was approved in the subsequent year by the Commission to provide additional funds for certain purchase orders outstanding at year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, capital projects funds, and all special revenue funds, with the exception of the Library Trust and Historic Easement Trust Funds. The municipality did not encumber any amounts at December 31, 2015.

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. Expenditures exceeded appropriations in the Traffic Control Department of the General Fund for the year end December 31, 2015
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, 2015

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

* 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)

South Dakota Retirement System

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	2014	2015
Municipality's proportion of the net pension liability (asset)	0.37916180%	0.38171770%
Municipality's proportionate share of net pension liability (asset)	\$ (2,732)	\$ (1,619)
Municipality's covered-employee payroll	\$ 6,257	\$ 6,843
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-43.66%	-23.66%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%

* 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 Fiscal Years
(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 441	\$ 404	\$ 406	\$ 393	\$ 381	\$ 382	\$ 361	\$ 354	\$ 342	\$ 346
Contributions in relation to the contractually required contribution	\$ 441	\$ 404	\$ 406	\$ 393	\$ 381	\$ 382	\$ 361	\$ 354	\$ 342	\$ 346
Contribution deficiency (excess)	<u>\$ -</u>									
Municipality's covered-employee payroll	\$ 6,843	\$ 6,257	\$ 6,286	\$ 6,080	\$ 5,887	\$ 5,912	\$ 5,583	\$ 5,480	\$ 5,287	\$ 5,279
Contributions as a percentage of covered-employee payroll	6.44%	6.46%	6.46%	6.46%	6.47%	6.46%	6.47%	6.46%	6.47%	6.55%

OTHER SUPPLEMENTARY INFORMATION

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

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

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

Major Funds:

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

Non-Major Funds:

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

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

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

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

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

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

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

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

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

Non-Major Fund:

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

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

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

Major Fund:

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

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

Non-Major Funds:

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

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

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

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

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

Non-Major Fund:

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

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CITY OF YANKTON, SOUTH DAKOTA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 December 31, 2015

	Special Revenue				
	Debt Service	Dispatch	Business Improvement District	TID #2 Morgan Square	Bridge & Street
Assets					
Cash and Cash Equivalents	\$ 195,565	\$ 14,527	\$ 315,976	\$ -	\$ 152,893
Receivables (Net where applicable, of allowance for uncollectibles):					
Accounts	-	\$ 15,000	-	-	-
Special Assessments	-	-	-	-	-
Due from Other Governmental Agencies	-	-	11,330	-	-
Restricted Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Total Assets	<u>195,565</u>	<u>29,527</u>	<u>327,306</u>	<u>-</u>	<u>152,893</u>
Liabilities					
Accounts Payable	-	1,601	-	-	21,445
Accrued Wages	-	8,570	-	-	-
Total Liabilities	<u>-</u>	<u>10,171</u>	<u>-</u>	<u>-</u>	<u>21,445</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	195,565	-	-	-	-
Dispatch	-	19,356	-	-	-
Perpetual Care	-	-	-	-	-
Lodging Sales Tax	-	-	327,306	-	-
Library	-	-	-	-	-
Road and Bridge Funds	-	-	-	-	131,448
Historic Easement Trust	-	-	-	-	-
Assigned:					
Capital Projects	-	-	-	-	-
Total Fund Balances	<u>195,565</u>	<u>19,356</u>	<u>327,306</u>	<u>-</u>	<u>131,448</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 195,565</u>	<u>\$ 29,527</u>	<u>\$ 327,306</u>	<u>\$ -</u>	<u>\$ 152,893</u>

EXHIBIT A-1

Special Revenue			Capital Projects	Permanent	Total Governmental Nonmajor Funds
Lodging Sales Tax	Library Trust	Historic Easement Trust	Non-Major Capital Projects	Perpetual Care Cemetery	
\$ 543,299	\$ 21,050	\$ 21,965	\$ 193,098	\$ 8,827	\$ 1,467,200
-	-	-	-	979	15,979
-	-	-	92,087	-	92,087
68,451	-	-	34,452	-	114,233
-	-	-	-	153,247	153,247
<u>611,750</u>	<u>21,050</u>	<u>21,965</u>	<u>319,637</u>	<u>163,053</u>	<u>1,842,746</u>
11,895	812	-	12,108	1,995	49,856
-	-	-	-	1,884	10,454
<u>11,895</u>	<u>812</u>	<u>-</u>	<u>12,108</u>	<u>3,879</u>	<u>60,310</u>
-	-	-	53,809	-	53,809
13,933	-	-	-	-	13,933
<u>13,933</u>	<u>-</u>	<u>-</u>	<u>53,809</u>	<u>-</u>	<u>67,742</u>
-	-	-	-	50,000	50,000
-	-	-	-	-	195,565
-	-	-	-	-	19,356
585,922	-	-	-	109,174	109,174
-	20,238	-	-	-	913,228
-	-	-	-	-	20,238
-	-	21,965	-	-	131,448
-	-	-	-	-	21,965
-	-	-	253,720	-	253,720
<u>585,922</u>	<u>20,238</u>	<u>21,965</u>	<u>253,720</u>	<u>159,174</u>	<u>1,714,694</u>
<u>\$ 611,750</u>	<u>\$ 21,050</u>	<u>\$ 21,965</u>	<u>\$ 319,637</u>	<u>\$ 163,053</u>	<u>\$ 1,842,746</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, 2015

	Special Revenue				
	Debt Service	Dispatch	Business Improvement District	TID #2 Morgan Square	Bridge & Street
Revenue:					
Taxes	\$ -	\$ -	\$ -	\$ 56,688	\$ -
Sales and Other Taxes	-	-	141,856	-	21,397
Special Assessments	-	-	-	-	-
Intergovernmental	-	81,816	-	-	-
Charges for Services	-	-	-	-	-
Interest on Investments	-	991	954	-	603
Contributions	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenue	<u>-</u>	<u>82,807</u>	<u>142,810</u>	<u>56,688</u>	<u>22,000</u>
Expenditures:					
Current:					
Public Safety	-	555,120	-	-	-
Public Works	-	-	-	56,688	-
Culture and Recreation	-	-	-	-	-
Community Development	-	-	-	-	-
Capital Outlay:					
Public Works	-	-	12,465	-	41,420
Culture-Recreation	-	-	-	-	-
Debt Service	193,265	-	-	-	-
Total Expenditures	<u>193,265</u>	<u>555,120</u>	<u>12,465</u>	<u>56,688</u>	<u>41,420</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(193,265)</u>	<u>(472,313)</u>	<u>130,345</u>	<u>-</u>	<u>(19,420)</u>
Other Financing Sources (Uses):					
Transfers In	194,012	451,038	-	-	-
Transfers Out	-	-	(2,840)	-	-
Total Other Financing Sources (Uses)	<u>194,012</u>	<u>451,038</u>	<u>(2,840)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	747	(21,275)	127,505	-	(19,420)
Fund Balances - Beginning of Year	194,818	40,631	199,801	-	150,868
Fund Balances- End of Year	<u>\$ 195,565</u>	<u>\$ 19,356</u>	<u>\$ 327,306</u>	<u>\$ -</u>	<u>\$ 131,448</u>

EXHIBIT A-2

Special Revenue			Capital Projects	Permanent	Total Governmental Nonmajor Funds
Lodging Sales Tax	Library Trust	Historic Easement Trust	Non-Major Capital Projects	Perpetual Care Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,688
600,188	-	-	-	-	763,441
-	-	-	29,522	-	29,522
-	-	-	35,668	-	117,484
-	-	-	-	25,399	25,399
2,886	88	85	-	758	6,365
-	9,629	-	-	-	9,629
-	-	-	-	650	650
<u>603,074</u>	<u>9,717</u>	<u>85</u>	<u>65,190</u>	<u>26,807</u>	<u>1,009,178</u>
-	-	-	-	-	555,120
-	-	-	-	-	56,688
-	14,559	-	-	114,403	128,962
353,655	-	-	-	-	353,655
-	-	-	138,134	-	192,019
-	-	-	109,628	-	109,628
-	-	-	-	-	193,265
<u>353,655</u>	<u>14,559</u>	<u>-</u>	<u>247,762</u>	<u>114,403</u>	<u>1,589,337</u>
249,419	(4,842)	85	(182,572)	(87,596)	(580,159)
-	-	-	238,758	91,031	974,839
(352,651)	-	-	(27,571)	-	(383,062)
<u>(352,651)</u>	<u>-</u>	<u>-</u>	<u>211,187</u>	<u>91,031</u>	<u>591,777</u>
(103,232)	(4,842)	85	28,615	3,435	11,618
689,154	25,080	21,880	225,105	155,739	1,703,076
<u>\$ 585,922</u>	<u>\$ 20,238</u>	<u>\$ 21,965</u>	<u>\$ 253,720</u>	<u>\$ 159,174</u>	<u>\$ 1,714,694</u>

CITY OF YANKTON, SOUTH DAKOTA
 COMBINING BALANCE SHEET
 Nonmajor Capital Projects Funds
 December 31, 2015

	<u>Infrastructure Improvement</u>	<u>Park Capital Projects</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 129,966	\$ 1,062
Due from Other Governments	-	-
Special Assessments	-	-
Total Assets	129,966	1,062
 <u>Liabilities</u>		
Accounts Payable	51	-
Total Liabilities	51	-
 <u>Deferred Inflows of Resources</u>		
Unavailable revenue- special assessments		
Total Deferred Inflows of Resources	-	-
 <u>Fund Balances</u>		
Assigned:		
Capital Projects	129,915	1,062
Total Fund Balances	129,915	1,062
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 129,966	\$ 1,062

EXHIBIT A-3

Airport Capital Improvement	Infrastructure Improvement Revolving	Totals
\$ 62,070	\$ -	\$ 193,098
34,452		34,452
	92,087	92,087
<u>96,522</u>	<u>92,087</u>	<u>319,637</u>
12,057	-	12,108
<u>12,057</u>	<u>-</u>	<u>12,108</u>
	53,809	53,809
<u>-</u>	<u>53,809</u>	<u>53,809</u>
84,465	38,278	253,720
<u>84,465</u>	<u>38,278</u>	<u>253,720</u>
\$ 96,522	\$ 92,087	\$ 319,637

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, 2015

	<u>Infrastructure Improvement</u>	<u>Park Capital Projects</u>
Revenues:		
Special Assessments	\$ -	\$ -
Intergovernmental	-	-
Total Revenues	<u>-</u>	<u>-</u>
Expenditures:		
Capital Outlay:		
Public Works	100,588	
Culture-Recreation		109,628
Total Expenditures	<u>100,588</u>	<u>109,628</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(100,588)</u>	<u>(109,628)</u>
Other Financing Sources (Uses):		
Transfers In	128,158	110,600
Transfers (out)		
Total Other Financing Sources (Uses)	<u>128,158</u>	<u>110,600</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	27,570	972
Fund Balances at Beginning of Year	<u>102,345</u>	<u>90</u>
Fund Balances at End of Year	<u>\$ 129,915</u>	<u>\$ 1,062</u>

EXHIBIT A-4

Airport Capital Improvement	Infrastructure Improvement Revolving	Totals
\$ -	\$ 29,522	\$ 29,522
<u>35,668</u>	<u>-</u>	<u>35,668</u>
<u>35,668</u>	<u>29,522</u>	<u>65,190</u>
37,546		138,134
		<u>109,628</u>
<u>37,546</u>	<u>-</u>	<u>247,762</u>
<u>(1,878)</u>	<u>29,522</u>	<u>(182,572)</u>
		238,758
	(27,571)	<u>(27,571)</u>
<u>-</u>	<u>(27,571)</u>	<u>211,187</u>
(1,878)	1,951	28,615
<u>86,343</u>	<u>36,327</u>	<u>225,105</u>
<u>\$ 84,465</u>	<u>\$ 38,278</u>	<u>\$ 253,720</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, 2015

	Golf Course	Solid Waste	Joint Powers Landfill	Totals
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 47,916	\$ 836,370	\$ 441,017	\$ 1,325,303
Accounts Receivable (Net of allowance for uncollectibles)	6,770	139,107	59,447	205,324
Due from other governments	-	-	15,300	15,300
Prepaid Expenses	4,027	17,039	5,896	26,962
Inventory	55,649	-	-	55,649
Total Current Assets	<u>114,362</u>	<u>992,516</u>	<u>521,660</u>	<u>1,628,538</u>
Noncurrent Assets:				
Restricted Assets : Cash and Cash Equivalents	-	-	24,021	24,021
Net Pension Asset	61,743	56,337	45,909	163,989
Property, Plant and Equipment:				
Land	533,787	74,639	11,414	619,840
Construction Work in Progress	-	-	38,250	38,250
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	2,481,817	297,254	1,058,064	3,837,135
Total Noncurrent Assets	<u>3,077,347</u>	<u>428,230</u>	<u>1,177,658</u>	<u>4,683,235</u>
Total Assets	<u>3,191,709</u>	<u>1,420,746</u>	<u>1,699,318</u>	<u>6,311,773</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	<u>108,049</u>	<u>98,589</u>	<u>80,341</u>	<u>286,979</u>
Liabilities				
Current Liabilities:				
Accounts Payable	16,477	17,453	51,876	85,806
Accrued Interest Payable	-	-	502	502
Accrued Wages Payable	5,323	6,143	5,577	17,043
Accrued Compensated Absences	2,785	3,555	2,997	9,337
Revenue Bonds Payable	-	-	18,135	18,135
Due to other Funds	373,695	-	-	373,695
Total current liabilities	<u>398,280</u>	<u>27,151</u>	<u>79,087</u>	<u>504,518</u>
Noncurrent liabilities:				
Accrued Compensated Absences	15,782	20,143	16,980	52,905
Estimated Postemployment Benefit Obligation	-	18,410	-	18,410
Revenue Bonds (net of current portion)	-	-	182,546	182,546
Total noncurrent liabilities	<u>15,782</u>	<u>38,553</u>	<u>199,526</u>	<u>253,861</u>
Total Liabilities	<u>414,062</u>	<u>65,704</u>	<u>278,613</u>	<u>758,379</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	<u>91,418</u>	<u>83,414</u>	<u>67,974</u>	<u>242,806</u>
Net Position				
Net Investment in Capital Assets	3,015,604	371,893	907,047	4,294,544
Restricted for:				
Debt Service	-	-	23,519	23,519
SDRS Pension Purposes	78,374	71,512	58,276	208,162
Unrestricted	(299,700)	926,812	444,230	1,071,342
Total Net Position	<u>\$ 2,794,278</u>	<u>\$ 1,370,217</u>	<u>\$ 1,433,072</u>	<u>\$ 5,597,567</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, 2015

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Operating Revenues - Charges for Service	\$ 763,895	\$ 956,006	\$ 1,104,736	\$ 2,824,637
Operating Expenses:				
Personal Services	327,081	352,417	250,448	929,946
Insurance	5,148	6,091	13,955	25,194
Professional Services	25,931	14,369	20,416	60,716
Tipping Fees		149,771	4,140	153,911
Repairs and Maintenance	74,720	37,263	177,984	289,967
Cost of Sales and Service	210,126		408,937	619,063
Supplies and Materials	49,883	6,080	7,529	63,492
Travel and conference	1,148		275	1,423
Utilities	31,028	473	20,895	52,396
Billing and Administration	67,340	254,908		322,248
Depreciation	56,085	51,689	162,091	269,865
Total Operating Expenses	<u>848,490</u>	<u>873,061</u>	<u>1,066,670</u>	<u>2,788,221</u>
Operating Income (Loss)	<u>(84,595)</u>	<u>82,945</u>	<u>38,066</u>	<u>36,416</u>
Nonoperating Revenues:				
Interest Income	240	2,862	1,705	4,807
Intergovernmental			15,300	15,300
Interest Expense			(6,374)	(6,374)
Miscellaneous, net	3,093		2,306	5,399
Gain (loss) on disposition of assets	650			650
Total Nonoperating Revenues	<u>3,983</u>	<u>2,862</u>	<u>12,937</u>	<u>19,782</u>
Change in Net Position	(80,612)	85,807	51,003	56,198
Total Net Position - Beginning	<u>2,799,408</u>	<u>1,229,026</u>	<u>1,323,910</u>	<u>5,352,344</u>
Prior Period Adjustment	<u>75,482</u>	<u>55,384</u>	<u>58,159</u>	<u>189,025</u>
Net Position- Beginning as Restated	<u>2,874,890</u>	<u>1,284,410</u>	<u>1,382,069</u>	<u>5,541,369</u>
Total Net Position - Ending	<u>\$ 2,794,278</u>	<u>\$ 1,370,217</u>	<u>\$ 1,433,072</u>	<u>\$ 5,597,567</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds
For the Year Ended December 31, 2015

	Business-Type			Totals
	Golf Course	Solid Waste	Joint Powers Landfill	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 710,068	\$ 942,309	\$ 1,149,162	\$ 2,801,539
Cash Received for Interfund Services	-	6,518	-	6,518
Cash Paid to Suppliers for Goods and Services	(452,535)	(434,020)	(507,316)	(1,393,871)
Cash Paid to Employees for Services	(349,291)	(370,690)	(262,086)	(982,067)
Cash Paid for Interfund Services	(16,913)	(36,833)	(120,926)	(174,672)
Other Nonoperating Revenues	3,093	-	2,306	5,399
Net Cash Provided (Used) from Operating Activities	<u>(105,578)</u>	<u>107,284</u>	<u>261,140</u>	<u>262,846</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(36,891)	(101)	(191,653)	(228,645)
Proceeds from Sale of Fixed Assets	650	-	-	650
Interest Paid on Bonds	-	-	(6,418)	(6,418)
Principal Paid on Notes, Bonds and Leases	-	-	(17,604)	(17,604)
Net Cash (Used) by Capital and Related Financing Activities	<u>(36,241)</u>	<u>(101)</u>	<u>(215,675)</u>	<u>(252,017)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Change in Due to Other Funds	92,585	-	-	92,585
Net Cash Provided from Non-Capital Financing Activities	<u>92,585</u>	<u>-</u>	<u>-</u>	<u>92,585</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	240	2,862	1,705	4,807
Net Cash Provided from Investing Activities	<u>240</u>	<u>2,862</u>	<u>1,705</u>	<u>4,807</u>
Net Increase (decrease) in Cash and Cash Equivalents	(48,994)	110,045	47,170	108,221
Cash and Cash Equivalents at Beginning of Year	96,910	726,325	417,868	1,241,103
Cash and Cash Equivalents at End of Year	<u>\$ 47,916</u>	<u>\$ 836,370</u>	<u>\$ 465,038</u>	<u>\$ 1,349,324</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (84,595)	\$ 82,945	\$ 38,066	\$ 36,416
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	56,085	51,689	162,091	269,865
Other Non-Operating Income	3,093	-	2,306	5,399
(Increase) Decrease in Assets:				
Accounts Receivable	13,111	(7,179)	44,426	50,358
Inventory	(7,087)	-	-	(7,087)
Net Pension Asset	42,436	38,721	31,554	112,711
Pension Related Deferred Outflow	(23,383)	(21,338)	(17,389)	(62,110)
Prepaid Expenses	(350)	(1,658)	(445)	(2,453)
Increase (Decrease) in Liabilities:				
Accounts Payable	3,313	(240)	26,334	29,407
Unearned Revenue	(66,938)	-	-	(66,938)
Accrued Wages Payable	(7,729)	(8,832)	(5,833)	(22,394)
Estimated Postemployment Benefit Obligation	-	(4,253)	-	(4,253)
Pension Related Deferred Inflow	(29,239)	(26,679)	(21,741)	(77,659)
Accrued Compensated Absences	(4,295)	4,108	1,771	1,584
Total Adjustments	<u>(20,983)</u>	<u>24,339</u>	<u>223,074</u>	<u>226,430</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (105,578)</u>	<u>\$ 107,284</u>	<u>\$ 261,140</u>	<u>\$ 262,846</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:				
Cash and Cash Equivalents	\$ 47,916	\$ 836,370	\$ 441,017	\$ 1,325,303
Restricted Cash and Cash Equivalents	-	-	24,021	24,021
	<u>\$ 47,916</u>	<u>\$ 836,370</u>	<u>\$ 465,038</u>	<u>\$ 1,349,324</u>

CITY OF YANKTON, SOUTH DAKOTA
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2015

	Copier- Fax- Postage	Central Garage	Totals
ASSETS:			
Current Assets:			
Cash	\$ 1,578	\$ 61,827	\$ 63,405
Inventory	-	145,762	145,762
Due from Other Governments	-	6,994	6,994
Prepaid Expenses	-	1,982	1,982
Total Current Assets	1,578	216,565	218,143
Noncurrent Assets:			
Net Pension Asset		19,800	19,800
Capital Assets:			
Land	-	7,000	7,000
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	116,433	116,433
Total Noncurrent Assets	-	143,233	143,233
Total Assets	1,578	359,798	361,376
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows		34,650	34,650
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,578	49,359	50,937
Accrued Wages	-	2,015	2,015
Accrued Compensated Absences	-	959	959
Total Current Liabilities	1,578	52,333	53,911
Noncurrent Liabilities:			
Estimated Postemployment Benefit Obligation	-	23,779	23,779
Accrued Compensated Absences	-	5,435	5,435
Total Noncurrent Liabilities	-	29,214	29,214
Total Liabilities	1,578	81,547	83,125
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows		29,317	29,317
NET POSITION			
Net Investment in Capital Assets	-	123,433	123,433
Restricted for SDRS Pension Purposes		25,133	25,133
Unrestricted	-	135,018	135,018
Total Net Position	\$ -	\$ 283,584	\$ 283,584

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, 2015

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
Operating Revenues:			
Charges for Goods and Services	\$ 17,394	\$ 674,148	\$ 691,542
Total Operating Revenue	<u>17,394</u>	<u>674,148</u>	<u>691,542</u>
Operating Expenses:			
Personnel Services	-	109,324	109,324
Professional Services	-	2,314	2,314
Repairs and Maintenance	-	5,465	5,465
Supplies and Materials	-	493,424	493,424
Utilities	-	16,513	16,513
Other Current Expenses	17,394	-	17,394
Depreciation	-	15,776	15,776
Total Operating Expenses	<u>17,394</u>	<u>642,816</u>	<u>660,210</u>
Operating Income	<u>-</u>	<u>31,332</u>	<u>31,332</u>
Nonoperating Revenue (Expense):			
Loss on Sale of Fixed Assets	-	(1,319)	(1,319)
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>(1,319)</u>	<u>(1,319)</u>
Income Before Contributions and Transfers	-	30,013	30,013
Change in Net Position	-	30,013	30,013
Total Net Position - Beginning	<u>-</u>	<u>256,358</u>	<u>256,358</u>
Prior Period Adjustment	<u>-</u>	<u>(2,787)</u>	<u>(2,787)</u>
Net Position- Beginning as Restated	<u>-</u>	<u>253,571</u>	<u>253,571</u>
Total Net Position - Ending	<u>\$ -</u>	<u>\$ 283,584</u>	<u>\$ 283,584</u>

CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

	Copier- Fax- Postage	Central Garage	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customer Services Provided	\$ 17,394	\$ 99,084	\$ 116,478
Cash Received from Interfund Services Provided	-	579,052	579,052
Cash Paid for Personal Services	-	(120,979)	(120,979)
Cash Paid to Suppliers	(17,127)	(503,408)	(520,535)
Cash Paid for Interfund Services	-	(1,698)	(1,698)
Net Cash Provided by Operating Activities	267	52,051	52,318
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	-	(36,486)	(36,486)
Net Cash (Used for) Capital and Related Financing Activities	-	(36,486)	(36,486)
Net Increase in Cash and Cash Equivalents	267	15,565	15,832
Cash and Cash Equivalents Beginning of Year	1,311	46,262	47,573
Cash and Cash Equivalents End of Year	\$ 1,578	\$ 61,827	\$ 63,405
RENCONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ -	\$ 31,332	\$ 31,332
Adjustments to Renconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	-	15,776	15,776
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Accounts Receivable	-	3,988	3,988
Prepaid Expenses	-	(202)	(202)
Inventory	-	(1,289)	(1,289)
Net Pension Asset	-	13,609	13,609
Pension Related Deferred Outflow	-	(7,500)	(7,500)
Accounts Payable	267	14,101	14,368
Accrued Wages Payable	-	(3,816)	(3,816)
Estimated Postemployment Benefit Obligation	-	(4,517)	(4,517)
Pension Related Deferred Inflows	-	(9,376)	(9,376)
Accrued Compensated Absences	-	(55)	(55)
Net Cash Provided by Operating Activities	\$ 267	\$ 52,051	\$ 52,318

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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, 2015

	<u>Employee Benefits</u>	<u>Sales Tax</u>	<u>Totals</u>
Assets			
Cash and Cash Equivalents	\$ 26,196	\$ 757	\$ 26,953
Total assets	<u>26,196</u>	<u>757</u>	<u>26,953</u>
Liabilities			
Other accrued expenses	26,196	-	26,196
Accounts Payable	-	757	757
Total liabilities	<u>26,196</u>	<u>757</u>	<u>26,953</u>
Net Position			
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the Year Ended December 31, 2015

	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2015</u>
<u>Employee Benefits</u>				
ASSETS				
Cash and Cash Equivalents	\$ 26,177	\$ 4,227,472	\$ 4,227,453	\$ 26,196
Prepaid Expenses	26	7,228	7,254	-
Total Assets	<u>26,203</u>	<u>4,234,700</u>	<u>4,234,707</u>	<u>26,196</u>
LIABILITIES				
Accrued Taxes Payable	-	1,882,444	1,882,444	-
Accrued Fringe Benefit Payable	26,203	2,361,956	2,361,963	26,196
Total Liabilities	<u>26,203</u>	<u>4,244,400</u>	<u>4,244,407</u>	<u>26,196</u>
 <u>Sales Tax</u>				
ASSETS				
Cash and Cash Equivalents	<u>473</u>	<u>3,247</u>	<u>2,963</u>	<u>757</u>
LIABILITIES				
Accounts Payable	473	757	473	757
Due to State Government	-	3,247	3,247	-
Total Liabilities	<u>473</u>	<u>4,004</u>	<u>3,720</u>	<u>757</u>
 <u>Totals - All Agency Funds</u>				
ASSETS				
Cash and Cash Equivalents	26,650	4,230,719	4,230,416	26,953
Prepaid Expenses	26	7,228	7,254	-
Total Assets	<u>26,676</u>	<u>4,237,947</u>	<u>4,237,670</u>	<u>26,953</u>
LIABILITIES				
Accounts Payable	473	757	473	757
Accrued Taxes Payable	-	1,882,444	1,882,444	-
Accrued Fringe Benefit Payable	26,203	2,361,956	2,361,963	26,196
Due to State Government	-	3,247	3,247	-
Total Liabilities	<u>\$ 26,676</u>	<u>\$ 4,248,404</u>	<u>\$ 4,248,127</u>	<u>\$ 26,953</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, 2015

	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	\$ 141,856	\$ 21,856	\$ -	\$ -	\$ -
Property Tax							57,000	56,688	(312)
Intergovernmental	86,500	81,816	(4,684)						
Interest earned	120	991	871	300	954	654			
Total revenue	<u>86,620</u>	<u>82,807</u>	<u>(3,813)</u>	<u>120,300</u>	<u>142,810</u>	<u>22,510</u>	<u>57,000</u>	<u>56,688</u>	<u>(312)</u>
EXPENDITURES									
Current:									
Public works							57,000	56,688	312
Public Safety	672,918	555,120	117,798						
Community Development				117,900	12,465	105,435			
Total Expenditures	<u>672,918</u>	<u>555,120</u>	<u>117,798</u>	<u>117,900</u>	<u>12,465</u>	<u>105,435</u>	<u>57,000</u>	<u>56,688</u>	<u>312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(586,298)</u>	<u>(472,313)</u>	<u>113,985</u>	<u>2,400</u>	<u>130,345</u>	<u>127,945</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES(USES)									
Transfers in	611,298	451,038	(160,260)						
Transfer (out)				(2,400)	(2,840)	(440)			
Total other financing sources(uses)	<u>611,298</u>	<u>451,038</u>	<u>(160,260)</u>	<u>(2,400)</u>	<u>(2,840)</u>	<u>(440)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>25,000</u>	<u>(21,275)</u>	<u>(46,275)</u>	<u>-</u>	<u>127,505</u>	<u>127,505</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		40,631			199,801				
Fund balances - ending		<u>\$ 19,356</u>			<u>\$ 327,306</u>		<u>\$ -</u>		

(Continued)

EXHIBIT D-1

Bridge & Street			Lodging Sales Tax		
Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
\$ 21,397	\$ 21,397	\$ -	\$ 545,700	\$ 600,188	\$ 54,488
		-			-
		-			-
225	603	378	1,500	2,886	1,386
<u>21,622</u>	<u>22,000</u>	<u>378</u>	<u>547,200</u>	<u>603,074</u>	<u>55,874</u>
475,000	41,420	433,580			-
		-			-
		-	384,503	353,655	30,848
<u>475,000</u>	<u>41,420</u>	<u>433,580</u>	<u>384,503</u>	<u>353,655</u>	<u>30,848</u>
<u>(453,378)</u>	<u>(19,420)</u>	<u>433,958</u>	<u>162,697</u>	<u>249,419</u>	<u>86,722</u>
339,556	-	(339,556)			-
		-	(351,803)	(352,651)	848
<u>339,556</u>	<u>-</u>	<u>(339,556)</u>	<u>(351,803)</u>	<u>(352,651)</u>	<u>848</u>
<u>(113,822)</u>	<u>(19,420)</u>	<u>94,402</u>	<u>162,697</u>	<u>(103,232)</u>	<u>87,570</u>
	<u>150,868</u>			<u>689,154</u>	
\$ <u>131,448</u>			\$ <u>585,922</u>		

CITY OF YANKTON, SOUTH DAKOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CAPITAL PROJECT FUNDS AND PERMANENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Capital Improvement Fund			Airport Capital Improvement		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 3,337,711	\$ 3,690,871	\$ 353,160	\$ -	\$ -	\$ -
Special Assessments						
Intergovernmental	2,618,600	2,543,420	(75,180)	342,000	35,668	(306,332)
Charges for Services		5,801	5,801			
Interest	6,000	32,096	26,096			
Gain on Sale of Land						
Miscellaneous						
Total revenue	<u>5,962,311</u>	<u>6,272,188</u>	<u>309,877</u>	<u>342,000</u>	<u>35,668</u>	<u>(306,332)</u>
EXPENDITURES						
Current						
Culture and Recreation			-			-
Community Development			-			-
Public Works	<u>6,560,552</u>	<u>1,724,128</u>	<u>4,836,424</u>	<u>365,000</u>	<u>37,546</u>	<u>327,454</u>
Total expenditures	<u>6,560,552</u>	<u>1,724,128</u>	<u>4,836,424</u>	<u>365,000</u>	<u>37,546</u>	<u>327,454</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(598,241)</u>	<u>4,548,060</u>	<u>5,146,301</u>	<u>(23,000)</u>	<u>(1,878)</u>	<u>21,122</u>
OTHER FINANCING SOURCES(USES)						
Proceeds From Sale of Assets	-	80,415	80,415	-	-	-
Transfers (out)	(3,296,003)	(2,347,613)	948,390			
Transfer in			-			
Total other financing sources(uses)	<u>(3,296,003)</u>	<u>(2,267,198)</u>	<u>1,028,805</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(3,894,244)</u>	<u>2,280,862</u>	<u>6,175,106</u>	<u>(23,000)</u>	<u>(1,878)</u>	<u>21,122</u>
Fund balances - beginning		<u>7,302,460</u>			<u>86,343</u>	
Fund balances - ending		<u>\$ 9,583,322</u>		<u>\$ 84,465</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28,000	89,585	61,585	-	-	-	-	-	-
	750	750						
	226	226						
	68,023	68,023						
<u>28,000</u>	<u>158,584</u>	<u>130,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
28,000	12,909	15,091	-	-	-	148,600	109,628	38,972
405,000	46,300	358,700	200,000	100,588	99,412	-	-	-
<u>433,000</u>	<u>59,209</u>	<u>373,791</u>	<u>200,000</u>	<u>100,588</u>	<u>99,412</u>	<u>148,600</u>	<u>109,628</u>	<u>38,972</u>
(405,000)	99,375	504,375	(200,000)	(100,588)	99,412	(148,600)	(109,628)	38,972
171,542	164,475	(7,067)	-	-	-	-	-	-
<u>233,458</u>	<u>237,838</u>	<u>4,380</u>	<u>153,548</u>	<u>128,158</u>	<u>(25,390)</u>	<u>148,600</u>	<u>110,600</u>	<u>(38,000)</u>
405,000	402,313	(2,687)	153,548	128,158	(25,390)	148,600	110,600	(38,000)
<u>-</u>	<u>501,688</u>	<u>501,688</u>	<u>(46,452)</u>	<u>27,570</u>	<u>74,022</u>	<u>-</u>	<u>972</u>	<u>972</u>
	(76,592)			102,345			90	
\$ <u>425,096</u>			\$ <u>129,915</u>			\$ <u>1,062</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, 2015

	Infrastructure Improvement Revolving			Permanent Fund		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	44,600	29,522	(15,078)	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	24,300	25,399	1,099
Interest	120	-	(120)	450	758	308
Miscellaneous	-	-	-	-	650	650
Total revenue	<u>44,720</u>	<u>29,522</u>	<u>(15,198)</u>	<u>24,750</u>	<u>26,807</u>	<u>2,057</u>
EXPENDITURES						
Current						
Culture and Recreation	-	-	-	167,761	114,403	53,358
Economic Development	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,761</u>	<u>114,403</u>	<u>53,358</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44,720</u>	<u>29,522</u>	<u>(15,198)</u>	<u>(143,011)</u>	<u>(87,596)</u>	<u>55,415</u>
OTHER FINANCING SOURCES(USES)						
Proceeds From Sale of Real Estate	-	-	-	-	-	-
Transfers (out)	(106,147)	(27,571)	78,576	-	-	-
Transfer in	-	-	-	131,469	91,031	(40,438)
Total other financing sources(uses)	<u>(106,147)</u>	<u>(27,571)</u>	<u>78,576</u>	<u>131,469</u>	<u>91,031</u>	<u>(40,438)</u>
Net change in fund balances	<u>(61,427)</u>	<u>1,951</u>	<u>63,378</u>	<u>(11,542)</u>	<u>3,435</u>	<u>14,977</u>
Fund balances - beginning	-	<u>36,327</u>	-	-	<u>155,739</u>	-
Fund balances - ending	-	<u>\$ 38,278</u>	-	<u>\$ 159,174</u>	-	-

SINGLE AUDIT SECTION

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Expenditures of Federal Awards (Cash Basis)
For The Year Ended December 31, 2015

	Federal CFDA Number	Agency or Pass-through Number	Amount	Expenditures to Subrecipients
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	\$ 39,970	\$ 39,970
Department of Justice:				
Direct Federal Funding:				
Bullet Proof Vest Partnership	16.607		2,110	-
Department of Transportation:				
Direct Federal Funding:				
Airport Improvement Program	20.106		28,709	-
Indirect Federal Funding:				
SD Department of Transportation State and Community Highway Safety	20.600	2015-27-48	1,458	-
SD Department of Transportation, Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	2015-27-48	<u>1,891</u>	-
Cluster Subtotal			3,349	
SD Department of Transportation, Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2015-27-48	343	-
Environmental Protection Agency:				
Indirect Federal Funding:				
SD Department of Environment and Natural Resources, Capitalization Grants for Drinking Water State Revolving Funds	66.468	C462038-05	2,562,372	-
Department of Homeland Security				
Indirect Federal Funding:				
SD Department of Public Safety Homeland Security Grant Program Yankton County	97.067	FY14HLSLD0629	22,428	-
Homeland Security Grant Program	97.067	FY14HLSLLE0121	<u>21,000</u>	-
Program subtotal			43,428	
Total Expenditures of Federal Awards			<u>\$ 2,680,281</u>	

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015.

	<u>Total Amount Of Loan Outstanding</u>	<u>Federal Portion Of Loan Outstanding</u>
Wastewater System #3, Series 2011 (83.33%)	\$ 2,961,100	\$ 2,467,485
Total Wastewater System	<u>\$ 2,961,100</u>	<u>\$ 2,467,485</u>
Water System Services 2001 (76.97%)	\$ 1,705,843	\$ 1,312,987
Water System, Services Series #2 (50.06%)	676,495	338,653
Water System, Services Series #3 (62.25%)	2,071,399	1,289,446
Water System, Services Series #4 (56.05%)	1,631,557	914,488
Water System, Services Series #5 (86.75%)	2,721,636	2,361,019
Total Water System	<u>\$ 8,806,930</u>	<u>\$ 6,216,593</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 \$39,970 of CDBG Funds, through CFDA number 14.228 as a pass-through, to the sub recipient, the Boys and Girls Club of Yankton. The grant identification number is 1414-111.

See accompanying independent auditors' report.

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings & Questioned Costs
For the Year Ended December 31, 2015

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) No significant deficiencies in internal control over major programs were reported in the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) Major program: Capitalization Grants for Drinking Water State Revolving Funds CFDA #66.468
- (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:

2015-001 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.

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.

Part III: Findings and Questioned Costs Relating to Federal Awards

Instances of Non-Compliance:

No Matters were noted.

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings & Questioned Costs
For the Year Ended December 31, 2015

Significant Deficiency:

No Matters were noted.

Part IV: Summary Schedule of Prior Audit Findings

II-A-14 Financial Reporting

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

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

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

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

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

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.



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

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF YANKTON, SOUTH DAKOTA as of and for the year ended December 31, 2015 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 15, 2016. 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 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 2015-001 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.

Williams & Company, P.C.
Certified Public Accountants

Yankton, South Dakota
July 15, 2016



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**Independent Auditor's 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 compliance of the City of Yankton, South Dakota (the City) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Yankton Housing and Redevelopment Commission, which received \$482,018 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended December 31, 2015. 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in a material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

The 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.

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.

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

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 15, 2016

Schedule of Findings and Questioned Costs
Corrective Action Plan
December 31, 2015

The City of Yankton, South Dakota, respectfully submits the following corrective action plan for the year ended December 31, 2015.

The audit was performed by Williams & Company, P.C., P.O. Box 36, Yankton, South Dakota, for the fiscal year ended December 31, 2015.

The findings from the December 31, 2015 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

MATERIAL WEAKNESS:

2015-001 Conditions and Criteria – 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.

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.

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 2016 calendar year report.

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

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