

In the opinion of Bond Counsel to the City, according to federal laws, regulations, rulings and decisions in effect on the date of issuance of the Certificates, the interest component to be paid on the Certificates is not includable in gross income for federal income tax purposes except under certain conditions, discussed under the caption "TAX EXEMPTION AND OTHER FEDERAL TAX CONSIDERATIONS" herein. The Certificates represent certain proportionate ownership interests in certain payments made by the City under the Lease, as described herein. For purposes of acquisition by banks and other financial institutions, the City has designated the Lease as a "qualified tax-exempt obligation" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended the interest component on the Certificates is includable in net income for South Dakota tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43.

\$1,590,000
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2018
Evidencing the Proportional Interests of the Owners thereof in
Lease Payments under a Lease Agreement, between
The First Dakota National Bank and the City of Yankton, South Dakota

Dated: Date of Delivery

Due: December 1, as shown on the inside front cover

The Refunding Certificates of Participation, Series 2018 (the "Certificates"), in the original aggregate principal amount of \$1,590,000, are being issued to (i) refund the Certificates of Participation, Series 2009 maturing December 1, 2018 to December 1, 2028 in the aggregate principal amount of \$1,530,000 (the "Refunded Series 2009 Certificates"); and (ii) pay costs of issuance for the Certificates. The Certificates represent proportionate interests in certain lease payments (the "Lease Payments") to be made by the City of Yankton, South Dakota (the "City") under a Lease Agreement, dated as of February 12, 2009, as amended by a First Amended and Restated Lease-Purchase Agreement, dated as of April 9, 2018 (as so amended, the "Lease"), pursuant to which the City is leasing the Land (as improved by certain Facilities) from The First Dakota National Bank (the "Trustee"), as Trustee. Pursuant to a Ground Lease Agreement, dated as of February 12, 2009 (the "Ground Lease") between the City and the Trustee, the City is leasing the Land (as improved by certain Facilities) to the Trustee. The Certificates are issued pursuant to a Declaration of Trust, dated as of February 12, 2009, as amended by a First Supplemental and Restated Declaration of Trust, dated as of April 9, 2018 (as so amended, the "Trust Agreement"), by the Trustee and joined in by the City. Undefined capitalized terms on this cover are defined in the text hereof or the Trust Agreement.

The Lease is subject to termination by the City at the end of any fiscal year in the event of nonappropriation by the City of funds sufficient to pay the Lease Payments. An investment in the Certificates involves risks, including, but not limited to, those discussed under "RISK FACTORS" in this Official Statement.

THE CERTIFICATES AND THE LEASE DO NOT CONSTITUTE A GENERAL OR MORAL OBLIGATION OF THE CITY AND ARE NOT SECURED BY THE FULL FAITH AND CREDIT OR THE TAXING POWER OF THE CITY. THE CERTIFICATES AND THE LEASE ARE NOT A DEBT OR OBLIGATION OF THE CITY, YANKTON COUNTY, THE STATE OF SOUTH DAKOTA (THE "STATE"), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, NOR DOES THE LEASE OR THE CERTIFICATES CONSTITUTE A DEBT OF THE CITY FOR THE PURPOSES OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS. Additional information regarding the security for the Certificates is provided under the caption "SECURITY FOR THE CERTIFICATES" and "TRUST AGREEMENT" in this Official Statement.

The Certificates will be issued as fully registered certificates without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, to which principal and redemption premium, if any, and interest payments on the Certificates will be made. Individual purchases of Certificates will be made in book-entry form only, in principal amounts of \$5,000 or any integral multiple thereof. Beneficial owners of the Certificates will not receive physical delivery of Certificates. Interest on the Certificates will be payable semiannually on each June 1 and December 1, commencing June 1, 2018 (each a "Payment Date"), to the registered owner as of the close of business on the 15th day of the calendar month prior to a Payment Date, as more fully described in this Official Statement. Principal of the Certificates will be payable on each December 1 as described in this Official Statement. The Certificates are subject to redemption prior to maturity under the terms and conditions described in this Official Statement. See "THE CERTIFICATES – Redemption" in this Official Statement. Northland Trust Services, Inc., will be the Paying Agent/Registrar.

This cover page contains certain information for quick reference only. This cover page is not intended to be a summary of the Certificates or the security therefor. Potential purchasers of the Certificates should read this Official Statement, including the Appendices hereto, in its entirety prior to making an informed investment decision with respect to the Certificates.

The Certificates are offered when, as and if issued and accepted by Dougherty & Company LLC (the "Underwriter"), subject to the opinion as to their validity and the tax-exempt status of the interest component of the Certificates by Meierhenry Sargent LLP, Sioux Falls, South Dakota, Bond Counsel to the City. The Certificates will be delivered through the facilities of DTC in New York, New York on or about April 9, 2018.

DOUGHERTY & COMPANY LLC

The date of this Official Statement is March 15, 2018

MATURITY SCHEDULE

\$1,590,000
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2018
Evidencing the Proportional Interests of the Owners thereof in
Lease Payments under a Lease Agreement, between
The First Dakota National Bank and the City of Yankton, South Dakota

The Certificates will mature on December 1 in the amounts and years as set forth below:

\$1,300,000 Serial Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2018	\$145,000	1.65%	1.65%	984805 AL5
2019	135,000	1.75	1.75	984805 AM3
2020	135,000	1.90	1.90	984805 AN1
2021	140,000	2.10	2.10	984805 AP6
2022	145,000	2.25	2.25	984805 AQ4
2023	145,000	2.45	2.45	984805 AR2
2024	145,000	2.60	2.60	984805 AS0
2025	155,000	2.75	2.75	984805 AT8
2026	155,000	2.85	2.85	984805 AU5

Term Bond

\$290,000 3.10% Term Certificates due December 1, 2028, Priced to Yield 3.10%, 984805 AV3**

** *CUSIP data is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Owners of the Certificates only at the time of issuance of the Certificates and neither the City nor the Underwriter makes any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future.*

CITY OF YANKTON, SOUTH DAKOTA
416 Walnut Street
Yankton, South Dakota 57078

Common Commission and City Officials

<u>Name</u>	<u>Title</u>
Jake Hoffner	Mayor
David Knoff	Commission Member
David Carda	Commission Member
Nathan Johnson	Commission Member
Charlie Gross	Commission Member
Amy Minor	Commission Member
Tony Maibaum	Commission Member
Stephanie Moser	Commission Member
Chris Ferdig	Commission Member
Al Viereck	Finance Officer
Amy Nelson	City Manager
Ross DenHerder	City Attorney

Bond Counsel

Meierhenry Sargent LLP
Sioux Falls, South Dakota

Underwriter

Dougherty & Company LLC
Pierre, South Dakota and Minneapolis, Minnesota

Trustee

The First Dakota National Bank
Yankton, South Dakota

Paying Agent/Registrar

Northland Trust Services, Inc.
Minneapolis, Minnesota

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby by any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriter.

The information contained in this Official Statement has been obtained from the City and other sources which are believed to be reliable, but such information is not guaranteed as to completeness or accuracy by the Underwriter. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE THEREOF.

In making an investment decision with respect to the Certificates, investors must rely on their own examination of the Certificates, the City, the terms of the offering, and the risks with respect to such an investment. The Certificates have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, no federal or state securities commission or regulatory authority has confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense under applicable law. In connection with the offering of the Certificates, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The order and placement of materials in this Official Statement, including appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions of this Official Statement. The offering of the Certificates is made only by means of this entire Official Statement.

The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Certificates. Except for the information under the heading "THE TRUSTEE", the Trustee has or assumes no responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents.

This Official Statement has been prepared only in connection with the original offering of the Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, the Underwriter's responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the City, the Certificates and the terms of the offering, including the merits and risks involved. The Certificates have not been recommended by any

federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE FRONT COVER HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE CERTIFICATES, THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Official Statement, including the Appendices hereto, contains statements which should be considered “forward-looking statements,” meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as “plan,” “expect,” “estimate,” “budget” or similar words. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

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SUMMARY OF THE OFFERING

The following is a summary of certain information discussed in this Official Statement. Capitalized terms used herein are defined in the text or used with the meanings assigned in the Trust Agreement relating to the Certificates. This summary is qualified in its entirety by reference to the more detailed information included elsewhere in this Official Statement.

The Certificates.....The Refunding Certificates of Participation, Series 2018 (the “Certificates”), in the original aggregate principal amount of \$1,590,000, dated as of the date of delivery, are being issued in connection with the City of Yankton, South Dakota (the “City”) under a Lease Agreement, dated as of February 12, 2009, as amended by a First Amended and Restated Lease-Purchase Agreement, dated as of April 9, 2018 (as so amended, the “Lease”), with respect to the Land (defined below), as improved by the Facilities (defined below). The Certificates will be issued as fully registered certificates, without coupons, in book-entry form. Interest on the Certificates is payable commencing June 1, 2018 and semiannually thereafter on each December 1 and June 1. Principal of the Certificates is payable on December 1, commencing December 1, 2018, and annually thereafter on each December 1 in the years and in the amounts shown on the inside front cover page hereof. See “THE CERTIFICATES.”

Use of ProceedsThe proceeds of the Certificates will be used by the City to: (i) refund the Certificates of Participation, Series 2009 Certificates maturing December 1, 2018 to December 1, 2028 in the aggregate principal amount of \$1,530,000 (the “Refunded Series 2009 Certificates”); and (ii) pay costs of issuance for the Certificates. See “SOURCES AND USES OF FUNDS” and “THE REFUNDED CERTIFICATES” in this Official Statement.

Refunded Certificates.....The proceeds of the Certificates will be applied to (i) refund the Certificates of Participation, Series 2009 Certificates maturing December 1, 2018 to December 1, 2028 in the aggregate principal amount of \$1,530,000 (the “Refunded Series 2009 Certificates”); and (ii) pay costs of issuance for the Certificates. The Refunded Series 2009 Certificates will be redeemed on April 9, 2018 at par.

The 2009 Project consisted of the acquisition, construction and equipping of a fire station (the “2009 Project”) in the City. The 2009 Project was constructed on land owned by the City (the “Land”). See “THE REFUNDED CERTIFICATES” in this Official Statement.

Security.....The Certificates will be issued pursuant to the terms of a First Supplemental and Restated Declaration of Trust, dated as of April 9, 2018 (the “Trust Agreement”), by The First Dakota National Bank, Yankton, South Dakota, as trustee (the “Trustee”) and joined in by the City. The Certificates will be special, limited obligations of the City payable solely from and secured by (i) annually budgeted and appropriated Lease Payments paid by the City under the Lease; (ii) money and securities held by the Trustee under the Trust Agreement; and (iii) following an Event of Nonappropriation or an Event of Default under the Lease, any money received by the Trustee from the transfer of the lease of the Land or 2009 Project or the exercise of other remedies under the Lease; and (iv) any money and securities, including investment income, held by the Trustee under the Trust Agreement. See “SECURITY FOR THE CERTIFICATES” in this Official Statement.

The Lease and the Certificates are special, limited obligations of the City. The City may choose not to renew, and therefore terminate its obligations under the Lease on an annual basis. The Lease and the Certificates are not general or moral obligations of the City. The Lease and the Certificates do not constitute a debt for which the full faith and credit of the City, the State of South Dakota (the “State”), Yankton County, or any other political subdivision of the State are pledged, nor does the Lease or the Certificates

constitute a debt of the City for the purposes of any constitutional or statutory debt limitations. The City will have no liability to provide funds in addition to the Lease Payments and amounts on deposit with the Trustee in the event that the City does not make Lease Payments sufficient to pay the principal of or interest on the Lease and the Certificates. Although the Trustee will attempt to lease or generate revenue from the 2009 Project in the event that the City (i) defaults under the terms of the Lease, or (ii) terminates the Lease, no assurance can be given that the Trustee will be able to lease or generate revenue from the 2009 Project or Land to a user who will pay any rent or pay rent in an amount sufficient to pay the operating costs of the 2009 Project and debt service on the Certificates. See “TRUST AGREEMENT” and “SECURITY FOR THE CERTIFICATES” in this Official Statement.

On January 28, 2008 the City Commissioners adopted an “Opt Out” Resolution allowing the City to “opt-out” of such property tax limitation in the amount of approximately \$190,000 per year for 20 years, beginning in calendar year 2008, for taxes payable in 2009. Pursuant to the Opt Out Resolution, the \$190,000 levy amount will be used for the payment of obligations used to construct the new fire station. The City intends to use the opt-out levy for the Lease Payments, but the levy is not pledged to the payment of the Certificates. See “SECURITY FOR THE CERTIFICATES – Opt Out and Levy” in this Official Statement.

Book-Entry System..... The Certificates will be fully registered as to principal and interest in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”). Subject to certain exceptions described herein, all purchases, sales or other transfers of beneficial ownership in the Certificates are to be made by book-entry only, and no owner will receive, hold or deliver any certificates as long as DTC or any successor securities depository is the registered owner of the Certificates. See “APPENDIX D - BOOK-ENTRY ONLY SYSTEM” in this Official Statement.

Redemption All Certificates maturing on or after December 1, 2024, are subject to redemption and prepayment at the option of the City on December 1, 2023, and on any day thereafter, in whole or in part, at a redemption price equal to one hundred percent (100%) of the outstanding principal amount plus accrued interest to the date of redemption, as further described in this Official Statement. See “THE CERTIFICATES - Redemption” and “LEASE” in this Official Statement.

Additional Certificates Under certain circumstances, as provided in the Trust Agreement and the Lease, Additional Certificates may be issued with a parity lien on the Lease Payments corresponding to the Certificates. The Certificates and any Additional Certificates are referred to herein as the “Certificates.” See “SECURITY FOR THE CERTIFICATES - Additional Certificates”, “TRUST AGREEMENT”, and “LEASE” in this Official Statement.

Tax Status..... The City has covenanted to comply with requirements necessary under the Internal Revenue Code of 1986, as amended (the “Code”), to establish and maintain the exclusion from gross income of the interest component of the Base Rents under the Lease that correspond to the Certificates. See “TAX EXEMPTION AND OTHER FEDERAL TAX CONSIDERATIONS” and “APPENDIX E - FORM OF BOND COUNSEL OPINION” in this Official Statement.

Financial Statements The audited financial statements of the City for the fiscal year ended December 31, 2016 are set forth in APPENDIX B to this Official Statement. These are the most recent audited financial statements available for the City. The financial statements in APPENDIX B were audited by Grant & Williams, Inc., Sioux Falls, South Dakota (the “Auditor”). See “FINANCIAL STATEMENTS” and “APPENDIX B – AUDITED

FINANCIAL INFORMATION FOR FISCAL YEAR ENDED DECEMBER 31, 2016”
in this Official Statement.

Secondary

Market Disclosure.....The City will make certain secondary market disclosure pertaining to the Certificates. See “CONTINUING DISCLOSURE CERTIFICATE” and “APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE” in this Official Statement.

Legal Counsel.....Certain legal matters incident to the authorization, issuance, sale and delivery of the Certificates are subject to the approval of Meierhenry Sargent LLP, Sioux Falls, South Dakota, Bond Counsel to the City. See “LEGAL MATTERS” and “ENFORCEABILITY OF OBLIGATIONS” in this Official Statement.

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OFFICIAL STATEMENT

\$1,590,000
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2018
Evidencing the Proportional Interests of the Owners thereof in
Lease Payments under a Lease Agreement between
The First Dakota National Bank and the City of Yankton, South Dakota

INTRODUCTION

This Official Statement, which includes the Summary of the Offering and the Appendices hereto, sets forth information relating to the City of Yankton, South Dakota (the “City”), and the Refunding Certificates of Participation, Series 2018 (the “Certificates”), in the original aggregate principal amount of \$1,590,000. The City has entered into a First Supplemental Lease Agreement, dated as of April 9, 2018 (the “Lease”), between the City and The First Dakota National Bank (the “Trustee”) and has authorized the issuance of Certificates representing certain proportionate ownership interests in certain payments to be made by the City under the Lease. The Lease and Certificates are authorized pursuant to (i) the Constitution and laws of the State of South Dakota (the “State”), inter alia, South Dakota Codified Laws, Chapter 9-12, as amended (the “Act”), (ii) a Resolution adopted by the Common Council of the City of Yankton, South Dakota (the “Common Council”), and (iii) a First Supplemental and Restated Declaration of Trust, dated as of February 12, 2018 (the “Trust Agreement”), by the Trustee and joined in by the City. Certain terms which have been capitalized but not defined herein have the meanings assigned to those terms in the Trust Agreement and the Lease.

The City will use proceeds of the Certificates to: (i) refund the Certificates of Participation, Series 2009 Certificates maturing December 1, 2018 to December 1, 2028 in the aggregate principal amount of \$1,530,000 (the “Refunded Series 2009 Certificates”); and (ii) pay costs of issuance for the Certificates. See “SOURCES AND USES OF FUNDS” and “THE REFUNDED CERTIFICATES” in this Official Statement.

The proceeds of the Refunded Series 2009 Certificates were used by the Trustee to finance the acquisition, construction and equipping of a fire station (the “Facilities”) on certain real property (the “Land”). The Land was leased by the City to the Trustee and, in turn, the Trustee is to obtain a leasehold interest in the Land, as improved by the Facilities, pursuant to a Ground Lease Agreement, dated as of February 12, 2009 (the “Ground Lease”), between the Trustee, as lessee, and the City, as lessor. The Trustee will lease the Land to the City pursuant to the terms of the Lease. See “THE REFUNDED CERTIFICATES” and “LEASE” in this Official Statement.

The City may determine not to appropriate funds to pay annual lease payments, and therefore terminate all of the City’s obligations under the Lease on an annual basis. The exercise of the City of its option to not renew, and therefore terminate its obligations under the Lease is determined by a failure of the Common Council to specifically appropriate money sufficient to pay principal and interest for the ensuing fiscal year (an “Event of Nonappropriation”). Upon an Event of Nonappropriation, the City will lose the right to utilize the 2009 Project for the terms of the Ground Lease. See “RISK FACTORS” and “LEASE” in this Official Statement.

The Certificates are payable solely from (i) money annually budgeted and appropriated to Lease Payments; (ii) money and securities held by the Trustee under the Trust Agreement, including investment income held by the Trustee under the Trust Agreement, and (iii) following an Event of Nonappropriation or an Event of Default under the Lease, any money received by the Trustee from the transfer or lease of the Land or the exercise of other remedies under the Lease. See “SECURITY FOR THE CERTIFICATES” in this Official Statement.

The Lease and the Certificates are special, limited obligations of the City. The City may choose not to renew, and therefore terminate its obligations under the Lease on an annual basis. The Lease and the Certificates are not general or moral obligations of the City. The Lease and the Certificates do not constitute a debt for which the full faith and credit of the City, Yankton County, the State of South Dakota (the “State”), or any other political subdivision of the State are pledged, nor does the Lease or the Certificates constitute a debt of the City for the purposes of any constitutional or statutory debt limitations. The City will have no liability to provide funds in addition to the Lease Payments and amounts on deposit with the Trustee in the event that the City does not make Lease Payments sufficient to pay the principal of or interest on the Lease and the Certificates. Although the Trustee will attempt to lease or generate revenue from the Land in the event that the City (i) defaults under the terms of the Lease or (ii) terminates the Lease, no assurance can be given that the Trustee will be able to lease or generate revenue from the Land to a user who will pay any rent or pay rent in an amount sufficient to pay the operating costs of the fire station located on the Land and debt service on the Certificates. Neither the Lease nor the Certificates constitute a multiple fiscal year direct or indirect debt or other financial obligation of the City or obligate the City to make any payments beyond those appropriated for any fiscal year in which the Lease is in effect.

This Official Statement contains information about the Lease, the Certificates, the Trust Agreement, the Ground Lease, the Trustee, the City and other matters pertinent to the offering of the Certificates. The references to and summaries of provisions of the laws of the State and the descriptions of documents included herein do not purport to be complete and are qualified in their entirety by reference to the complete provisions thereof, copies of which are available from the Trustee or Dougherty & Company LLC, as Underwriter.

THE CITY

General Information

The City of Yankton (the “City”) is located in Yankton County, in northeastern South Dakota. See “APPENDIX A – GENERAL AND FINANCIAL INFORMATION RELATING TO THE CITY” in this Official Statement.

Authority

The City is authorized by South Dakota Codified Laws, Sections 9-12-1, as amended (the “Act”), to enter into leases for acquisition of real or personal property that the governing body considers necessary or appropriate to carry out its governmental and proprietary functions. The Certificates are being issued by the City pursuant to (i) a Resolution adopted by the Common Council (the “Resolution”) on February 12, 2018.

THE REFUNDED CERTIFICATES

The proceeds of the Certificates will be applied to (i) refund the Certificates of Participation, Series 2009 Certificates maturing December 1, 2018 to December 1, 2028 in the aggregate principal amount of \$1,530,000 (the “Refunded Series 2009 Certificates”); and (ii) pay costs of issuance for the Certificates. The Refunded Series 2009 Certificates will be redeemed on April 9, 2018 at par.

The proceeds of the Refunded Series 2009 Certificates were used to fund the 2009 Project which consisted of the acquisition, construction and equipping of a fire station (the “2009 Project”) in the City. The 2009 Project was constructed on land owned by the City (the “Land”).

SOURCES AND USES OF FUNDS

The Certificates are being issued to (i) refund the Certificates of Participation, Series 2009 Certificates maturing December 1, 2018 to December 1, 2028 in the aggregate principal amount of \$1,530,000 (the “Refunded Series 2009 Certificates”); and (ii) pay costs of issuance for the Certificates. The table below sets forth the estimated sources and uses of the proceeds of the Certificates.

Sources of Funds

Par Amount of Certificates	\$1,590,000.00
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Total Sources of Funds	<u>\$1,590,000.00</u>
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Uses of Funds

Refunding Fund	\$1,555,521.77
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Costs of Issuance**	<u>34,478.23</u>
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Total Uses of Funds	<u>\$1,590,000.00</u>
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***Includes various attorneys' fees, Underwriter's fees and discount, Trustee fees, and other miscellaneous costs.*

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DEBT SERVICE SCHEDULE

The table below sets forth the amounts required each year to be paid with respect to the Certificates, assuming no prepayments. All amounts shown in the table below are gross debt service numbers prior to the application of any earnings on amounts deposited in any funds or accounts established under the Trust Agreement. Interest on the Certificates will be paid on June 1 and December 1 of each year, commencing June 1, 2018. Principal of the Certificates will be paid on December 1 of each year, commencing December 1, 2018.

Year (Ending December 1)	Principal Amount	Interest Amount	Annual Debt Service
2018	\$145,000	\$24,821	\$169,821
2019	135,000	36,123	171,123
2020	135,000	33,760	168,760
2021	140,000	31,195	171,195
2022	145,000	28,255	173,255
2023	145,000	24,993	169,993
2024	145,000	21,440	166,440
2025	155,000	17,670	172,670
2026	155,000	13,408	168,408
2027	160,000	8,990	168,990
2028	130,000	4,030	134,030
Totals	\$1,590,000	\$244,683	\$1,834,683

DEBT SERVICE COVERAGE TABLE

The City, subject to its option of nonappropriation, for a debt service tax levy in amounts sufficient to pay principal and interest on the Certificates. Although the levy for City buildings and structures is limited to \$1,937,201. On January 28, 2008, the City Commissioners adopted an “Opt Out” Resolution allowing the City to “opt-out” of such tax limitation in the amount of approximately \$190,000 per year for 20 years, beginning in calendar year 2008, for taxes payable in 2009. Pursuant to the Opt Out Resolution, the \$190,000 levy amount will be used for the payment of obligations used to construct the new fire station. The City intends to use the opt-out levy for the Lease Payments, but the levy is not pledged to the payment of the Certificates. See “SECURITY FOR THE CERTIFICATES – in this Official Statement.

Date (December 1)	Opt Out Tax Levy	Total Debt Service*	Coverage*
2018	\$190,000	\$169,821	1.12x
2019	190,000	171,123	1.11
2020	190,000	168,760	1.13
2021	190,000	171,195	1.11
2022	190,000	173,255	1.10
2023	190,000	169,993	1.12
2024	190,000	166,440	1.14
2025	190,000	172,670	1.10
2026	190,000	168,408	1.13
2027	190,000	168,990	1.12
2028	190,000	134,030	1.42

* Debt Service is based on an assumed interest rate of 2.69%.

THE CERTIFICATES

The Certificates are dated as of their date of issuance and are issued as fully registered certificates in book-entry form. Interest on the Certificates is payable commencing June 1, 2018 and semiannually thereafter on each December 1 and June 1 to the holder registered on the books of the City (initially Cede & Co. as nominee of The Depository Trust Company) as of the 15th day of the month immediately preceding each Payment Date. Principal of the Certificates will be paid on each December 1 Payment Date, commencing December 1, 2018. The Certificates will mature in the amounts and on the dates shown on the inside front cover page of this Official Statement. Northland Trust Services, Inc., will be the Paying Agent/Registrar for the Certificates (the “Certificate Registrar”).

Redemption

Optional Redemption. At the option of the City, Certificates maturing December 1, 2024 are subject to optional redemption, in whole or part, on December 1, 2023 and on any date thereafter at a price of par plus accrued interest to the date of redemption. Notice of redemption shall be given by first class mail not less than 30 days prior to the redemption date, (or, if applicable, by the securities depository in accordance with its customary procedures) to the Owner of each Certificate to be redeemed, at the Owner’s address as it appears on the bond registration books kept by the Certificate Registrar.

Mandatory Sinking Fund Redemption. The Certificates maturing on December 1, 2028 will be redeemed by lot on December 1 in the years listed below at their principal amount, without premium, plus accrued interest thereon to such redemption date in the following years and principal amounts or, if less than such amount is then outstanding, an amount equal to the aggregate principal amount of the Certificates then outstanding in accordance with the following schedule:

Certificates Maturing December 1, 2028

Payment Date (December 1)	Principal Amount
2027	\$ 160,000
2028 (Maturity)	130,000

Such redemption may be made from moneys received due to the exercise by the City of its option to prepay Lease Payments pursuant to the Lease, including any moneys transferred from the Lease Payment Account to the Redemption Account for this purpose.

Extraordinary Mandatory Redemption. The Certificates are subject to redemption in whole at any time or in part from any net insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Lease. Such redemption shall occur on any Business Day selected by the Trustee for which adequate notice may be given, at a redemption price equal to 100% of the aggregate principal amount of the Certificates to be redeemed plus accrued interest to the redemption date.

Partial Redemption

The order of redemption of the Certificates within any maturity shall be established by lot in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be redeemed shall be in the principal amount of \$5,000 or any multiple thereof, and that in selecting portions of Certificates for redemption, the Trustee shall treat each such certificate as representing that number of Certificates which is obtained by dividing the principal amount of such certificate by \$5,000.

Notice of Redemption

Whenever the Certificates are to be redeemed, the Trustee is required to, not less than thirty (30) prior to the redemption date, mail notice of redemption to all Owners of all Certificates to be redeemed at their registered address. However, failure to give such notice by mailing, or any defect therein, does not affect the validity of any proceedings for the redemption of the Certificates as to which no such failure has occurred.

All Certificates called for redemption cease to bear interest after the specified redemption date, provided that sufficient funds for redemption are on deposit with the Trustee.

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Book-Entry Only System

So long as a book-entry system is used for determining beneficial ownership of the Certificates, the Certificate Registrar is to send such notice to The Depository Trust Company (“DTC”) or to Cede & Co., as nominee for DTC. DTC was organized to hold securities of its Participants. Any failure of DTC to advise any Participant, or of any Participant or indirect participant to notify the Beneficial Owner, of any such notice and its content or effect does not affect the validity of the redemption of the Certificates called for redemption or any other action premised on that notice. In the event of a partial call, DTC’s practice is to determine by lot the amount of the interest of each Participant in the Certificates to be redeemed, and each such Participant then selects by lot the ownership interest in such Certificates to be redeemed. When DTC and Participants allocate the call, the Beneficial Owners of the book-entry interests called are to be notified by the broker or other organization responsible for maintaining the records of those interests and subsequently credited by that organization with the proceeds once the Certificates are redeemed. See “APPENDIX D - BOOK-ENTRY ONLY SYSTEM” in this Official Statement.

Prepayment Purchase Option

The City shall have the option to prepay the unpaid Lease Payments. The City shall give notice to the Trustee of its intention to exercise its prepayment purchase option not less than 30 days in advance of the date of exercise, and shall pay to the Trustee on the date of exercise an amount equal to the amount of Principal to be prepaid, plus accrued interest to the prepayment date, less any insurance Net Proceeds.

SECURITY FOR THE CERTIFICATES

Special, Limited Obligations

The Certificates are special, limited obligations of the City and the principal of, premium, if any, and interest on the Certificates are payable solely from the Lease Payments made from the general resources of the City that is annually appropriated by the Common Council to the payment of the Certificates. The Certificates shall never constitute a general indebtedness of the City within the meaning of any state constitutional or statutory provision, are not debt within the meaning of any statutory limitation of indebtedness, do not and shall not give rise to a general or moral obligation of the City, Yankton County, the State, or any of its political subdivisions, and do not constitute a charge against the City’s general credit or taxing powers. See “APPENDIX B - AUDITED FINANCIAL INFORMATION FOR FISCAL YEAR ENDED DECEMBER 31, 2016” in this Official Statement.

Under the terms of the Trust Agreement and the Lease, the City is obligated on an annual basis to make semi-annual Lease Payments to the Trustee on each May 15 and November 15, commencing November 15, 2018, as shown on Exhibit B to the Lease. As required by the Trust Agreement, the Trustee will deposit into the Lease Payment Account money sufficient to pay the interest and principal due on December 1 and the interest due on June 1 of each year.

Lease Payments

The payment of principal of and interest on the Certificates is payable from Lease Payments made by the City under the Lease. The schedule of Lease Payments corresponds to the debt service on the Certificates.

The obligation of City to make Lease Payments or any other payments required under the Lease is subject to annual appropriation. The City reasonably believes that it will have a need for the 2009 Project for the duration of the Lease Term and that the City will continue to appropriate funds in amount

sufficient to make all payments under the Lease. The City currently anticipates that Lease Payments will be paid from the tax Levy (as defined below) and other legally available sources.

The City has the option to purchase the 2009 Project in accordance with the Lease by exercising the Prepayment Purchase Option (as more particularly defined herein), generally equal to an amount sufficient to effect a defeasance of the Certificates then Outstanding. See “LEASE – Exercise of Prepayment Purchase Option.” The Trustee is required to use the amount paid by the City upon exercise of the Prepayment Purchase Option to pay the principal of, premium (if any) and interest on the Certificates.

Opt Out and Tax Levy

The City Commissioners have provided for a debt service tax levy in amounts sufficient to pay principal and interest on the Certificates. Although the levy for City buildings and structures is limited to \$1,937,201. On January 28, 2008, the City Commissioners adopted an “Opt Out” Resolution allowing the City to “opt-out” of such tax limitation in the amount of approximately \$190,000 per year for 20 years, beginning in calendar year 2008, for taxes payable in 2009. Pursuant to the Opt Out Resolution, the \$190,000 levy amount will be used for the payment of obligations used to construct the new fire station. The City intends to use the opt-out levy for the Lease Payments, but the levy is not pledged to the payment of the Certificates.

Exercise of Remedies under Lease and Trust Agreement

Upon the occurrence of failure to appropriate or an Event of Default under the Lease, the Trustee is permitted to lease the 2009 Project in accordance with the terms of the Ground Lease, or exercise its other remedies under the Lease and the Trust Agreement. See “LEASE” and “TRUST AGREEMENT” in this Official Statement. See “THE CERTIFICATES – Redemption” for a description of the terms on which the Certificates are subject to redemption upon the occurrence of nonappropriation by the City or an Event of Default under the Lease.

Funds Established Pursuant to the Trust Agreement

The Trust Agreement provides for the establishment of various funds and accounts, all of which will be in the custody of the Trustee, which funds include the “City of Yankton Lease-Purchase Agreement Trust Fund (the “Trust Fund”). The Trustee will keep the Trust Fund separate and apart from all other funds and money. Within the Trust Fund, the Trustee shall establish (i) a Construction and Cost of Issuance Account, (ii) a Lease Payment Account, and (iii) a Redemption Account. Pursuant to the Trust Agreement, the Trustee shall also establish a Rebate Account. Amounts on deposit in the Rebate Account are not part of the Trust Estate and are not available to pay debt service on the Certificates. See “TRUST AGREEMENT” below for a description of certain funds and accounts established pursuant to the Trust Agreement.

Additional Certificates

Under certain circumstances, Additional Certificates may be secured by the Lease Payments under the Lease and the 2009 Project equally and ratably with the Certificates in accordance with the provisions of the Trust Agreement. See “TRUST AGREEMENT” in this Official Statement.

LEASE

The following is a summary of certain provisions of the Lease. This summary does not purport to be complete, and reference is made to the full text of the Lease for a complete recital of its terms.

Covenants of the City

The City represents, covenants and warrants that:

(a) the City is authorized under the Constitution and laws of the State of South Dakota to enter into the Lease and the transactions contemplated therein, and to perform all of its obligations thereunder;

(b) the officers of the City executing the Lease have been duly authorized to do so;

(c) the Facilities will be used during the term of the Lease primarily to carry out the governmental or proprietary purposes of the City and its departments, agencies, institutions, instrumentalities and political subdivisions.

(d) the governing body of the City will appropriate annually an amount sufficient to pay all Lease Payments and other obligations of the City under the Lease from sources of the City lawfully available for this purpose. However, nothing contained in the lease shall be construed to constitute a Lease for a term of years or extend beyond any single Fiscal Year.

(e) the City will designate the Certificates as “qualified tax-exempt obligations” within the meaning of Section 265(b) (3) of the Code;

(f) The City will not take any action which would subject the Interest on the Certificates to federal income taxes nor will the City fail to take any action which failure could result in subjecting the Interest to be paid to federal income taxes.

Acquisition and Construction of Facilities

The Trustee shall cause the Facilities to be completed with all reasonable dispatch and the Trustee appoints the City as its agent for the purpose of construction of the Facilities

If the moneys in the Construction Account, together with any other moneys made available to pay the Construction Costs, shall not be sufficient to pay the Construction Costs in full, then the City shall pay all that portion of the excess Construction Costs.

If the City shall pay any excess Construction Costs, it shall not be entitled to any reimbursement from the Trustee, the holders of the Certificates, nor shall it be entitled to any diminution in or postponement of the payment of the Lease Payments or the payment of any other amounts payable under the Lease.

Lease and Option to Purchase Facilities

The Trustee leases, for a term not exceeding the current Fiscal Year, with the option to purchase its leasehold interest in the Land and the Facilities to the City, and the City leases for the Initial Lease Term and any Renewal Lease Term Trustee’s interest in the Land and Facilities from the Trustee, upon the terms and conditions set forth in the Lease.

The Land and Facilities are leased with the option to purchase in their present condition without representation or warranty of any kind by the Trustee subject to the rights of parties, to the existing state of title, to all applicable legal requirements, and to Permitted Encumbrances. The City has examined the Land and title thereto and has found all of the same to be satisfactory for the purposes of the Lease.

Lease Payments

Subject to the provisions with respect to a failure of the City to appropriate annually, the City shall pay to the Trustee, Lease Payments at the times and in the manner specified in the Lease. If the City fails to appropriate Lease Payments for the ensuing Fiscal Year, the City will not be obligated to pay Lease Payments beyond the then current Fiscal Year, but will not be relieved of any obligations arising or accruing prior thereto.

The City covenants to estimate the costs associated with the Lease, determine the means of financing Lease Payments for the ensuing fiscal year and will prepare and propose a budget in accordance with SDCL § 9-21-2. In the event that the City does not include in its budget Lease Payments for the next Fiscal Year, the City Finance Officer shall notify the Trustee in writing no later than August 31st.

Lessor Access to Land and Facilities

The Lessor shall have the right at all reasonable times to examine and inspect the Land and Facilities, and shall have such rights of access to the Land and Facilities as may be reasonably necessary to cause the proper maintenance thereof in the event of failure by the City to perform its obligations.

City's Title to Land

The City represents and warrants that it has good and marketable title to the Land, subject only to Permitted Encumbrances, and covenants that it will not, during the Lease Term, encumber the Land, or permit the Land to be encumbered, in such a manner as would jeopardize the Trustee's leasehold interest. Total or partial failure of title to, or the creation or existence of any encumbrance upon, the Land or the Facilities shall not, under any circumstances, excuse the City from the payment of the Lease Payments, or result in any right to abatement or set-off with respect thereto.

Termination of Lease Term

The Lease shall terminate upon the earliest of the following events:

(a) The Lease shall initially terminate at the end of the Initial Lease Term or at the end of any subsequent Renewal Lease Term if the City fails to appropriate sufficient funds to pay the Lease Payments for the ensuing Fiscal Year; or

(b) The prepayment by the City of all Lease Payments required to be paid by it pursuant to Section 8.1 of the Lease; or

(c) The discharge by the City of its obligation to pay the Lease Payments by depositing irrevocably in escrow with a bank or trust company, cash or securities of the type permitted for defeasance of the Certificates.

Surrender of Land and Facilities

Upon termination of the Lease due to non-appropriation, or upon exercise by the Trustee of its right to take possession of the Land and Facilities due to an Event of Default, the City shall surrender the Land and Facilities to the Trustee in the condition in which they were originally received from the Trustee, ordinary wear and tear excepted.

No Subordination of City's Title to Trustee

No provision of the Lease shall be construed as in any way subordinating, conveying or agreeing to convey, or otherwise adversely affecting the City's fee simple interest in the Land. The Lease covers only the Trustee's leasehold interest in the Land created by the Ground Lease.

Purchase of Title

When the entire Principal Balance, together with any unpaid or delinquent interest, has been fully paid, whether by (i) payment of all Lease Payments, (ii) prepayment of all of the Lease Payments, or (iii) discharge of all of the Lease Payments, then the purchase of the Land and the Facilities by the City shall be deemed to have been completed and the Trustee shall deliver to the City such instruments of conveyance or release as, in the opinion of counsel, may be necessary to release any interests of the Trustee in the Land and Facilities.

Maintenance and Modification of Facilities by the City

The City shall, at its own expense, maintain, preserve and keep the Land and Facilities in good repair, working order and condition, and shall from time to time make all repairs, replacements and improvements necessary to keep the Land and Facilities in such condition. The City shall, at its own expense, have the right to remodel the Facilities or to make additions, modifications and improvements. All such additions, modifications and improvements shall comprise part of the Facilities and be subject to the provisions of the Lease. Such additions, modifications and improvements shall not in any way damage the Facilities; and the Facilities, upon completion of any additions, modifications and improvements made pursuant to the Lease, shall be of a value not less than the value of the Facilities immediately prior to the making of such additions, modifications and improvements.

The City will not permit any mechanic's or other lien to be established or remain against the Land and Facilities for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City. The City may in good faith contest any lien filed or established against the Land and Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and appeal unless the Trustee shall notify the City that, in the opinion of counsel, by non-payment of any such item the interest of the Trustee in the Land and Facilities will be materially endangered or the Land and Facilities or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide the Trustee with full security against any such loss or forfeiture, in a form satisfactory to the Trustee.

Taxes

The City shall also pay or cause to be paid when due all gas, water, steam, electricity, heat, power and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Land and Facilities. The City shall also pay all property and excise taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Land and Facilities or any part thereof or the Lease Payments, and which become due during the Term

of the Lease with respect thereto; and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Land and Facilities.

The City may, at the City's expense and in the City's name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and appeal unless the Trustee shall notify the City that, in the opinion of counsel, by nonpayment of any such items the interest of the Trustee in the Land and Facilities will be materially endangered or the Land and Facilities or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss which may result from nonpayment, in a form satisfactory to the Trustee.

Liens

The City shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Land and Facilities, except the respective rights of the Trustee and the City as provided in the Lease and Permitted Encumbrances.

Damage, Destruction and Condemnation

If the Facilities or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty or title to or the temporary use of the Facilities or any part thereof, or the interest of the City or the Trustee in the Land or Facilities or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the City shall have the rights with respect to the Net Proceeds of any insurance or condemnation award specified in the Lease, but the City shall be obligated to continue to pay the Lease Payments due with respect to the Facilities. All Net Proceeds shall be applied to the prompt repair, restoration, modification, improvement or replacement of the Land and the Facilities by the City or if the City elects not to repair or rebuild, all Net Proceeds shall be applied to prepay Lease Payments.

Insufficiency of Net Proceeds

If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Land and the Facilities, the City shall either: (a) complete the work and pay any cost in excess of the amount of the Net Proceeds, and the City agrees that if by reason of any such insufficiency of the Net Proceeds, the City shall make any payments pursuant to the provisions of the Lease, the City shall not be entitled to any reimbursement from the Lessor nor shall the City be entitled to any diminution of the Lease Payments; or (b) prepay the Lease Payments, in which event the Net Proceeds shall be used for such purpose. If the City elects not to repair, rebuild or restore, the City shall prepay or discharge the Lease Payments to the full extent of the Net Proceeds.

Liability Insurance

The City shall procure and maintain continuously in effect with respect to the Land and Facilities, insurance (which shall name the Trustee as an additional insured) against liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the maintenance, use or operation of the Land and Facilities or any part thereof, in the amount customary maintained by the City, in an amount not less than \$1,000,000. The Net Proceeds of all such insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds may be paid. If any insurance required by this Section is unavailable or the cost of obtaining such insurance is, in the judgment of the City Commission, excessive, the City may self-insure for such risks, provided that the City gives prompt written notice of its intent to do so to the

Trustee, and provided that the City shall continue to seek such insurance coverage and, if such insurance becomes available at a reasonable cost, the City shall promptly obtain such insurance.

Property Insurance

The City shall procure and maintain continuously in effect during the Term of the Lease with respect to the Facilities, to the extent of the full insurable value of the Facilities, other than building foundations, insurance against loss from or damage by vandalism and fire, with a uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement, in such amount as will be at least sufficient so that a claim may be made for the full replacement cost of any part thereof damaged or destroyed. All policies (or endorsements or riders) evidencing insurance required shall be carried in the names of the City and the Trustee as their respective interests may appear. Each policy (or endorsement or rider) may be written with a deductible amount which is customary for comparable Facilities.

Other Insurance and Requirements of Insurance

All insurance required may be carried under a separate policy or a rider or endorsement; shall be taken out and maintained with responsible insurance companies and qualified to do business in the State or a self-insurance pool permitted by State law; shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to both parties at least thirty (30) days before the cancellation or revision becomes effective; and shall name the City and the Trustee as insured parties. Before the expiration of any such policy, the City shall furnish to the other party evidence that the policy has been renewed or replaced by another policy conforming to the provisions of the Lease; unless such insurance is no longer obtainable in which event the City shall notify the Trustee of this fact.

Indemnification

As between the Trustee and the City, the City assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Facilities and for injury to or death of any person or damage to any property, which is proximately caused by the negligent conduct of the City, its officers, employees, agents and lessees, or arising out of the operation, maintenance or use of the Land and Facilities by the City, its officers, employees, agents and lessees.

Option to Prepay the Lease

The City shall have the option to prepay the unpaid Lease Payments. The City shall give notice to the Trustee of its intention to exercise its prepayment purchase option not less than 30 days in advance of the date of exercise, and shall pay to the Trustee on the date of exercise an amount equal to the amount of Principal to be prepaid, plus accrued interest to the prepayment date, less any insurance Net Proceeds.

Discharge of City's Obligation

The City may at any time discharge its obligation to pay the Lease Payments due under the Lease by depositing irrevocably in escrow with a bank or trust company, cash or securities of the type permitted for defeasance as shall be required to provide moneys sufficient to pay or prepay all unpaid Lease Payments on the dates when they are due or subject to prepayment and an opinion letter of Independent Counsel stating that the deposit of such cash or securities will not cause the Lease or the Certificates to become "arbitrage bonds" under Section 148(a) of the Code. The requirements for

defeasance set forth in Article VII of the Trust Agreement shall also apply to any defeasance under the Lease. The City may exercise this right only if it is not in default under the Lease.

Assignment and Subleasing by the City

The rights and obligations of the City under the Lease may not be assigned by the City without the written consent of the Trustee, which shall not be unreasonably withheld; provided that the City may sublease the Land and Facilities, in whole or in part, without the consent of the Trustee, subject, however, to each of the following conditions:

- (i) The Lease and the obligation of the City to make Lease Payments and other payments shall remain obligations of the City.
- (ii) The sublease shall require the sublessee to meet the obligations of the City to the extent of the interest subleased.
- (iii) The City shall, within ten (10) days after the execution thereof and before the effective date, furnish or cause to be furnished to the Trustee, a true and complete copy of such sublease.
- (iv) No sublease by the City shall cause 5% or more, in aggregate area or rental value, of the Land and Facilities to be used by any entity other than an agency of the State or the County, or a political subdivision of the State, or for a purpose other than a function authorized under the provisions of the Constitution and laws of the State unless the City provides the Trustee with an opinion of Bond Counsel stating that the proposed sublease will not cause the Interest payable on the Lease and the Certificates to become subject to federal income taxation.
- (v) No sublease shall cause the interest payable on the Lease and the Certificates to become subject to federal income taxes as evidenced by an opinion of Bond Counsel delivered to the Trustee and the City.

Except as provided above, the City will not mortgage, sell, assign, transfer or convey the Land or the Facilities or any portion thereof during the Term of the Lease.

Events of Default and Remedies

Any one or more of the following events shall be "Events of Default" under the Lease: (a) failure by the City to pay any Lease Payment or other payment required to be paid under the Lease at the time specified; (b) failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than the failure to timely pay any Lease Payment or other required payment, for a period of 45 days after written notice to the City by the Trustee, specifying such failure and requesting that it be remedied, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee has agreed not to withhold unreasonably its consent to an extension of such time if corrective action is instituted by the City within any applicable period and diligently pursued until the default is corrected; or (c) the occurrence of an Act of Bankruptcy.

Upon the occurrence of any Event of Default specified in the Lease, any or all of the following remedies are provided: (a) without terminating the Lease, and subject to the rights of any entity subleasing all or any portion of the Land and Facilities which is not in default under a sublease complying with the Lease, re-enter and take possession of the Land and Facilities and exclude the City and any sublessee in default from using it until the default is cured; or (b) take whatever action at law or in equity may appear necessary or desirable to: (i) collect the Lease Payments then due, (ii) collect any Lease Payments as they become due and payable, or (iii) enforce performance and observance of any obligation, agreement or covenant of the City including without limitation enforcing the obligations of the City under the Lease or the Resolution.

These provisions do not limit any other remedies which the Trustee may have under the Trust Agreement or any other documents.

TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. This does not purport to be complete, and reference is made to the full text of the Trust Agreement for a complete recital of its terms.

General

The Trust Agreement is executed by the Trustee and joined in by the City. The purpose of the Trust Agreement is to provide for the authentication, issuance, payment and redemption of the Certificates and to provide for the creation of the Trust Fund for the purposes hereinafter described.

Lease of the Facilities

The Trustee and the City have entered into the Ground Lease under which the City has agreed to lease the Land to the Trustee. The Trustee and the City will also enter into the Lease, whereby the Trustee agrees to sublease the Land and lease with the option to purchase the Facilities and the City agrees to sublease the Land and lease with the option to purchase the Facilities from the Trustee.

Creation of Trust

The Trustee shall create a trust for the benefit of the Owners of the Certificates issued under the Trust. The Trust shall be irrevocable while any Certificates are outstanding. The corpus of the trust shall consist of (i) all of the Trustee's right, title and interest in and to the Ground Lease and the Lease, except the rights of the Trustee to compensation, reimbursement or indemnity from the City, which rights are specifically reserved by the Trustee, (ii) the Trust Fund created in Article IV thereof and (iii) any other property or rights assigned or contributed to the trust by the City or the Trustee by amendment or supplement thereto.

The Certificates

The Trustee is directed to prepare, execute and deliver to the Original Purchaser, Certificates in an aggregate principal amount of \$1,590,000 evidencing undivided ownership interests in the Lease Payments to be paid by the City under the Lease. The Certificates shall be delivered in the form of fully registered certificates without coupons in the denominations of \$5,000 each or any integral multiple thereof. The Certificates shall be payable in any lawful money of the United States of America.

Additional Certificates

No additional Certificates may be issued under the Trust Indenture.

Trust Fund

There shall be established with the Trustee a special trust fund to be designated as the "City of Yankton Lease Agreement Trust Fund" (the "Trust Fund"). The Trustee shall keep the Trust Fund separate and apart from all other funds and moneys held by it. Within the Trust Fund, there shall be established the Construction Account, the Lease Payment Account, and the Redemption Account.

Construction Account

Within the Trust Fund, there shall be established a special account to be designated as the Construction Account (the "Construction Account"). The Trustee shall administer the Construction Account as provided in the Trust. Except as provided in Section 4.02 subsection (d) of the Trust, all moneys deposited in or transferred to the Construction Account shall be disbursed only for the payment of Construction Costs and Costs of Issuance. All interest or income on the Construction Account shall be retained in the Construction Account until the Construction Account is closed. After completion of the construction of the Facilities, the City shall deliver to the Trustee a certificate of completion setting forth the amount of money, if any, required for the payment of the remaining Construction Costs. Upon receipt by the Trustee of the certificate of completion, the Trustee shall transfer any amounts remaining in the Construction Account into the Lease Payment Account and the Construction Account shall be closed. No amounts shall be withdrawn or transferred from or paid out of the Construction Account except for compensation of the Trustee.

Lease Payment Account

Within the Trust Fund, there shall be established a separate account to be designated and referred to as the "Lease Payment Account." Such account shall be maintained by the Trustee until the Lease Payments are paid in full, or the City has paid the entire Purchase Price or the Trust Agreement is terminated. All Lease Payments and all other moneys received by the Trustee with respect to the Lease or the Land and the Facilities shall be deposited by the Trustee in the Lease Payment Account. All interest or income received by the Trustee on investment of the Lease Payment Account shall be retained in said Account and be applied to the payment of delinquent payments due on the Certificates, if any, and otherwise shall be applied as set forth in the Trust Agreement. The Trustee shall transfer to the Redemption Account from the Lease Payment Account, all moneys on hand or received in the Lease Payment Account which are to be used for the redemption of Certificates. No amounts shall be withdrawn or transferred from or paid out of the Lease Payment Account except as provided in the Trust and for compensation of the Trustee.

Redemption Account

Within the Trust Fund there shall be established a separate account to be designated and referred to as the "Redemption Account". The Trustee shall deposit in the Redemption Account all moneys paid to it by the City pursuant to the Lease; and in the event of termination of the Lease, all net proceeds received from the sale or other disposition of the Land and the Facilities. Also, in the event of termination of the Lease or the exercise by the City of its option to purchase the Facility, the Trustee shall transfer to the Redemption Account, all moneys on hand in the Lease Payment Account not needed to pay principal and interest due or past due on the Certificates. All of said moneys shall be set aside in the Redemption Account for the purpose of redeeming the Certificates and shall be applied on or after the date of redemption to the payment of principal and interest with respect to the Certificates to be redeemed.

All moneys on hand in the Redemption Account which will not be used for the redemption of the Certificates within 30 days after the date of its deposit or transfer to said Account, shall be invested at a yield not exceeding the yield on the Lease, unless the City obtains and delivers to the Trustee an opinion of an attorney or firm of attorneys nationally recognized as bond counsel stating that the investment of such moneys may be made without restriction as to yield or may be made subject to another yield limitation, in which event the moneys may be invested in accordance with such opinion. Moneys held by the Trustee for the payment of Certificates which have been called for redemption and the interest thereon, after the date set for redemption, may be invested, at the written request of the City, in Permitted Investments (as defined in the TRUST AGREEMENT) without restriction as to yield. Moneys held in the

Redemption Account after the date on which such moneys are to be applied for the redemption of the Certificates, shall, upon redemption of all Outstanding Certificates, be paid to the City.

Covenants

The City covenants and agrees with the Owners of the Certificates, to perform all obligations and duties imposed on it under the Lease, and to enforce such Agreement against the Trustee in accordance with its terms.

The Trustee covenants and agrees with the Owners of the Certificates, to perform all obligations and duties imposed on it under the Lease.

Defeasance

If and when the Certificates shall become due and payable in accordance with their terms, or shall become subject to redemption and have been called for redemption, and the whole amount of the principal and interest due and payable upon all of the Certificates shall be paid, or provision shall have been made for the payment of the same, by the deposit of cash or the types of securities of Permitted Investments in an amount sufficient (together with interest earnings thereon) to provide for payment of said principal and interest to the maturity or earliest optional redemption date of the Certificates, and all administrative expenses shall have been paid or provided for, then and in that case, the right, title and interest of the Trustee, the City and the Trustee under the Trust Agreement shall thereupon cease, terminate and become void, and the Trustee shall assign and transfer to or upon the order of the City all property, money, investments and rights in the Land and the Facilities (in excess of the amounts required for the foregoing) then held by the Trustee (including the Lease and all payments thereunder and all balances in any fund or account created under the Trust Agreement) and shall execute such documents as may be reasonably required by the City in this regard. All investments shall be made in a manner which will comply with the covenant made by the City.

GROUND LEASE

The following is a summary of certain provisions of the Ground Lease. This summary does not purport to be complete, and reference is made to the full text of the Ground Lease for a complete recital of its terms.

Subject to and upon the terms, conditions, covenants and undertakings set forth in the Ground Lease, the City leases and permits the use of, and the Trustee leases from the City, the property located in Yankton, South Dakota including all buildings, structures and improvements thereon (the "Premises").

The City covenants and warrants to the Trustee:

- (1) That the City has good and merchantable title to the Premises, has authority to enter into, execute and deliver the Ground Lease, and has duly authorized the execution and delivery of the Ground Lease;
- (2) That the Premises are not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the renovation, construction and equipping of certain buildings and other improvements (the "Facilities") on the Premises, as contemplated by the Lease;
- (3) That all taxes, assessments or impositions of any kind with respect to the Premises, except current taxes, have been paid in full;

- (4) That the Premises are properly zoned for the purpose of the Facilities;
- (5) That the City has authority to enter into, execute and deliver the Lease, and has duly authorized its execution and delivery; and
- (6) That the City's governing body is of the opinion that the Ground Lease best serves the needs of the City.

The rent shall be One Dollar (\$1.00) payable in one installment in advance. The rent for the extended term, if any, shall be One Dollar (\$1.00) payable in one installment in advance.

The Trustee shall not use or permit the use of the Premises for any unlawful purpose.

The Trustee shall have the right to assign its interest in the Ground Lease, and to sublet the Premises in accordance with the Trust Agreement.

The City represents and warrants that it has no knowledge of the presence of hazardous or toxic waste, materials or substances ("Hazardous Materials") within the meaning of any federal, state or local law or regulation relating to environmental matters, on or about the Premises. The City further agrees that it will indemnify, defend and hold harmless the Trustee, its directors, officers, employees and agents, and any assignee of the Trustee, without payment being made by the Trustee, from and against any and all claims, demands, suits, liabilities and costs (including without limitation, attorneys' fees, and costs and expenses of investigation and proof) arising out of any violation or asserted violation of any environmental law or regulation or out of the presence on the Premises of any Hazardous Materials.

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE CERTIFICATES IS SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE CERTIFICATES SHOULD READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, INCLUDING THE APPENDICES HERETO. NO PERSON SHOULD PURCHASE ANY OF THE CERTIFICATES WITHOUT CAREFULLY REVIEWING THE FOLLOWING INFORMATION, WHICH SUMMARIZES SOME, BUT NOT ALL, FACTORS THAT SHOULD BE CONSIDERED PRIOR TO SUCH PURCHASE.

Special, Limited Obligations of the City

The Lease and the Certificates and the interest thereon are special, limited obligations of the City. The Certificates do not constitute general obligations of the City and are not secured by the full faith or the taxing power of the City. No holder of the Certificates may compel the exercise of the taxing power or use of revenues of the City to pay the principal of or interest on the Certificates. The Lease and the Certificates do not evidence a debt of the City within the meaning of any constitutional or statutory provision.

The Certificates and the interest due thereon are payable solely from Lease Payments to be made by the City under the Lease and amounts held in various funds and accounts pursuant to the Trust Agreement. The ability of the City to pay the debt service on the Certificates is dependent upon the sufficiency of the funds available in the City to pay both the costs of operation and maintenance of the 2009 Project and debt service on the Lease and the corresponding Certificates. The City is under no binding obligation to deposit any of its funds to provide for any other costs or debt service.

Right of the City to Terminate the Lease Annually

The obligation of the City to make payments under the Lease does not constitute an obligation of the City to levy taxes or apply its general resources beyond the current fiscal year. Except to the extent payable from the Net Proceeds of certain insurance policies and condemnation awards, from the Net Proceeds of a foreclosure and transfer or leasing (to others) of the 2009 Project or from other amounts made available under the Trust Agreement, the Certificates, and the interest thereon are payable solely from the General Fund of the City.

The requirement that the City pay Lease Payments under the Lease constitutes a currently budgeted expenditure of the City, payable only if funds are appropriated by the Common Council and for which an encumbrance has been effected in each year, for all Lease Payments due under the Lease. There is no assurance that the City will renew the Lease from fiscal year to fiscal year and therefore not terminate the Lease, and the City has no obligation to do so. There is no penalty to the City if the City does not renew on an annual basis the Lease and therefore terminates all of its obligations under the Lease. See "LEASE" in this Official Statement.

The likelihood that the Lease will continue in effect until the Certificates are paid is dependent upon factors that are beyond the control of the Owners of the Certificates. These factors include but are not limited to, (i) the continuing need of the City for facilities such as the 2009 Project and (ii) the continued ability of the City to generate sufficient funds to pay obligations associated with the Lease and other obligations of the City. Payment of the principal of and interest on the Certificates upon the occurrence of an Event of Default under the Lease or an Event of Nonappropriation will be dependent upon (a) the value of the 2009 Project in a liquidation proceeding instituted by the Trustee, which may be limited due to the City's retained fee simple interest in the Land and 2009 Project or (b) any rental income from leasing (to others) the 2009 Project.

Results of Termination of the Lease

If the City fails to appropriate money sufficient for the continued performance of the Lease by the City, the Lease will be terminated. The City may effect such termination by giving the Lessor a written notice of termination as provided in the Lease and by paying to the Lessor any Lease Payment and other amounts which are due and have not been paid at or before the end of its then current Fiscal Year. The City is required to give notice to the Lessor of termination no later than July 1. In the event of termination of this Lease, the Lessee is required to deliver possession of the Leased Property to the Lessor and shall convey to the Lessor or release its interest in the Land and 2009 Project within ten (10) days after the termination of the Lease. Upon termination of this Lease, the City is not responsible for the payment of any Lease Payment coming due with respect to succeeding Fiscal Years, but if the City has not delivered possession of the Land and 2009 Project to the Lessor and conveyed to the Lessor or released its interest in the Land and 2009 Project within ten (10) days after the termination of the Lease, the termination shall nevertheless be effective, but the Lessee shall be responsible for the payment of damages in an amount equal to the amount of the Lease Payments thereafter coming due which is attributable to the number of days after such ten (10) day period during which the City fails to take such actions and for any other loss suffered by the Lessor as a result of the City's failure to take such actions as required.

Pursuit of Lease remedies may be a time-consuming process and may entail various legal as well as economic risks. The proceeds realized from Lease remedies, net of the expense of pursuing such Lease remedies, may not be sufficient to pay the principal of and interest on the Certificates at the time when due. The Net Proceeds derived from a transfer or lease of the 2009 Project or the exercise of other Lease remedies, along with other money then held by the Trustee under the Trust Agreement (with certain

exceptions as provided in the Lease and the Trust Agreement), are required to be used to redeem the Certificates and any Additional Certificates to the extent of such money. See “THE CERTIFICATES - Redemption” in this Official Statement.

The 2009 Project consists of the acquisition, construction and equipping of a fire station. The 2009 Project may not be easily converted to alternate uses. A potential purchaser of the Certificates should not assume that it will be possible to transfer or lease (to others) the 2009 Project (including the Trustee’s leasehold interest in the 2009 Project) after the termination of the Lease (i) for an amount equal to the aggregate principal amount of the Certificates then Outstanding plus accrued interest thereon or, (ii) within a time period that would prevent a default in the timely payment of the principal of and interest on the Certificates.

Enforceability of Remedies

A termination of the Lease as a result of an Event of Nonappropriation or an Event of Default under the Lease will give the Trustee the right to take possession of the 2009 Project and the Land, subject to the terms and provisions of the Lease. The enforceability of the Lease, the Trust Agreement and the Certificates is subject to applicable bankruptcy laws, principles of equity affecting the enforcement of creditors’ rights generally and liens securing such rights, if any, the police and condemnation powers of the State and its political subdivisions, including the City, and judicial discretion. In addition, the application of zoning and land use requirements and regulations of the City could adversely affect the ability of the Trustee to lease or dispose of the 2009 Project. Because of the delays inherent in enforcing the remedies of the Trustee upon the 2009 Project through the courts, a potential purchaser of the Certificates should not anticipate that the remedies of the Trustee could be accomplished rapidly. Any delays in resolving the Trustee’s claim to possession of or title to the 2009 Project may result in delays in the payment of the Certificates. See “ENFORCEABILITY OF OBLIGATIONS” in this Official Statement.

Effects on the Certificates of an Event of Nonappropriation or an Event of Default under the Lease

Bond Counsel will not render any opinion with respect to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to transfers of Certificates subsequent to a termination of the Lease by reason of an Event of Nonappropriation or an Event of Default under the Lease. If the Lease is terminated by reason of an Event of Nonappropriation by the City or an Event of Default under the Lease, there is no assurance that the Certificates may be transferred without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

In addition, Bond Counsel will render no opinion as to the treatment for federal or state income tax purposes of any amounts received by the Owners of the Certificates subsequent to an Event of Nonappropriation or an Event of Default under the Lease. There is no assurance that amounts received by the Owners of the Certificates as interest subsequent to an Event of Nonappropriation or an Event of Default under the Lease will be excludable from gross income for purposes of federal income taxation or exempt from State income taxes.

Internal Revenue Code Compliance

The interest component of the Certificates could lose its tax-exempt status as a result of the City not complying with the various provisions of the Code, and the regulations promulgated thereunder, with respect to tax-exempt bonds such as the Certificates. Following a determination by the Internal Revenue Service (the “IRS”) that the interest on the Certificates should be included in gross income for federal tax

purposes, the Certificates will not be subject to mandatory redemption as described under the heading “THE CERTIFICATES” and in the Trust Agreement.

The opinion of Bond Counsel will be obtained as described in “TAX EXEMPTION AND OTHER FEDERAL TAX CONSIDERATIONS” and “APPENDIX E – FORM OF BOND COUNSEL OPINION” herein; however, application for a ruling or determination from the IRS regarding the tax-exempt status of the interest component of the Certificates has not and will not be made, and an opinion of counsel is not binding upon the IRS. The laws, regulations, court decisions and administrative interpretations upon which the conclusions stated in the opinion of Bond Counsel are based on are subject to change by the United States Congress, the United States Treasury Department and later judicial and administrative decisions.

The interest component of the Certificates may become subject to inclusion in gross income for purposes of federal income taxes retroactively to the date of issuance or the date of the breach of certain tax covenants in the Lease or the Trust Agreement. In either case, the holders or owners of the Certificates may be liable for the payment of federal income taxes for prior years during which the interest component of the Certificates was paid. See “TAX EXEMPTION AND OTHER FEDERAL TAX CONSIDERATIONS” in this Official Statement.

Forward-Looking Statements

This Official Statement contains certain statements that are “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Official Statement, including without limitation statements that use terminology such as “estimate,” “plan,” “budget,” “expect,” “intend,” “anticipate,” “believe,” “may,” “will,” “continue” and similar expressions, are forward-looking statements. These forward-looking statements include, among other things, the discussions related to the City’s operations, future operations, revenues, capital resources and expenditures for capital projects. Although the City believes that the assumptions upon which the forward-looking statements contained in this Official Statement are based are reasonable, any of the assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions also could be incorrect. The realization of future revenues of the City is dependent upon, among other things, the matters described in the foregoing paragraphs and future changes in economic and other conditions that are unpredictable and cannot be determined at this time. The Underwriter makes no representation as to the accuracy of the any projections contained herein or as to the assumptions on which the any projections are based.

Insurance Coverage; Damage, Destruction, or Condemnation of the 2009 Project

The City is required under the Lease to maintain insurance with respect to the 2009 Project in an amount at least equal at all times to the actual replacement cost of the 2009 Project, or at its sole option, the City may self-insure for these perils. Initially, the City has elected to include the 2009 Project in the general property and casualty coverage of the City that is carried for most City facilities. Such insurance coverage is provided by a reputable nationally recognized insurer of commercial property that also insures many other South Dakota cities. The amount of insurance coverage maintained by the City with respect to property and casualty coverage is limited and the limits and provisions of such insurance coverage are subject to change without the consent of holders of the Certificates. Currently, the City maintains full property and casualty coverage on all City buildings, subject to deductibles, and the City will maintain full coverage on the 2009 Project. As with all insurance policies, the insurance carried by the City with respect to the 2009 Project is subject to certain exclusions and limitations and no assurance can be given

that the property and casualty insurer will not delay or challenge payment to the City in the event that the 2009 Project are destroyed or damaged in the future.

The Lease provides that, subject to the following sentence, the City must promptly Repair any damage to the 2009 Project regardless of the cause or source of such loss or damage. The term “Repair” includes the obligation to replace or rebuild any portion of the 2009 Project that the City cannot repair. The City’s Repairs must restore the 2009 Project to at least the same condition as existed immediately before the damage. In lieu of the Repair of the 2009 Project upon damage, loss or condemnation, if the damage, loss or condemnation is total or the amount of the loss exceeds the principal amount of Outstanding Certificates, the City may, but is not obligated to, pay, out of the net proceeds of any insurance (including self-insurance) or condemnation award (“Net Proceeds”) or otherwise, amounts sufficient to prepay or defease the Certificates. The third party policies of insurance purchased by the City against risks of physical damage to the 2009 Project must be endorsed to provide that the Trustee is an additional insured. However, there can be no assurance that, in the event the Lease is terminated as a result of damage to or destruction of the 2009 Project, money made available by reason of such an occurrence will be sufficient to redeem the Certificates at a price equal to the principal amount of Outstanding Certificates plus accrued interest to the redemption date.

If, during the Lease Term, title to less than all or substantially all of the 2009 Project is taken in any condemnation proceeding, the Lease continues and the City may perform any restoration. Upon a total taking, proceeds of such taking will be used by City to prepay the Certificates.

No Non-substitution Clause

The Lease does not contain a non-substitution clause. In the event of a nonappropriation, or other event of default, by the City under the Lease, the City is not prohibited or restricted in any manner from acquiring or building facilities of the nature of the 2009 Project near or adjacent to the 2009 Project.

Amendments to the Lease and the Trust Agreement

The parties may make certain amendments to the Lease and the Trust Agreement without the consent of the Holders of the Certificates. In addition, certain amendments to the Lease and the Trust Agreement, may be made by the parties if approved by not less than two-thirds (2/3) in aggregate principal amount of the Outstanding Certificates. Such amendments may adversely affect the security of the Holders of the Certificates.

Availability of Remedies

Although the Certificates are secured by the Lease, the practical realization of such security upon a termination of the Lease will depend upon the exercise of various remedies specified by the Trust Agreement. These and other remedies are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional, statutory and judicial law, the remedies specified by the Trust Agreement may not be readily available or may be limited. Under existing constitutional and statutory law and judicial decisions, including; specifically, the United States Bankruptcy Code, the remedies provided in the Lease and the Trust Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified as to the enforceability of the various agreements and instruments entered into in connection with the issuance of the Certificates by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors’ generally and laws relating to fraudulent conveyances. See “ENFORCEABILITY OF OBLIGATIONS” in this Official Statement.

Future Legislative Proposals

Proposals are regularly introduced in both the United States House of Representatives or the United States Senate that would alter or affect the federal income tax treatment of tax-exempt status on municipal bonds and it is not possible to predict whether any of these proposals will be enacted into law in the future. Such legislative proposals in the future may be of a prospective or retroactive nature. The likelihood of adoption of any such legislative proposals relating to tax-exempt municipal bonds cannot be reliably predicted. If enacted into law, future legislative proposals with respect to the tax-exempt nature of municipal bonds could affect the value or marketability of municipal bonds (including the Certificates).

Secondary Market

Although the Underwriter intends, but is not obligated, to make a market for the Certificates, there can be no assurance that there will be a secondary market for the Certificates. The absence of such a market for the Certificates could result in investors not being able to resell the Certificates should they need or wish to do so.

Absence of Rating

No rating as to the creditworthiness of the Certificates has been requested from any organization engaged in the business of publishing credit ratings for municipal bond issues. Typically, unrated municipal bonds lack liquidity in the secondary market in comparison with rated municipal bonds. As a result of the foregoing, the Certificates are believed to bear interest at higher rates than would prevail for municipal bonds with comparable maturities and redemption provisions that have investment grade credit ratings. Consequently, the Certificates should not be purchased by any investor who, because of financial condition, investment policies or otherwise, does not desire to assume, or have the ability to bear, the risks inherent in an investment in the Certificates.

Risk of Early Redemption

An event of damage or destruction to the 2009 Project may cause the City to redeem the Certificates from the net proceeds of an insurance claim payment, to the extent those proceeds are not used to repair, restore or rebuild the 2009 Project. See “THE CERTIFICATES – Redemption” in this Official Statement.

No Credit Enhancement Facility

There is no credit enhancement facility, letter of credit, or bond insurance policy securing the payment of debt service on the Certificates, nor is there any provision for a credit enhancement facility, letter of credit, or bond insurance policy to be provided to secure the payment of debt service on the Certificates.

No Reserve Fund

No reserve fund has been established to secure the payment of the principal of or interest on the Certificates.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Certificates. In order for potential investors to identify risk factors and make an informed decision

with respect to the Certificates, potential investors in the Certificates should be thoroughly familiar with this entire Official Statement and the appendices hereto.

CONTINUING DISCLOSURE CERTIFICATE

In order to facilitate compliance by the Underwriter with Securities and Exchange Commission Rule 15c2-12 (the “Rule”), in connection with its execution and delivery of the Lease, the City will enter into an undertaking (the “Continuing Disclosure Certificate”) to provide certain information, including audited financial results, on an annual basis, and to provide notice of certain specified events contemplated by the Rule, to the information repositories designated in the Continuing Disclosure Certificate. The proposed form of the Continuing Disclosure Certificate is appended to this Official Statement as APPENDIX C.

During the previous five years, the City has had two debt issuances that were subject to the provisions of the Rule, the City’s Wastewater Revenue Refunding Bonds, Series 2011B and Sales Tax Revenue Bonds (Short Term Subordinate), Series 2011A. Except as described in this paragraph sentence, the City believes that it has complied with the provisions of its prior continuing disclosure undertaking subject to the Rule, there have been numerous rating actions reported by Moody’s Investors Service, Standard & Poor’s Rating Corporation and Fitch Ratings affecting the municipal bond insurance companies, some of which had insured bonds previously issued by the City. Corrective actions will be taken to ensure compliance.

A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Potential investors are encouraged to review current EMMA filings for the City at <http://www.emma.msrb.org/>.

TAX EXEMPTION AND OTHER FEDERAL TAX CONSIDERATIONS

Tax Exemption

In the opinion of Meierhenry Sargent LLP, Sioux Falls, South Dakota, Bond Counsel to the City, under federal and State of South Dakota laws, regulations, rules and decisions in effect on the date of issuance of the Certificates, the portion of the Lease Payments paid by the City which is designated and paid as interest as provided in the Lease and received by Owners of the Certificates is excludable from gross income for federal income tax purposes and for State of South Dakota individual income tax purposes. Interest on the Certificates is includable in gross income for South Dakota tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. Certain provisions of the Internal Revenue Code of 1986, as amended (the “Code”), however, impose continuing requirements that must be met after the issuance of the Certificates in order for the portion of the Lease Payments paid by the City which is designated and paid as interest as provided in the Lease and received by Owners of the Certificates to remain not includable in gross income for purposes of federal income taxation. Noncompliance with such requirements by the City may cause the interest on the Certificates to be includable in gross income for purposes of federal income taxation, prospectively or retroactive to the date of issuance of the Certificates, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of or for an increase in the interest rate on the Certificates in the event that interest on the Certificates becomes includable in federal gross income or individual income taxation in South Dakota.

Related Federal Tax Considerations

The portion of the Lease Payments paid by the City which is designated and paid as interest as provided in the Lease and received by Owners of the Certificates is not an item of tax preference included in alternative minimum taxable income for purposes of the federal alternative minimum tax. The City has designated the Lease, and, consequently, the Certificates as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Certificates. Prospective purchasers or holders of the Certificates should consult their tax advisors with respect to collateral tax consequences, including without limitation the determination of gain or loss on the sale of a Certificate, the calculations of alternative minimum tax liability, the inclusion of Social Security or other retirement payments in taxable income, the disallowance of deductions for certain expenses attributable to the Certificates, and the state and local tax rules in states other than South Dakota.

The market value and marketability of the Certificates may be adversely affected by future changes in federal or South Dakota tax treatment of interest on the Certificates or by future reductions in income tax rates.

Legislative Proposals

Bond Counsel’s opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed by President Obama that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Certificates). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

ABSENCE OF BOND RATING

The Certificates have not been rated by any national credit rating agency. The Certificates are believed to bear higher rates of interest than obligations with investment-grade ratings in order to compensate investors for a level of risk that is higher than the risk generally associated with investment-grade obligations. In addition, unrated obligations such as the Certificates are typically less liquid in the secondary market than obligations that have received a rating from a national credit rating agency. See “RISK FACTORS – Absence of Rating” in this Official Statement.

UNDERWRITING

Pursuant to the terms and conditions of a Certificate Purchase Agreement, the Underwriter has agreed to purchase the Certificates from the City at a purchase price of \$1,563,251.77 (the par amount of the Certificates (\$1,590,000), less an underwriters discount of \$26,478.23). Each maturity of the Certificates is being offered for sale to buyers at the prices and in the amounts as shown on the inside front cover of this Official Statement. The offering prices of the Certificates may be changed from time to time and may be reduced for sales to selected dealers. The Underwriter retains the right to join with other dealers in offering the Certificates to the public.

The Certificates are offered, subject to prior sale, when, as and if issued by the City, subject to the opinions as to validity and certain other matters and certain other conditions.

Subject to prevailing market conditions the Underwriter intends, but is not obligated, to effect secondary market transactions for the Certificates. The Underwriter is not obligated to repurchase any of the Certificates at the request of the Owners thereof.

THE TRUSTEE

The City has appointed The First Dakota National Bank, a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is a national banking association organized and existing under the laws of the United States of America, having all of the powers of a bank, including fiduciary powers, and is a member of the Federal Deposit Insurance Corporation and the Federal Reserve System. The Trustee is to carry out those duties assignable to it under the Trust Agreement. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy, fairness or completeness of the information set forth in this Official Statement or for the recitals contained in the Trust Agreement or the Certificates, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the City of any of the Certificates authenticated or delivered pursuant to the Trust Agreement or for the use or application of the proceeds of the Certificates by the City. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Certificates and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Certificates, or the investment quality of the Certificates, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

The mailing address of the Trustee is The First Dakota National Bank, 332 Broadway Street, Yankton, South Dakota 57078.

RELATIONSHIPS AMONG THE PARTIES

In connection with the issuance of the Certificates, Meierhenry Sargent LLP, Sioux Falls, South Dakota, is acting as Bond Counsel to the City. In other transactions not related to the Certificates, each of these attorneys or law firms may have acted as Bond Counsel or represented the City or the Underwriter or its affiliates, in capacities different from those described under “LEGAL MATTERS,” and there will be no limitations imposed as a result of the issuance of the Certificates on the ability of any of these firms or attorneys to act as Bond Counsel, or represent any of these parties in any future transactions. Potential purchasers of the Certificates should assume that the City, the Underwriter, and their respective counsel or Bond Counsel, has previously engaged in or will, after issuance of the Certificates, engage in, other transactions with each other or with affiliates of any of them, and no assurances can be given that there are or will be no past or future relationship or transactions between or among any of these parties or these attorneys or law firms.

FINANCIAL STATEMENTS

The audited financial statements of the City for the fiscal year ended December 31, 2016 are set forth in APPENDIX B to this Official Statement. The audited financial statements of the City attached to this Official Statement in APPENDIX B are prepared in accordance with the current accounting principles generally accepted and standards set by the Governmental Accounting Standards Board. In

accordance with South Dakota law, the audited financial statements have been reviewed by the Department of Legislative Audit of the State of South Dakota. The City has neither requested nor obtained the consent of the Auditor to include its Independent Auditor's Report in this Official Statement.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Certificates are subject to the approval of Meierhenry Sargent LLP, Sioux Falls, South Dakota, Bond Counsel to the City. The legal opinion to be delivered by Bond Counsel at the closing of the Certificates expresses the professional judgment of Meierhenry Sargent LLP, as of the date thereof, as to the legal issues addressed in such legal opinion.

ENFORCEABILITY OF OBLIGATIONS

The remedies available to the Trustee and the Owners of the Certificates upon an Event of Default under the Lease or the Trust Agreement are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, including specifically the Federal Bankruptcy Code (Title 11 of the United States Code), the remedies provided for under the Federal Bankruptcy Code, the Lease or the Trust Agreement may not be readily available or may be limited.

The legal opinion to be delivered by Bond Counsel in connection with the delivery of the Certificates, the Lease and the Trust Agreement will be qualified to the extent that the enforceability of certain legal rights related to the Lease and the Certificates are subject to limitations such as the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity), including judicial limitations on rights to specific performance and bankruptcy, insolvency, reorganization.

ABSENCE OF MATERIAL LITIGATION

There is no litigation pending in any court or, to the best knowledge of the City threatened, which would restrain or enjoin the issuance or delivery of the Certificates, or which challenges the proceedings of the City taken in connection with the Certificates or the pledge or application of revenues pledged under the Trust Agreement and the Lease.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. Information and financial data in, or incorporated by reference in, this Official Statement concerning the 2009 Project has been selected and prepared by or on behalf of the City for inclusion in this Official Statement.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

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APPENDIX A - GENERAL AND FINANCIAL INFORMATION RELATING TO THE CITY

General

The City of Yankton is located in Yankton County. The City is located in the southeast portion of South Dakota approximately 80 miles southwest of Sioux Falls, 60 miles northwest of Sioux City, IA and 160 miles northeast of Omaha, NE. Access is available via South Dakota State Highway 50 and U.S. Highway 81. In addition, Interstate 29 is approximately 30 miles east of the City.

The City was incorporated in 1869 and currently operates under a Commission/Manager form of government. The City government is composed of a City Commission of nine members elected by voters in the City. The Mayor is appointed by the City Commission. The City Commission acts as a policy-making and legislative body. The City Manager is appointed by the City Commission and is responsible for management and administration of the City. The City operates with a Mayor, City Manager and eight council members.

Elected Officials

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Jake Hoffner	Mayor	2020
David Knoff	Commissioner	2018
David Carda	Commissioner	2018
Nathan Johnson	Commissioner	2018
Charlie Gross	Commissioner	2019
Amy Miner	Commissioner	2019
Tony Maibaum	Commissioner	2019
Stephanie Moser	Commissioner	2020
Chris Ferdig	Commissioner	2020

City Officers

Amy Nelson	City Manager
Al Viereck	Finance Officer
Ross DenHerder	City Attorney

City Services

The City provides the full range of municipal services, including public safety (police and fire), highways and streets, residential sanitation, health and social services, culture, recreation, public improvements, planning and zoning, and general administrative services.

Employees and Pension Program

The City employs 139 full-time and 50-150 part-time employees. The pension plan currently covers 100% of the eligible city employees.

City personnel are covered by the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. Audited City contributions to SDRS for the past years have been as follows:

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$449,258	\$441,414	\$403,645	\$406,399	\$392,805

Population Statistics

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Population:	12,011	12,703	13,528	14,467	14,534	14,566	14,560	14,557	14,566

Sources: U.S. Census Bureau

Construction

<u>Year</u>	<u>Number of Permits</u>	<u>Value</u>
2017*	315	\$57,745,291
2016	268	18,276,920
2015	317	25,743,008
2014	299	30,681,002
2013	321	12,842,385
2012	862	30,053,617
2011	782	29,238,121
2010	603	27,212,225
2009	848	25,716,612

Source: City of Yankton, based on building permits issued by the City. Property values are estimated construction costs. Values are not assigned to nontaxable property.

* 2017 provided by City Finance Officer, Through November 2017

Education

Yankton is served by Yankton School District 63-3. School District 63-3 is headquartered in the City of Yankton in Yankton County. The District operates four elementary schools; a middle school, and high school. Combined enrollment for the 2016/2017 school year is approximately 2,772.

Post secondary education is available at the following schools:

<u>School</u>	<u>Type</u>	<u>Location</u>	<u>Distance from Yankton</u>
Augustana College	Private College	Sioux Falls, SD	80 Miles
Colorado Technical University	Private University	Sioux Falls, SD	80 Miles
Mount Marty College	Private College	Yankton, SD	0 Miles
University of Sioux Falls	Private University	Sioux Falls, SD	80 Miles
University of South Dakota	Public University	Vermillion, SD	27 Miles
Southeast Technical Institute	Private College	Sioux Falls, SD	80 Miles

Labor Statistics

<u>Year</u>	<u>Yankton County Average Annual Civilian Labor Force</u>	<u>Average Annual Yankton County</u>	<u>Unemployment Rate State of South Dakota</u>
2016	11,695	2.4%	2.8%
2015	11,640	2.6	3.1
2014	11,407	3.0	3.4
2013	11,535	3.3	3.8
2012	11,577	3.7	4.3
2011	11,417	4.5	4.7
2010	11,428	4.9	5.0

Source: South Dakota State Department of Labor

Major Employers

The larger employers in the City are:

<u>Business</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Avera Sacred Heart Hospital	Medical	1,000
South Dakota Human Services Center	Human Services	700
Yankton School District	Education	525
Hy-Vee	Retail	450
Kolberg-Pioneer, Inc.	Manufacturing	442
Mount Marty College	Education	429
Sapa Extrusions, Inc.	Aluminum Solutions	400
Wilson Trailer Company	Manufacturing	315
Walmart	Retail	305
Vishay Dale Electronics	Manufacturing	300

Source: Yankton Area Progressive Growth, Inc.

Largest Taxpayers

The ten largest property taxpayers in the City are identified below, including the amount and percentage of their taxable property values:

<u>Taxpayer</u>	<u>Taxable Value</u>	<u>Percentage of Total</u>
Transcanada	\$28,205,288	3.48%
Northwestern Public Services	25,924,804	3.20
Jamesville Hutterian	15,804,061	1.95
Ralph Marquardt	11,511,351	1.42
Heine Farms	10,406,831	1.28
NuStar	9,052,987	1.12
Hastings Filters Inc	8,926,100	1.10
Karl Schenk	8,855,129	1.09
Kolberg-Pioneer, Inc	8,605,500	1.06
SAPA	8,601,370	1.06

Source: Yankton County Auditor

Financial Information

The accounts of the City are organized on the basis of funds and account groups, 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 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 various funds of the City are grouped into five generic fund types and three broad fund categories as follows:

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the City's Governmental Fund Types:

General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. Major revenue sources include property taxes and sales taxes. The general operating expenditures, fixed charges and other expenditures that are not paid through other funds are paid from this fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds are used to account for the City's ongoing activities which are similar to those often found in the private sector. The measurement focus is based upon determination of net income.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs 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 net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City has no Fiduciary Funds.

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Available revenues are those which are due or past due and receivable within the current period and collected in the current period or within 60 days thereafter. Revenues which are accrued prior to receipt include property taxes, interest, special assessments, and grants. Revenues not considered

susceptible to accrual are sales taxes, permits, fines, fees, and other miscellaneous revenues. Revenues which are recognized during the period and are measurable, but do not meet the availability criterion are recorded as deferred revenues until such time as they become available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include principal and interest on general long-term debt, which are recognized when due.

All proprietary funds and nonexpendable trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

The accounting policies of the City conform to generally accepted government accounting standards.

Budget and Appropriation Process

Section 9-21-2 South Dakota Codified Laws, as amended, requires that each municipality adopt an annual appropriation ordinance for the ensuing fiscal year in which it must appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality. In order to comply with this statutory mandate, the City finance officer prepares and submits a budget to the Council not later than September 1. The Council shall then, no later than its first regular meeting in September or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing year, which ordinance must include the tax levy for the ensuing year. It is not necessary to appropriate revenue to be expended from an enterprise or trust and agency fund if the fund is not supported or subsidized by revenue derived from the annual appropriated tax levy. However, an annual budget for these funds shall be developed and published no later than the 31st day of December of each year. Appropriations are limited to municipal powers and all municipal expenditures are limited to the appropriated amounts. Supplemental ordinances may be adopted in the same manner as the appropriation ordinance to enable the municipality to conduct functions that are considered indispensable.

The governing body may by two-thirds vote transfer the surplus money in any of the several funds to any other fund or funds or may appropriate such surplus money to the payment of any outstanding indebtedness of the municipality.

The Council adopts its appropriation ordinance prior to the time prescribed by South Dakota law. Upon passage of the ordinance, the budget is published and the annual tax levy is certified to the County Auditor. At that time property taxes are considered levied and the related receivable is recorded.

Budgets are adopted on the modified accrual basis except that encumbrances are treated as budgeted expenditures in the year incurred. Unexpended appropriations lapse at year end, unless formally encumbered. Budgetary controls to prevent expenditures from exceeding appropriated amounts are maintained at the subfunction level. A subfunction is defined as a grouping of related activities within a particular governmental function.

Deposits and Investments

Deposits of the City funds are made with “qualified public depositories” as defined in the Public Deposit Insurance Act, Chapter 4-6A, South Dakota Codified Laws. Qualified public depositories are required by the Public Deposit Insurance Act to maintain at all times, segregated from their own assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance.

The Investment of State Funds Law, Chapter 4-5, South Dakota Codified Laws, provides that all moneys of the City shall be invested in: (1) securities of the United States and securities directly or indirectly guaranteed by the United States government and with a remaining maturity of 18 months or less (subject to exceptions for permanent, trust, retirement and building funds); (2) repurchase agreements fully collateralized by securities described in (1), where the collateral security is held by or in safekeeping for the account of the City, but only with primary reporting dealers and the 100 largest domestic commercial banks; or (3) in shares of an open-end, no-load fund administered by a registered investment company whose only investments are in securities described in (1) and (2).

Annual Financial Reports

The finance officer of the City must submit a report to the Council at the first regular meeting of March each year that details the receipts, expenses and financial condition of the City. The report must be published within thirty days thereafter in the official newspaper of the City.

Annual audits of the books of account, financial records and transactions of all administrative departments of the City are conducted by the State of South Dakota Department of Legislative Audit or by independent certified public accountants selected by the Council. The Independent Auditor's Report for the fiscal year ended December 31, 2016 is included as APPENDIX B to this Official Statement.

Sources of General Revenues

Set forth below are brief descriptions of the various sources of general revenues available to the City. The percentage of total general revenues represented by each source is based on the unaudited information for the City's fiscal year ended December 31, 2016.

General property taxes—Approximately 22% of general revenues are from property taxes which are assessed and collected by Yankton County.

Sales Taxes—Approximately 46% of general revenues are from taxes on goods and services that are sold or provided within the boundaries of the City. These revenues include the receipts from all sales and use taxes levied by the City.

Licenses and Permits—Fees for licenses and permits are assessed for the purpose of recovering the costs associated with regulating businesses and inspecting construction projects. Approximately 3% of general revenues are from licenses and permits.

Intergovernmental Revenue—Approximately 4% of general revenues are received from state and federal governmental entities.

Charges for Goods and Services—Charges for goods and services represent approximately 24% of general revenues.

Fines and forfeitures—Approximately 0.1% of general revenues are received from tickets and other fines and forfeitures.

Interest on Investments—Approximately 0.3% of general revenues are received from investment earnings.

Miscellaneous—Approximately 0.6% of general revenues are received from other miscellaneous revenues.

City Revenues and Property Values

General

By ordinance the City approves an operating budget prior to October 1 of each year upon which the county auditor bases the City's tax levy for the next year. Taxes are assessed to cover such levy based on the assessed taxable value of real property in the City determined as of November 1 of the second year preceding the year of collection. Assessed values are determined by the County Director of Equalization at 85 percent of the estimated fair market value. Taxes levied are payable in two equal installments by May 1 and November 1 of each year.

Levy Limitations

The 1995 South Dakota Legislature enacted into law Section 10-13-35, South Dakota Codified Laws, as amended. For taxes payable in 1997 and subsequent years, Section 10-13-35 provides that the total amount of revenue derived from property taxes for municipal purposes may increase over the prior year's revenues by the smaller of three percent or the CPI inflation index. Increases in revenues from additions, improvements or change in use of real property are permitted, as well as increased revenues resulting from annexations, reorganizations and certain other limited circumstances. Increases in revenue above the aforementioned limits are also allowed for taxes levied to pay the principal, interest and redemption charges on bonds issues after January 1, 1997 which are subject to referendum, and for levies directed by a court to pay judgments. The revenue limitations for 1997 and thereafter may be exceeded by an excess of tax levy imposed by a two-thirds vote of the governing body of the municipality, subject to a referendum by the electors of the municipality.

Tax Rates

In 2017, the City is permitted to levy taxes up to \$3.30 per one thousand dollars of assessed valuation for general governmental services, other than the payment of principal and interest on long-term debt.

Debt Limit

Section 4 of Article XIII of the South Dakota Constitution limits the debt of the City to five percent of the assessed valuation of taxable property in the City. The same constitutional provision also authorizes the City to incur additional indebtedness not exceeding ten percent of the assessed valuation of taxable property in the City for providing sewer and water facilities. The following table sets forth the City's debt limit as of December 2017:

Computation of Debt Margin

Assessed Value	\$843,610,222
Debt Margin for General Purposes: (Debt Limitation-5 Percent of Total Assessed Value)	\$ 42,180,511
Debt Applicable to Limitation:	<u>\$ 22,759,228</u>
Debt Margin for General Purposes at 5 Percent	\$ 19,421,283
Debt Margin for General Purposes: (10% of Assessed Value for Sewer & Water)	\$ 84,361,022
Sewer & Water Debt Applicable to Limitation:	<u>0</u>
Debt Margin for Sewer & Water at 10 Percent	\$ 84,361,022

Property Valuations

The total taxable valuation of real property in the City for the most recent years are as follows:

<u>Levy/Collection Year</u>	<u>Taxable Value</u>
2016/2017	\$ 810,892,433
2015/2016	781,503,172
2014/2015	740,564,323
2013/2014	697,192,289
2012/2013	659,266,990
2011/2012	661,375,858
2010/2011	663,362,730
2009/2010	635,175,341
2008/2009	605,984,353

Source: Yankton County Auditor

Tax Rates

Set forth below are the property tax rates (per \$1,000 of assessed valuation) for the most recent years.

<u>Levy/ Collection Year</u>	<u>County</u>	<u>City</u>	<u>School District*</u>	<u>Total</u>
2017/2018	3.048	3.303	n/a	n/a
2016/2017	3.047	3.127	n/a	n/a
2015/2016	3.170	3.184	n/a	n/a
2014/2015	3.348	3.269	n/a	n/a
2013/2014	3.543	3.382	n/a	n/a
2012/2013	3.740	3.441	3.966	11.107
2011/2012	3.740	3.269	4.031	11.040
2010/2011	3.614	3.150	3.965	10.729
2009/2010	3.749	3.217	4.042	11.008
2008/2009	3.570	3.200	4.100	10.870

Source: Yankton County Auditor

* Different classes of property exist.

Tax Levies and Collections

The following table displays the taxes levied and collected as taxes by the City for the past five fiscal years:

<u>Year</u>	<u>Total Tax Levy</u>	<u>Tax Collections</u>	<u>Percent of Levy Collected</u>
2017	\$2,786,444.56	———In process———	
2016	2,726,220.36	\$2,710,423.96	99.4%
2015	2,678,211.37	2,672,377.51	99.8
2014	2,611,229.80	2,607,703.26	99.9
2013	2,548,237.82	2,546,816.15	99.9

Source: Yankton County Auditor

Outstanding Obligations

The City does not have any outstanding general obligation bonds. Set forth below are the current outstanding obligations (as of December 31, 2017) which the City is obliged or committed to pay:

<u>Issue</u>	<u>Principal Outstanding</u>
Wastewater Revenue Refunding Bonds, Series 2011B	\$ 1,460,000
Sales Tax Revenue Bonds, Series 2011A	2,055,000
Certificates of Participation, Series 2009 ⁽¹⁾	0
Refunding Certificates of Participation, Series 2018 (<i>this issue</i>)	1,590,000
Solid Waste Management Program (SWMP)	163,863
Water Revenue Bonds (SRF)	15,612,883
Wastewater Revenue Bonds (SRF)	2,873,677
Clean Water (SRF)	593,805
Drinking Water (SRF)	<u>12,850,000</u>
Total	\$ 37,199,228

Source: City of Yankton

⁽¹⁾ Refunded by Series 2018

Overlapping Debt Payable from Property Taxes

<u>Issuer</u>	<u>Outstanding Debt As of 12/31/17</u>	<u>Overlapping Percent</u>	<u>Overlapping Amount</u>
Yankton County	\$4,070,000	52.44%	\$2,134,308
Yankton School District 63-3	<u>2,685,000</u>	63.55%	<u>1,706,318</u>
Totals:	\$4,209,000		\$3,840,626

Source: Yankton County Auditor, Yankton School District Audit Ending June 30, 2017

Net Direct Debt

The net direct debt is the direct (all issues) minus any self-supporting debt such as revenue issues and note issues. In general, the net direct debt is only the debt supported by ad valorem taxes.

Net Direct Debt	\$22,759,228
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Net Overall Debt

The net overall debt is net direct debt plus overlapping debt.

Net Overall Debt	\$26,599,854
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Net Debt Ratios

Net Direct Debt per Capita (pop. 14,566)	\$ 1,562.49
Overlapping Debt Per Capita (pop. 14,566)	\$ 263.67
Net Overall Debt per Capita (pop. 14,566)	\$ 1,826.16
Net Overall Debt per Acre (5,408)	\$ 4,918.61
Net Overall Debt to Assessed Value (\$843,610,222)	3.15%

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**APPENDIX B -
AUDITED FINANCIAL INFORMATION FOR
FISCAL YEAR ENDED DECEMBER 31, 2016**

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CITY OF YANKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

Year Ended

December 31, 2016



CITY OF YANKTON, SOUTH DAKOTA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

PREPARED BY:
FINANCE DEPARTMENT

AL VIERECK
FINANCE OFFICER

CITY OF YANKTON
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2016
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FINANCIAL SECTION

This Section Contains the Following Subsections:

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



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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Yankton Housing and Redevelopment Commission (a discretely presented component unit), which statements reflect total assets of \$191,352 and total revenues of \$614,662 as of and for the year ended June 30, 2016. 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, OPEB schedule of funding progress, schedules of net pension proportionate share and required contributions and budgetary comparison information found on pages 4-13 and 57-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining nonmajor fund financial statements, 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 auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, budgetary compliance schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 7, 2017, 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
September 7, 2017


Certified Public Accountants

Management Discussion and Analysis December 31, 2016

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, 2016. 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, 2016 by \$112,630,487. Of this amount \$26,898,024 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$8,147,445 during the year. Of this amount the net position of our Governmental Activities increased \$2,066,249 and the net position of our Business-Type Activities increased by \$6,081,196. The governmental net position and the business type net position increased in large part due to increases in charges for services and intergovernmental revenues and decreases in expenses.
- The City's Governmental Fund Balances increased \$1,609,304 in 2016. Exhibit 4 details the increases.
- The City's long-term debt increased \$6,999,252 in 2016. This increase occurred from a net increase in the Water Revenue Bonds of \$7,422,408 offset by decreases in long term debt from annual debt service payments in the Solid Waste Loans, the Water Revenue Bonds, 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 Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 20,574,451	\$ 20,111,962	\$ 13,850,155	\$ 8,556,875	\$ 34,424,606	\$ 28,668,837
Capital Assets	<u>59,202,936</u>	<u>58,755,975</u>	<u>46,218,724</u>	<u>39,140,166</u>	<u>105,421,660</u>	<u>97,896,141</u>
Total Assets	<u>79,777,387</u>	<u>78,867,937</u>	<u>60,068,879</u>	<u>47,697,041</u>	<u>139,846,266</u>	<u>126,564,978</u>
Pension Related						
Deferred Outflows	<u>2,222,301</u>	<u>2,181,926</u>	<u>681,276</u>	<u>651,258</u>	<u>2,903,577</u>	<u>2,833,184</u>
Long-term Liabilities Outstanding	5,151,868	4,387,532	20,584,043	13,335,482	25,735,911	17,723,014
Other Liabilities	<u>949,355</u>	<u>991,190</u>	<u>3,424,747</u>	<u>3,803,826</u>	<u>4,374,102</u>	<u>4,795,016</u>
Total Liabilities	<u>6,101,223</u>	<u>5,378,722</u>	<u>24,008,790</u>	<u>17,139,308</u>	<u>30,110,013</u>	<u>22,518,030</u>
Pension Related						
Deferred Inflows	<u>7,151</u>	<u>1,846,076</u>	<u>2,192</u>	<u>551,014</u>	<u>9,343</u>	<u>2,397,090</u>
Net Position:						
Net Investment in						
Capital Assets	57,562,936	57,010,975	23,971,769	24,772,476	81,534,705	81,783,451
Restricted	2,974,338	1,712,417	1,223,420	1,685,887	4,197,758	3,398,304
Unrestricted	<u>15,354,040</u>	<u>15,101,673</u>	<u>11,543,984</u>	<u>4,199,614</u>	<u>26,898,024</u>	<u>19,301,287</u>
Ending Net Position	<u>\$ 75,891,314</u>	<u>\$ 73,825,065</u>	<u>\$ 36,739,173</u>	<u>\$ 30,657,977</u>	<u>\$ 112,630,487</u>	<u>\$ 104,483,042</u>

This summary reflects an increase in net position of 2.80% for the Governmental Activities and an increase of 19.84% in the Business-Type Activities. The increase in Business-Type Activities net position was largely Capital Assets. The overall liabilities of the City of Yankton increased by \$7,591,983 or 33.72%, due mainly to an increase in Water Revenue Bonds Payable.

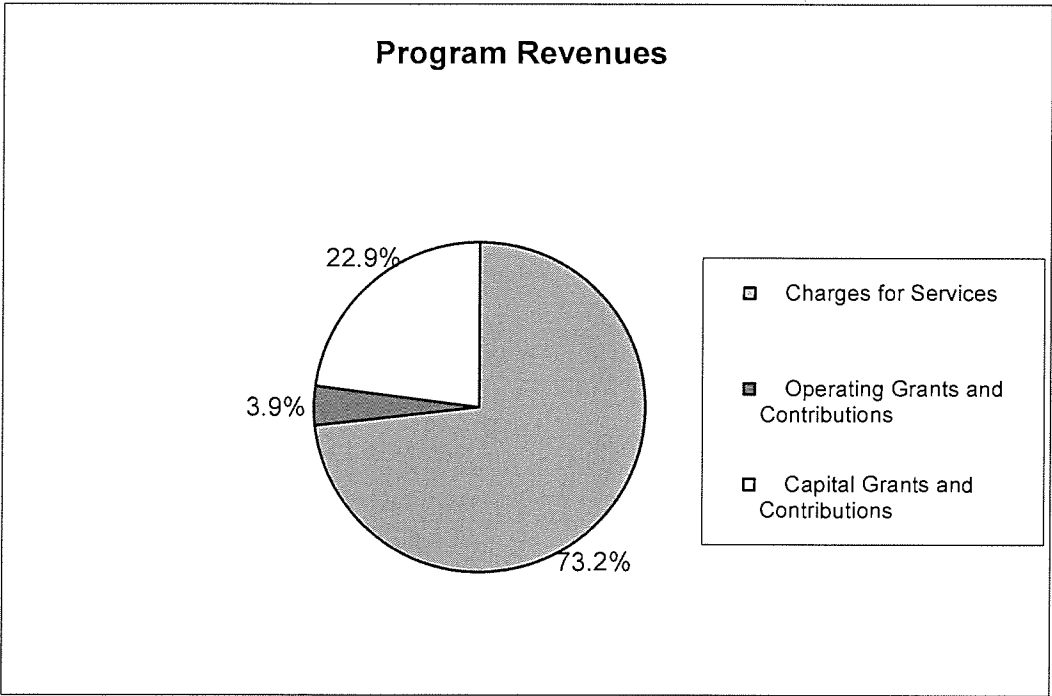
Total revenue reported in 2016 was \$35,086,817, an increase of \$2,835,342 or 8.79%. The largest increase in revenues was in Capital Grants and Contributions; an increase of \$1,503,691 or 43.89%. The Property Tax revenues increased \$113,908 or 4.04%, and Sales Tax revenues increased \$160,784 or 1.71%. 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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,673,532	\$ 3,674,653	\$ 12,059,275	\$ 11,341,796	\$ 15,732,807	\$ 15,016,449
Operating Grants and Contributions	821,714	492,086	-	-	821,714	492,086
Capital Grants and Contributions	2,121,993	3,114,307	2,807,827	311,822	4,929,820	3,426,129
General Revenues:						
Property Taxes	2,935,177	2,821,269	-	-	2,935,177	2,821,269
Sales Taxes	9,543,886	9,383,102	-	-	9,543,886	9,383,102
Other Taxes	771,235	746,650	-	-	771,235	746,650
Other	241,287	309,257	110,891	56,533	352,178	365,790
Total Revenues	20,108,824	20,541,324	14,977,993	11,710,151	35,086,817	32,251,475
Expenses:						
General Government	1,913,534	1,821,638	-	-	1,913,534	1,821,638
Public Safety	3,730,048	3,338,989	-	-	3,730,048	3,338,989
Public Works	7,039,397	6,322,499	-	-	7,039,397	6,322,499
Culture & Recreation	3,543,709	2,529,346	-	-	3,543,709	2,529,346
Community & Economic Development	1,255,196	645,421	-	-	1,255,196	645,421
Interest on Long-term Debt	166,279	172,168	-	-	166,279	172,168
Water	-	-	3,191,494	2,772,971	3,191,494	2,772,971
Wastewater	-	-	2,939,520	2,853,477	2,939,520	2,853,477
Golf	-	-	922,031	848,490	922,031	848,490
Non-Major Enterprise Funds	-	-	2,238,164	1,946,105	2,238,164	1,946,105
Total Expenses	17,648,163	14,830,061	9,291,209	8,421,043	26,939,372	23,251,104
Increase (Decrease) in Net Position						
Before Transfers	2,460,661	5,711,263	5,686,784	3,289,108	8,147,445	9,000,371
Transfers	(394,412)	(236,592)	394,412	236,592	-	-
Increase in Net Position	2,066,249	5,474,671	6,081,196	3,525,700	8,147,445	9,000,371
Net Position January 1	73,825,065	66,974,132	30,657,977	26,741,328	104,483,042	93,715,460
Prior Period Adjustment	-	1,376,262	-	390,949	-	1,767,211
Net Position December 31	\$ 75,891,314	\$ 73,825,065	\$ 36,739,173	\$ 30,657,977	\$ 112,630,487	\$ 104,483,042

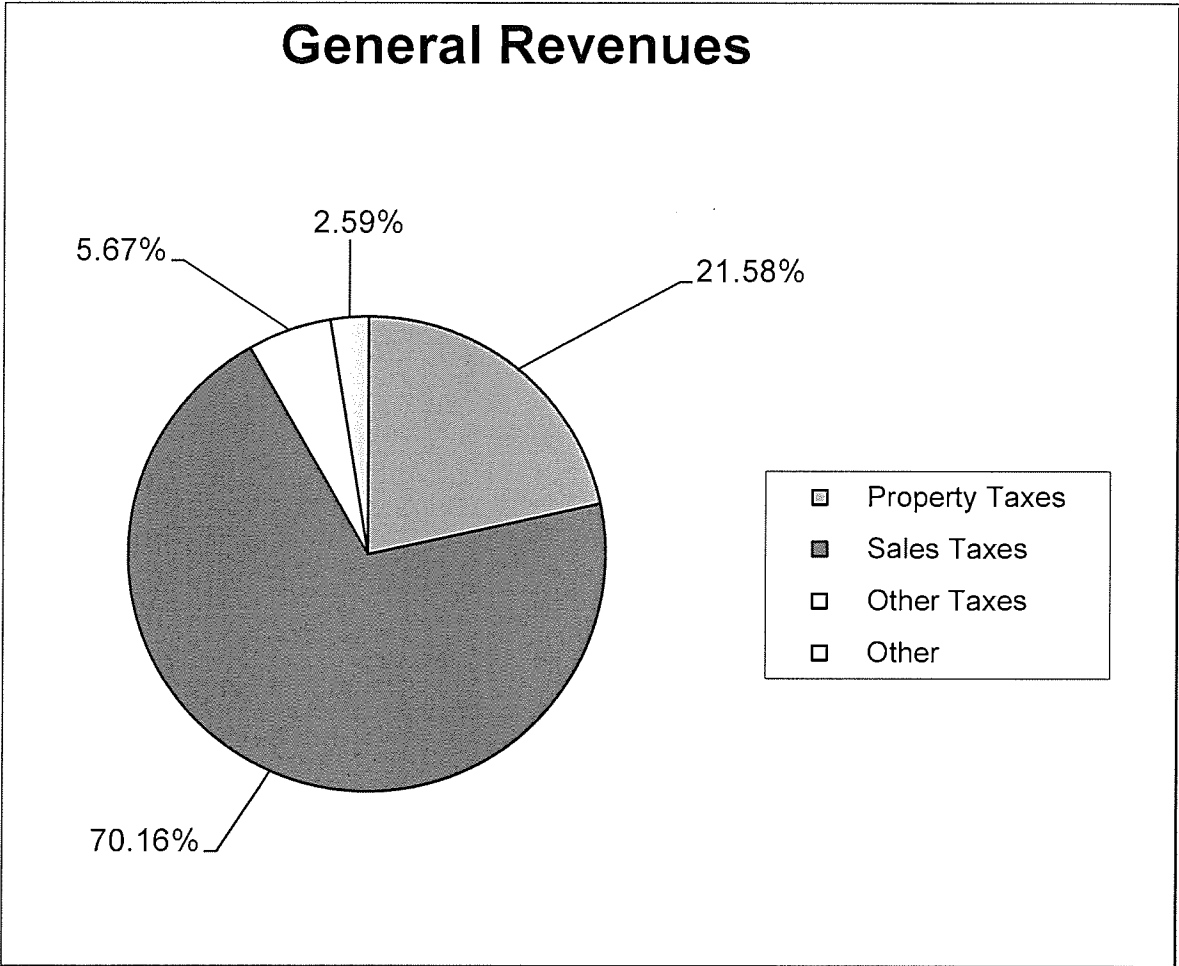
Charges for Services in the Business-Type Activities increased \$717,479 or 6.33% due in most part to increased consumption in water and modest 3% rate increases in Water and Solid Waste Collections and a 5% increase in Wastewater. Business-Type Activities Total Expenses increased by \$870,166 or 10.33%. Governmental Activities Total Expenses increased \$2,818,102 or 19%.

Program Revenues total \$21,484,341 for 2016. Governmental Activities provided \$6,617,239 and Business-Type Activities provided \$14,867,102. Revenue collected for Charges for Services during 2016 was \$15,732,807 accounting for 73.2% of the total program revenues. Revenue collected for Capital Grants and Contributions accounts for 22.9% of the total program revenues. The following chart breaks down program revenues by sources:



General Revenues for 2016 totaled \$13,602,476. Governmental Activities provided \$13,491,585 and Business-Type Activities provided \$110,891. Sales Tax Revenues for 2016 totaled \$9,543,886 and Property Tax Revenue totaled \$2,935,177. The Sales Tax Revenues accounted for 70.16% and Property Tax Revenues were 21.58% of General Revenues. The following chart breaks down General Revenues by source:

GENERAL REVENUES



Expenses for 2016 totaled \$26,939,732, an increase of 15.86%. Expenses for Governmental Activities totaled \$17,648,163 accounting for 65.5% of the total expenses. Expenses for Business-Type Activities totaled \$9,291,209 accounting for 34.5% 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 2016, the City spent \$3,730,048 and received \$52,597 in charges for services, \$103,291 in operating grants and contributions, and \$88,000 in Capital Grants and Contributions thus leaving a cost to the taxpayers of (\$3,486,160) 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 \$17,648,163. Of these costs, \$3,673,532 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 \$821,714, and costs paid by other governments and organizations that subsidized certain programs with capital grants and contributions were \$2,121,993, leaving a Net Expense of (\$11,030,924) 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 \$93,539,477, consisting of Net Position January 1, 2016 of \$73,825,065, General Revenues and transfers of \$13,097,173, and Program Revenues of \$6,617,239. Total Governmental Activities during the year expended \$17,648,163; thus, Net Position was increased by \$2,066,249 to \$75,891,314.

Business Type Activities

Business-Type Activities increased the City's net position by \$6,081,196

The cost of all Business-Type Activities this year was \$9,291,209. As shown in the Statement of Activities, the amounts paid by users of the systems were \$12,059,275 and \$2,807,827 was funded from capital grants and contributions, resulting in a net gain for Business-Type Activities of \$5,575,893.

Total resources available during the year to finance Business-Type Activities were \$46,030,382 consisting of Net Position January 1, 2016 of \$30,657,977, Program Revenues of \$14,867,102 and General Revenues and Transfers of \$505,303. Total Business-Type Activities during the year expended \$9,291,209; thus Net Position was increased by \$6,081,196 to \$36,739,173.

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 2016 of \$18,930,083 (33.8% non-spendable, 7.6% restricted, 57.9% committed, 2.3% assigned, and (1.6)% unassigned). The combined Governmental Funds fund balance increased \$1,609,304 from the prior year. The fund balance amount consists of \$6,407,732 of non-spendable funds committed for 1) perpetual care for cemetery \$50,000, 2) \$21,600 of inventories, 3) \$270,270 in vested reserve in our insurance carrier the South Dakota Public Assurance Association or SDPAA, 4) inventory of land for resale \$2,373,411 and 5) long term advances \$3,692,451; \$1,441,094 of restricted funds; \$10,969,027 of committed funds; \$428,170 of assigned funds, and \$(315,940) 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 \$9,469,513, an increase of \$165,137. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 48.5 percent of total general fund expenditures, while total fund balance represents 84.0 percent of that same amount.

General fund revenues in 2016 increased \$294,264 or 2.4% due mostly to an increases in property taxes, sales taxes, and licenses and permits. Expenditures decreased \$441,248 or 3.8%. The decrease in expenditures included an increase of \$413,985 in current expenditures, an increase of 4.30%, an increase of \$1,577 in debt service, an increase of 0.83% from 2015, offset by a decrease of \$856,810 in capital outlay, a decrease of 45.05% from 2015's expenditures.

The Special Capital Improvements Fund showed an increase in fund balance of \$1,385,705. This reflects a decrease in revenues of (\$1,736,871) and a decrease in expenditures of (\$58,229).

The TID #5 Fund balance showed a slight decrease in negative fund balance to end 2016 at (\$3,689,392) due to no expenditures being made for Capital Improvements or operating. The negative fund balance should be reduced by future tax receipts.

The Other Governmental Funds end of year balance increased \$320,521 to \$1,905,300.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the 2016 original (adopted) General Fund budget of \$13,817,248 to the final budget amount of \$14,225,219 shows a net increase of \$407,971. However, actual expenditures were \$2,547,334 less than the original adopted budget. Supplemental changes that would have resulted in actual expenditures higher than the original budget were offset by less expenditures than originally budgeted in various departments.

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

CAPITAL ASSETS

The City's investment in capital assets, including land, construction in progress, building and structures, equipment, streets, water system, wastewater system, transfer station and recycling facilities, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of December 31, 2016 was \$81,534,705 (net of accumulated depreciation and outstanding financings). This was a decrease of \$248,746 or 0.30%. The comparative totals for capital assets for 2015 and 2016 are as follows:

CITY OF YANKTON CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 3,623,276	\$ 3,296,853	\$ 814,623	\$ 814,623	\$ 4,437,899	\$ 4,111,476
Construction in Progress	3,748,548	4,149,020	18,719,577	12,144,682	22,468,125	16,293,702
Buildings & Structures / Infrastructure	44,219,194	43,981,793	23,067,299	22,446,804	67,286,493	66,428,597
Land Improvements	-	-	2,125,054	2,128,161	2,125,054	2,128,161
Furniture and Equipment	7,611,918	7,328,309	1,492,171	1,605,896	9,104,089	8,934,205
Total	\$ 59,202,936	\$ 58,755,975	\$ 46,218,724	\$ 39,140,166	\$ 105,421,660	\$ 97,896,141

Construction in Progress was the major increases in capital outlays for 2016 for Business-Type Activities; and the only decrease in capital assets in Governmental Activities. See note 6 in the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At 2016 year end the City had \$25,405,880 of debt outstanding, an increase of \$6,999,252. This increase in debt was due to a net increase in Water Revenue Bonds of \$7,422,408 offset by normal debt service payments.

Of the total debt, \$3,810,000 or 15.0% is to be paid from governmental activities including \$2,170,000 specifically from sales tax funds, and \$1,640,000 from property tax opt-out dollars; and \$21,580,906 or 85.0% in business type activities including \$16,250,051 to be repaid from water user fees, \$182,546 to be paid from landfill revenues and \$5,148,309 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 \$44,986,187 with outstanding debt (less debt service reserves) of \$14,129,035, leaving an unused balance of \$30,857,152 or 68.59% 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 \$10,220,490 of outstanding debt backed by surcharges with the legal debt capacity being \$89,972,373 leaving \$79,751,883 or 88.6% 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 2016 was \$18,276,920. It was a decrease of \$7,466,008 or 71.0% of the 2015 total of \$25,743,008. The average annual building permit value for the last ten years was \$24,231,549 and the 2016 total value was 24.6% less than that average. New construction building permits included Goglin Funeral Home, a new Hacecky Storage building, the Fox Stop Convenience Store, and East Eight LLC Apartments. Commercial additions and remodels included a Casey's General Store addition, Truxedo Office remodel, Whiting Court Apartment Renovations, First Dakota Bank 4th floor addition, Broadway Chrysler addition, Academy of Dance renovation, and Slumberland/Larry's Heating & Cooling relocation and renovation. There were thirty-eight new home-building permits issued during the year, a decrease of one from 2015. There were also 28 new apartments with a new apartment complex.

The City continues to reinvest in its infrastructure with street improvements, wastewater distribution improvements, and the water utility continues to replace water mains to improve the reliability of the water supply. The City also continued construction of a new Collector Well to replace and supplement our current water supplies and began construction on a replacement Lift Station on the East side of Yankton.

Another indicator of economic activity is the taxable sales for Yankton that are reported by the South Dakota Department of Revenue. Our 2016 sales were up 1.88% over 2015's figures and totaled \$509,882,107.

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, 2016

	Primary Government			Component Unit Housing & Redevelopment
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 15,165,989	\$ 10,314,232	\$ 25,480,221	\$ 177,973
Receivables:				
Taxes	27,054	-	27,054	
Accounts	91,936	1,367,710	1,459,646	7,539
Special Assessments	386,748	-	386,748	
Other Receivables	-	-	-	2,855
Due from Other Governmental Agencies	1,628,536	848,359	2,476,895	
Prepaid Expenses	134,744	74,936	209,680	1,852
Internal Balances	148,749	(148,749)	-	
Property Held for Resale, At Cost	2,373,411	-	2,373,411	
Inventories	193,767	412,845	606,612	
Restricted Assets:				
Cash and Cash Equivalents	153,247	980,822	1,134,069	
Deposits	270,270	-	270,270	
Land	3,623,276	814,623	4,437,899	
Construction in Progress	3,748,548	18,719,577	22,468,125	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	51,831,112	26,684,524	78,515,636	1,133
Total Assets	<u>79,777,387</u>	<u>60,068,879</u>	<u>139,846,266</u>	<u>191,352</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	<u>2,222,301</u>	<u>681,276</u>	<u>2,903,577</u>	<u>-</u>
LIABILITIES				
Accounts Payable	439,023	1,743,491	2,182,514	4,990
Accrued Wages	189,981	51,485	241,466	5,526
Accrued Interest Payable	12,880	133,205	146,085	
Payables from Restricted Assets:				
Customer Deposits	990	2,694	3,684	
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	1,470,483	1,470,483	
General Obligation Bonds	115,000	-	115,000	
Capital Lease	110,000	-	110,000	
Compensated Absences	81,481	23,389	104,870	2,449
Due in more than one year:				
Revenue Bonds Payable	-	20,117,039	20,117,039	
Capital Lease	1,530,000	-	1,530,000	
General Obligation Bonds	2,063,358	-	2,063,358	
Estimated Postemployment Benefit Obligation	107,485	31,184	138,669	
Compensated Absences	461,729	132,539	594,268	2,249
Net Pension Liability	989,296	303,281	1,292,577	
Total Liabilities	<u>6,101,223</u>	<u>24,008,790</u>	<u>30,110,013</u>	<u>15,214</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	<u>7,151</u>	<u>2,192</u>	<u>9,343</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>7,151</u>	<u>2,192</u>	<u>9,343</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	57,562,936	23,971,769	81,534,705	1,133
Restricted for:				
Housing Vouchers	-	-	-	3,205
Debt Service	180,885	847,617	1,028,502	
SDRS Pension Purposes	1,225,854	375,803	1,601,657	
Lodging Sales Tax	1,045,039	-	1,045,039	
Cumulative Reserve-SDPAA	270,270	-	270,270	
Other Purposes	97,553	-	97,553	
Perpetual Care				
Expendable	104,737	-	104,737	
Nonexpendable	50,000	-	50,000	
Unrestricted	<u>15,354,040</u>	<u>11,543,984</u>	<u>26,898,024</u>	<u>171,800</u>
Total Net Position	<u>\$ 75,891,314</u>	<u>\$ 36,739,173</u>	<u>\$ 112,630,487</u>	<u>\$ 176,138</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General Government	\$ 1,913,534	\$ 2,044,216	\$ -
Public Safety	3,730,048	52,597	103,291
Public Works	7,039,397	979,456	290,303
Culture and Recreation	3,543,709	597,263	428,120
Community Development	1,255,196	-	-
Interest on Long-Term Debt	166,279	-	-
Total Governmental Activities	<u>17,648,163</u>	<u>3,673,532</u>	<u>821,714</u>
Business-Type Activities:			
Water	3,191,494	5,715,020	-
Wastewater	2,939,520	3,452,942	-
Solid Waste	937,330	996,734	-
Joint Powers- Landfill	1,300,834	1,195,403	-
Golf Course	922,031	699,176	-
Total Business-Type Activities	<u>9,291,209</u>	<u>12,059,275</u>	<u>-</u>
Component Units:			
Housing & Redevelopment	623,883	-	603,042
Total Component Unit	<u>\$ 623,883</u>	<u>\$ -</u>	<u>\$ 603,042</u>
General Revenues:			
Property taxes			
Sales and other Taxes			
Lodging Sales Tax			
Interest			
Reimbursements			
Miscellaneous			
Interfund Transfers			
Total General Revenues and Transfers			
Change in Net Position			
Net Position - Beginning			
Net Position - Ending			

EXHIBIT 2

Program Revenues	Net (Expense) Revenue and Changes in Net Position			Component Unit Housing & Redevelopment
	Governmental Activities	Business-Type Activities	Total	
Capital Grants and Contributions				
\$ 80	\$ 130,762		\$ 130,762	-
88,000	(3,486,160)		(3,486,160)	-
1,613,534	(4,156,104)		(4,156,104)	-
420,379	(2,097,947)		(2,097,947)	-
-	(1,255,196)		(1,255,196)	-
-	(166,279)		(166,279)	-
<u>2,121,993</u>	<u>(11,030,924)</u>		<u>(11,030,924)</u>	<u>-</u>
1,118,341		\$ 3,641,867	3,641,867	-
1,415,915		1,929,337	1,929,337	-
-		59,404	59,404	-
273,571		168,140	168,140	-
-		(222,855)	(222,855)	-
<u>2,807,827</u>		<u>5,575,893</u>	<u>5,575,893</u>	<u>-</u>
-	-	-	-	\$ (20,841)
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,841)</u>
	2,935,177	-	2,935,177	-
	9,543,886	-	9,543,886	-
	771,235	-	771,235	-
	121,344	60,717	182,061	119
	119,943	-	119,943	-
	-	50,174	50,174	11,501
	(394,412)	394,412	-	-
	<u>13,097,173</u>	<u>505,303</u>	<u>13,602,476</u>	<u>11,620</u>
	2,066,249	6,081,196	8,147,445	(9,221)
	<u>73,825,065</u>	<u>30,657,977</u>	<u>104,483,042</u>	<u>185,359</u>
	<u>\$ 75,891,314</u>	<u>\$ 36,739,173</u>	<u>\$ 112,630,487</u>	<u>\$ 176,138</u>

CITY OF YANKTON, SOUTH DAKOTA
BALANCE SHEET
Governmental Funds
December 31, 2016

	General	Special Capital Improvements	Public Improvement
<u>Assets</u>			
Cash and Cash Equivalents	\$ 5,220,212	\$ 8,240,584	\$ -
Receivables (Net where applicable, of allowance for uncollectibles):			
Taxes	27,054	-	-
Accounts	90,572	63	-
Special Assessments	18,563	-	-
Due from Other Funds	-	2,262,830	-
Due from Other Governmental Agencies	799,228	637,740	45,132
Advances to Other Funds	3,689,392	-	-
Inventories	21,600	-	-
Property Held for Resale, At Cost	19,033	-	2,354,378
Restricted Assets:			
Cash and Cash Equivalents	-	-	-
Deposits	270,270	-	-
Total Assets	<u>10,155,924</u>	<u>11,141,217</u>	<u>2,399,510</u>
<u>Liabilities</u>			
Accounts Payable	221,551	80,684	45,133
Accrued Wages	156,129	-	-
Due to Other Funds	30,390	-	1,641,062
Customer Deposits	990	-	-
Advances from Other Funds	-	-	-
Total Liabilities	<u>409,060</u>	<u>80,684</u>	<u>1,686,195</u>
<u>Deferred Inflows of Resources</u>			
Unavailable revenue- property taxes	27,054	-	-
Unavailable revenue- special assessments	18,564	-	-
Unavailable revenue- other taxes	192,968	91,506	-
Unavailable revenue- other	38,765	-	-
Total Deferred Inflows of Resources	<u>277,351</u>	<u>91,506</u>	<u>-</u>
<u>Fund Balances</u>			
Non-Spendable:			
Perpetual Care	-	-	-
Inventories	21,600	-	-
Cumulative Reserve-SDPAA	270,270	-	-
Property Held for Resale	19,033	-	2,354,378
Long Term Advances	3,692,451	-	-
Restricted:			
Debt Service	-	-	-
Lodging Sales Tax	-	-	-
Perpetual Care	-	-	-
Other Purposes	-	-	-
Committed:			
Special Capital Improvements (sales tax)	-	10,969,027	-
Assigned:			
Capital Projects	-	-	-
Unassigned	5,466,159	-	(1,641,063)
Total Fund Balances (Deficits)	<u>9,469,513</u>	<u>10,969,027</u>	<u>713,315</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 10,155,924</u>	<u>\$ 11,141,217</u>	<u>\$ 2,399,510</u>

EXHIBIT 3

TID #5	Infrastructure Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 6,489	\$ 1,642,724	\$ 15,110,009
-	-	-	27,054
-	-	979	91,614
-	-	368,185	386,748
-	-	-	2,262,830
-	-	139,140	1,621,240
-	-	-	3,689,392
-	-	-	21,600
-	-	-	2,373,411
-	-	153,247	153,247
-	-	-	270,270
-	6,489	2,304,275	26,007,415
-	1,540	49,239	398,147
-	-	31,110	187,239
-	442,629	-	2,114,081
-	-	-	990
3,689,392	-	-	3,689,392
3,689,392	444,169	80,349	6,389,849
-	-	-	27,054
-	-	307,186	325,750
-	-	11,440	295,914
-	-	-	38,765
-	-	318,626	687,483
-	-	50,000	50,000
-	-	-	21,600
-	-	-	270,270
-	-	-	2,373,411
-	-	-	3,692,451
-	-	193,765	193,765
-	-	1,045,039	1,045,039
-	-	104,737	104,737
-	-	97,553	97,553
-	-	-	10,969,027
-	-	428,170	428,170
(3,689,392)	(437,680)	(13,964)	(315,940)
(3,689,392)	(437,680)	1,905,300	18,930,083
\$ -	\$ 6,489	\$ 2,304,275	\$ 26,007,415

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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, 2016

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

Total Fund Balance - Governmental Funds (page 18)	\$ 18,930,083
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	59,030,207
Unavailable revenues that do not provide current financial resources for governmental activities	687,483
Accrued expenses from the balance sheet that do not require current financial resources for governmental activities	(12,880)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	132,575
Pension related deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, are not due and payable in the current year and, therefore are not reported in the governmental funds.	2,180,139
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	(4,353,699)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds	(88,075)
The Net Pension Liability does not provide resources in the current period and therefore is not reported in the funds	(973,652)
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.	359,133
Total Net Position - Governmental Activities (page 14)	\$ 75,891,314

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended December 31, 2016

	<u>General</u>	<u>Special Capital Improvements</u>	<u>Public Improvement</u>
Revenue:			
Property Taxes	\$ 2,685,709	\$ -	\$ -
Sales and Other Taxes	5,795,937	3,872,372	-
Special Assessments	-	-	-
Licenses and Permits	358,588	-	-
Intergovernmental	476,800	578,875	537,030
Charges for Services	3,028,651	2,054	10,000
Fines and Forfeits	8,591	-	-
Interest on Investments	29,126	81,216	28
Contributions	880	500	-
Miscellaneous	82,536	300	-
Total Revenue	<u>12,466,818</u>	<u>4,535,317</u>	<u>547,058</u>
Current Expenditures:			
General Government	1,815,610	-	-
Public Safety	2,747,400	-	-
Public Works	2,732,431	-	-
Culture and Recreation	2,737,949	-	-
Community Development	-	-	-
Capital Outlay:			
Public Works	600,474	1,665,899	541,916
Culture and Recreation	290,235	-	-
General Government	23,390	-	-
Public Safety	131,107	-	-
Debt Service	191,318	-	-
Total Expenditures	<u>11,269,914</u>	<u>1,665,899</u>	<u>541,916</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,196,904</u>	<u>2,869,418</u>	<u>5,142</u>
Other Financing Sources (Uses):			
Proceeds From Sale of Capital Assets	9,810	-	83,077
Transfers In	178,576	-	200,000
Transfers Out	(1,220,153)	(1,483,713)	-
Total Other Financing Sources (Uses)	<u>(1,031,767)</u>	<u>(1,483,713)</u>	<u>283,077</u>
Net Change in Fund Balance	165,137	1,385,705	288,219
Fund Balances (Deficits)-Beginning of Year	<u>9,304,376</u>	<u>9,583,322</u>	<u>425,096</u>
Fund Balances (Deficits)- End of Year	<u>\$ 9,469,513</u>	<u>\$ 10,969,027</u>	<u>\$ 713,315</u>

EXHIBIT 4

Infrastructure Improvement	TID #5	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 198,222	\$ 54,694	\$ 2,938,625
-	-	795,125	10,463,434
-	-	352,127	352,127
-	-	-	358,588
-	7,360	157,471	1,757,536
-	-	26,718	3,067,423
-	-	-	8,591
-	-	10,785	121,155
-	-	18,083	19,463
-	6,000	1,350	90,186
-	211,582	1,416,353	19,177,128
-	-	-	-
-	-	-	1,815,610
-	-	563,360	3,310,760
-	-	54,694	2,787,125
-	-	162,163	2,900,112
-	-	506,813	506,813
2,076,682	-	172,267	5,057,238
-	-	56,526	346,761
-	-	-	23,390
-	-	-	131,107
-	-	196,065	387,383
2,076,682	-	1,711,888	17,266,299
(2,076,682)	211,582	(295,535)	1,910,829
-	-	-	92,887
1,509,087	-	788,614	2,676,277
-	(194,265)	(172,558)	(3,070,689)
1,509,087	(194,265)	616,056	(301,525)
(567,595)	17,317	320,521	1,609,304
129,915	(3,706,709)	1,584,779	17,320,779
\$ (437,680)	\$ (3,689,392)	\$ 1,905,300	\$ 18,930,083

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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, 2016

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

Net change in fund balances - total governmental funds (page 21) \$ 1,609,304

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:

Expenditures for capital assets	\$ 3,332,225	
Depreciation Expense	<u>(2,821,920)</u>	510,305

Capital Contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds. 742,228

Revenues reported in the funds that are not available to provide current financial resources: (138,041)

Accrued interest expense that does not require current financial resources: 524

Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied. 251,961

Pension expenses reported in the Statement of Activities do not require the use of current financial resources. (533,080)

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 182,009

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. (854,868)

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. 75,548

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources: 9,770

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

Other Post-Employment Benefits that do not require current financial resources. 31,720

Compensated absences that do not require current financial resources. (41,711)

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: 220,000

Change in net position of governmental activities (page 16) \$ 2,066,249

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET POSITION
Proprietary Funds
December 31, 2016

	<u>Business-Type</u>	
	<u>Water</u>	<u>Wastewater</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 8,454,487	\$ 1,047,575
Receivables (Net where applicable, of allowance for uncollectibles):		
Accounts	653,847	478,288
Due from Other Governmental Agencies	-	559,488
Prepaid Insurance	21,457	24,323
Inventories	191,118	165,095
Total Current Assets	<u>9,320,909</u>	<u>2,274,769</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	440,938	515,863
Land	128,117	66,666
Construction in Progress	16,209,350	2,510,227
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	13,689,449	8,556,635
Total Noncurrent Assets	<u>30,467,854</u>	<u>11,649,391</u>
Total Assets	<u>39,788,763</u>	<u>13,924,160</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	<u>180,399</u>	<u>187,230</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	859,828	808,002
Accrued Wages	16,798	12,468
Accrued Interest Payable	102,015	30,734
Accrued Compensated Absences	7,672	5,186
Due to Other Funds	-	-
Customer Deposits	2,694	-
Revenue Bonds Payable- Current	637,168	814,632
Total Current Liabilities	<u>1,626,175</u>	<u>1,671,022</u>
Noncurrent Liabilities:		
Revenue Bonds Payable	15,612,883	4,340,293
Accrued Compensated Absences	43,476	29,390
Estimated Postemployment Benefit Obligation	1,409	15,522
Net Pension Liability	80,308	83,349
Total Noncurrent Liabilities	<u>15,738,076</u>	<u>4,468,554</u>
Total Liabilities	<u>17,364,251</u>	<u>6,139,576</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable - Other	-	-
Pension Related Deferred Inflows	<u>580</u>	<u>602</u>
NET POSITION		
Net investment in capital assets,	13,292,466	5,803,569
Restricted for:		
Debt Service	338,923	485,129
SDRS Pension Purposes	99,511	103,279
Unrestricted	8,873,431	1,579,235
Total Net Position	<u>\$ 22,604,331</u>	<u>\$ 7,971,212</u>

EXHIBIT 5

<u>Business-Type</u>		<u>Governmental</u>
<u>Non-Major</u>		<u>Activities-</u>
<u>Enterprise Funds</u>	<u>Totals</u>	<u>Internal</u>
		<u>Service Fund</u>
\$ 812,170	\$ 10,314,232	\$ 55,980
235,575	1,367,710	322
288,871	848,359	7,296
29,156	74,936	2,169
56,632	412,845	172,167
<u>1,422,404</u>	<u>13,018,082</u>	<u>237,934</u>
24,021	980,822	-
619,840	814,623	7,000
-	18,719,577	-
<u>4,438,440</u>	<u>26,684,524</u>	<u>165,729</u>
<u>5,082,301</u>	<u>47,199,546</u>	<u>172,729</u>
<u>6,504,705</u>	<u>60,217,628</u>	<u>410,663</u>
<u>313,647</u>	<u>681,276</u>	<u>35,141</u>
75,661	1,743,491	40,876
22,219	51,485	2,742
456	133,205	-
10,531	23,389	1,180
148,749	148,749	-
-	2,694	-
18,683	1,470,483	-
<u>276,299</u>	<u>3,573,496</u>	<u>44,798</u>
163,863	20,117,039	-
59,673	132,539	6,689
14,253	31,184	19,410
139,624	303,281	15,644
<u>377,413</u>	<u>20,584,043</u>	<u>41,743</u>
<u>653,712</u>	<u>24,157,539</u>	<u>86,541</u>
-	-	17
<u>1,010</u>	<u>2,192</u>	<u>113</u>
		130
4,875,734	23,971,769	172,729
23,565	847,617	-
173,013	375,803	19,384
1,091,318	11,543,984	167,020
<u>\$ 6,163,630</u>	<u>\$ 36,739,173</u>	<u>\$ 359,133</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended December 31, 2016

	<u>Business-Type</u>	
	<u>Water</u>	<u>Waste- water</u>
Operating Revenues:		
Charges for Services	\$ 5,715,020	\$ 3,452,942
Operating Expenses:		
Personal Services	680,367	618,490
Insurance	52,047	84,370
Professional Services	45,513	43,892
Tipping Fees	-	-
State Fees	10,850	12,500
Repairs and Maintenance	228,533	239,790
Cost of Sales and Service	-	-
Supplies and Materials	292,354	50,809
Travel and Conference	3,435	1,860
Utilities	293,075	192,632
Billing and Administration	655,905	626,754
Other Current Expenses	-	-
Depreciation	618,439	923,235
Total Operating Expenses	2,880,518	2,794,332
Operating Income (Loss)	2,834,502	658,610
Non-Operating Income (Expense):		
Interest Income	42,007	11,363
Intergovernmental Revenue	667,678	1,074,854
Gain (Loss) on Disposition of Assets	-	-
Miscellaneous, net	3,283	18,668
Interest Expense	(310,976)	(145,188)
Total Non-Operating Income (Expenses)	401,992	959,697
Income Before Contributions and Transfers	3,236,494	1,618,307
Transfers In	-	-
Transfers (Out)	(71,346)	(60,046)
Capital Contributions	450,663	341,061
Change in Net Position	3,615,811	1,899,322
Net Position - Beginning	18,988,520	6,071,890
Net Position - Ending	\$ 22,604,331	\$ 7,971,212

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>
<u>\$ 2,891,313</u>	<u>\$ 12,059,275</u>	<u>\$ 731,885</u>
1,128,022	2,426,879	125,197
25,876	162,293	-
59,148	148,553	929
159,868	159,868	-
-	23,350	-
269,805	738,128	13,279
748,887	748,887	-
72,380	415,543	499,963
3,141	8,436	-
58,046	543,753	18,315
322,248	1,604,907	-
-	-	22,916
302,260	1,843,934	20,063
<u>3,149,681</u>	<u>8,824,531</u>	<u>700,662</u>
(258,368)	3,234,744	31,223
7,347	60,717	-
273,571	2,016,103	44,325
(10,514)	(10,514)	-
28,223	50,174	-
-	(456,164)	-
<u>298,627</u>	<u>1,660,316</u>	<u>44,325</u>
40,259	4,895,060	75,548
525,804	525,804	-
-	(131,392)	-
-	791,724	-
566,063	6,081,196	75,548
<u>5,597,567</u>	<u>30,657,977</u>	<u>283,585</u>
<u>\$ 6,163,630</u>	<u>\$ 36,739,173</u>	<u>\$ 359,133</u>

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended December 31, 2016

	Business-Type	
	Water	Waste- Water
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 5,578,404	\$ 2,769,173
Cash Received from Interfund Services Provided	-	28,732
Cash Paid to Suppliers for Goods and Services	(1,810,971)	(974,623)
Cash Paid to Employees for Services	(655,923)	(593,985)
Cash Paid for Interfund Services	(13,316)	(12,915)
Other Nonoperating Revenues	3,283	18,668
Net Cash Provided from Operating Activities	<u>3,101,477</u>	<u>1,235,050</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(6,137,788)	(1,824,571)
Proceeds from Bond Issuance	8,505,455	593,805
Principal Paid on Notes, Bonds and Leases	(415,364)	(776,595)
Interest Paid on Notes and Bonds	(275,122)	(147,475)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,677,181</u>	<u>(2,154,836)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Due to Other Funds	-	-
Due from Other Governments		
Transfers (Out)	(71,346)	(60,046)
Receipts from Other Governments	-	1,074,854
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(71,346)</u>	<u>1,014,808</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	42,007	11,363
Net Cash Provided from Investing Activities	<u>42,007</u>	<u>11,363</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,749,319	106,385
Cash and Cash Equivalents at Beginning of Year	<u>4,146,106</u>	<u>1,457,053</u>
Cash and Cash Equivalents at End of Year	<u><u>8,895,425</u></u>	<u><u>1,563,438</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	<u>2,834,502</u>	<u>658,610</u>
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	618,439	923,235
Other Non-Operating Income (Expense)	3,283	18,668
(Increase) Decrease in Assets:		
Accounts Receivable	(136,616)	(655,037)
Prepaid Expenses	(1,103)	(885)
Net Pension Asset / Liability	182,599	189,219
Pension Related Deferred Outflows	(1,391)	(1,959)
Inventories	11,425	(8,700)
Increase (Decrease) in Liabilities:		
Accounts Payable	(253,062)	274,654
Customer Deposits	165	-
Accrued Wages	1,963	3,234
Accrued Compensated Absences	(3,347)	(2,758)
Estimated Postemployment Benefit Obligation	(4,505)	(7,080)
Pension Related Deferred Inflows	(150,875)	(156,151)
Total Adjustments	<u>266,975</u>	<u>576,440</u>
Net Cash Provided by Operating Activities	<u><u>3,101,477</u></u>	<u><u>1,235,050</u></u>
Supplemental Schedule of Noncash Capital and Related Financing Activities:		
Developers and City Contribution of Capital Assets	<u>450,663</u>	<u>341,061</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents	8,454,487	1,047,575
Restricted Cash and Cash Equivalents	440,938	515,863
	<u><u>\$ 8,895,425</u></u>	<u><u>\$ 1,563,438</u></u>

EXHIBIT 7

Business-Type		Governmental
Nonmajor		Activities-
Enterprise Funds	Totals	Internal
		Service Fund
\$ 2,854,391	\$ 11,201,968	\$ 108,648
6,670	35,402	622,613
(1,392,807)	(4,178,401)	(590,801)
(1,083,892)	(2,333,800)	(121,598)
(191,168)	(217,399)	(1,252)
28,223	50,174	-
221,417	4,557,944	17,610
(875,825)	(8,838,184)	(69,360)
-	9,099,260	-
(18,135)	(1,210,094)	-
(46)	(422,643)	-
(894,006)	(1,371,661)	(69,360)
(373,695)	(373,695)	-
-	-	44,325
525,804	394,412	-
-	1,074,854	-
152,109	1,095,571	44,325
7,347	60,717	-
7,347	60,717	-
(513,133)	4,342,571	(7,425)
1,349,324	6,952,483	63,405
836,191	11,295,054	55,980
(258,368)	3,234,744	31,223
302,260	1,843,934	20,063
28,223	50,174	-
(30,252)	(821,905)	(624)
(2,194)	(4,182)	(187)
303,613	675,431	35,444
(26,668)	(30,018)	(491)
(983)	1,742	(26,405)
138,601	160,193	(10,059)
-	165	-
5,176	10,373	727
7,962	1,857	1,475
(4,157)	(15,742)	(4,369)
(241,796)	(548,822)	(29,187)
479,785	1,323,200	(13,613)
221,417	4,557,944	17,610
-	791,724	-
812,170	10,314,232	55,980
24,021	980,822	-
\$ 836,191	\$ 11,295,054	\$ 55,980

CITY OF YANKTON, SOUTH DAKOTA
STATEMENT OF NET POSITION
Fiduciary Funds
December 31, 2016

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 107,336
Total Assets	<u>107,336</u>
Liabilities	
Accounts Payable	626
Other Accrued Expenses	<u>106,710</u>
Total Liabilities	<u>107,336</u>
Net Position	
Unrestricted	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2016**

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, 2016**

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, 2016**

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, 2016**

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

The City has the following agency funds:

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

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

The City reports the following major governmental funds:

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

Special Revenue Fund:

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

Capital Projects Funds:

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

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

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

The City reports the following major enterprise funds:

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

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

E. Cash and Investments

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

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

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

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

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

F. Cash Flows

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

G. Short-Term Interfund Receivables/Payables

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

H. Advance to Other Funds

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

I. Inventories/Property Held for Resale

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

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

J. Deferred Outflow/Inflows of Resources

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

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

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

K. Restricted Assets

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

L. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensation time hours for subsequent use or for payment upon termination, death or retirement. This liability as well as the corresponding employee benefits, is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for the portion which is expected to be liquidated with expendable available financial resources. This amount normally consists of payments to employees who had resigned or retired at year end, but had not yet been compensated for the accrued absences. The compensated absences liability has been computed based on rates of pay in effect at December 31, 2016. 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, 2016**

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, 2016**

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 2016 were \$730,785 of which \$109,103 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, 2016**

NOTE 2 - CASH AND CASH EQUIVALENTS – (CONTINUED)

per banks, at December 31, 2016 were \$27,073,709. 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, 2016, consisted of the following:

	<u>Utility Accounts Receivable</u>	<u>Special Assessment Receivable</u>
Fund:		
Infrastructure Improvement Revolving	\$ -	\$ 42,000
Water Fund	20,170	-
Wastewater Fund	11,081	-
Solid Waste Fund	10,250	-
	<u>\$ 41,501</u>	<u>\$ 42,000</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2016, include the following:

	General	Public Improvement	Special Capital Improvement Fund	Non-Major Governmental Funds
County Remitted Taxes	\$ 25,020	\$ -	\$ -	\$ -
County share of Senior Center and Others	8,540	-	-	-
County and Other Garage Charges	-	-	-	-
State Remitted Sales Tax	666,370	-	637,740	72,265
State Remitted Liquor and Other Taxes	23,141	-	-	-
State Road Aid	52,342	-	-	-
Grants	-	45,132	-	42,543
Other	23,815	-	-	24,332
	<u>\$ 799,228</u>	<u>\$ 45,132</u>	<u>\$ 637,740</u>	<u>\$ 139,140</u>

	Internal Service	Wastewater	Non-Major Enterprise Funds	Total
County Remitted Taxes	\$ -	\$ -	\$ -	\$ 25,020
County share of Senior Center and Others	-	-	-	8,540
County and Other Garage Charges	7,296	-	-	7,296
State Remitted Sales Tax	-	-	-	1,376,375
State Remitted Liquor and Other Taxes	-	-	-	23,141
State Road Aid	-	-	-	52,342
Grants	-	559,488	288,871	936,034
Other	-	-	-	48,147
	<u>\$ 7,296</u>	<u>\$ 559,488</u>	<u>\$ 288,871</u>	<u>\$ 2,476,895</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 - CAPITAL ASSETS

A summary of the changes in the capital assets for the year ended December 31, 2016, is as follows:

	Balance January 1, 2016	Additions	Deletions	Reclassification	Balance December 31, 2016
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 3,296,853	\$ 326,423	\$ -	\$ -	\$ 3,623,276
Construction in Progress	4,149,020	358,304	758,776	-	3,748,548
Total capital assets not being depreciated	7,445,873	684,727	758,776	-	7,371,824
Capital assets being depreciated:					
Buildings & Structures/Infrastructure	68,378,407	2,918,971	1,195,132	-	70,102,246
Furniture & Equipment	15,748,031	1,298,890	375,487	(59,485)	16,611,949
Total capital assets being depreciated:	84,126,438	4,217,861	1,570,619	(59,485)	86,714,195
Less: Accumulated Depreciation for:					
Buildings & Structures/Infrastructure	24,396,614	1,875,151	388,713	-	25,883,052
Furniture & Equipment	8,419,722	966,832	327,038	(59,485)	9,000,031
Total Accumulated Depreciation	32,816,336	2,841,983	715,751	(59,485)	34,883,083
Total Capital Assets being depreciated, net	51,310,102	1,375,878	854,868	-	51,831,112
Governmental activities capital assets, net	\$ 58,755,975	\$ 2,060,605	\$ 1,613,644	\$ -	\$ 59,202,936

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

	Balance January 1, 2016	Additions	Deletions	Reclassification	Balance December 31, 2016
Business-Type Activities:					
Capital Assets not being depreciated:					
Land	\$ 814,623	\$ -	\$ -	\$ -	\$ 814,623
Construction in Progress	12,144,682	6,797,346	222,451	-	18,719,577
Total capital assets not being depreciated:	12,959,305	6,797,346	222,451	-	19,534,200
Capital Assets being depreciated:					
Buildings and Structures	52,313,169	2,159,397	43,366	-	54,429,200
Land Improvements	2,190,048	-	-	-	2,190,048
Furniture & Equipment	5,625,741	198,710	114,681	59,485	5,769,255
Total capital assets, being depreciated	60,128,958	2,358,107	158,047	59,485	62,388,503
Less: Accumulated Depreciation for:					
Buildings and Structures	29,866,365	1,528,572	33,036	-	31,361,901
Land Improvements	61,887	3,107	-	-	64,994
Furniture & Equipment	4,019,845	312,255	114,501	59,485	4,277,084
Total Accumulated Depreciation	33,948,097	1,843,934	147,537	59,485	35,703,979
Total Capital Assets, being depreciated, net	26,180,861	514,173	10,510	-	26,684,524
Business-type activities capital assets, net	\$ 39,140,166	\$ 7,311,519	\$ 232,961	\$ -	\$ 46,218,724

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

Governmental Activities:	
General Government	\$ 25,996
Community Development	3,802
Public Safety	304,391
Public Works	1,964,599
Culture & Recreation	543,195
Total depreciation expense - governmental activities	\$ 2,841,983

Depreciation expense of \$20,063 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, 2016

NOTE 6 - CAPITAL ASSETS – (CONTINUED)

Business-Type Activities:

Water	\$ 618,439
Wastewater	923,235
Solid Waste	58,956
Golf Course	59,308
Joint Powers Landfill	<u>183,996</u>
Total depreciation expense - business-type activities	<u>\$ 1,843,934</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	\$ 6,633	\$ -	\$ 2,018	\$ 4,615
Total capital assets, being depreciated	<u>6,633</u>	<u>-</u>	<u>2,018</u>	<u>4,615</u>
Less: Accumulated Depreciation	<u>5,100</u>	<u>400</u>	<u>2,018</u>	<u>3,482</u>
Component unit capital assets, net	<u>\$ 1,533</u>	<u>\$ (400)</u>	<u>\$ -</u>	<u>\$ 1,133</u>

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-Type Activities
Land	\$ 3,623,276	\$ 814,623
Construction in Progress	3,748,548	18,719,577
Capital Assets (Net of Accumulated Depreciation)	51,831,112	26,684,524
Less: Revenue Bonds	-	21,587,522
Capital Leases	1,640,000	-
Retainage Payable	<u>-</u>	<u>659,433</u>
Net Investment in Capital Assets	<u>\$ 57,562,936</u>	<u>\$ 23,971,769</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 - COMMITMENTS

During the year ended December 31, 2016, the City had entered into several construction contracts totaling approximately \$18,830,833 of which approximately \$14,715,845 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	\$1,745,000	\$ -	\$ (105,000)	\$1,640,000

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, 2016.

Year Ending December 31,	Principal	Interest	Total
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	130,000	56,505	186,505
2022 – 2026	735,000	186,543	921,543
2027 – 2028	310,000	22,500	332,500
Totals	<u>\$1,640,000</u>	<u>\$ 542,468</u>	<u>\$ 2,182,468</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2016 (in thousands of dollars):

	Governmental			Enterprise		
	2011 Sales Tax Bond	Water Revenue (SRF)	Wastewater Revenue (SRF)	2011 Wastewater Refunding Bonds	Joint Power Landfill Revenue Loans (SWMP) (RLA)	Total
Notes/Bonds Payable at January 1, 2016	\$ 2,285	\$ 8,828	\$ 2,961	\$ 2,370	\$ 201	\$ 16,645
Notes/Bonds Issued	-	8,505	594	-	-	9,099
Notes/Bonds Retired	(115)	(1,083)	(327)	(450)	(18)	(1,993)
Notes/Bonds Payable at December 31, 2016	\$ 2,170	\$ 16,250	\$ 3,228	\$ 1,920	\$ 183	\$ 23,751

Debt outstanding at December 31, 2016, 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	\$ 2,055,000	\$ 2,170,000
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.	460,000	1,460,000	1,920,000
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.	18,683	163,863	182,546
Water Revenue Bonds (SRF) maturing October 1, 2023, through 2046 with interest rates of 3.5%, 3.25% and 3.0% per annum, paid by the Water Fund.	637,168	15,612,883	16,250,051
Wastewater Revenue Bonds (SRF) maturing October 1, 2023 and January 15, 2037, with an interest rate of 3.5% and 3.0% per annum, paid by the Wastewater Fund.	354,632	2,873,677	3,228,309
Totals	\$1,585,483	\$ 22,165,423	\$ 23,750,906

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 9 - LONG-TERM DEBT – (CONTINUED)

The governmental bonds are shown net of \$8,358 of unaccreted bond premiums and the business-type activity revenue bonds net of \$6,616 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, 2016, \$593,805 had been drawn on the bonds.

On November 17, 2014, the City issued \$12,850,000 of Drinking Water State Revolving Fund Bonds, to be used to finance improvements to its system of waterworks. The bonds have an interest rate of 3%. As of December 31, 2016, \$11,458,939 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, 2016, including interest payments of \$8,075,544 are as follows:

Year Ending December 31	2011 Sales Tax Bonds		Wastewater Revenue		Water Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 115,000	\$ 78,265	\$ 814,632	\$ 156,402	\$ 637,168	\$ 410,111
2018	120,000	75,850	847,692	136,740	670,859	468,578
2019	120,000	72,850	870,792	110,576	692,355	447,083
2020	125,000	69,610	899,354	82,464	714,542	424,895
2021	130,000	65,845	413,394	52,175	737,444	401,993
2022-2026	700,000	263,250	954,214	95,696	3,284,753	1,676,233
2027-2031	860,000	114,060	156,583	41,370	3,061,299	1,205,171
2032-2036	-	-	181,822	16,131	1,838,314	840,188
2037-2041	-	-	9,826	74	2,134,621	543,880
2042-2046	-	-	-	-	2,478,696	199,815
	<u>\$2,170,000</u>	<u>\$ 739,730</u>	<u>\$5,148,309</u>	<u>\$ 691,628</u>	<u>\$16,250,051</u>	<u>\$ 6,617,947</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Year Ending December 31	Joint Power Landfill (RLA) (SWMP)		Total	
	Principal	Interest	Principal	Interest
2017	\$ 18,683	\$ 5,337	\$ 1,585,483	\$ 650,115
2018	19,248	4,773	1,657,799	685,941
2019	19,830	4,191	1,702,977	634,700
2020	20,429	3,591	1,759,325	580,560
2021	21,047	2,974	1,301,885	522,987
2022-2026	83,309	5,373	5,022,276	2,040,552
2027-2031	-	-	4,077,882	1,360,601
2032-2036	-	-	2,020,136	856,319
2037-2041	-	-	2,144,447	543,954
2042-2046	-	-	2,478,696	199,815
	<u>\$ 182,546</u>	<u>\$ 26,239</u>	<u>\$23,750,906</u>	<u>\$ 8,075,544</u>

C. Accrued Compensated Absences and OPEB Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 500,024	\$ 413,170	\$ 369,984	\$ 543,210	\$ 81,481
Other Post Employment Benefit Obligation	143,574	-	36,089	107,485	-
Business-Type Activities:					
Compensated Absences	154,071	127,309	125,452	155,928	23,389
Other Post Employment Benefit Obligation	46,926	-	15,742	31,184	-
Total Accrued Compensated Absences and OPEB Liabilities	<u>\$ 844,595</u>	<u>\$ 540,479</u>	<u>\$ 547,267</u>	<u>\$ 837,807</u>	<u>\$ 104,870</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, 2016 were as follows:

	Interfund Receivables	Interfund Payables
Due From/To Other Funds:		
General Fund	\$ -	\$ 30,390
Capital Projects – Special Capital Improvements	2,262,830	-
Capital Projects – Public Improvement	-	1,641,062
Infrastructure Improvement	-	442,629
Non-major Enterprise Fund	-	148,749
	<u>\$ 2,262,830</u>	<u>\$ 2,262,830</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 10 - INTERFUND ASSETS/LIABILITIES – (CONTINUED)

As of December 31, 2016, long-term advances were as follows:

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

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, 2016, the following funds had deficit fund balances:

Special Revenue:	
TID #5	\$ 3,689,392
Capital Projects:	
Park Capital Projects	\$ 13,964
Infrastructure Improvement	\$ 437,680

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

The Capital Projects funds will be funded through assessment collections and other financing.

NOTE 12 - PENSION PLAN

Plan Information

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

Benefits Provided

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 2016, 2015, and 2014 were \$449,258, \$441,414, and \$403,645, 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, 2016, SDRS is 96.89% funded and, accordingly, has a net pension liability. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of June 30, 2016 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 41,523,033
Less: proportionate share of total pension liability	<u>40,230,456</u>
Proportionate share of net pension liability	<u>\$ 1,292,577</u>

At December 31, 2016, the City reported a liability of \$1,292,577 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability 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, 2016, the City's proportion was 0.38265660%, which is an increase of .0009389% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$902,668. At December 31, 2016 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, 2016**

NOTE 12 - PENSION PLAN (CONTINUED)

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 449,976	\$ -
Changes in assumption	774,192	-
Net Difference between projected and actual earnings on pension plan investments	1,437,782	-
Change in Proportion	-	9,343
City contributions subsequent to the measurement date	241,627	-
TOTAL	\$ 2,903,577	\$ 9,343

\$241,627 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, 2017. 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:

Year Ended December 31	
2017	\$ 714,847
2018	431,055
2019	908,317
2020	598,388
Total	<u>\$ 2,652,607</u>

Actuarial Assumptions:

The total pension liability in the June 30, 2016 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, 2016**

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, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.5%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
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 liability (asset).

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

The following presents the City's proportionate share of net pension asset calculated using the discount rate of 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:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset)	\$ 7,233,240	\$ 1,292,577	\$(3,552,673)

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, 2016**

NOTE 13 - TRANSFERS

The following is a summary of transfers between funds:

	General	Public Improvement	Infrastructure Improvement	Nonmajor Governmental	Nonmajor Enterprise	Total Transfer Out
General	\$ -	\$ 100,000	\$ -	\$ 594,349	\$ 525,804	\$ 1,220,153
Nonmajor Governmental	27,838	100,000	44,720	-	-	172,558
Special Capital Improvements	19,346	-	1,464,367	-	-	1,483,713
TID #5	-	-	-	194,265	-	194,265
Wastewater	60,046	-	-	-	-	60,046
Water	71,346	-	-	-	-	71,346
Transfer In	\$178,576	\$ 200,000	\$ 1,509,087	\$ 788,614	\$ 525,804	\$ 3,202,081

Transfers are used to:

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

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2016, the City managed its risks as follows:

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

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

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 14 - RISK MANAGEMENT (CONTINUED)

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

As of December 31, 2016, 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 2016, expenditures did not exceed the appropriated amounts in any department of the General Fund.

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS

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

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

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

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

<i>Annual required contribution</i>	\$ -
<i>Interest on net OPEB obligation</i>	-
<i>Adjustment to annual required contribution</i>	<u>(8,304)</u>
<i>Annual OPEB cost</i>	(8,304)
<i>Contributions made</i>	<u>(43,527)</u>
<i>Decrease in net OPEB obligation</i>	(51,831)
<i>Net OPEB obligation – beginning of year</i>	<u>190,500</u>
<i>Net OPEB obligation – end of year</i>	<u>\$ 138,669</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 - 2016 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 289,513	24.02%	\$ 219,973
2009	289,511	24.02%	439,944
2010	289,511	24.02%	659,915
2011	(34,999)	-	626,349
2012	(34,995)	-	592,779
2013	(34,995)	-	559,211
2014	(257,314)	-	249,302
2015	(9,522)	-	190,500
2016	(8,304)	-	138,669

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2016 as follows:

Accrued liability	\$ 138,669
Value of plan assets	-
Unfunded accrued liability	<u>\$ 138,669</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, 2016

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 2016 for this component was \$34,929.

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

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

NOTE 18 – RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2016 was as follows:

Major Purposes:

Lodging Sales Tax – Enabling Legislation	\$ 1,045,039	
Debt Service – External Creditors	180,885	
Library – Enabling Legislation	22,832	
Road and Bridges – Enabling Legislation	34,974	
Total Major Purposes		\$ 1,283,730

Permanently Restricted Purposes:

Cemetery Perpetual Care – Expendable	104,737	
Cemetery Perpetual Care – Nonexpendable	50,000	
Total Permanently Restricted Purposes		154,737

Other Purposes:

Dispatch	17,635	
Historic Easement Trust	22,112	
Cumulative Reserve – SDPAA	270,270	
SDRS Pension	1,225,854	
Total Other Purposes		1,535,871

Total Restricted Net Position		<u>\$ 2,974,338</u>
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**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 19 – TAX ABATEMENTS

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

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

For the year ended December 31, 2016, the City abated \$9,062 of property tax under the urban renewal and economic development projects.

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

For the year ended December 31, 2016, the City abated \$303,325 of municipal retail occupation sales and service tax under said agreements.

NOTE 20 – SUBSEQUENT EVENTS

On March 29, 2017, the City entered a Solid Waste Management Program Loan Agreement with the State of South Dakota in the amount of \$574,500. The loan will be used to convert to single stream recycling and semi-automated waste collection. The loan will accrue interest at 2%.

On April 10, 2017, the City approved resolution for issuance of up to \$37,000,000 of Drinking Water State Revolving Loan Funds to finance the water treatment plant project.

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REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

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

CITY OF YANKTON, SOUTH DAKOTA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACUTAL
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes - Current Property	\$ 2,509,388	\$ 2,509,388	\$ 2,685,709	\$ 176,321
Taxes - Sales and Other	5,488,464	5,488,464	5,795,937	307,473
Licenses and Permits	342,800	342,800	358,588	15,788
Intergovernmental	940,211	940,211	476,800	(463,411)
Charges for Service	2,332,512	2,332,512	3,028,651	696,139
Fines and Forfeits	15,000	15,000	8,591	(6,409)
Interest	-	--	29,126	29,126
Miscellaneous	24,000	24,000	83,416	59,416
Total Revenues	11,652,375	11,652,375	12,466,818	814,443
Expenditures:				
General Government:				
Board of City Commission	162,952	162,952	135,387	27,565
Office of City Manager	380,554	380,554	317,947	62,607
City Attorney	56,125	56,125	46,619	9,506
Department of Finance	625,951	625,951	557,893	68,058
Information Systems	363,468	439,615	258,279	181,336
Community Development	393,937	423,937	389,841	34,096
Contingency	200,000	200,000	-	200,000
Casulty Reserve Fund	5,000	5,000	-	5,000
Special Appropriations	130,064	134,189	133,034	1,155
Total General Government	2,318,051	2,428,323	1,839,000	589,323
Public Safety:				
Police Department	2,885,044	3,076,760	2,447,111	629,649
Animal Control	71,845	71,845	62,826	9,019
Fire Department	920,265	943,248	554,686	388,562
Civil Defense	2,415	2,415	1,659	756
Total Public Safety	3,879,569	4,094,268	3,066,282	1,027,986
Public Works:				
Engineering and Inspection	689,526	689,526	523,972	165,554
Streets and Highways	1,967,996	1,967,996	1,659,004	308,992
Snow and Ice Removal	319,006	319,006	250,236	68,770
City Hall	274,800	284,800	162,159	122,641
Traffic Control	400,269	400,269	344,605	55,664
Chan Gurney Airport	592,212	592,212	403,851	188,361
Total Public Works	4,243,809	4,253,809	3,343,827	909,982

(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, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Culture and Recreation:				
Marne Creek	179,296	186,296	100,085	86,211
Summit Activities Center	750,049	750,049	726,619	23,430
Memorial Park Pool	220,417	224,417	180,774	43,643
Parks and Recreation	1,404,468	1,466,468	1,280,946	185,522
Senior Citizens Center	109,330	109,330	58,618	50,712
Yankton Community Library	712,259	712,259	673,763	38,496
Total Culture and Recreation	3,375,819	3,448,819	3,020,805	428,014
Total Expenditures	13,817,248	14,225,219	11,269,914	2,955,305
Excess of Revenues over Expenditures	(2,164,873)	(2,572,844)	1,196,904	3,769,748
Other Financing Sources (Uses):				
Operating Transfers In	258,379	258,379	178,576	(79,803)
Operating Transfers (Out)	(2,974,596)	(3,486,996)	(1,220,153)	2,266,843
Proceeds from Sale of Fixed Assets	-	-	9,810	9,810
Total Other Financing Sources (Uses)	(2,716,217)	(3,228,617)	(1,031,767)	2,196,850
Excess (Deficiency) of Revenues over Expenditures and Other Uses	(4,881,090)	(5,801,461)	165,137	5,966,598
Fund Balances at Beginning of Year	9,304,376	9,304,376	9,304,376	-
Fund Balances at End of Year	<u>\$ 4,423,286</u>	<u>\$ 3,502,915</u>	<u>\$ 9,469,513</u>	<u>\$ 5,966,598</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, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes - Current Property	\$ 140,000	\$ 140,000	\$ 198,222	\$ 58,222
Intergovernmental	-	--	7,360	7,360
Miscellaneous	-	--	6,000	6,000
Total Revenues	<u>140,000</u>	<u>140,000</u>	<u>211,582</u>	<u>71,582</u>
Expenditures:				
Community Development	<u>295,000</u>	<u>295,000</u>	-	295,000
Total Expenditures	<u>295,000</u>	<u>295,000</u>	<u>-</u>	<u>295,000</u>
Excess of Revenues over Expenditures	<u>(155,000)</u>	<u>(155,000)</u>	<u>211,582</u>	<u>366,582</u>
Other Financing Sources (Uses):				
Operating Transfers In	347,398	347,398	--	(347,398)
Operating Transfers (Out)	<u>(198,200)</u>	<u>(198,200)</u>	<u>(194,265)</u>	<u>3,935</u>
Total Other Financing Sources (Uses)	<u>149,198</u>	<u>149,198</u>	<u>(194,265)</u>	<u>(343,463)</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>(5,802)</u>	<u>(5,802)</u>	<u>17,317</u>	<u>23,119</u>
Fund Balances at Beginning of Year	<u>(3,706,709)</u>	<u>(3,706,709)</u>	<u>(3,706,709)</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ (3,712,511)</u>	<u>\$ (3,712,511)</u>	<u>\$ (3,689,392)</u>	<u>\$ 23,119</u>

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016 to the original appropriations by fund were as follows for the General Fund:

	Original Appropriations	Total Revisions	Revised Appropriations
General Fund:			
General Government			
Information Systems	\$ 363,468	\$ 76,147	\$ 439,615
Community Development	393,937	30,000	423,937
Special Appropriations	130,064	4,125	134,189
Public Safety			
Police Department	2,885,044	191,716	3,076,760
Fire Department	920,265	22,983	943,248
Public Works			
City Hall	274,800	10,000	284,800
Culture and Recreation			
Parks & Recreation	1,404,468	62,000	1,466,468
Memorial Park Pool	220,417	4,000	224,417
Marne Creek	179,296	7,000	186,296
Transfers Out	2,974,596	512,400	3,486,996

5. A line item for contingencies may be included in the annual budget. Such a line item may not exceed five percent of the total municipal budget and may be transferred, by resolution of the governing board, to any other appropriation amount that is deemed insufficient during the year.
6. Unexpended appropriations lapse at year-end. A supplemental appropriation ordinance was approved in the subsequent year by the Commission to provide additional funds for certain purchase orders outstanding at year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, capital projects funds, and all special revenue funds, with the exception of the Library Trust and Historic Easement Trust Funds. The municipality did not encumber any amounts at December 31, 2016.

**CITY OF YANKTON, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

Exhibit 11

7. Formal budgetary integration is employed as a management control device during the year for the General Fund, capital projects funds, and all special revenue funds, with the exception of the Library Trust and Historic Easement Trust Funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through bond indenture provisions. The City Manager is authorized to transfer budgeted amounts between departments within any fund, except the General Fund. The component unit does not have a formal budget.
8. Budgets for the General Fund, special revenue funds, and capital projects funds are adopted on a basis consistent with U.S. generally accepted accounting principals (GAAP).
9. The City is prohibited by statute from spending in excess of appropriated amounts at the department level in the General Fund. There were no departments where expenditures exceeded appropriations in the General Fund for the year ended December 31, 2016.
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, 2016

EXHIBIT 12

Audit Period	Actuarial Valuation Date	Value of Assets (a)	Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2008	1/1/2008 *	\$ -	\$ 2,605,358	\$ 2,605,358	0.00%	\$ 5,036,433	51.7%
12/31/2009	1/1/2008	-	2,605,358	2,605,358	0.00%	5,583,033	46.6%
12/31/2010	1/1/2008	-	2,605,358	2,605,358	0.00%	5,912,008	44.1%
12/31/2011	1/1/2011	-	670,952	670,952	0.00%	5,887,184	11.3%
12/31/2012	1/1/2011	-	670,952	670,952	0.00%	6,079,945	11.0%
12/31/2013	1/1/2011	-	670,952	670,952	0.00%	6,285,630	10.7%
12/31/2014	N/A	-	249,302	249,302	0.00%	-	N/A
12/31/2015	N/A	-	190,500	190,500	0.00%	-	N/A
12/31/2016	N/A	-	138,669	138,669	0.00%	-	N/A

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

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

EXHIBIT 13

South Dakota Retirement System

Last 10 Fiscal Years *
(Dollar amounts in thousands)

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

* 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
South Dakota Retirement System

Exhibit 14

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 437	\$ 418	\$ 404	\$ 406	\$ 393	\$ 381	\$ 382	\$ 361	\$ 354	\$ 342
Contributions in relation to the contractually required contribution	<u>\$ 437</u>	<u>\$ 418</u>	<u>\$ 404</u>	<u>\$ 406</u>	<u>\$ 393</u>	<u>\$ 381</u>	<u>\$ 382</u>	<u>\$ 361</u>	<u>\$ 354</u>	<u>\$ 342</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipality's covered-employee payroll	\$ 6,764	\$ 6,487	\$ 6,257	\$ 6,286	\$ 6,080	\$ 5,887	\$ 5,912	\$ 5,583	\$ 5,480	\$ 5,287
Contributions as a percentage of covered-employee payroll	6.46%	6.44%	6.46%	6.46%	6.46%	6.47%	6.46%	6.47%	6.46%	6.47%

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.

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

Non-Major Funds:

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

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

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

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

Non-Major Fund:

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

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CITY OF YANKTON, SOUTH DAKOTA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
December 31, 2016

	Special Revenue				
	Debt Service	Dispatch	Business Improvement District	TID #2 Morgan Square	Bridge & Street
<u>Assets</u>					
Cash and Cash Equivalents	\$ 193,765	\$ 45,000	\$ 451,288	\$ -	\$ 48,954
Receivables (Net where applicable, of allowance for uncollectibles):					
Accounts	-	-	-	-	-
Special Assessments	-	-	-	-	-
Due from Other Governmental Agencies	-	15,000	9,332	-	-
Restricted Assets:					
Cash and Cash Equivalents	-	-	-	-	-
Total Assets	<u>193,765</u>	<u>60,000</u>	<u>460,620</u>	<u>-</u>	<u>48,954</u>
<u>Liabilities</u>					
Accounts Payable	-	13,263	-	-	13,980
Accrued Wages	-	29,102	-	-	-
Total Liabilities	<u>-</u>	<u>42,365</u>	<u>-</u>	<u>-</u>	<u>13,980</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue- special assessments	-	-	-	-	-
Unavailable revenue- other taxes	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>					
Non-Spendable:					
Perpetual Care	-	-	-	-	-
Restricted:					
Debt Service	193,765	-	-	-	-
Dispatch	-	17,635	-	-	-
Perpetual Care	-	-	-	-	-
Lodging Sales Tax	-	-	460,620	-	-
Library	-	-	-	-	-
Road and Bridge Funds	-	-	-	-	34,974
Historic Easement Trust	-	-	-	-	-
Assigned:					
Capital Projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>193,765</u>	<u>17,635</u>	<u>460,620</u>	<u>-</u>	<u>34,974</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 193,765</u>	<u>\$ 60,000</u>	<u>\$ 460,620</u>	<u>\$ -</u>	<u>\$ 48,954</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	
\$ 525,019	\$ 24,295	\$ 22,112	\$ 329,301	\$ 2,990	\$ 1,642,724
-	-	-	-	979	979
-	-	-	368,185	-	368,185
72,265	-	-	42,543	-	139,140
-	-	-	-	153,247	153,247
<u>597,284</u>	<u>24,295</u>	<u>22,112</u>	<u>740,029</u>	<u>157,216</u>	<u>2,304,275</u>
1,425	1,463	-	18,637	471	49,239
-	-	-	-	2,008	31,110
<u>1,425</u>	<u>1,463</u>	<u>-</u>	<u>18,637</u>	<u>2,479</u>	<u>80,349</u>
-	-	-	307,186	-	307,186
11,440	-	-	-	-	11,440
<u>11,440</u>	<u>-</u>	<u>-</u>	<u>307,186</u>	<u>-</u>	<u>318,626</u>
-	-	-	-	50,000	50,000
-	-	-	-	-	193,765
-	-	-	-	-	17,635
-	-	-	-	104,737	104,737
584,419	-	-	-	-	1,045,039
-	22,832	-	-	-	22,832
-	-	-	-	-	34,974
-	-	22,112	-	-	22,112
-	-	-	428,170	-	428,170
-	-	-	(13,964)	-	(13,964)
<u>584,419</u>	<u>22,832</u>	<u>22,112</u>	<u>414,206</u>	<u>154,737</u>	<u>1,905,300</u>
<u>\$ 597,284</u>	<u>\$ 24,295</u>	<u>\$ 22,112</u>	<u>\$ 740,029</u>	<u>\$ 157,216</u>	<u>\$ 2,304,275</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, 2016

	Special Revenue				
	Debt Service	Dispatch	Business Improvement District	TID #2 Morgan Square	Bridge & Street
Revenue:					
Taxes	\$ -	\$ -	\$ -	\$ 54,694	\$ -
Sales and Other Taxes	-	-	148,086	-	21,397
Special Assessments	-	-	-	-	-
Intergovernmental	-	119,836	-	-	-
Charges for Services	-	-	-	-	-
Interest on Investments	-	1,742	2,526	-	484
Contributions	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenue	<u>-</u>	<u>121,578</u>	<u>150,612</u>	<u>54,694</u>	<u>21,881</u>
Expenditures:					
Current:					
Public Safety	-	563,360	-	-	-
Public Works	-	-	-	54,694	-
Culture and Recreation	-	-	-	-	-
Community Development	-	-	-	-	-
Capital Outlay:					
Public Works	-	-	14,297	-	118,355
Culture-Recreation	-	-	-	-	-
Debt Service	196,065	-	-	-	-
Total Expenditures	<u>196,065</u>	<u>563,360</u>	<u>14,297</u>	<u>54,694</u>	<u>118,355</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(196,065)</u>	<u>(441,782)</u>	<u>136,315</u>	<u>-</u>	<u>(96,474)</u>
Other Financing Sources (Uses):					
Transfers In	194,265	440,061	-	-	-
Transfers Out	-	-	(3,001)	-	-
Total Other Financing Sources (Uses)	<u>194,265</u>	<u>440,061</u>	<u>(3,001)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,800)	(1,721)	133,314	-	(96,474)
Fund Balances - Beginning of Year	195,565	19,356	327,306	-	131,448
Fund Balances- End of Year	<u>\$ 193,765</u>	<u>\$ 17,635</u>	<u>\$ 460,620</u>	<u>\$ -</u>	<u>\$ 34,974</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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,694
625,642	-	-	-	-	795,125
-	-	-	352,127	-	352,127
-	-	-	37,635	-	157,471
-	-	-	-	26,718	26,718
4,505	160	147	-	1,221	10,785
-	18,083	-	-	-	18,083
-	-	-	-	1,350	1,350
<u>630,147</u>	<u>18,243</u>	<u>147</u>	<u>389,762</u>	<u>29,289</u>	<u>1,416,353</u>
-	-	-	-	-	563,360
-	-	-	-	-	54,694
-	15,649	-	-	146,514	162,163
506,813	-	-	-	-	506,813
-	-	-	39,615	-	172,267
-	-	-	56,526	-	56,526
-	-	-	-	-	196,065
<u>506,813</u>	<u>15,649</u>	<u>-</u>	<u>96,141</u>	<u>146,514</u>	<u>1,711,888</u>
<u>123,334</u>	<u>2,594</u>	<u>147</u>	<u>293,621</u>	<u>(117,225)</u>	<u>(295,535)</u>
-	-	-	41,500	112,788	788,614
(124,837)	-	-	(44,720)	-	(172,558)
(124,837)	-	-	(3,220)	112,788	616,056
(1,503)	2,594	147	290,401	(4,437)	320,521
585,922	20,238	21,965	123,805	159,174	1,584,779
<u>\$ 584,419</u>	<u>\$ 22,832</u>	<u>\$ 22,112</u>	<u>\$ 414,206</u>	<u>\$ 154,737</u>	<u>\$ 1,905,300</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING BALANCE SHEET
Nonmajor Capital Projects Funds
December 31, 2016

	Park Capital Projects
<u>Assets</u>	
Cash and Cash Equivalents	\$ 1,228
Due from Other Governments	-
Special Assessments	-
Total Assets	<u>1,228</u>
 <u>Liabilities</u>	
Accounts Payable	<u>15,192</u>
Total Liabilities	<u>15,192</u>
 <u>Deferred Inflows of Resources</u>	
Unavailable revenue- special assessments	-
Total Deferred Inflows of Resources	<u>-</u>
 <u>Fund Balances</u>	
Assigned:	
Capital Projects	-
Unassigned	<u>(13,964)</u>
Total Fund Balances	<u>(13,964)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,228</u>

EXHIBIT A-3

Airport Capital Improvement	Infrastructure Improvement Revolving	Totals
\$ 43,387	\$ 284,686	\$ 329,301
42,543	-	42,543
-	368,185	368,185
<u>85,930</u>	<u>652,871</u>	<u>740,029</u>
3,445	-	18,637
<u>3,445</u>	<u>-</u>	<u>18,637</u>
-	307,186	307,186
<u>-</u>	<u>307,186</u>	<u>307,186</u>
82,485	345,685	428,170
-	-	(13,964)
<u>82,485</u>	<u>345,685</u>	<u>414,206</u>
<u>\$ 85,930</u>	<u>\$ 652,871</u>	<u>\$ 740,029</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2016

	<u>Park Capital Projects</u>	<u>Airport Capital Improvement</u>
Revenues:		
Special Assessments	\$ -	\$ -
Intergovernmental	-	37,635
Total Revenues	<u>-</u>	<u>37,635</u>
Expenditures:		
Capital Outlay:		
Public Works		39,615
Culture-Recreation	56,526	-
Total Expenditures	<u>56,526</u>	<u>39,615</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(56,526)</u>	<u>(1,980)</u>
Other Financing Sources (Uses):		
Transfers In	41,500	-
Transfers (out)	-	-
Total Other Financing Sources (Uses)	<u>41,500</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(15,026)	(1,980)
Fund Balances at Beginning of Year	<u>1,062</u>	<u>84,465</u>
Fund Balances at End of Year	<u>\$ (13,964)</u>	<u>\$ 82,485</u>

EXHIBIT A-4

Infrastructure Improvement Revolving	Totals
\$ 352,127	\$ 352,127
-	37,635
<u>352,127</u>	<u>389,762</u>
-	39,615
-	<u>56,526</u>
<u>-</u>	<u>96,141</u>
<u>352,127</u>	<u>293,621</u>
-	41,500
<u>(44,720)</u>	<u>(44,720)</u>
<u>(44,720)</u>	<u>(3,220)</u>
307,407	290,401
<u>38,278</u>	<u>123,805</u>
<u>\$ 345,685</u>	<u>\$ 414,206</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, 2016

	Golf Course	Solid Waste	Joint Powers Landfill	Totals
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 1,400	\$ 810,270	\$ 500	\$ 812,170
Accounts Receivable (Net of allowance for uncollectibles)	11,788	162,432	61,355	235,575
Due from other governments	-	-	288,871	288,871
Prepaid Expenses	4,325	18,549	6,282	29,156
Inventory	56,632	-	-	56,632
Total Current Assets	<u>74,145</u>	<u>991,251</u>	<u>357,008</u>	<u>1,422,404</u>
Noncurrent Assets:				
Restricted Assets : Cash and Cash Equivalents	-	-	24,021	24,021
Property, Plant and Equipment:				
Land	533,787	74,639	11,414	619,840
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>2,463,577</u>	<u>383,292</u>	<u>1,591,571</u>	<u>4,438,440</u>
Total Noncurrent Assets	<u>2,997,364</u>	<u>457,931</u>	<u>1,627,006</u>	<u>5,082,301</u>
Total Assets	<u>3,071,509</u>	<u>1,449,182</u>	<u>1,984,014</u>	<u>6,504,705</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	<u>129,460</u>	<u>93,281</u>	<u>90,906</u>	<u>313,647</u>
Liabilities				
Current Liabilities:				
Accounts Payable	12,363	18,044	45,254	75,661
Accrued Interest Payable	-	-	456	456
Accrued Wages Payable	7,678	7,919	6,622	22,219
Accrued Compensated Absences	3,416	3,796	3,319	10,531
Revenue Bonds Payable	-	-	18,683	18,683
Due to other Funds	--	-	148,749	148,749
Total current liabilities	<u>23,457</u>	<u>29,759</u>	<u>223,083</u>	<u>276,299</u>
Noncurrent liabilities:				
Accrued Compensated Absences	19,356	21,510	18,807	59,673
Estimated Postemployment Benefit Obligation	-	14,253	-	14,253
Revenue Bonds (net of current portion)	-	-	163,863	163,863
Net Pension Liability	<u>57,631</u>	<u>41,525</u>	<u>40,468</u>	<u>139,624</u>
Total noncurrent liabilities	<u>76,987</u>	<u>77,288</u>	<u>223,138</u>	<u>377,413</u>
Total Liabilities	<u>100,444</u>	<u>107,047</u>	<u>446,221</u>	<u>653,712</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	<u>417</u>	<u>300</u>	<u>293</u>	<u>1,010</u>
Net Position				
Net Investment in Capital Assets	2,997,364	457,931	1,420,439	4,875,734
Restricted for:				
Restricted for Perpetual Care				
Debt Service	-	-	23,565	23,565
SDRS Pension Purposes	71,412	51,456	50,145	173,013
Unrestricted	<u>31,332</u>	<u>925,729</u>	<u>134,257</u>	<u>1,091,318</u>
Total Net Position	<u>\$ 3,100,108</u>	<u>\$ 1,435,116</u>	<u>\$ 1,628,406</u>	<u>\$ 6,163,630</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, 2016

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Joint Powers Landfill</u>	<u>Totals</u>
Operating Revenues - Charges for Service	<u>\$ 699,176</u>	<u>\$ 996,734</u>	<u>\$ 1,195,403</u>	<u>\$ 2,891,313</u>
Operating Expenses:				
Personal Services	420,622	395,760	311,640	1,128,022
Insurance	5,293	6,839	13,744	25,876
Professional Services	37,041	11,945	10,162	59,148
Tipping Fees	-	155,098	4,770	159,868
Repairs and Maintenance	50,184	46,381	173,240	269,805
Cost of Sales and Service	185,681	-	563,206	748,887
Supplies and Materials	60,930	6,911	4,539	72,380
Travel and conference	2,850	-	291	3,141
Utilities	32,782	532	24,732	58,046
Billing and Administration	67,340	254,908	-	322,248
Depreciation	59,308	58,956	183,996	302,260
Total Operating Expenses	<u>922,031</u>	<u>937,330</u>	<u>1,290,320</u>	<u>3,149,681</u>
Operating Income (Loss)	<u>(222,855)</u>	<u>59,404</u>	<u>(94,917)</u>	<u>(258,368)</u>
Nonoperating Revenues:				
Interest Income	16	5,495	1,836	7,347
Intergovernmental	-	-	273,571	273,571
Miscellaneous, net	2,865	-	25,358	28,223
Gain (loss) on disposition of assets	-	-	(10,514)	(10,514)
Total Nonoperating Revenues	<u>2,881</u>	<u>5,495</u>	<u>290,251</u>	<u>298,627</u>
Income before Transfers	<u>(219,974)</u>	<u>64,899</u>	<u>195,334</u>	<u>40,259</u>
Other Financing Sources (Uses):				
Transfers In	<u>525,804</u>	<u>-</u>	<u>-</u>	<u>525,804</u>
Total Other Financing Sources (Uses):	<u>525,804</u>	<u>-</u>	<u>-</u>	<u>525,804</u>
Change in Net Position	305,830	64,899	195,334	566,063
Total Net Position - Beginning	<u>2,794,278</u>	<u>1,370,217</u>	<u>1,433,072</u>	<u>5,597,567</u>
Total Net Position - Ending	<u>\$ 3,100,108</u>	<u>\$ 1,435,116</u>	<u>\$ 1,628,406</u>	<u>\$ 6,163,630</u>

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds
For the Year Ended December 31, 2016

	Business-Type			
	Golf Course	Solid Waste	Joint Powers Landfill	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 694,158	\$ 966,739	\$ 1,193,494	\$ 2,854,391
Cash Received for Interfund Services	-	6,670	-	6,670
Cash Paid to Suppliers for Goods and Services	(436,927)	(438,028)	(517,852)	(1,392,807)
Cash Paid to Employees for Services	(407,100)	(376,477)	(300,315)	(1,083,892)
Cash Paid for Interfund Services	(10,571)	(45,506)	(135,091)	(191,168)
Other Nonoperating Revenues	2,865	-	25,358	28,223
Net Cash Provided (Used) from Operating Activities	<u>(157,575)</u>	<u>113,398</u>	<u>265,594</u>	<u>221,417</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(41,066)	(144,993)	(689,766)	(875,825)
Interest Paid on Bonds	-	-	(46)	(46)
Principal Paid on Notes, Bonds and Leases	-	-	(18,135)	(18,135)
Net Cash (Used) by Capital and Related Financing Activities	<u>(41,066)</u>	<u>(144,993)</u>	<u>(707,947)</u>	<u>(894,006)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Change in Due to Other Funds	(373,695)	-	-	(373,695)
Transfers In	525,804	-	-	525,804
Net Cash Provided from Non-Capital Financing Activities	<u>152,109</u>	<u>-</u>	<u>-</u>	<u>152,109</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	16	5,495	1,836	7,347
Net Cash Provided from Investing Activities	<u>16</u>	<u>5,495</u>	<u>1,836</u>	<u>7,347</u>
Net (decrease) in Cash and Cash Equivalents	(46,516)	(26,100)	(440,517)	(513,133)
Cash and Cash Equivalents at Beginning of Year	47,916	836,370	465,038	1,349,324
Cash and Cash Equivalents at End of Year	<u>\$ 1,400</u>	<u>\$ 810,270</u>	<u>\$ 24,521</u>	<u>\$ 836,191</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (222,855)	\$ 59,404	\$ (94,917)	\$ (258,368)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	59,308	58,956	183,996	302,260
Other Non-Operating Income	2,865	-	25,358	28,223
(Increase) Decrease in Assets:				
Accounts Receivable	(5,018)	(23,325)	(1,909)	(30,252)
Inventory	(983)	-	-	(983)
Net Pension Asset / Liability	119,374	97,862	86,377	303,613
Pension Related Deferred Outflow	(21,411)	5,308	(10,565)	(26,668)
Prepaid Expenses	(298)	(1,510)	(386)	(2,194)
Increase (Decrease) in Liabilities:				
Accounts Payable	(4,116)	590	142,127	138,601
Accrued Wages Payable	2,355	1,776	1,045	5,176
Estimated Postemployment Benefit Obligation	-	(4,157)	-	(4,157)
Pension Related Deferred Inflow	(91,001)	(83,114)	(67,681)	(241,796)
Accrued Compensated Absences	4,205	1,608	2,149	7,962
Total Adjustments	65,280	53,994	360,511	479,785
Net Cash Provided (Used) by Operating Activities	<u>\$ (157,575)</u>	<u>\$ 113,398</u>	<u>\$ 265,594</u>	<u>\$ 221,417</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:				
Cash and Cash Equivalents	\$ 1,400	\$ 810,270	\$ 500	\$ 812,170
Restricted Cash and Cash Equivalents	-	-	24,021	24,021
	<u>\$ 1,400</u>	<u>\$ 810,270</u>	<u>\$ 24,521</u>	<u>\$ 836,191</u>

CITY OF YANKTON, SOUTH DAKOTA
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2016

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash	\$ -	\$ 55,980	\$ 55,980
Accounts Receivable	322	-	322
Inventory	-	172,167	172,167
Due from Other Governments	-	7,296	7,296
Prepaid Expenses	-	2,169	2,169
Total Current Assets	<u>322</u>	<u>237,612</u>	<u>237,934</u>
Noncurrent Assets:			
Capital Assets:			
Land	-	7,000	7,000
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	165,729	165,729
Total Noncurrent Assets	<u>-</u>	<u>172,729</u>	<u>172,729</u>
Total Assets	<u>322</u>	<u>410,341</u>	<u>410,663</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	-	35,141	35,141
	<u>-</u>	<u>35,141</u>	<u>35,141</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	322	40,554	40,876
Accrued Wages	-	2,742	2,742
Accrued Compensated Absences	-	1,180	1,180
Total Current Liabilities	<u>322</u>	<u>44,476</u>	<u>44,798</u>
Noncurrent Liabilities:			
Estimated Postemployment Benefit Obligation	-	19,410	19,410
Accrued Compensated Absences	-	6,689	6,689
Net Pension Liability	-	15,644	15,644
Total Noncurrent Liabilities	<u>-</u>	<u>41,743</u>	<u>41,743</u>
Total Liabilities	<u>322</u>	<u>86,219</u>	<u>86,541</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable - Other	-	17	17
Pension Related Deferred Inflows	-	113	113
	<u>-</u>	<u>130</u>	<u>130</u>
NET POSITION			
Net Investment in Capital Assets	-	172,729	172,729
Restricted for SDRS Pension Purposes	-	19,384	19,384
Unrestricted	-	167,020	167,020
Total Net Position	<u>\$ -</u>	<u>\$ 359,133</u>	<u>\$ 359,133</u>

CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	<u>Copier- Fax- Postage</u>	<u>Central Garage</u>	<u>Totals</u>
Operating Revenues:			
Charges for Goods and Services	\$ 22,916	\$ 708,969	\$ 731,885
Total Operating Revenue	<u>22,916</u>	<u>708,969</u>	<u>731,885</u>
Operating Expenses:			
Personnel Services	-	125,197	125,197
Professional Services	-	929	929
Repairs and Maintenance	-	13,279	13,279
Supplies and Materials	-	499,963	499,963
Utilities	-	18,315	18,315
Other Current Expenses	22,916	-	22,916
Depreciation	-	20,063	20,063
Total Operating Expenses	<u>22,916</u>	<u>677,746</u>	<u>700,662</u>
Operating Income	<u>-</u>	<u>31,223</u>	<u>31,223</u>
Nonoperating Revenue (Expense):			
Intergovernmental Revenue	-	44,325	44,325
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>44,325</u>	<u>44,325</u>
Income Before Contributions and Transfers	-	75,548	75,548
Change in Net Position	-	75,548	75,548
Total Net Position - Beginning	<u>-</u>	<u>283,585</u>	<u>283,585</u>
Total Net Position - Ending	\$ <u>-</u>	\$ <u>359,133</u>	\$ <u>359,133</u>

CITY OF YANKTON, SOUTH DAKOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	Copier- Fax- Postage	Central Garage	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customer Services Provided	\$ 22,594	\$ 86,054	\$ 108,648
Cash Received from Interfund Services Provided	-	622,613	622,613
Cash Paid for Personal Services	-	(121,598)	(121,598)
Cash Paid to Suppliers	(24,172)	(566,629)	(590,801)
Cash Paid for Interfund Services	-	(1,252)	(1,252)
Net Cash Provided (used) by Operating Activities	<u>(1,578)</u>	<u>19,188</u>	<u>17,610</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	-	(69,360)	(69,360)
Net Cash (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(69,360)</u>	<u>(69,360)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Receipts from Other Governments	-	44,325	44,325
Net Cash (used) by Non-Capital Financing Activities	<u>-</u>	<u>44,325</u>	<u>44,325</u>
Net Increase in Cash and Cash Equivalents	(1,578)	(5,847)	(7,425)
Cash and Cash Equivalents Beginning of Year	<u>1,578</u>	<u>61,827</u>	<u>63,405</u>
Cash and Cash Equivalents End of Year	<u>\$ -</u>	<u>\$ 55,980</u>	<u>\$ 55,980</u>
RENCONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ -	\$ 31,223	\$ 31,223
Adjustments to Renconcile Net Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Depreciation	-	20,063	20,063
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Accounts Receivable	(322)	(302)	(624)
Prepaid Expenses	-	(187)	(187)
Inventory	-	(26,405)	(26,405)
Net Pension Asset / Liability	-	35,444	35,444
Pension Related Deferred Outflow	-	(491)	(491)
Accounts Payable	(1,256)	(8,803)	(10,059)
Accrued Wages Payable	-	727	727
Estimated Postemployment Benefit Obligation	-	(4,369)	(4,369)
Pension Related Deferred Inflows	-	(29,187)	(29,187)
Accrued Compensated Absences	-	1,475	1,475
Net Cash Provided (used) by Operating Activities	<u>\$ (1,578)</u>	<u>\$ 19,188</u>	<u>\$ 17,610</u>

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

AGENCY FUNDS

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

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

CITY OF YANKTON, SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
Agency Funds
December 31, 2016

	Employee Benefits	Sales Tax	Totals
Assets			
Cash and Cash Equivalents	\$ 106,710	\$ 626	\$ 107,336
Total assets	<u>106,710</u>	<u>626</u>	<u>107,336</u>
Liabilities			
Other accrued expenses	106,710	-	106,710
Accounts Payable	-	626	626
Total liabilities	<u>106,710</u>	<u>626</u>	<u>107,336</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, 2016

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2016</u>
<u>Employee Benefits</u>				
ASSETS				
Cash and Cash Equivalents	\$ 26,196	\$ 4,450,814	\$ 4,370,300	\$ 106,710
Total Assets	<u>26,196</u>	<u>4,450,814</u>	<u>4,370,300</u>	<u>106,710</u>
LIABILITIES				
Accrued Taxes Payable	-	1,925,978	1,925,978	-
Accrued Fringe Benefit Payable	26,196	2,542,555	2,462,041	106,710
Total Liabilities	<u>26,196</u>	<u>4,468,533</u>	<u>4,388,019</u>	<u>106,710</u>
 <u>Sales Tax</u>				
ASSETS				
Cash and Cash Equivalents	<u>757</u>	<u>3,465</u>	<u>3,596</u>	<u>626</u>
LIABILITIES				
Accounts Payable	757	626	757	626
Due to State Government	-	3,465	3,465	-
Total Liabilities	<u>757</u>	<u>4,091</u>	<u>4,222</u>	<u>626</u>
 <u>Totals - All Agency Funds</u>				
ASSETS				
Cash and Cash Equivalents	26,953	4,454,279	4,373,896	107,336
Total Assets	<u>26,953</u>	<u>4,454,279</u>	<u>4,373,896</u>	<u>107,336</u>
LIABILITIES				
Accounts Payable	757	626	757	626
Accrued Taxes Payable	-	1,925,978	1,925,978	-
Accrued Fringe Benefit Payable	26,196	2,542,555	2,462,041	106,710
Due to State Government	-	3,465	3,465	-
Total Liabilities	<u>\$ 26,953</u>	<u>\$ 4,472,624</u>	<u>\$ 4,392,241</u>	<u>\$ 107,336</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, 2016

	Dispatch			Business Improvement District		
	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
REVENUES						
Taxes:						
General Sales & Use	\$ -	\$ -	\$ -	\$ 120,000	\$ 148,086	\$ 28,086
Property Tax	-	-	-	-	-	-
Intergovernmental	138,133	119,836	(18,297)	-	-	-
Interest earned	120	1,742	1,622	350	2,526	2,176
Total revenue	<u>138,253</u>	<u>121,578</u>	<u>(16,675)</u>	<u>120,350</u>	<u>150,612</u>	<u>30,262</u>
EXPENDITURES						
Current:						
Public works	-	-	-	-	-	-
Public Safety	771,266	563,360	207,906	-	-	-
Community Development	-	-	-	117,900	14,297	103,603
Total Expenditures	<u>771,266</u>	<u>563,360</u>	<u>207,906</u>	<u>117,900</u>	<u>14,297</u>	<u>103,603</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(633,013)</u>	<u>(441,782)</u>	<u>191,231</u>	<u>2,450</u>	<u>136,315</u>	<u>133,865</u>
OTHER FINANCING SOURCES(USES)						
Transfers in	633,013	440,061	(192,952)	-	-	-
Transfer (out)	-	-	-	(2,400)	(3,001)	(601)
Total other financing sources(uses)	<u>633,013</u>	<u>440,061</u>	<u>(192,952)</u>	<u>(2,400)</u>	<u>(3,001)</u>	<u>(601)</u>
Net change in fund balances	<u>-</u>	<u>(1,721)</u>	<u>(1,721)</u>	<u>50</u>	<u>133,314</u>	<u>133,264</u>
Fund balances - beginning		<u>19,356</u>			<u>327,306</u>	
Fund balances - ending		<u>\$ 17,635</u>			<u>\$ 460,620</u>	

TID #2 Morgan Square			Bridge & Street			Lodging Sales Tax		
Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 21,397	\$ 21,397	\$ -	\$ 616,820	\$ 625,642	\$ 8,822
57,000	54,694	(2,306)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	225	484	259	1,500	4,505	3,005
57,000	54,694	(2,306)	21,622	21,881	259	618,320	630,147	11,827
57,000	54,694	2,306	433,585	118,355	315,230	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	0	648,330	506,813	141,517
57,000	54,694	2,306	433,585	118,355	315,230	648,330	506,813	141,517
-	-	-	(411,963)	(96,474)	315,489	(30,010)	123,334	153,344
-	-	-	339,556	-	(339,556)	-	-	-
-	-	-	-	-	-	(80,345)	(124,837)	44,492
-	-	-	339,556	-	(339,556)	(80,345)	(124,837)	44,492
-	-	-	(72,407)	(96,474)	(24,067)	(30,010)	(1,503)	197,836
-	-	-	-	131,448	-	-	585,922	-
\$ -	-	-	-	\$ 34,974	-	\$ -	\$ 584,419	-

(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, 2016

	Special Capital Improvement Fund			Airport Capital Improvement		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 3,766,247	\$ 3,872,372	\$ 106,125	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-	-
Intergovernmental	1,972,000	578,875	(1,393,125)	436,000	37,635	(398,365)
Charges for Services	-	2,054	2,054	-	-	-
Interest	6,000	81,216	75,216	-	-	-
Contributions	-	500	500	-	-	-
Miscellaneous	-	300	300	-	-	-
Total revenue	<u>5,744,247</u>	<u>4,535,317</u>	<u>(1,208,930)</u>	<u>436,000</u>	<u>37,635</u>	<u>(398,365)</u>
EXPENDITURES						
Current						
Culture and Recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	3,618,350	1,665,899	1,952,451	465,000	39,615	425,385
Total expenditures	<u>3,618,350</u>	<u>1,665,899</u>	<u>1,952,451</u>	<u>465,000</u>	<u>39,615</u>	<u>425,385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,125,897</u>	<u>2,869,418</u>	<u>743,521</u>	<u>(29,000)</u>	<u>(1,980)</u>	<u>27,020</u>
OTHER FINANCING SOURCES(USES)						
Proceeds From Sale of Assets	-	-	-	-	-	-
Transfers (out)	(3,025,733)	(1,483,713)	1,542,020	-	-	-
Transfer in	-	-	-	-	-	-
Total other financing sources(uses)	<u>(3,025,733)</u>	<u>(1,483,713)</u>	<u>1,542,020</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(899,836)</u>	<u>1,385,705</u>	<u>2,285,541</u>	<u>(29,000)</u>	<u>(1,980)</u>	<u>27,020</u>
Fund balances - beginning		<u>9,583,322</u>			<u>84,465</u>	
Fund balances - ending		<u>\$ 10,969,027</u>			<u>\$ 82,485</u>	

EXHIBIT D-2

Public Improvement Cap. Project			Infrastructure Improvement			Park Capital		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
562,500	537,030	(25,470)	-	-	-	-	-	-
-	10,000	10,000	-	-	-	-	-	-
-	28	28	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
562,500	547,058	(15,442)	-	-	-	-	-	-
-	-	-	-	-	-	132,400	56,526	75,874
18,000	-	18,000	-	-	-	-	-	-
549,500	541,916	7,584	2,560,000	2,076,682	483,318	-	-	-
567,500	541,916	25,584	2,560,000	2,076,682	483,318	132,400	56,526	75,874
(5,000)	5,142	10,142	(2,560,000)	(2,076,682)	483,318	(132,400)	(56,526)	75,874
-	83,077	83,077	-	-	-	-	-	-
-	-	-	(3,025,733)	-	3,025,733	-	-	-
100,000	200,000	100,000	1,623,920	1,509,087	(114,833)	132,400	41,500	(90,900)
100,000	283,077	183,077	(1,401,813)	1,509,087	2,910,900	132,400	41,500	(90,900)
95,000	288,219	193,219	(3,961,813)	(567,595)	3,394,218	-	(15,026)	(15,026)
	425,096			129,915			1,062	
\$ 713,315			\$ (437,680)			\$ (13,964)		

(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, 2016

	Infrastructure Improvement Revolving			Permanent Fund		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	44,600	352,127	307,527	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	24,300	26,718	2,418
Interest	120	-	(120)	450	1,221	771
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,350	1,350
Total revenue	<u>44,720</u>	<u>352,127</u>	<u>307,407</u>	<u>24,750</u>	<u>29,289</u>	<u>4,539</u>
EXPENDITURES						
Current						
Culture and Recreation	-	-	-	156,038	146,514	9,524
Economic Development	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,038</u>	<u>146,514</u>	<u>9,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44,720</u>	<u>352,127</u>	<u>307,407</u>	<u>(131,288)</u>	<u>(117,225)</u>	<u>14,063</u>
OTHER FINANCING SOURCES(USES)						
Proceeds From Sale of Real Estate	-	-	-	-	-	-
Transfers (out)	(44,720)	(44,720)	-	-	-	-
Transfer in	-	-	-	131,288	112,788	(18,500)
Total other financing sources(uses)	<u>(44,720)</u>	<u>(44,720)</u>	<u>-</u>	<u>131,288</u>	<u>112,788</u>	<u>(18,500)</u>
Net change in fund balances	<u>-</u>	<u>307,407</u>	<u>307,407</u>	<u>-</u>	<u>(4,437)</u>	<u>(4,437)</u>
Fund balances - beginning		<u>38,278</u>			<u>159,174</u>	
Fund balances - ending		<u>\$ 345,685</u>			<u>\$ 154,737</u>	

SINGLE AUDIT SECTION

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Expenditures of Federal Awards (Cash Basis)
For The Year Ended December 31, 2016

	Federal CFDA Number	Agency or Pass-through Number	Amount	Expenditures to Subrecipients
Department of Commerce:				
Direct Federal Funding:				
Economic Adjustment Assistance	11.307		\$ 395,325	\$ -
Economic Adjustment Assistance	11.307	05-79-05291	624,664	-
Program subtotal			<u>1,019,989</u>	
Department of Housing and Urban Development:				
Indirect Federal Funding:				
SD Governor's Office of Economic Development, Community Development Block Grants/ State's Program	14.228	CDBG-1414-111	372,030	372,030
State's Program	14.228	CDBG 1515-301	<u>150,000</u>	<u>150,000</u>
Program subtotal			522,030	
Department of Justice:				
Indirect Federal Funding:				
SD Sheriff's Association, SD Police Chiefs Association, Public Safety Partnership and Community Policing Grants	16.710	FWB3000F	1,699	-
Department of Transportation:				
Direct Federal Funding:				
Airport Improvement Program	20.106	3-46-4600-20-2014	46,479	-
Airport Improvement Program	20.106	3-46-0062-026-2015	<u>43,404</u>	-
Program subtotal			89,883	
Indirect Federal Funding:				
SD Department of Transportation State and Community Highway Safety	20.600	2016-00-82	5,819	-
SD Department of Transportation Alcohol Open Container Requirements	20.607		3,701	-
Environmental Protection Agency:				
Indirect Federal Funding:				
SD Department of Environment and Natural Resources, Capitalization Grants for Drinking Water State Revolving Funds	66.468		1,000,000	-
Department of Homeland Security				
Indirect Federal Funding:				
SD Department of Public Safety Hazard Mitigation Grant	97.039	DR-4115-09-F	44,325	-
Homeland Security Grant Program	97.067	2035-14314000	<u>1,230</u>	-
Total Expenditures of Federal Awards			<u>\$ 2,688,676</u>	

CITY OF YANKTON, SOUTH DAKOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016.

	Total Amount Of Loan Outstanding	Federal Portion Of Loan Outstanding
Wastewater System #3, Series 2011 (83.33%)	\$ 2,634,505	\$ 2,195,333
Total Wastewater System	<u>\$ 2,634,505</u>	<u>\$ 2,195,333</u>
Water System Services 2001 (76.97%)	\$ 1,517,697	\$ 1,168,171
Water System, Services Series #2 (50.06%)	636,791	396,406
Water System, Services Series #3 (62.25%)	1,988,593	1,237,899
Water System, Services Series #4 (56.05%)	1,547,552	867,403
Water System, Services Series #5 (31.83%)	10,559,413	3,361,019
Total Water System	<u>\$ 16,250,046</u>	<u>\$ 7,030,898</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 \$522,030 of CDBG Funds, through CFDA number 14.228 as a pass-through, to sub recipients, the Boys and Girls Club of Yankton received \$372,030 from grant identification number 1414-111 and Regional Technical Education Center received \$150,000 from grant identification number 1515-301.

See accompanying independent auditors' report.

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings & Questioned Costs
For the Year Ended December 31, 2016

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) The major programs were as follows:
 - CFDA #66.468 – Capitalization Grants for Drinking Water State Revolving Funds
 - CFDA #11.307 – Economic Adjustment Assistance
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
- (i) The Auditee did not qualify as a low-risk auditee.

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

Instances of Non-Compliance:

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

Material Weakness:

2016-001 Financial Reporting

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

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

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

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

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

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

Conclusion – Response accepted.

CITY OF YANKTON, SOUTH DAKOTA
Schedule of Findings & Questioned Costs
For the Year Ended December 31, 2016

Part III: Findings and Questioned Costs Relating to Federal Awards

Instances of Non-Compliance:

No Matters were noted.

Significant Deficiency:

No Matters were noted.

Part IV: Summary Schedule of Prior Audit Findings

2015-001 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/Revenues 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 entries are identified and included in the City's financial statements and that any required adjustments are made.

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

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF YANKTON, SOUTH DAKOTA as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 7, 2017. Our report includes a reference to other auditors who audited the financial statements of the Yankton Housing and Redevelopment Commission, as described in our report on the City of Yankton's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting:

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs, as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters:

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

City of Yankton's Response to Findings

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

Purpose of this Report

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

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

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


Certified Public Accountants

Yankton, South Dakota
September 7, 2017



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

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

Report on Compliance for Each Major Federal Program

We have audited the 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, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Yankton Housing and Redevelopment Commission, which received \$555,288 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended December 31, 2016. Our audit, described below, did not include the operations of the Yankton Housing and Redevelopment Commission because the Commission engaged other auditors to perform an audit of compliance.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our 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, 2016.

Report on Internal Control Over Compliance

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

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
September 7, 2017

Schedule of Findings and Questioned Costs
Corrective Action Plan
December 31, 2016

The City of Yankton, South Dakota, respectfully submits the following corrective action plan for the year ended December 31, 2016.

The audit was performed by Williams & Company, P.C., P.O. Box 36, Yankton, South Dakota, for the fiscal year ended December 31, 2016.

The findings from the December 31, 2016 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

MATERIAL WEAKNESS:

2016-001 Condition – During the audit, we identified material adjustments required to be made to the City's financial statements. Adjustments were made by the City to properly include these changes to the financial statements. A similar condition was noted in the prior audit.

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

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

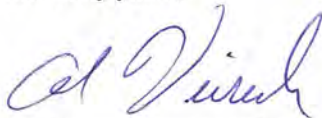
Cause – Due to the limited number of employees, the City does not have sufficient controls in place to ensure that all entries are properly recorded and that all other applicable adjustments are made.

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

Responses – We will double check the financial statements in the future and all supporting schedules to verify that all adjustments are made properly and a review process to ensure statements are fairly presented. The City will attempt to implement these processes for the 2017 calendar year report.

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

Sincerely yours,



Al Viereck, Finance Officer

416 Walnut St
PO Box 176
Yankton, SD 57078-0176
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APPENDIX C - CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Yankton, South Dakota (the “City”) in connection with the issuance of its \$1,590,000 Refunding Certificates of Participation, Series 2018, Evidencing the Proportionate Interests of the Owners thereof in Lease Payments made by the City of Yankton, South Dakota, Lessee, pursuant to a Lease Agreement with The First Dakota National Bank, as Trustee, Lessor (the “Certificates”). The Certificates are being issued pursuant to an authorizing resolution adopted by the City Council of the City on February 12, 2018 (the “Resolution”). Pursuant to the Resolution, the City has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The CUSIP Number of the final maturity of the Certificates is 984805 AV3.

In addition, the City hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(b)(5). This Disclosure Certificate, together with the Resolution, constitutes the written agreement or contract for the benefit of the Holders of the Certificates that is required by the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean annual Financial Information or Operating Data provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means the City’s annual financial statements, prepared in accordance with generally accepted accounting principles (“GAAP”) for Governmental Units as Prescribed by the Governmental Accounting Standards Board (“GASB”) audited in accordance with auditing standards generally accepted by the United States of America contained in the Government Auditing Standards issued by the Comptroller General of the United States.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Finance Officer or his or her designee, or such other officer or employee as the City shall designate in writing from time to time.

“Dissemination Agent” shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB as the primary portal for complying with the continuing disclosure requirements of the Rule.

“Financial Information or Operating Data” means financial information or operating data which is presented in the final official statement, which shall include financial information and operating data which is customarily prepared by the City and is publicly available.

“Fiscal Year” means the fiscal year of the City.

“Holder” means the person in whose name a security is registered or a beneficial owner of such a security.

“City” means the City of Yankton, South Dakota which is the obligated person with respect to the Certificates.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“Municipal Securities Rulemaking Board” or **“MSRB”** shall mean the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314.

“National Repository” the Electronic Municipal Market Access (EMMA) system created by the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement of the City dated March 15, 2018 delivered in connection with the Certificates, which is available from the MSRB.

“Participating Underwriter” shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“Repository” means EMMA.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means the Securities and Exchange Council.

“State” shall mean the State of South Dakota.

“State Repository” shall mean any public or private repository or entity designated by the State as a state depository for purposes of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Depository.

SECTION 3. Provision of Annual Reports.

- (a) The City shall, or shall cause the Dissemination Agent to, not later than 12 months following the end of the City’s fiscal year, commencing with the fiscal year ending in December 31, 2017 with respect to the report for the 2017 fiscal year, provide an electronic copy of its Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate and which Annual Report is in the format and accompanied by such identifying information as is prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the Audited Financial Statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. Audited Financial Statements shall be submitted as soon as practicable thereafter
- (b) If the City is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the City shall send a notice of that fact to the Repository and the MSRB.

- (c) The City shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

SECTION 4. Content of Annual Reports. An update of the Financial Information and Operating Data with respect to the City of the type contained in the Official Statement dated March 15, 2018 relating to the Certificates found in Appendix A under the headings Property Valuations, Tax Levies and Collections, and Outstanding Obligations and only to the extent that such information is not included in the audited financial statements described in (a) above.

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

- (a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, within ten (10) business days after the occurrence of the event, to MSRB notice of the occurrence of any of the following events with respect to the Certificates, if material:
 - (1) Principal and interest payment delinquencies;
 - (2) Non-payment related defaults, if material;
 - (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) Substitution of credit or liquidity providers, or their failure to perform;
 - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
 - (7) Modifications to rights of Bond Holders;
 - (8) Bond calls, if material, and tender offers;
 - (9) Defeasances;
 - (10) Release, substitution, or sale of property securing repayment of the Certificates;
 - (11) Rating changes;
 - (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated

person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- (14) Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

Events under item (12) are considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or government authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (b) Unless otherwise required by law and subject to technical and economic feasibility, the City shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the City's information.

SECTION 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the City shall make all filings required under this Disclosure Certificate solely with EMMA accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates or upon the City's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the City to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Material Event under Section 5.

SECTION 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the City.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates, or the type of business conducted;

- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Material Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder of the Certificates may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Certificates and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

APPENDIX D - BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities discussed in the body of this Official Statement (collectively, the “Certificates”). The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates are discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the financing documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices are required to be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner will give notice to elect to have its Certificates purchased or tendered, through its Participant, to Trustee, and will effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to Trustee. The requirement for physical delivery of Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE INFORMATION ABOVE DISCUSSING THE BOOK-ENTRY SYSTEM HAS BEEN FURNISHED BY DTC. NO REPRESENTATION IS MADE BY THE CITY OR THE UNDERWRITER AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE CITY OR THE UNDERWRITER TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. THE CITY HAS NO RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS, OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE CERTIFICATES, OR FOR ANY PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST PAYMENT THEREON.

**APPENDIX E -
BOND COUNSEL OPINION**

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(form of letterhead)

RE: \$1,590,000 Refunding Certificates of Participation, Series 2018, Evidencing Proportionate Interests of the Owners thereof in Lease Payments made by the City of Yankton, South Dakota, Lessee, pursuant to a Lease Agreement with The First Dakota National Bank, as Trustee, Lessor.

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of the obligations described above, dated, as originally issued, as of April 9, 2018 (the "Certificates"), pursuant to a Declaration of Trust, dated as of February 12, 2009, as amended by a First Supplemental and Restated Declaration of Trust, dated as of April 9, 2018 (as amended, the "Trust Agreement") by The First Dakota National Bank, as trustee (the "Trustee") and joined in by City of Yankton, South Dakota (the "City"), for the purpose of providing funds to finance the Swimming Pool Project.

For purposes of rendering this opinion, we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the City and the Trustee, including the following:

- (i) the First Supplemental and Restated Declaration of Trust Agreement dated April 9, 2018;
- (ii) the Amended and Restated Lease-Purchase Agreement, dated April 9, 2018 (the "Lease");
- (iii) the Ground Lease, dated February 12, 2009 the ("Ground Lease");
- (iv) the Resolution adopted by the City Council on February 12, 2018;
- (v) such other documents as we have deemed relevant and necessary as a basis for the opinions set forth herein, including the form of the Certificates.

As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates, and on the basis of existing law, it is our opinion that:

1. The Trust Agreement, the Lease and the Ground Lease have been duly authorized, executed and delivered by the parties thereto and constitute valid and legally binding agreements of the parties thereto enforceable in accordance with the respective terms thereof, except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion or by state or federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights.
2. The Certificates evidencing proportionate interests in the right to receive Lease Payments and certain other payments, revenues and receipts derived under the Lease, including certain funds, interest earnings, and insurance and condemnation proceeds, all in the manner set forth in the Trust Agreement. The Certificates are secured by a pledge of such payments, revenues and receipts under the Trust Agreement and by a leasehold on certain property described in the Trust Agreement. The City's obligation to make Lease Payments is absolute and unconditional, subject to and wholly dependent upon yearly annual appropriations.

3. The interest component on the Lease payment is excluded from gross income for federal income tax purposes. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 as amended, that must be satisfied subsequent to the execution of the Lease in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of the interest component on the Lease in gross income for federal income tax purposes to be retroactive to the date of the Lease. We express no opinion regarding other federal tax consequences arising with respect to the Lease.
4. The interest component on the Lease is free from taxation within the State of South Dakota, except for estate, inheritance taxes and taxes imposed on financial institutions under South Dakota Codified Law Chapter 10-43. We express no opinion regarding other South Dakota tax consequences arising with respect to the Lease.
5. The Lease has been designated as a qualified tax-exempt obligations within the meaning of Section 265(b)(3)(B)(i)(III) of the Code.

It is to be understood that the rights of the holders of the Certificates and the enforceability of the Certificates and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in accordance with general principles of equity and subject to regulatory requirements under the laws of the United States and of the State of South Dakota.

