

MUNICIPALITY OF NORTH SIOUX CITY

AUDIT REPORT

DECEMBER 31, 2009

MUNICIPALITY OF NORTH SIOUX CITY
MUNICIPAL OFFICIALS
DECEMBER 31, 2009

Mayor:

Don Fuxa

Governing Board:

Justin Boyd

Sheri Leitru

Charles Meyer

Joan Christiansen

Jeff Rabbitt

Casey Greer

Bill Merrill

Lesa Cropley

Finance Officer:

Tonya Rubida

Municipal Attorney:

Darrell Jesse

**MUNICIPALITY OF NORTH SIOUX CITY
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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

Municipal Council
Municipality of North Sioux City
North Sioux City, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Municipality of North Sioux City, South Dakota, as of and for the year ended December 31, 2009, which collectively comprise the Municipality of North Sioux City's basic financial statements and have issued our report thereon dated November 22, 2010. A disclaimer of opinion was issued on the aggregate discretely presented component unit because the financial data of the component unit was not audited. Except as discussed in the preceding sentence, 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality of North Sioux City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality of North Sioux City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality of North Sioux City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies and material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider Finding Number 2009-05 described in the accompanying Schedule of Current Audit Findings to be a material weakness.

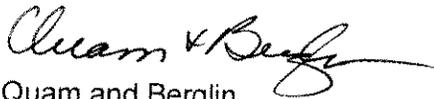
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current and Prior Audit Findings as 2009-01, 2009-02, 2009-03, and 2009-04.

The Municipality of North Sioux City's response to the findings identified in our audit is described in the corrective action plan on page 55. We did not audit the Municipality's response, and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to the management of the Municipality in a separate communication dated November 22, 2010.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of the Municipality of North Sioux City and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam and Berglin
Certified Public Accountants

November 22, 2010

**MUNICIPALITY OF NORTH SIOUX CITY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2009**

STATUS OF PRIOR AUDIT RECOMMENDATIONS

The prior audit recommendations II-A-08, II-B-08, II-C-08, II-D-08, and II-E-08 have not been corrected and are restated as Current Audit Finding Numbers 2009-01, 2009-02, 2009-03, 2009-04 and 2009-05.

AUDIT FINDING NUMBER II-F-08:

The Municipality made material reporting errors on their annual financial statements. This comment has been corrected.

CURRENT AUDIT FINDINGS:

Compliance Related Findings – Material Weaknesses:

AUDIT FINDING NUMBER 2009-01:

The City of North Sioux incurred expenditures in excess of budget.

ANALYSIS:

SDCL 9-21-9 states that expenditures are limited to appropriated amounts. Neither the governing body nor any department or officer of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided.

Recommendation:

We recommend that the City of North Sioux City's officials be cognizant of the budget laws and adopt a supplemental budget when needed.

AUDIT FINDING NUMBER 2009-02:

The City of North Sioux made interfund loans without the proper board approval.

ANALYSIS:

SDCL 9-21-26.1 requires that a city receive two-thirds of the governing board vote before a transfer of surplus money from one fund to another occurs.

Recommendation:

We recommend that the Municipal Council approve all surplus money transfers.

AUDIT FINDING NUMBER 2009-03:

The City of North Sioux incurred and paid expenditures without the proper approval.

ANALYSIS:

SDCL 9-23-2 states that no claim against any municipality shall be audited or allowed unless it is fully itemized and a memorandum of the same entered upon the minutes of the meetings of the governing body.

Recommendation:

We recommend that future council expenditure approvals include all expenditures, including automatic and electronic payments. The council must review all claims before they are allowed to be paid.

AUDIT FINDING NUMBER 2009-04:

The City of North Sioux City adopted a supplemental appropriation ordinance during the year, which did not provide for an increase in budgeted revenues.

ANALYSIS:

SDCL 9-21-7 only allows adoption of a supplemental appropriation ordinance to provide funds to cover expenditures not included in the annual appropriation ordinance. A supplemental appropriation ordinance may not be used to transfer funds from one budget line item to another, except for transfers from the line item for contingencies (SDCL 9-21-6.1).

Recommendation:

The municipality should consider providing for a contingency line item in its annual appropriation ordinance. Supplemental ordinances may only be adopted to provide additional revenues for expenditures not included in the annual appropriation ordinance.

Internal Control Related Finding – Material Weakness:

AUDIT FINDING NUMBER 2009-05:

The Municipality of North Sioux City does not have an adequate segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

ANALYSIS:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Recommendation:

We recommend that the Municipality of North Sioux City's officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever, and wherever, possible and practical.

Corrective Action Plan:

Tonya Rubida, Finance Officer for the Municipality of North Sioux City, is the contact person responsible for the corrective action plan for these comments. The Municipal Council has prepared a response to the findings, which is on page 55.

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INDEPENDENT AUDITOR'S REPORT

Municipal Council
Municipality of North Sioux City
North Sioux City, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and aggregate remaining fund information of the Municipality of North Sioux City, South Dakota, as of and for the year ended December 31, 2009 which collectively comprise the municipality's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

The financial statements of the North Sioux City Housing and Redevelopment Commission (HRC) have not been audited, and we were not engaged to audit the North Sioux City Housing and Redevelopment Commission's financial statements as part of our audit of the Municipality's financial statements. The North Sioux City HRC's financial activities are included in the Municipality's financial statements as a discretely presented component unit.

Because the Housing and Redevelopment Commission's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of the Municipality of North Sioux City.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Municipality of North Sioux City, South Dakota as of December 31, 2009 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2010, on our consideration of the Municipality of North Sioux City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedules listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Quam and Berglin
Certified Public Accountants

November 22, 2010



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CITY OF NORTH SIOUX CITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of North Sioux City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City began construction on a new TIF District located in the Sodrac Park area. This project is expected to be complete in 2010. This project will open up the area to new business and single family housing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The City has three proprietary funds – the Water Fund, Sewer Fund, and Garbage Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements

Figure A-1

Major features of North Sioux City’s Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds and the fiduciary component units)	The activities of the City that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the City operates similar to private businesses, the water and sewer systems
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Assets *Statement of Revenues, Expenses and Changes in Net Assets *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

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

The two government-wide statements report the City’s net assets and how they have changed. Net assets – the difference between the City’s assets and liabilities – are one way to measure the City’s financial health or position.

- Increases or decreases in the City’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City’s property tax base and changes in the sales tax revenue base.

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

- Governmental Activities – This category includes the most of the City’s basic services, such as police, cemetery, library, public works, parks department 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, sewer, and garbage systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- Governmental Funds – Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary Funds - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's combined net assets increased by 1% between fiscal year 2008 and 2009 – increasing by \$286,730 (See Table A-2).

Table A-2
CITY OF NORTH SIOUX CITY
Statement of Net Assets

Table A-2

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and Other Assets	\$ 5,756,241	\$ 4,655,713	\$ 2,120,882	\$ 2,513,567	\$ 7,877,123	\$ 7,169,280
Capital Assets	14,429,272	15,800,901	12,063,676	11,732,320	26,492,948	27,533,222
Total Assets	20,185,513	20,456,615	14,184,558	14,245,887	34,370,071	34,702,502
Other Liabilities	217,342	246,899	106,507	62,222	323,849	309,121
Long-Term Debt Outstanding	201,615	309,058	294,275	247,261	495,890	556,319
Total Liabilities	418,957	555,958	400,782	309,483	819,739	865,440
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	14,245,925	15,518,101	11,774,397	11,490,420	26,020,322	27,008,520
Restricted	2,199,433	1,313,033			2,199,433	1,313,033
Unrestricted	3,321,198	3,069,524	2,009,379	2,445,985	5,330,577	5,515,509
Total Net Assets	\$ 19,766,556	\$ 19,900,657	\$ 13,783,776	\$ 13,936,405	\$ 33,550,332	\$ 33,837,062
Beginning Net Assets	\$ 18,572,697	\$ 19,766,556	\$ 13,587,223	\$ 13,783,776	\$ 32,159,920	\$ 33,550,332
Increase (Decrease) in Net Assets	\$ 1,193,859	\$ 134,101	\$ 196,553	\$ 152,629	\$ 1,390,412	\$ 286,730
Percentage of Increase (Decrease) in Net Assets to Prior Year	6%	1%	1%	1%	4%	1%

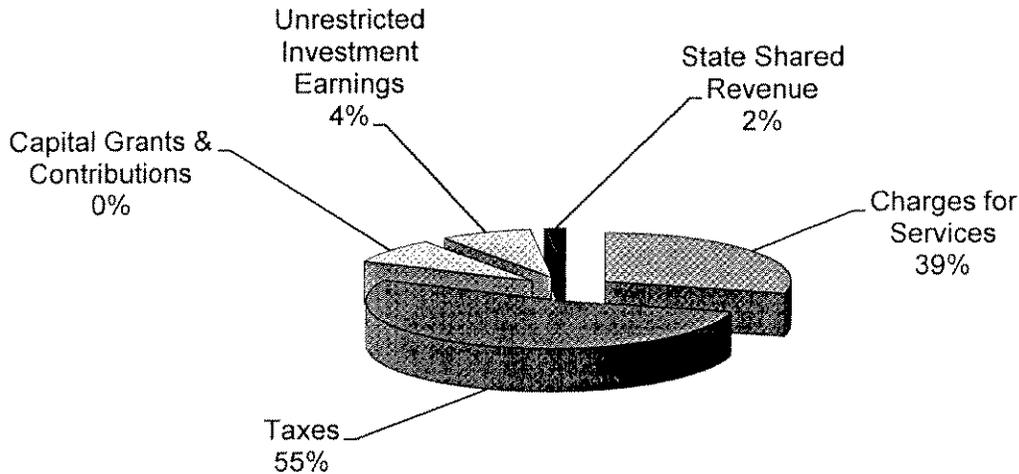
The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the City, consisting of compensated absences payable, sales tax revenue bonds payable and water revenue bonds payable, have been reported in this manner on the Statement of Net Assets. The difference between the City's assets and liabilities is its net assets.

Changes in Net Assets

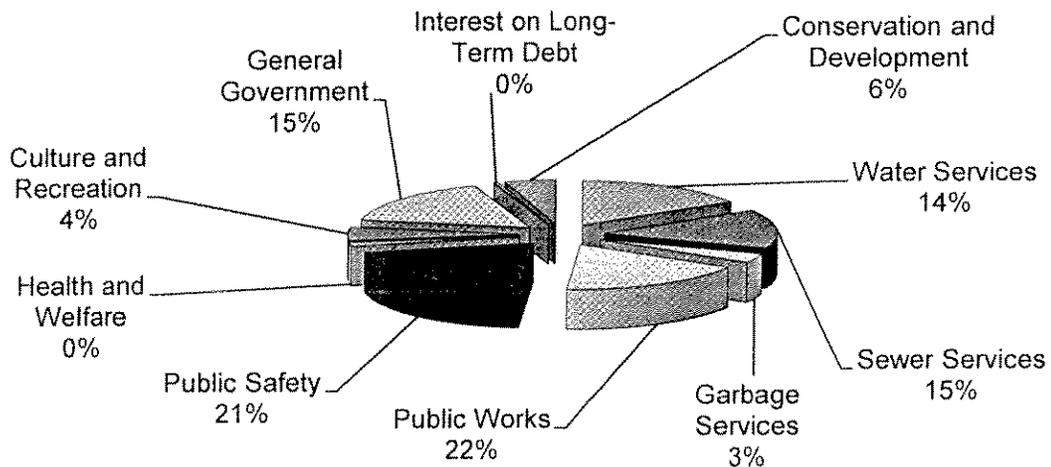
The Municipality's revenues totaled \$3,659,735. (See Table A-5.) Over 39% of the City's revenue comes from charges for services and 55% comes from some type of tax. (See Figure A-3). Another 2% come from intergovernmental revenues, and 4% from interest earnings.

The City's expenses cover a range of services, with over half related to public work services (street maintenance, water, sewer and garbage services). (See Figure A-4)

**Figure A-3, City of North Sioux City
Sources of Revenues for Fiscal Year 2009**



**Figure A-4, City of North Sioux City
Functional Expenses for Fiscal Year 2009**



Governmental Activities

Table A-5 and the narrative that follows consider the operations of the governmental activities.

Total governmental activities revenues for the City decreased by 17%. This decrease can be contributed to economic conditions. Total expenses decreased by less than .20%. This decrease can be contributed to a decrease in the cost of services provided for health and welfare and culture and recreation.

Table A-5
CITY OF NORTH SIOUX CITY
Statement of Activities

	Total Governmental Activities		Total Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues						
Program Revenues						
Charges for Services	\$ 251,924	\$ 234,913	\$ 1,096,745	\$ 1,188,724	\$ 1,348,669	\$ 1,423,637
Operating Grants	273,895	75			273,895	75
General Revenues						
Taxes	2,111,541	2,018,269			2,111,541	2,018,269
Revenue State Sources	97,224	82,142			97,224	82,142
Unrestricted Investment Earnings	203,948	94,421	31,782	33,253	235,730	127,674
Miscellaneous		7,938			7,938	7,938
Total Revenues	<u>2,938,532</u>	<u>2,437,757</u>	<u>1,128,527</u>	<u>1,221,977</u>	<u>4,074,997</u>	<u>3,659,735</u>
Expenses						
General Government	511,605	494,732			511,605	494,732
Public Safety	677,843	721,112			677,843	721,112
Public Works	734,966	733,140			734,966	733,140
Culture and Recreation	172,267	140,193			172,267	140,193
Conservation and Development	161,924	197,948			161,924	197,948
Health and Welfare	38,201	9,020			38,201	9,020
Debt Service	12,361	7,512			12,361	7,512
Water Services			481,804	480,550	481,804	480,550
Sewer Services			449,271	499,250	449,271	499,250
Garbage Services			84,994	89,549	84,994	89,549
Total Expenses	<u>2,309,167</u>	<u>2,303,656</u>	<u>1,016,069</u>	<u>1,069,349</u>	<u>3,326,236</u>	<u>3,373,005</u>
Excess (Deficiency) Before Special Items and Transfers	629,365	134,101	112,458	152,628	741,823	286,730
Prior Period Restatement	564,494		84,095		648,589	
Increase (Decrease) in Net Assets	<u>\$ 1,193,859</u>	<u>\$ 134,101</u>	<u>\$ 196,553</u>	<u>\$ 152,628</u>	<u>\$ 1,390,412</u>	<u>\$ 286,730</u>

Business-type Activities

Revenues of the City's business-type activities increased by 8.28% to \$1,221,977 and expenses increased 5.24% to \$1,069,349. Factors contributing to these results included:

- The increase in operating revenues was a result of increased water and sewer consumption and an increase in Garbage Service rates. The increase in expenses was a result of increased cost.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial analysis of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains four governmental fund types – General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds and only three business type funds – Water, Sewer and Garbage Funds.

General Fund Budgetary Highlights

There was a revision to the original budget to account for a street reconstruction project, repairs and maintenance on the community center and various other budget shortfalls. Future budgets will be monitored and amended to ensure budgetary compliance.

CAPITAL ASSET ADMINISTRATION

The City made a concerted effort to establish and maintain the fixed assets and accumulated depreciation records for the general and proprietary funds during the year 2009. By the end of 2009, the

City had invested \$27,533,221 in a broad range of capital assets, including construction in progress, buildings, various machinery and equipment, net of depreciation. (See Table A-6.) This amount represents a net increase (including additions and deductions) of \$ 1,040,274, or 3.9 percent, over the last year.

**Table A-6
CITY OF NORTH SIOUX CITY - Capital Assets**

	Governmental Activities		Business-Type Activities		Dollar Change	Percentage Change
	2008	2009	2008	2009	2008-2009	2008-2009
Land	\$ 520,267	\$ 520,267	\$ 98,284	\$ 98,284	\$	0.0%
Construction in Progress	1,098,400	256,447			(841,953)	-76.7%
Buildings	3,468,116	4,855,558	1,974,735	1,943,960	1,356,666	24.9%
Improvements Other Than Buildings	8,719,749	9,467,108	8,749,787	8,512,931	510,503	2.9%
Machinery and Equipment	622,740	701,522	1,240,870	1,177,146	15,057	0.8%
Total Capital Assets (Net)	\$ 14,429,272	\$ 15,800,901	\$ 12,063,676	\$ 11,732,321	\$ 1,040,274	3.9%

LONG-TERM DEBT

At the year-end the City had borrowings in SRF loans, Sewer Revenue Bonds and other long-term obligations. This is an increase of 12.19% as shown on Table A-7 below. The City does expect to increase our debt obligation through the River Valley TIF, Sodrac Park expansion.

**Table A-7
CITY OF NORTH SIOUX CITY- Outstanding Debt and Obligations**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2008	2009	2008	2009	2008 - 2009	2008 - 2009
Accrued Leave Payable	\$ 18,268	\$ 26,258	\$ 4,996	\$ 5,360	\$ 8,354	26.42%
State Revolving Loan			226,166	185,330	(40,836)	-22.03%
TIF Loan - River Valley		152,748			152,748	100.00%
DENR Loan			63,113	56,571	(6,542)	-11.56%
SRF Loan	183,347	130,052			(53,295)	-40.98%
Total Outstanding Debt and Obligations	\$ 201,615	\$ 309,058	\$ 294,275	\$ 247,261	\$ 60,429	12.19%

The City is liable for the accrued vacation leave payable to all full-time employees who have been employed for more than one year. Labor contracts also allow for a percentage of sick leave to be paid out upon termination; therefore, this percentage is also included in Accrued Leave Payable.

The City has outstanding \$130,052 in SRF Loans. The bonds are secured and paid for from the Additional Sales Tax Fund. The City does not anticipate the use of any additional tax dollars to pay for these bonds.

This year the City increased its debt obligation through the creation of a \$700,000 TIF with River Valley, LLP in the Sodrac Park area. This year's debt accumulated to \$152,748 and the remaining \$547,252 will accumulate over 2010. The loan is secured by the increased property tax collected (100% of the increase to the City of North Sioux) on the parcels found within the TIF district until paid in full.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Under the state mandated property tax freeze, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI) whichever is lower. This year property tax levy requests increased to 2.653% based on a 3% CPI and 5.9% for the growth factor.

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The city has experienced a decrease in taxable sales of 4.56% over the prior year.

The City's adopted General Fund budget for the next fiscal year will decrease nearly 16.8% to \$4,238,321.

The City's business-type activities (water, sewer and garbage operations) expect that the results for 2010 for revenue will increase due to an increase in rates. The expenses will slightly increase due to the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This 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 information, contact the City of North Sioux City's Finance Office, 504 River Drive, North Sioux City, SD 57049.

MUNICIPALITY OF NORTH SIOUX CITY
STATEMENT OF NET ASSETS
December 31, 2009

	Primary Government			Unaudited Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 1,099,579.45	\$ 418,590.75	\$ 1,518,170.20	\$ 30,714.13
Investments	3,073,701.14	1,976,184.33	5,049,885.47	
Taxes Receivable	20,475.93		20,475.93	
Accounts Receivable, Net	28,016.61	114,806.45	142,823.06	
Special Assessments Receivable - Current	30,127.71	235.29	30,363.00	
Special Assessments Receivable - Delinquent	1,273.86	40.00	1,313.86	
Special Assessments Receivable - Deferred	8,554.75	39.91	8,594.66	
Special Assessments Receivable - Interest	3,194.36	5.51	3,199.87	
Notes Receivable	117,874.97		117,874.97	
Internal Balances	15,116.65	(15,116.65)		
Inventory		11,229.83	11,229.83	
Other Assets	231,170.24	7,551.60	238,721.84	
Restricted Deposits	26,627.71		26,627.71	
Capital Assets:				
Land and Construction Work in Progress	776,713.83	98,283.84	874,997.67	70,000.00
Other Capital Assets, Net of Depreciation	15,024,187.46	11,634,036.55	26,658,224.01	636,348.41
TOTAL ASSETS	<u>20,456,614.67</u>	<u>14,245,887.41</u>	<u>34,702,502.08</u>	<u>737,062.54</u>
<u>LIABILITIES:</u>				
Accounts Payable	97,879.77	20,746.03	118,625.80	
Contracts Payable - Retainage	134,293.93		134,293.93	
Accrued Wages Payable	11,092.63	301.92	11,394.55	
Accrued Interest Payable	1,625.65	1,252.34	2,877.99	
Other Current Liabilities	2,007.21	39,921.37	41,928.58	8,570.00
Noncurrent Liabilities:				
Due Within One Year	235,016.15	55,167.23	290,183.38	30,285.32
Due in More than One Year	74,042.28	192,093.67	266,135.95	753,512.91
TOTAL LIABILITIES	<u>555,957.62</u>	<u>309,482.56</u>	<u>865,440.18</u>	<u>792,368.23</u>
<u>NET ASSETS:</u>				
Invested in Capital Assets, Net of Related Debt	15,518,100.66	11,490,419.56	27,008,520.22	(77,449.82)
Restricted for:				
Cumulative Reserve - SDPAA	26,627.71		26,627.71	
Economic Development and Promotion	486,760.84		486,760.84	
Capital Projects	605,134.69		605,134.69	
Debt Service	269,242.40		269,242.40	
Unrestricted	2,994,790.75	2,445,985.29	5,440,776.04	22,144.13
TOTAL NET ASSETS	<u>\$ 19,900,657.05</u>	<u>\$ 13,936,404.85</u>	<u>\$ 33,837,061.90</u>	<u>\$ (55,305.69)</u>

The attached notes are an integral part of these financial statements.

**MUNICIPALITY OF NORTH SIOUX CITY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Unaudited Component Unit
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-Type Activities	Total	
			Grants and Contributions					
Primary Government:								
Governmental Activities:								
General Government	\$ 494,731.54	\$ 61,541.64	\$ 75.00	\$ (433,114.90)	\$ (433,114.90)	\$ (433,114.90)		
Public Safety	721,112.28	7,982.86		(713,129.42)	(713,129.42)	(713,129.42)		
Public Works	733,139.97	76,347.35		(656,792.62)	(656,792.62)	(656,792.62)		
Health and Welfare	9,019.82			(9,019.82)	(9,019.82)	(9,019.82)		
Culture and Recreation	140,192.74	6,380.70		(133,812.04)	(133,812.04)	(133,812.04)		
Conservation & Development	197,947.50			(197,947.50)	(197,947.50)	(197,947.50)		
Miscellaneous		82,660.00		82,660.00	82,660.00	82,660.00		
*Interest on Long-Term Debt	7,512.13			(7,512.13)	(7,512.13)	(7,512.13)		
Total Governmental Activities	2,303,655.98	234,912.55	75.00	(2,068,668.43)	(2,068,668.43)	(2,068,668.43)		
Business-Type Activities:								
Water	480,549.62	489,892.71			9,343.09	9,343.09		
Sewer	499,250.32	600,929.60			101,679.28	101,679.28		
Garbage	89,549.30	97,901.79			8,352.49	8,352.49		
Total Business-Type Activities	1,069,349.24	1,188,724.10			119,374.86	119,374.86		
Total Primary Government	3,373,005.22	1,423,636.65	75.00	(2,068,668.43)	119,374.86	(1,949,293.57)		
Component Unit:								
Housing and Redevelopment	\$ 102,296.40	\$ 119,230.66					\$ 16,934.26	
General Revenues:								
Taxes:								
Property Taxes				320,092.56	320,092.56	320,092.56		
Sales and Use Taxes				1,698,176.26	1,698,176.26	1,698,176.26		
State Shared Revenues				82,141.96	82,141.96	82,141.96		
Unrestricted Investment Earnings				94,420.91	33,253.27	127,674.18	75.05	
Miscellaneous Revenue				7,938.21	7,938.21	7,938.21		
Total General Revenues				2,202,769.90	33,253.27	2,236,023.17	75.05	
Change in Net Assets				134,101.47	152,628.13	286,729.60	17,009.31	
Net Assets - Beginning				19,766,555.58	13,783,776.72	33,550,332.30	(72,315.00)	
Net Assets - Ending				\$ 19,900,657.05	\$ 13,936,404.85	\$ 33,837,061.90	\$ (55,305.69)	

*The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The attached notes are an integral part of these financial statements.

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MUNICIPALITY OF NORTH SIOUX CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009

	Major Funds					Nonmajor		Total Governmental Funds
	General Fund	Additional Sales Tax Fund	911 Emergency Fund	River Valley Capital Projects Fund	Other			
					Governmental Fund	Governmental Fund		
ASSETS:								
Cash and Cash Equivalents	\$ 829,150.10	\$ 23,370.73	\$ 13,415.89	\$ 5,000.00	\$ 228,642.73		\$ 1,099,579.45	
Investments	1,938,995.37	559,705.77			575,000.00		3,073,701.14	
Taxes Receivable - Delinquent	20,475.93						20,475.93	
Accounts Receivable, Net	23,024.66		4,991.95				28,016.61	
Special Assessments Receivable - Current					30,127.71		30,127.71	
Special Assessments Receivable - Delinquent					1,273.86		1,273.86	
Special Assessments Receivable - Deferred					8,554.75		8,554.75	
Special Assessments Receivable - Interest					3,194.36		3,194.36	
Notes Receivable	96,000.00				21,874.97		117,874.97	
Restricted Deposits	26,627.71						26,627.71	
Due from Other Funds	117,402.97						117,402.97	
Due From Government	144,013.84	32,780.05			13,399.79		190,193.68	
Prepaid Expenses	30,976.56		10,000.00				40,976.56	
TOTAL ASSETS	<u>3,226,667.14</u>	<u>615,856.55</u>	<u>28,407.84</u>	<u>5,000.00</u>	<u>882,068.17</u>		<u>4,757,999.70</u>	
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Accounts Payable	10,634.12						10,634.12	
Contracts Payable - Retainage	112,577.00		862.50	81,981.15	4,402.00		199,022.67	
Due to Other Funds			97,286.32	21,716.93			119,003.25	
Accrued Wages Payable	11,092.63			5,000.00			16,092.63	
Payroll Deductions and Withholdings and Employer Matching Payable	2,007.21						2,007.21	
Deferred Revenue	82,946.41	10,721.86	4,991.95		46,930.00		145,590.22	
Total Liabilities	<u>219,257.37</u>	<u>10,721.86</u>	<u>103,140.77</u>	<u>108,698.08</u>	<u>51,332.00</u>		<u>493,150.08</u>	

The attached notes are an integral part of these financial statements.

Fund Balances:									
Reserved For:									
Cumulative Reserve - SDPAA	26,627.71								26,627.71
Prepaid Expenses	30,976.56								30,976.56
Notes Receivable	96,000.00							21,874.97	117,874.97
Debt Service								269,242.40	269,242.40
Unreserved Fund Balances:									
Undesignated									
Nonmajor Special Revenue Fund								539,618.80	539,618.80
Nonmajor Capital Projects Fund									
Undesignated	2,853,805.50	605,134.69	(74,732.93)	(103,698.08)					3,280,509.18
Total Fund Balances	<u>3,007,409.77</u>	<u>605,134.69</u>	<u>(74,732.93)</u>	<u>(103,698.08)</u>				<u>830,736.17</u>	<u>4,264,849.62</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,226,667.14</u>	<u>\$ 615,856.55</u>	<u>\$ 28,407.84</u>	<u>\$ 5,000.00</u>				<u>\$ 882,068.17</u>	<u>\$ 4,757,999.70</u>

**MUNICIPALITY OF NORTH SIOUX CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Total Fund Balances - Governmental Funds \$ 4,264,849.62

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 15,800,901.29

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Accrued Leave	\$ (26,257.80)	
Notes Payable	<u>(282,800.63)</u>	(309,058.43)

Liabilities, such as accrued interest payable, do not require the use of current financial resources and, therefore, are not reported as a liability in the governmental funds. (1,625.65)

Assets, such as taxes receivable (delinquent), special assessment receivables (current, delinquent and deferred), franchise fees receivable, and sales tax due from other governments are not available to pay for current period expenditures and therefore are deferred in the funds. 145,590.22

Net Assets - Governmental Funds \$ 19,900,657.05

The attached notes are an integral part of these financial statements.

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**MUNICIPALITY OF NORTH SIOUX CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009**

	Major Funds					Total Governmental Funds
	General Fund	Additional Sales Tax Fund	911 Emergency Fund	Police Station Fund	River Valley Capital Project Fund	
Revenues:						
Taxes:						
General Property Taxes	\$ 307,294.80	\$	\$	\$	\$	\$ 307,294.80
General Sales and Use Taxes	1,256,087.22	295,166.75				1,708,483.63
911 Telephone Surcharge			7,434.67			7,434.67
Penalties and Interest on Delinquent Taxes	232.09					232.09
Licenses and Permits	76,347.35					76,347.35
Intergovernmental Revenue:						
State Shared Revenue:						
Bank Franchise Tax	2,321.66					2,321.66
Liquor Tax Reversion	14,701.84					14,701.84
Motor Vehicle Licenses (5%)	17,066.67					17,066.67
Local Government Highway and Bridge Fund	48,051.79					48,051.79
County Shared Revenue:						
County Highway and Bridge Tax	797.31					797.31
County Wheel Tax	8,953.63					8,953.63
Fines and Forfeits:						
Court Fines and Costs	7,982.86					7,982.86
Library	6,380.70					6,380.70
Miscellaneous Revenue:						
Investment Earnings	69,801.88	23,540.72				94,420.91
Rentals	82,660.00				1,078.31	82,660.00
Special Assessments						
Contributions and Donations	75.00				30,127.71	30,127.71
Other	55,249.87					75.00
Total Revenue	<u>1,954,004.67</u>	<u>318,707.47</u>	<u>7,434.67</u>		<u>188,435.68</u>	<u>2,468,582.49</u>

MUNICIPALITY OF NORTH SIOUX CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	Major Funds				Nonmajor		Total
	General Fund	Additional Sales Tax Fund	911 Emergency Fund	Police Station Fund	River Valley Capital Project Fund	Other Governmental Fund	
Excess of Revenue Over (Under) Expenditures	(619,607.65)	318,707.47	(43,214.62)	(711,370.73)	(256,446.56)	49,038.47	(1,262,893.62)
Other Financing Sources (Uses):							
Sale of Municipal Property	972.00						972.00
Long Term Debt Issued					152,748.48		152,748.48
Transfers In / (Out)	(1,523,447.91)	(1,100,000.00)		1,430,632.20		1,192,815.71	
Total Other Financing Sources (Uses)	(1,522,475.91)	(1,100,000.00)		1,430,632.20	152,748.48	1,192,815.71	153,720.48
Net Change in Fund Balances	(2,142,083.56)	(781,292.53)	(43,214.62)	719,261.47	(103,698.08)	1,241,854.18	(1,109,173.14)
Fund Balance - Beginning	5,149,493.33	1,386,427.22	(31,518.31)	(719,261.47)		(376,522.08)	5,408,618.69
Prior Period Adjustment						(34,595.93)	(34,595.93)
Fund Balance - Beginning Adjusted	5,149,493.33	1,386,427.22	(31,518.31)	(719,261.47)		(411,118.01)	5,374,022.76
FUND BALANCE - ENDING	\$ 3,007,409.77	\$ 605,134.69	\$ (74,732.93)	\$	\$ (103,698.08)	\$ 830,736.17	\$ 4,264,849.62

MUNICIPALITY OF NORTH SIOUX CITY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended December 31, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (1,109,173.14)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense. 1,381,848.90

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net Notes Payable 53,294.74

In the statement of activities, loss on capital assets is reported as an expense, whereas in the governmental funds, the loss is not reflected. (10,219.40)

Governmental funds report property taxes and special assessments as revenue when they meet the available criteria. Because some property taxes will not be collected for several months after the city's calendar year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year after taking into account the prior period adjustment that increased the current year's deferred revenue, but was not reflected in the prior year's deferred revenue. (21,577.64)

Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the governmental funds, but the statement of activities reflects the change in accrued leave through expenses. (7,989.80)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense) 666.29

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. (152,748.48)

Change in Net Assets of Governmental Activities \$ 134,101.47

The attached notes are an integral part of these financial statements.

MUNICIPALITY OF NORTH SIOUX CITY
BALANCE SHEET
PROPRIETARY FUNDS
December 31, 2009

	Enterprise Funds			Totals
	Major Funds		Non-Major Fund	
	Water Fund	Sewer Fund	Garbage Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 163,896.55	\$ 236,420.70	\$ 18,273.50	\$ 418,590.75
Investments	675,128.86	1,301,055.47		1,976,184.33
Accounts Receivable, Net	44,610.04	60,175.52	10,020.89	114,806.45
Special Assessments Receivable - Current		235.29		235.29
Special Assessments Receivable - Delinquent		40.00		40.00
Special Assessments Receivable - Deferred		39.91		39.91
Special Assessments Receivable - Interest		5.51		5.51
Inventory of Supplies	11,229.83			11,229.83
Prepaid Expenses	4,059.11	3,492.49		7,551.60
Total Current Assets	<u>898,924.39</u>	<u>1,601,464.89</u>	<u>28,294.39</u>	<u>2,528,683.67</u>
Noncurrent Assets:				
Capital Assets:				
Land	60,780.56	37,503.28		98,283.84
Buildings	2,216,651.22			2,216,651.22
Improvement other than Buildings	6,808,153.16	5,366,986.79		12,175,139.95
Machinery and Equipment	1,554,963.29	344,966.17		1,899,929.46
Less: Accumulated Depreciation	<u>(2,634,465.09)</u>	<u>(2,023,218.99)</u>		<u>(4,657,684.08)</u>
Total Noncurrent Assets	<u>8,006,083.14</u>	<u>3,726,237.25</u>		<u>11,732,320.39</u>
TOTAL ASSETS	<u>\$ 8,905,007.53</u>	<u>\$ 5,327,702.14</u>	<u>\$ 28,294.39</u>	<u>\$ 14,261,004.06</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 1,442.32	\$ 11,625.18	\$ 7,678.53	\$ 20,746.03
Accrued Wages Payable	150.96	150.96		301.92
Accrued Other Payables	20.61	20.60	434.16	475.37
Accrued Interest Payable	400.91	851.43		1,252.34
Due to Other Funds			15,116.65	15,116.65
Customer Deposits	39,446.00			39,446.00
Accrued Leave Payable - Current	2,680.03	2,680.04		5,360.07
Other Long-Term Debt - Current	5,746.67	44,060.49		49,807.16
Total Current Liabilities	<u>49,887.50</u>	<u>59,388.70</u>	<u>23,229.34</u>	<u>132,505.54</u>
Noncurrent Liabilities:				
Other Long-Term Debt	41,489.82	150,603.85		192,093.67
Total Noncurrent Liabilities	<u>41,489.82</u>	<u>150,603.85</u>		<u>192,093.67</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	7,958,846.65	3,531,572.91		11,490,419.56
Unrestricted Net Assets	854,783.56	1,586,136.68	5,065.05	2,445,985.29
Total Net Assets	<u>8,813,630.21</u>	<u>5,117,709.59</u>	<u>5,065.05</u>	<u>13,936,404.85</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,905,007.53</u>	<u>\$ 5,327,702.14</u>	<u>\$ 28,294.39</u>	<u>\$ 14,261,004.06</u>

The attached notes are an integral part of these financial statements.

MUNICIPALITY OF NORTH SIOUX CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Enterprise Funds			Totals
	Major Funds		Non-Major Fund	
	Water Fund	Sewer Fund	Garbage Fund	
<u>Operating Revenue:</u>				
Charges for Goods and Services (Revenues Securing Debt Issues)	\$ 482,190.31	\$ 599,234.84	\$	\$ 1,081,425.15
Charges for Goods and Services			95,864.42	95,864.42
Miscellaneous	7,702.40	1,694.76	2,037.37	11,434.53
Total Operating Revenue	<u>489,892.71</u>	<u>600,929.60</u>	<u>97,901.79</u>	<u>1,188,724.10</u>
<u>Operating Expenses:</u>				
Personal Services	91,598.16	91,637.83		183,235.99
Other Current Expense	113,284.85	221,136.72	89,549.30	423,970.87
Depreciation	272,918.55	175,745.44		448,663.99
Total Operating Expenses	<u>477,801.56</u>	<u>488,519.99</u>	<u>89,549.30</u>	<u>1,055,870.85</u>
Operating Income (Loss)	12,091.15	112,409.61	8,352.49	132,853.25
<u>Nonoperating Revenue (Expense):</u>				
Interest Income	8,565.74	24,687.53		33,253.27
Interest Expense and Fiscal Charges	(2,748.06)	(10,730.33)		(13,478.39)
Total Nonoperating Revenue (Expense)	<u>5,817.68</u>	<u>13,957.20</u>		<u>19,774.88</u>
Change in Net Assets	17,908.83	126,366.81	8,352.49	152,628.13
Net Assets - Beginning	<u>8,795,721.38</u>	<u>4,991,342.78</u>	<u>(3,287.44)</u>	<u>13,783,776.72</u>
NET ASSETS - ENDING	<u>\$ 8,813,630.21</u>	<u>\$ 5,117,709.59</u>	<u>\$ 5,065.05</u>	<u>\$ 13,936,404.85</u>

The attached notes are an integral part of these financial statements.

MUNICIPALITY OF NORTH SIOUX CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Enterprise Funds			Totals
	Major Funds		Non-Major Fund	
	Water Fund	Sewer Fund	Garbage Fund	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash Receipts from Customers	\$ 499,516.46	\$ 603,923.14	\$ 97,196.32	\$ 1,200,635.92
Cash Payments to Employees for Services	(93,700.82)	(93,761.79)		(187,462.61)
Cash Payments to Suppliers for Goods and Services	(144,360.21)	(210,274.16)	(88,367.53)	(443,001.90)
Net Cash Provided (Used) by Operating Activities	<u>261,455.43</u>	<u>299,887.19</u>	<u>8,828.79</u>	<u>570,171.41</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Cash Paid to Other Funds		(20,280.89)		(20,280.89)
Cash Received from Other Funds	28,679.44	6,929.64		35,609.08
Net Cash Provided (Used) By Noncapital Financing Activities	<u>28,679.44</u>	<u>(13,351.25)</u>		<u>15,328.19</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Purchase of Capital Assets	(92,305.57)	(25,002.72)		(117,308.29)
Principal Paid on Capital Debt	(5,462.62)	(41,915.13)		(47,377.75)
Interest Paid on Capital Debt	(2,689.52)	(10,912.37)		(13,601.89)
Net Cash (Used) by Capital and Related Financing Activities	<u>(100,457.71)</u>	<u>(77,830.22)</u>		<u>(178,287.93)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Purchase of Investment Securities	(597,037.07)	(1,138,134.08)		(1,735,171.15)
Interest Earnings	8,565.74	24,687.53		33,253.27
Net Cash Provided (Used) by Investing Activities	<u>(588,471.33)</u>	<u>(1,113,446.55)</u>		<u>(1,701,917.88)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (398,794.17)</u>	<u>\$ (904,740.83)</u>	<u>\$ 8,828.79</u>	<u>\$ (1,294,706.21)</u>
Cash and Cash Equivalents at Beginning of Year	\$ 562,690.72	\$ 1,141,161.53	\$ 9,444.71	\$ 1,713,296.96
Cash and Cash Equivalents at End of Year	<u>163,896.55</u>	<u>236,420.70</u>	<u>18,273.50</u>	<u>418,590.75</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (398,794.17)</u>	<u>\$ (904,740.83)</u>	<u>\$ 8,828.79</u>	<u>\$ (1,294,706.21)</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 12,091.15	\$ 112,409.61	\$ 8,352.49	\$ 132,853.25
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	272,918.55	175,745.44		448,663.99
Change in Assets and Liabilities:				
Receivables	8,976.60	3,079.91	(705.47)	11,351.04
Inventories	9,015.17	12,500.00		21,515.17
Prepaid Expenses	(327.85)	(86.37)		(414.22)
Accounts and Other Payables	(40,090.53)	(1,637.44)	1,181.77	(40,546.20)
Accrued Wages Payable	(2,284.59)	(2,305.91)		(4,590.50)
Accrued Leave Payable	181.93	181.95		363.88
Customer Deposits	975.00			975.00
Net Cash Provided (Used) by Operating Activities	<u>\$ 261,455.43</u>	<u>\$ 299,887.19</u>	<u>\$ 8,828.79</u>	<u>\$ 570,171.41</u>

The attached notes are an integral part of these financial statements.

MUNICIPALITY OF NORTH SIOUX CITY
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

a. Financial Reporting Entity:

The reporting entity of the Municipality of North Sioux City consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, 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 Municipality is financially accountable if its Governing Board 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 Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of North Sioux City, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from the North Sioux City Housing and Redevelopment Commission, P.O. Box 338, North Sioux City, SD 57049.

The Municipality is a member of the South Dakota Municipal league, the Siouxland Initiative, and the Siouxland Interstate Metropolitan Planning Council.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and

(b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Municipality financial reporting entity are described below:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

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

Additional Sales Tax Fund – to account for the additional two percent sales tax, the proceeds of which are allocated eighty percent to the general fund and twenty percent to be used only for capital improvements, land acquisition, and debt retirement. Only the designated twenty percent is accounted for in the additional sales tax fund. (City Ordinance 3.12.050). This is a major fund.

911 Emergency Fund – to account for special revenue designated for emergency service operations. This is a major fund.

The remaining Special Revenue Funds, namely the Liquor, Lodging and Dining Sales Tax Fund, and the Grant Revolving Loan Fund are not considered major funds.

Debt Service Funds – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Storm Sewer Debt Service Fund is a non-major fund.

Capital Project Funds – 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 or trust funds for individuals, private organizations, or other governments).

River Valley Capital Projects Fund – to account for the financial resources to be used for redevelopment and community improvement projects.

Police Station Fund – to account for the financial resources to be used for the construction of a police station. This is a major fund.

The Street Reconstruction Fund and Fire Station Addition Fund are non-major capital projects funds.

Proprietary Funds:

Enterprise Funds – 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 (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.

The enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

Water Fund – Financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – Financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Garbage Fund – Financed primarily by user charges, this fund accounts for the operation of the garbage collection service. This is a non-major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental, business-type, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of North Sioux City, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2009, are the taxes and other receivables due within 30 days.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts)

are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2009 balance of governmental activities capital assets includes approximately 1.33% for which the costs were determined by estimates of the original costs. The total December 31, 2009 balance of capital assets for business-type activities are valued at original costs. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Accumulated depreciation is reported on the government-wide Statement of Net Assets and on each proprietary fund's Statement of Net Assets/Balance Sheet.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	All	NA	NA
Improvements other than buildings	\$ 50,000	Straight Line	8-30 years
Buildings	50,000	Straight Line	8-75 years
Machinery and Equipment	5,000	Straight Line	5-40 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of state revolving loans, special assessment bonds, notes payable, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Net Assets, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on

demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in three components

1. Invested in capital assets, net of related debt – 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 assets – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

k. Application of Net Assets:

It is the Municipality's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. Deposits and Investments:

The Municipality follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The Municipality's cash 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, and may be in the form of demand or time deposits. 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 irrevocable 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 a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In General, SDCL 4-5-6 permits Municipality funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also SDCL § 4-5-9, requires investments to be in the physical custody of the political subdivision or may

be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk – State Laws limits eligible investments for the Municipality, as discussed above. The Municipality has no investment policy that would further limit its investment choices.

As of December 31, 2009, the Municipality had the following investments:

External Investment Pools:

	<u>Credit</u>	<u>Value</u>
SDFIT - GCR	Unrated	\$798,919.07

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis

Custodial Credit Risk - Deposits –The risk that, in the event of a depository failure, the Municipality’s deposits may not be returned to it. The Municipality does not have a deposit policy for custodial credit risk. As of December 31, 2009 the Municipality’s deposits in financial institutions were exposed to custodial credit risk as follows:

<u>Depository Name</u>	<u>% Under-</u> <u>collateralized</u>	<u>At-Risk</u> <u>Amount</u>
Home Federal Savings Bank	3.30%	\$ 17,278.97

Interest Rate Risk – The Municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk – The Municipality places no limit on the amount that may be invested in any one issuer.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality’s policy is to credit all income from investments to the fund making the investment.

3. Receivables and Payables:

Receivables and payables are not aggregated in the financial statements. The City expects all receivables to be collected within one year, except for \$98,361.33 of receivables related to economic development loans described in Note 12.

4. Inventory:

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption. In the governmental fund financial statements, supplies are recorded as an expenditure at the time of purchase. At December 31, 2009 there were no material balances of inventories for the governmental funds.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

5. Property Taxes:

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach an enforceable lien on property, and become due and payable as of the following January, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The Municipality is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the Municipality.

6. Changes In Capital Assets

A summary of changes in capital assets for the year ended December 31, 2009 is as follows:

	Balance <u>01/01/09</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/09</u>
Governmental Activities:				
Land	\$ 520,267.27	\$	\$	\$ 520,267.27
Construction in Progress	<u>1,098,400.45</u>	<u>256,446.56</u>	<u>(1,098,400.45)</u>	<u>256,446.56</u>
Total Capital Assets, not being Depreciated,	<u>1,618,667.72</u>	<u>256,446.56</u>	<u>(1,098,400.45)</u>	<u>776,713.83</u>
Capital Assets, being Depreciated:				
Buildings	3,810,775.09	1,474,235.45		5,285,010.54
Improvements, other than Buildings	10,557,001.12	1,050,268.15		11,607,269.27
Machinery and Equipment	<u>1,735,313.21</u>	<u>202,012.71</u>	<u>(84,091.50)</u>	<u>1,853,234.42</u>
Total Capital Assets, being Depreciated	<u>16,103,089.42</u>	<u>2,726,516.31</u>	<u>(84,091.50)</u>	<u>18,745,514.23</u>
Less Accumulated Depreciation for:				
Buildings	342,659.86	86,792.78		429,452.64
Improvements, other than Buildings	1,837,252.16	302,909.05		2,140,161.21
Machinery and Equipment	<u>1,112,573.32</u>	<u>113,011.69</u>	<u>(73,872.10)</u>	<u>1,151,712.92</u>
Total Accumulated Depreciation	<u>3,292,485.34</u>	<u>502,713.52</u>	<u>(73,872.10)</u>	<u>3,721,326.77</u>
Total Governmental Activities Capital Assets, being Depreciated, Net	<u>12,810,604.08</u>	<u>2,223,802.79</u>	<u>(10,219.40)</u>	<u>15,024,187.46</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 14,429,271.80</u>	<u>\$ 2,480,249.35</u>	<u>\$ (1,108,619.85)</u>	<u>\$ 15,800,901.29</u>

Depreciation expenses were charged to functions as follows:

General Government	\$ 86,757.85
Public Safety	102,823.94
Public Works	259,511.44
Health and Welfare	49.83
Culture and Recreation	<u>53,570.46</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 502,713.52</u>

Construction Work in Progress at December 31, 2009 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Total Amount Expended</u>	<u>Amount Committed</u>
River Valley Development	\$ 1,393,700.00	\$ 256,446.56	\$ 1,137,253.44
	<u>Balance 01/01/09</u>	<u>Increases</u>	<u>Decreases</u>
			<u>Balance 12/31/09</u>
Business - Type Activities:			
Capital Assets, not being Depreciated			
Land	\$ 98,283.84	\$	\$ 98,283.84
Capital Assets, being Depreciated:			
Buildings	2,216,651.22		2,216,651.22
Machinery and Equipment	1,876,762.29	23,167.17	1,899,929.46
Improvements Other than Building	12,080,998.83	94,141.12	12,175,139.95
Total	16,174,412.34	117,308.29	16,291,720.63
Less Accumulated Depreciation for:			
Buildings	241,915.97	30,775.67	272,691.64
Machinery and Equipment	635,891.55	86,892.27	722,783.82
Improvements Other than Building	3,331,212.58	330,996.04	3,662,208.62
Total Accumulated Depreciation	4,209,020.10	448,663.98	4,657,684.08
Total Business-Type Activities Capital Assets, being depreciated, net	11,965,392.24	(331,355.69)	11,634,036.55
Business - Type Activity, Capital Assets, net	\$ 12,063,676.08	\$ (331,355.69)	\$ 11,732,320.39

Depreciation expense was charged to functions as follows:

Water	\$ 272,918.55
Sewer	175,745.43
Total Depreciation Expense- Business-type Activities	\$ 448,663.98

7. Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Beginning Balance 1/1/2009</u>	<u>Additions</u>	<u>Retired</u>	<u>Ending Balance 12/31/2009</u>	<u>Due within One Year</u>
Primary Government:					
Governmental Activities:					
TIF Loan - River Valley	\$	\$ 152,748.48	\$	\$ 152,748.48	\$
SRF Loan	183,346.89		(53,294.74)	130,052.15	56,009.87
Total Debt	183,346.89	152,748.48	(53,294.74)	282,800.63	56,009.87
Accrued Compensated Absences -					
Governmental Funds	18,268.00	31,602.73	(23,612.93)	26,257.80	26,257.80
Total Governmental Activities	\$ 201,614.89	\$ 31,602.73	\$ (76,907.67)	\$ 309,058.43	\$ 82,267.67

	Beginning Balance <u>1/1/2009</u>	<u>Additions</u>	<u>Retired</u>	Ending Balance <u>12/31/2009</u>	Due within <u>One Year</u>
Business-Type Activities:					
State Revolving Loan	\$ 226,165.88		\$ (40,835.70)	\$ 185,330.18	\$ 42,924.92
DENR Loan	63,105.32		(6,534.67)	56,570.65	6,882.24
Total Debt	<u>289,271.20</u>		<u>(47,370.37)</u>	<u>241,900.83</u>	<u>49,807.16</u>
Accrued Compensated Absences -					
Business-Type Funds	4,996.19	\$ 5,008.55	(4,644.67)	5,360.07	5,360.07
Total Business - Type Activities	<u>\$ 294,267.39</u>	<u>\$ 5,008.55</u>	<u>\$ (52,015.04)</u>	<u>\$ 247,260.90</u>	<u>\$ 55,167.23</u>

Debt payable at December 31, 2009 is comprised of the following:

Governmental Activities:

SRF Loan:

In 1995 the Municipality of North Sioux City obtained a loan through the State of South Dakota. The loan is partially funded by the US Environmental Protection Agency and is to be retired by the collection of special assessments from the land owners. The interest rate is 5.00%. Quarterly payments of \$15,368.29 are made from the 1995 Special Assessment Debt Service Fund. The loan matures on January 1, 2012. The Municipality further agreed that in the event of a deficiency in the debt service fund, the governing body will levy an ad valorem tax upon all the taxable property within the municipality in an amount as may be necessary to pay any past due installments, including all interest accrued and likely to accrue on the said bond to the time of payment of the deficiency. There currently is not a deficiency in the debt service fund.

\$130,052.15

TIF Loan - River Valley Project

Pay-as-you-go financing due Developer for costs incurred for the TIF Development District Number 2. Repayment of the PAYG Note will be over the life of the TIF District, not to exceed 20 years, at a rate not to exceed 8.00%. Payments will be made from the TIF District Number 2 Debt Service Fund.

152,748.48

Compensated Absences:

Compensated absences of General Government Employees

26,257.80

Business-Type Activities:

State Revolving Loan:

This loan was obtained through an agreement between the McCook Lake Sanitary District and South Dakota Conservancy District. The loan is funded by the 1989 Series Bond Issue by the State of South Dakota and the Federal Environmental Protection Agency. The interest rate is 4.25% with an administrative surcharge of .75%. Monthly payments of \$4,268.05. Final Maturity is December 1, 2013. Payments are made from the Sewer Fund.

185,330.18

Consolidated Water Facilities Construction Program Loan:

This loan was obtained for the consolidated water facilities construction of the water and sewer lines to the Northshore Estates. The loan was funded with appropriations from the State of South Dakota - Department of Environment and Natural Resources (SD DENR loan). The loan is to be repaid in 20 years in biannual installments of \$4,881.52 with the final payment due in November 2016. Interest at 5.25% and payments from the Water and Sewer Funds.

56,570.65

Compensated Absences:

Water Fund	2,680.03
Sewer Fund	2,680.04

Municipal employees accumulate a limited amount of earned but unused vacation time for subsequent use or for payment upon termination, death or retirement. A liability for the time and related benefits is recorded when incurred in the government-wide and proprietary fund financial statements. The compensated absence liability attributed to the governmental activities will be paid by the General Fund. All accrued sick leave is forfeited upon separation from service, and therefore does not constitute a liability.

Annual requirement to amortize long-term debt, excluding compensated absences, at December 31, 2009 were:

Governmental Activities:

Year ending December 31,	SRF Loan	
	Principal	Interest
2010	\$ 56,009.87	\$ 5,463.29
2011	58,863.31	2,609.85
2012	15,178.97	189.32
Total	<u>\$ 130,052.15</u>	<u>\$ 8,262.46</u>

Business-Type Activities:

Year Ending December 31,	State		Consolidated Water Facilities		Total	
	Revolving Loan		Construction Program Loan			
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 42,924.92	\$ 8,291.68	\$ 6,882.24	\$ 2,880.80	\$ 49,807.16	\$ 11,172.48
2011	45,121.05	6,095.55	7,248.30	2,514.74	52,369.35	8,610.29
2012	47,429.52	3,787.08	7,633.83	2,129.21	55,063.35	5,916.29
2013	49,854.69	1,361.91	8,039.87	1,723.17	57,894.56	3,085.08
2014			8,467.50	1,295.54	8,467.50	1,295.54
2015-2017			18,298.91	1,216.00	18,298.91	1,216.00
TOTAL	<u>\$ 185,330.18</u>	<u>\$ 19,536.22</u>	<u>\$ 56,570.65</u>	<u>\$ 11,759.46</u>	<u>\$ 241,900.83</u>	<u>\$ 31,295.68</u>

8. Deficit Fund Balances/Fund Net Assets:

As of December 31, 2009, the following funds had deficit fund balances/retained earnings in the amounts shown:

911 Emergency Fund	\$ (74,732.93)
River Valley Capital Projects Fund	<u>(103,698.08)</u>
Total Deficit Balances	<u>\$ (178,431.01)</u>

In the future, the Governing Board plans to transfer money from the General Fund and the Second Cent Sales Tax Revenue Fund to correct negative fund balances.

9. Individual Fund Interfund Receivable and Payable Balances:

Interfund receivable and payable balances at December 31, 2009 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 117,402.97	\$
911 Emergency Fund		97,286.32
River Valley Capital Projects Fund		5,000.00
Garbage Fund		15,116.65
Total	<u>\$ 117,402.97</u>	<u>\$ 117,402.97</u>

The General Fund paid/accrued expenses for the 911 Emergency Fund, River Valley Capital Projects Fund, and the Garbage Fund on various occasions.

10. Restricted Net Assets:

Restricted net assts for the year ended December 31, 2009 were as follows:

Cumulative Reserve - SDPAA	\$ 26,627.71
Economic Development and Promotion	486,760.84
Capital Projects and Debt Service	605,134.69
Debt Service	<u>269,242.40</u>
Total Restricted Net Assets	<u>\$ 1,387,765.64</u>

These balances are restricted due to statutory requirements.

11. Interfund Transfers:

Interfund Transfers for the year ended December 31, 2009 were as follows:

Transfer To:	Transfer From:		
	<u>General Fund</u>	Additional Sales <u>Tax Fund</u>	<u>Total</u>
Street Reconstruction Fund	\$ 419,808.10	\$	\$ 419,808.10
Fire Station Addition Fund	773,007.61		773,007.61
Police Station Fund	<u>330,632.20</u>	<u>1,100,000.00</u>	<u>1,430,632.20</u>
Total	<u>\$ 1,523,447.91</u>	<u>\$ 1,100,000.00</u>	<u>\$ 2,623,447.91</u>

The City budgeted transfers from the General Fund and Additional Sales Tax Fund to finance the various capital projects of the City.

12. Notes Receivable:

The municipality participates in the Economic Development Program whereby the municipality received a community development grant, which was loaned to new enterprises located within the municipality. Amounts received from repayment of debts are set-aside in a special revenue fund and are reserved for future loans.

On March 1, 2000 the municipality loaned \$150,000 to the North Sioux City Housing and Redevelopment Commission (NSCHRC) at 0% interest per annum. The loan was made from the General fund and is to be repaid over twenty-five years with annual payments of \$6,000 beginning March 2001. The amounts receivable at December 31, 2009 was \$96,000. The Commission is a component unit of the Municipality and this note receivable qualifies as a related party transaction.

Badger Holding Co. was loaned a sum of \$40,000 at an interest rate of 3% in 2006. The loan is to be repaid over a period of five years, with the last payment is due December 2010. During the first year of its operation the company will pay \$400 per month towards principal and interest, which would be increased to \$804.58 for the ensuing 48 months. Note receivable at the end of December 31, 2009 was \$9,517.28.

Mac's Auto Depot borrowed from the Municipality a sum of \$20,000 on November 14, 2007 at an annual interest rate of 3%. Monthly payments of \$359.37 would be made for five years starting in January of 2008 and fully paid by December 2012. Balance of note receivable at December 31, 2009 was \$12,357.69.

The annual amounts to be received on the notes receivable are as follows:

Year	NSC HRC	Badger Holding	Mac's Auto Depot	Total
2010	\$ 6,000.00	\$ 9,517.28	\$ 3,996.36	\$ 19,513.64
2011	6,000.00		4,117.91	10,117.91
2012	6,000.00		4,243.42	10,243.42
2013	6,000.00			6,000.00
2014	6,000.00			6,000.00
2015-2019	30,000.00			30,000.00
2020-2024	30,000.00			30,000.00
2025-2029	6,000.00			6,000.00
Total	<u>\$ 96,000.00</u>	<u>\$ 9,517.28</u>	<u>\$ 12,357.69</u>	<u>\$ 117,874.97</u>

13. Retirement Plan

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

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. 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 Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2009, 2008, and 2007 were \$48,798, \$44,672, and \$42,702 respectively, equal to the required contributions each year.

14. Risk Management:

The Municipality 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 year ended December 31, 2009, the Municipality managed its risks as follows:

Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance, 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 management services and risk sharing facilities 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 Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality 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 Municipality pays an annual premium to the pool to provide coverage for torts, thefts, errors and omissions, automobile and general liability.

The agreement with the South Dakota Public Assurance Alliance provides that the above coverage 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 Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2009, the Municipality has a vested balance in the cumulative reserve fund of \$26,627.71.

The Municipality carries a \$100 deductible for the automobile comprehensive coverage and \$250 deductible for the automobile collision coverage, \$500 deductible for official's liability and \$2,000 for Law Enforcement liabilities.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund, 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 Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits:

The Municipality has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

As of December 31, 2009 no claim was filed for unemployment benefits. No claims are anticipated for unemployment benefits in the next year.

15. Expenditures in Excess of Appropriations

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the expenditures over appropriations:

<u>General Fund</u>	<u>Activity</u>	<u>Year Ended December 31, 2009</u>
General Government	Legislative	\$ 8,174.13
	Elections	597.79
Public Safety	Community Center	28,317.89
Culture and Recreation	Recreation	5,370.19
	Libraries	327.75
Conservation and Development	Urban Redevelopment and Housing	2,342.12
 <u>911 Emergency Fund</u>		
Public Safety	Police	2,649.29

The Governing Board plans to monitor and amend future budgets to ensure that legally appropriated expenditures are not exceeded.

16. Prior Period Adjustment

There was a prior period adjustment in the Special Assessment Storm Sewer Fund in the amount of \$34,595.93 for special assessment receivables that were improperly recognized as revenues in a prior year.

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**REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2009**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	\$ 344,880.00	\$ 344,880.00	\$ 307,294.80	\$ (37,585.20)
General Sales and Use Taxes	1,446,934.80	1,446,934.80	1,256,087.22	(190,847.58)
Gross Receipts Business Taxes	400.00	400.00	232.09	(167.91)
Licenses and Permits	59,000.00	59,000.00	76,347.35	17,347.35
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	2,000.00	2,000.00	2,321.66	321.66
Liquor Tax Reversion	10,000.00	10,000.00	14,701.84	4,701.84
Motor Vehicle Licenses (5%)	10,000.00	10,000.00	17,066.67	7,066.67
Local Government Highway and Bridge Fund	12,000.00	12,000.00	48,051.79	36,051.79
Other State Shared Revenue	2,000.00	2,000.00		(2,000.00)
County Shared Revenue:				
County Highway and Bridge Tax	18,000.00	18,000.00	797.31	(17,202.69)
County Wheel Tax	5,000.00	5,000.00	8,953.63	3,953.63
Fines and Forfeits:				
Court Fines and Costs	6,000.00	6,000.00	7,982.86	1,982.86
Library	1,500.00	1,500.00	6,380.70	4,880.70
Other	100.00	100.00		(100.00)
Miscellaneous Revenue:				
Investment Earnings	85,000.00	85,000.00	69,801.88	(15,198.12)
Rentals	80,500.00	80,500.00	82,660.00	2,160.00
Contributions and Donations			75.00	75.00
State Grants	1,500.00	1,500.00		(1,500.00)
Other	25,550.00	25,550.00	55,249.87	29,699.87
Total Revenue	<u>2,110,364.80</u>	<u>2,110,364.80</u>	<u>1,954,004.67</u>	<u>(156,360.13)</u>
Expenditures:				
General Government:				
Legislative	72,870.00	72,870.00	81,044.13	(8,174.13)
Elections	3,200.00	3,200.00	3,797.79	(597.79)
Financial Administration	254,406.00	254,406.00	229,288.49	25,117.51
Other	178,610.00	178,610.00	115,987.75	62,622.25
Total General Government	<u>509,086.00</u>	<u>509,086.00</u>	<u>430,118.16</u>	<u>78,967.84</u>
Public Safety:				
Police	737,545.00	737,545.00	716,710.89	20,834.11
Community Center	12,600.00	12,600.00	40,917.89	(28,317.89)
Civil Defense	1,750.00	1,750.00	558.26	1,191.74
Total Public Safety	<u>751,895.00</u>	<u>751,895.00</u>	<u>758,187.04</u>	<u>(6,292.04)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Works:				
Highways, Streets and Dikes	903,058.00	1,183,058.00	1,064,042.10	119,015.90
Sanitation	23,500.00	23,500.00	13,494.58	10,005.42
Cemeteries	3,870.00	3,870.00	3,853.90	16.10
Total Public Works	<u>930,428.00</u>	<u>1,210,428.00</u>	<u>1,081,390.58</u>	<u>129,037.42</u>
Health and Welfare:				
Health	4,625.00	4,625.00	859.43	3,765.57
Senior Center	9,025.00	9,025.00	8,110.56	914.44
Total Health and Welfare	<u>13,650.00</u>	<u>13,650.00</u>	<u>8,969.99</u>	<u>4,680.01</u>
Culture and Recreation:				
Recreation	5,300.00	5,300.00	10,670.19	(5,370.19)
Parks	31,506.00	31,506.00	20,235.34	11,270.66
Libraries	86,574.00	86,574.00	86,901.75	(327.75)
Total Culture and Recreation	<u>123,380.00</u>	<u>123,380.00</u>	<u>117,807.28</u>	<u>5,572.72</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	87,800.00	87,800.00	87,800.00	
Economic Opportunity	75,485.00	75,485.00	58,997.15	16,487.85
Urban Redevelopment and Housing	28,000.00	28,000.00	30,342.12	(2,342.12)
Total Conservation and Development	<u>191,285.00</u>	<u>191,285.00</u>	<u>177,139.27</u>	<u>14,145.73</u>
Total Expenditures	<u>2,519,724.00</u>	<u>2,799,724.00</u>	<u>2,573,612.32</u>	<u>226,111.68</u>
Excess of Revenue Over (Under) Expenditures	(409,359.20)	(689,359.20)	(619,607.65)	69,751.55
Other Financing Sources (Uses):				
Transfers In/(Out)	(39,000.00)	(39,000.00)	(1,523,447.91)	(1,484,447.91)
Other			972.00	972.00
Total Other Financing Sources (Uses)	<u>(39,000.00)</u>	<u>(39,000.00)</u>	<u>(1,522,475.91)</u>	<u>(1,483,475.91)</u>
Net Change in Fund Balances	(448,359.20)	(728,359.20)	(2,142,083.56)	(1,413,724.36)
Fund Balance - Beginning	5,149,493.33	5,149,493.33	5,149,493.33	
FUND BALANCE - ENDING	<u>\$ 4,701,134.13</u>	<u>\$ 4,421,134.13</u>	<u>\$ 3,007,409.77</u>	<u>\$ (1,413,724.36)</u>

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
SPECIAL REVENUE FUND - ADDITIONAL SALES TAX FUND
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Taxes:				
General Sales and Use Taxes	\$ 352,000.00	\$ 352,000.00	\$ 295,166.75	\$ (56,833.25)
Miscellaneous Revenue:				
Investment Earnings	13,900.00	13,900.00	23,540.72	9,640.72
Other	35,000.00	35,000.00		(35,000.00)
Total Revenue	<u>400,900.00</u>	<u>400,900.00</u>	<u>318,707.47</u>	<u>(82,192.53)</u>
<u>Expenditures:</u>				
Public Safety:				
Police	48,000.00	48,000.00		48,000.00
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	45,000.00	45,000.00		45,000.00
Total Expenditures	<u>93,000.00</u>	<u>93,000.00</u>		<u>93,000.00</u>
Excess of Revenue Over (Under) Expenditures	<u>307,900.00</u>	<u>307,900.00</u>	<u>318,707.47</u>	<u>10,807.47</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In/(Out)	<u>(39,000.00)</u>	<u>(39,000.00)</u>	<u>(1,100,000.00)</u>	<u>(1,061,000.00)</u>
Net Change in Fund Balances	268,900.00	268,900.00	(781,292.53)	(1,050,192.53)
Fund Balance - Beginning	<u>1,386,427.22</u>	<u>1,386,427.22</u>	<u>1,386,427.22</u>	
FUND BALANCE - ENDING	<u>\$ 1,616,327.22</u>	<u>\$ 1,655,327.22</u>	<u>\$ 605,134.69</u>	<u>\$ (1,050,192.53)</u>

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
SPECIAL REVENUE FUND - 911 EMERGENCY FUND
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Taxes:				
911 Telephone Surcharge	\$ 9,000.00	\$ 9,000.00	\$ 7,434.67	\$ (1,565.33)
Total Revenue	<u>9,000.00</u>	<u>9,000.00</u>	<u>7,434.67</u>	<u>(1,565.33)</u>
<u>Expenditures:</u>				
Public Safety:				
Police	48,000.00	48,000.00	50,649.29	(2,649.29)
Total Expenditures	<u>48,000.00</u>	<u>48,000.00</u>	<u>50,649.29</u>	<u>(2,649.29)</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(39,000.00)</u>	<u>(39,000.00)</u>	<u>(43,214.62)</u>	<u>(4,214.62)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In/(Out)		39,000.00		(39,000.00)
Net Change in Fund Balances	(39,000.00)		(43,214.62)	(43,214.62)
Fund Balance - Beginning	<u>(31,518.31)</u>	<u>(31,518.31)</u>	<u>(31,518.31)</u>	
FUND BALANCE - ENDING	<u>\$ (70,518.31)</u>	<u>\$ (31,518.31)</u>	<u>\$ (74,732.93)</u>	<u>\$ (43,214.62)</u>

MUNICIPALITY OF NORTH SIOUX CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1 - Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/Municipality Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/Municipality Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by the resolution of the Governing Board/Municipality Commission to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by the resolution of the Governing Board/Municipality Commission.

Encumbrances 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 and each major special revenue fund.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
7. Budgets for the General Fund and each major special revenue fund are adapted on a consistent basis consistent with accounting principles generally accepted in the United States (USGAAP).

Note 2 - GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP 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.

**MUNICIPALITY OF NORTH SIOUX CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009**

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 159,400.33	\$ 69,242.40	\$ 228,642.73
Investments	375,000.00	200,000.00	575,000.00
Special Assessments Receivable - Current		30,127.71	30,127.71
Special Assessments Receivable - Delinquent		1,273.86	1,273.86
Special Assessments Receivable - Deferred		8,554.75	8,554.75
Special Assessments Receivable - Interest		3,194.36	3,194.36
Notes Receivable	21,874.97		21,874.97
Due From Government	13,399.79		13,399.79
TOTAL ASSETS	<u>569,675.09</u>	<u>312,393.08</u>	<u>882,068.17</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Accounts Payable	4,402.00		4,402.00
Contracts Payable - Retainage			
Deferred Revenue	3,779.32	43,150.68	46,930.00
Total Liabilities	<u>8,181.32</u>	<u>43,150.68</u>	<u>51,332.00</u>
Fund Balances:			
Reserved For:			
Notes Receivable	21,874.97		21,874.97
Debt Service		269,242.40	269,242.40
Unreserved Fund Balances:			
Nonmajor Special Revenue Fund	539,618.80		539,618.80
Nonmajor Capital Projects Fund			
Total Fund Balances	<u>561,493.77</u>	<u>269,242.40</u>	<u>830,736.17</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 569,675.09</u>	<u>\$ 312,393.08</u>	<u>\$ 882,068.17</u>

MUNICIPALITY OF NORTH SIOUX CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Taxes:				
General Sales and Use Taxes	\$ 157,229.66	\$	\$	\$ 157,229.66
Miscellaneous Revenue:				
Investment Earnings	1,078.31			1,078.31
Special Assessments		30,127.71		30,127.71
Total Revenue	<u>158,307.97</u>	<u>30,127.71</u>		<u>188,435.68</u>
<u>Expenditures:</u>				
Conservation and Development:				
Economic Opportunity	48,008.23			48,008.23
Debt Service		61,473.16		61,473.16
Capital Outlay			29,915.82	29,915.82
Total Expenditures	<u>48,008.23</u>	<u>61,473.16</u>	<u>29,915.82</u>	<u>139,397.21</u>
Excess of Revenue Over (Under) Expenditures	<u>110,299.74</u>	<u>(31,345.45)</u>	<u>(29,915.82)</u>	<u>49,038.47</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In / (Out)			1,192,815.71	1,192,815.71
Net Change in Fund Balances	<u>110,299.74</u>	<u>(31,345.45)</u>	<u>1,162,899.89</u>	<u>1,241,854.18</u>
Fund Balance - Beginning	451,194.03	335,183.78	(1,162,899.89)	(376,522.08)
Prior Period Adjustment		(34,595.93)		(34,595.93)
Fund Balance - Beginning Adjusted	<u>451,194.03</u>	<u>300,587.85</u>	<u>(1,162,899.89)</u>	<u>(411,118.01)</u>
FUND BALANCE - ENDING	<u>\$561,493.77</u>	<u>\$ 269,242.40</u>	<u>\$</u>	<u>\$ 830,736.17</u>

**MUNICIPALITY OF NORTH SIOUX CITY
 COMBINING BALANCE SHEET
 SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2009**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor/Lodging Dining Sales Tax Fund</u>	<u>Grant Revolving Loan Fund</u>	
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 75,058.31	\$ 84,342.02	\$ 159,400.33
Investments	375,000.00		375,000.00
Notes Receivable		21,874.97	21,874.97
Due From Government	13,399.79		13,399.79
TOTAL ASSETS	<u>463,458.10</u>	<u>106,216.99</u>	<u>569,675.09</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Accounts Payable	4,402.00		4,402.00
Deferred Revenue	3,779.32		3,779.32
Total Liabilities	<u>8,181.32</u>		<u>8,181.32</u>
Fund Balances:			
Reserved For:			
Notes Receivable		21,874.97	21,874.97
Unreserved Fund Balances:			
Undesignated	455,276.78	84,342.02	539,618.80
Total Fund Balances	<u>455,276.78</u>	<u>106,216.99</u>	<u>561,493.77</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 463,458.10</u>	<u>\$ 106,216.99</u>	<u>\$ 569,675.09</u>

MUNICIPALITY OF NORTH SIOUX CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor/Lodging Dining Sales Tax Fund</u>	<u>Grant Revolving Loan Fund</u>	
<u>Revenues:</u>			
Taxes:			
General Sales and Use Taxes	\$ 157,229.66	\$	\$ 157,229.66
Miscellaneous Revenue:			
Investment Earnings		1,078.31	1,078.31
Total Revenue	<u>157,229.66</u>	<u>1,078.31</u>	<u>158,307.97</u>
<u>Expenditures:</u>			
Conservation and Development:			
Promoting the City	48,008.23		48,008.23
Total Expenditures	<u>48,008.23</u>		<u>48,008.23</u>
Net Change in Fund Balances	109,221.43	1,078.31	110,299.74
Fund Balance - Beginning	<u>346,055.35</u>	<u>105,138.68</u>	<u>451,194.03</u>
FUND BALANCE - ENDING	<u><u>\$ 455,276.78</u></u>	<u><u>\$ 106,216.99</u></u>	<u><u>\$ 561,493.77</u></u>

MUNICIPALITY OF NORTH SIOUX CITY
 COMBINING BALANCE SHEET
 DEBT SERVICE NONMAJOR GOVERNMENTAL FUND
 December 31, 2009

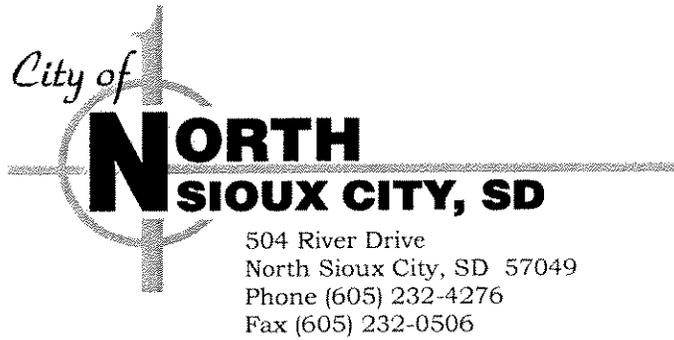
	Debt Service Special Assessment Storm Sewer Fund
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ 69,242.40
Investments	200,000.00
Special Assessments Receivable - Current	30,127.71
Special Assessments Receivable - Delinquent	1,273.86
Special Assessments Receivable - Deferred	8,554.75
Special Assessments Receivable - Interest	3,194.36
TOTAL ASSETS	312,393.08
 <u>LIABILITIES AND FUND BALANCES:</u>	
Liabilities:	
Deferred Revenue	43,150.68
Total Liabilities	43,150.68
 Fund Balances:	
Reserved For:	
Debt Service	269,242.40
Total Fund Balances	269,242.40
 TOTAL LIABILITIES AND FUND BALANCES	\$ 312,393.08

MUNICIPALITY OF NORTH SIOUX CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE NONMAJOR GOVERNMENTAL FUND
For the Year Ended December 31, 2009

	Debt Service Special Assessment Storm Sewer Fund
<u>Revenues:</u>	
Miscellaneous Revenue:	
Special Assessments	\$ 30,127.71
Total Revenue	30,127.71
<u>Expenditures:</u>	
Debt Service	61,473.16
Total Expenditures	61,473.16
Net Change in Fund Balances	(31,345.45)
Fund Balance - Beginning	335,183.78
Prior Period Adjustment	(34,595.93)
Fund Balance - Beginning Adjusted	300,587.85
FUND BALANCE - ENDING	\$ 269,242.40

MUNICIPALITY OF NORTH SIOUX CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	<u>Street Reconstruction Fund</u>	<u>Fire Station Addition Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Revenues:</u>			
Total Revenue	\$ _____	\$ _____	\$ _____
<u>Expenditures:</u>			
Capital Outlay	<u>29,915.82</u>	_____	<u>29,915.82</u>
Total Expenditures	<u>29,915.82</u>	_____	<u>29,915.82</u>
Excess of Revenue Over (Under) Expenditures	<u>(29,915.82)</u>	_____	<u>(29,915.82)</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In / (Out)	<u>419,808.10</u>	<u>773,007.61</u>	<u>1,192,815.71</u>
Net Change in Fund Balances	389,892.28	773,007.61	1,162,899.89
Fund Balance - Beginning	<u>(389,892.28)</u>	<u>(773,007.61)</u>	<u>(1,162,899.89)</u>
FUND BALANCE - ENDING	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>



CORRECTIVE PLAN OF ACTION

City of North Sioux City has considered the lack of segregation of duties for the revenues, expenditures, and payroll. At this time it is not cost efficient for City of North Sioux City to hire the additional staff needed to fully achieve segregation of duties. Alternate procedures have been implemented by City of North Sioux City to decrease the likelihood that financial data is adversely affected.

The City will obtain proper approval of all expenditures, including automatic and electronic payments. In the future, a list of all automatic and electronic payments will be presented to the council during the first month of the year with an estimated cost of each payment for their approval.

The City will be cognizant of the budget laws and adopt a supplemental budget when necessary. We will also consider using a contingency line item to transfer from.

The city will review and approve all surplus transfers and interfund loans.



Mayor

3-30-11

Date



Finance Officer

3-28-11

Date