

MUNICIPALITY OF NORTH SIOUX CITY

AUDIT REPORT

DECEMBER 31, 2011

**MUNICIPALITY OF NORTH SIOUX CITY
MUNICIPAL OFFICIALS
DECEMBER 31, 2011**

Mayor:

Don Fuxa

Governing Board:

Sheri Leitru

Charles Meyer

Joan Christiansen

Lesa Cropley

Dan Parks

Jessica Headid

Harold Beavers

Finance Officer:

Tonya Johnson

Municipal Attorney:

Darrell Jesse

**CITY OF NORTH SIOUX CITY
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QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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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*

City Council
The City of North Sioux City
Union County, 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 City of North Sioux City, South Dakota, as of December 31, 2011, and for the year then ended which collectively comprise the City of North Sioux City's basic financial statements and have issued our report thereon dated August 30, 2012. 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, we considered the City's internal control over financial reporting as a basis for designing our auditing 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 City of North Sioux City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City 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 or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings, 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 the deficiency described in the accompanying Schedule of Current Audit Findings as item 2011-01 to be a material weakness.

Compliance and Other Matters

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

The City of North Sioux City's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. We did not audit the City's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to the management of the City of North Sioux City in a separate letter dated August 30, 2012.

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 City of North Sioux City, South Dakota 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, P.C.
Certified Public Accountants

August 30, 2012

**CITY OF NORTH SIOUX CITY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2011**

STATUS OF PRIOR AUDIT RECOMMENDATIONS:

The prior audit finding 2010-01 has not been corrected and is restated as Current Audit Finding Number 2011-01.

AUDIT FINDING NUMBER 2010-02:

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

CURRENT AUDIT FINDING:

AUDIT FINDING NUMBER 2011-01:

The City 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 could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with management assertions.

RECOMMENDATION:

We recommend that the City of North Sioux City officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever and wherever possible and practical.

CORRECTIVE ACTION PLAN:

Donna Houck, 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 47.

QUAM & BERGLIN, P.C.

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INDEPENDENT AUDITOR'S REPORT

City Council
City of North Sioux City
Union County, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of North Sioux City, South Dakota, as of December 31, 2011 and for the year then ended, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of North Sioux City'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 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 City 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 City of North Sioux City as of December 31, 2011 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 August 30, 2012, on our consideration of the City 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Nonmajor Fund Financial Statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Quam and Berglin, P.C.
Certified Public Accountants

August 30, 2012



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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, 2011. 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 in 2009. The infrastructure for this project was substantially completed in 2011. This project will open up the area to new business and single family housing.
- The 2011 Flood resulted in significant expenses for clean-up and prevention for the City.
- No major projects have been budgeted for 2012.

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 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 2% between fiscal year 2010 and 2011 – increasing by \$543,087 (See Table A-2).

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

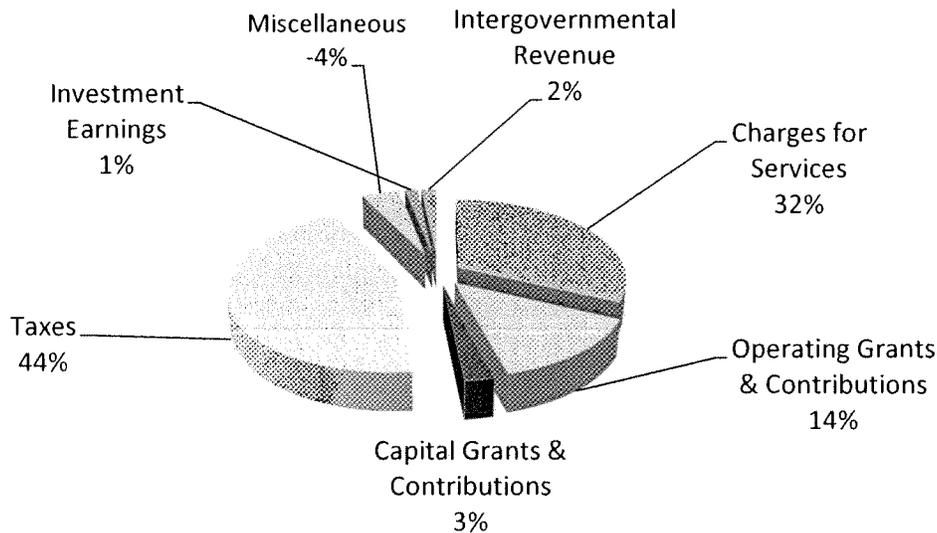
	Governmental		Business-Type			Total
	2010	2011	2010	2011	2010	
Current and Other Assets	\$ 4,544,335	\$ 5,341,393	\$ 2,811,547	\$ 13,925,826	\$ 7,355,882	\$ 19,267,219
Capital Assets	17,778,258	16,810,361	11,692,581	1,149,522	29,470,839	17,959,883
Total Assets	22,322,593	22,151,754	14,504,128	15,075,348	36,826,721	37,227,102
Other Liabilities	210,368	159,644	83,602	80,009	293,970	239,653
Long-Term Debt Outstanding	773,069	735,422	198,512	147,768	971,581	883,190
Total Liabilities	983,437	895,066	282,114	227,777	1,265,551	1,122,843
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	17,037,650	16,110,361	11,500,487	11,355,789	28,538,137	27,466,150
Restricted	1,524,807	611,881			1,524,807	611,881
Unrestricted	2,776,700	4,534,446	2,721,527	3,491,781	5,498,227	8,026,227
Total Net Assets	\$ 21,339,157	\$ 21,256,688	\$ 14,222,014	\$ 14,847,570	\$ 35,561,171	\$ 36,104,258
Beginning Net Assets	\$ 19,900,657	\$ 21,339,157	\$ 13,936,405	\$ 14,222,014	\$ 33,837,062	\$ 35,561,171
Increase (Decrease) in Net Assets	\$ 1,438,500	\$ (82,469)	\$ 285,609	\$ 625,556	\$ 1,724,109	\$ 543,087
Percentage of Increase (Decrease) in Net Assets to Prior Year	7%	0%	2%	4%	5%	2%

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, notes 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.

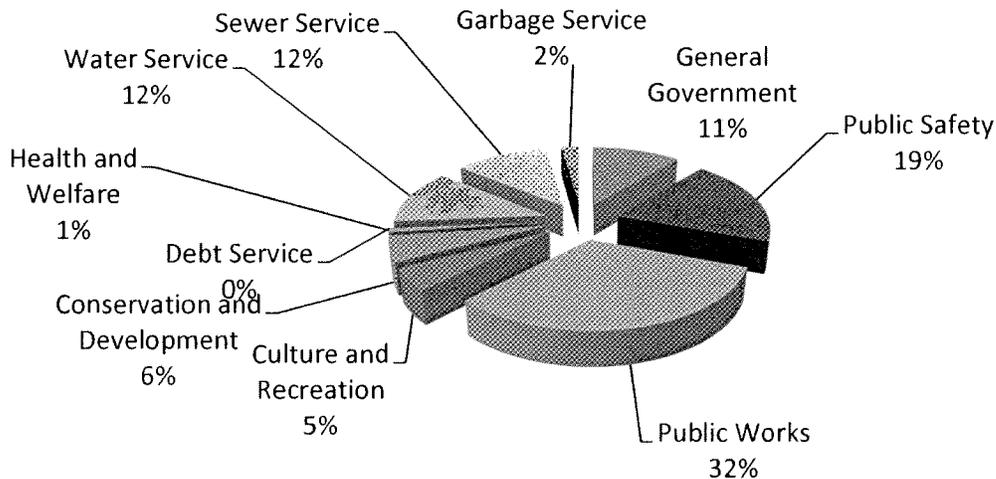
Changes in Net Assets

The City's revenues totaled \$4,652,621. (See Table A-5.) Over 35% of the City's revenue comes from charges for services and 48% comes from some type of tax. (See Figure A-3). Another 2% come from intergovernmental revenues, and 2% 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 Revenue for Fiscal Year 2011**



**Figure A-4, City of North Sioux City
Functional Expenses for Fiscal Year 2011**



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 28%. This decrease can be contributed to fewer grants and contributions received in 2011. Total governmental activities expenses increase of 13% can be contributed to increases in the cost of services and expenses related to the flood of 2011.

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

	Total Governmental Activities		Total Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues						
Program Revenues						
Charges for Services	\$ 262,435	\$ 202,767	\$ 1,333,975	\$ 1,418,450	\$ 1,596,410	\$ 1,621,217
Operating Grants	1,152,564	705,744			1,152,564	705,744
Capital Grants and Contributions		123,951				123,951
General Revenues						
Taxes	2,532,130	2,250,756			2,532,130	2,250,756
Revenue State Sources	87,900	93,643			87,900	93,643
Unrestricted Investment Earnings	69,526	42,777	46,006	29,002	115,532	71,779
Other	8,975	(214,469)			8,975	(214,469)
Total Revenues	4,113,530	3,205,169	1,379,982	1,447,452	5,493,512	4,652,621
Expenses						
General Government	518,878	457,559			518,878	457,559
Public Safety	801,135	799,680			801,135	799,680
Public Works	810,039	1,312,090			810,039	1,312,090
Culture and Recreation	193,174	200,210			193,174	200,210
Conservation and Development	333,496	227,601			333,496	227,601
Health and Welfare	13,545	30,909			13,545	30,909
Debt Service	4,763	1,874			4,763	1,874
Water Services			477,013	496,541	477,013	496,541
Sewer Services			525,422	488,265	525,422	488,265
Garbage Services			91,938	94,803	91,938	94,803
Total Expenses	2,675,031	3,029,923	1,094,373	1,079,609	3,769,403	4,109,532
Excess (Deficiency) Before Special Items and Transfers	1,438,499	175,246	285,609	367,843	1,724,109	543,089
Transfers		(257,715)		257,715		
Increase (Decrease) in Net Assets	\$ 1,438,499	\$ (82,469)	\$ 285,609	\$ 625,558	\$ 1,724,109	\$ 543,089

Business-type Activities

Revenues of the City's business-type activities increased by 7% to \$1,447,452 and expenses decreased 1% to \$1,079,609. Factors contributing to these results included:

- The increase in operating revenues resulted from an increase in water and sewer rates. Due to the increased expenses associated with these revenues, the water and sewer rates are scheduled to increase over a three year period ending 2012. The last rate increase was in 2006 for these services.
- The decrease in expenses was a result of reduced 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 Fund, 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 the unexpected 2011 flood 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 2011. By the end of 2011, the City had invested \$28,305,883 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 decrease (including additions and deductions) of \$1,164,955, or 4.0 percent over the last year.

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

	Governmental Activities		Business-Type Activities		Dollar Change	Percentage Change
	2010	2011	2010	2011	2010- 2011	2010- 2011
Land	\$ 520,267	\$ 524,665	\$ 98,284	\$ 98,284	\$ 4,398	0.7%
Land Held for Sale	1,152,564	955,737			(196,827)	
Construction in Progress	1,289,332	271,008			(1,018,324)	-79.0%
Buildings	4,768,765	4,679,037	1,913,184	1,882,408	(120,504)	-1.8%
Improvements Other Than Buildings	9,405,804	9,842,973	8,581,971	8,491,373	346,571	1.9%
Machinery and Equipment	641,525	536,941	1,099,142	1,023,457	(180,270)	-10.4%
Total Capital Assets (Net)	<u>\$ 17,778,257</u>	<u>\$ 16,810,361</u>	<u>\$ 11,692,581</u>	<u>\$ 11,495,522</u>	<u>\$ (1,164,956)</u>	<u>-4.0%</u>

LONG-TERM DEBT

At the year-end the City had borrowings in TIF loan, Sewer Revenue Bonds, and other long-term obligations. This is a decrease of 9.10% as shown on Table A-7 below. The City does expect to increase its 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
	2010	2011	2010	2011	2010 - 2011	2010 - 2011
Accrued Leave Payable	\$ 32,461	\$ 35,422	\$ 6,419	\$ 8,034	\$ 4,577	11.77%
State Revolving Loan			142,405	97,284	(45,121)	-31.69%
TIF Loan - River Valley	666,566	700,000			33,434	5.02%
DENR Loan			49,688	42,449	(7,239)	-14.57%
SRF Loan	74,042				(74,042)	-100.00%
Total Outstanding Debt and Obligations	\$ 773,069	\$ 735,422	\$ 198,512	\$ 147,767	\$ (88,392)	-9.10%

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.

In 2010, the City increased its debt obligation through the creation of a \$700,000 TIF with River Valley, LLP in the Sodrac Park area. That year's debt accumulation increased to \$666,566 with the remaining \$33,434.43 of the obligation paid in 2011. 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 2.613%.

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 an increase in General Sales and Use Taxes of 3% over the prior year.

The General Fund budget for the fiscal year was increased nearly 34% to \$2,897,355 due to the 2011 flood. The General Fund budget for the next fiscal year will be decreased by 22% to \$2,247,260.

The City's business-type activities (water, sewer, and garbage operations) expect to see an increase in revenues due to an increase in water and sewer 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.

CITY OF NORTH SIOUX CITY
STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government			Unaudited Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 1,779,139.19	\$ 909,968.90	\$ 2,689,108.09	\$ 25,721.26
Investments	2,431,642.63	2,483,574.70	4,915,217.33	
Taxes Receivable	11,500.62		11,500.62	
Accounts Receivable, Net	48,508.85	105,552.96	154,061.81	
Special Assessments Receivable - Current	2,062.06		2,062.06	
Special Assessments Receivable - Deferred	4,438.00		4,438.00	
Special Assessments Receivable - Interest	325.00		325.00	
Notes Receivable	280,625.78		280,625.78	
Due From Component Unit	84,000.00		84,000.00	
Due From Government	608,259.06		608,259.06	
Inventory	16,888.94	65,922.53	82,811.47	
Interest Receivable	12,224.03	5,963.90	18,187.93	
Prepaid Expenses	35,151.49	8,842.69	43,994.18	
Restricted Deposits	26,627.71		26,627.71	
Capital Assets:				
Land and Construction Work in Progress	1,751,410.38	98,283.84	1,849,694.22	70,000.00
Other Capital Assets, Net of Depreciation	15,058,950.64	11,397,238.52	26,456,189.16	587,393.81
TOTAL ASSETS	22,151,754.38	15,075,348.04	37,227,102.42	683,115.07
<u>LIABILITIES:</u>				
Accounts Payable	63,551.36	31,232.32	94,783.68	
Accrued Wages Payable	13,266.36	1,084.84	14,351.20	
Accrued Other Payables		1,280.44	1,280.44	
Accrued Interest Payable		1,153.13	1,153.13	
Accrued Taxes Payable	4,390.57		4,390.57	
Customer Deposits Payable		41,275.00	41,275.00	
Deferred Revenue	78,435.82	3,984.14	82,419.96	9,585.00
Noncurrent Liabilities:				
Due Within One Year	735,422.31	63,097.75	798,520.06	35,118.47
Due in More than One Year		84,669.59	84,669.59	672,134.51
TOTAL LIABILITIES	895,066.42	227,777.21	1,122,843.63	716,837.98
<u>NET ASSETS:</u>				
Invested in Capital Assets, Net of Related Debt	16,110,361.02	11,355,789.42	27,466,150.44	
Restricted for:				
Cumulative Reserve - SDPAA	26,627.71		26,627.71	
Economic Development and Promotion	579,780.16		579,780.16	
Public Safety	5,473.31		5,473.31	
Unrestricted	4,534,445.76	3,491,781.41	8,026,227.17	(33,722.91)
TOTAL NET ASSETS	\$ 21,256,687.96	\$ 14,847,570.83	\$ 36,104,258.79	\$ (33,722.91)

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

CITY OF NORTH SIOUX CITY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Assets			Unaudited Component Unit
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities		Total	
			Grants and Contributions	Grants and Contributions			Governmental Activities	Business-Type Activities		
Primary Government:										
Governmental Activities:										
General Government	\$ 457,559.05	\$ 3,392.00	\$	\$	\$	\$ (454,167.05)	\$	\$	\$ (454,167.05)	
Public Safety	799,680.40	3,576.89				(796,103.51)			(796,103.51)	
Public Works	1,312,089.88	86,092.46	507,744.36			(718,253.06)			(718,253.06)	
Health and Welfare	30,908.70					(30,908.70)			(30,908.70)	
Culture and Recreation	200,210.41	479.99	198,000.00			(1,730.42)			(1,730.42)	
Conservation & Development	227,601.41			123,951.24		(227,601.41)			(227,601.41)	
Miscellaneous		109,226.15				233,177.39			233,177.39	
*Interest on Long-Term Debt	1,873.64					(1,873.64)			(1,873.64)	
Total Governmental Activities	3,029,923.49	202,767.49	705,744.36	123,951.24	123,951.24	(1,997,460.40)			(1,997,460.40)	
Business-Type Activities:										
Water	496,541.45	642,342.68					145,801.23		145,801.23	
Sewer	488,265.13	671,900.63					183,635.50		183,635.50	
Garbage	94,803.07	104,206.37					9,403.30		9,403.30	
Total Business-Type Activities	1,079,609.65	1,418,449.68					338,840.03		338,840.03	
Total Primary Government	\$ 4,109,533.14	\$ 1,621,217.17	\$ 705,744.36	\$ 123,951.24	\$ 123,951.24	(1,997,460.40)			(1,658,620.37)	
Component Unit:										
Housing and Redevelopment	\$ 109,253.11	\$ 121,162.08								\$ 11,908.97
General Revenues:										
Taxes:										
Property Taxes						374,638.07				374,638.07
Sales and Use Taxes						1,876,117.87				1,876,117.87
State Shared Revenues						93,643.22				93,643.22
Unrestricted Investment Earnings						42,777.21		29,001.99		71,779.20
Miscellaneous Revenue						46,416.12				46,416.12
Loss on Disposal of Capital Assets						(260,885.50)				(260,885.50)
Transfers						(257,714.74)		257,714.74		
Total General Revenues and Transfers						1,914,992.25		286,716.73		2,201,708.98
Change in Net Assets						(82,468.15)		625,556.76		543,088.61
Net Assets - Beginning						21,339,156.11		14,222,014.07		35,561,170.18
Net Assets - Ending						\$ 21,256,687.96		\$ 14,847,570.83		\$ 36,104,258.79

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

CITY OF NORTH SIOUX CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011

	Major Funds			Nonmajor		Total Governmental Funds
	General Fund	Additional Sales Tax Fund	River Valley Capital Project Fund	Other		
				Governmental Fund	Governmental Fund	
ASSETS:						
Cash and Cash Equivalents	\$ 1,214,696.14	\$ 405,699.91	\$ 46,130.91	\$ 112,612.23	\$ 1,779,139.19	
Investments	1,404,529.68	571,184.79		455,928.16	2,431,642.63	
Taxes Receivable - Delinquent	11,500.62				11,500.62	
Accounts Receivable, Net	39,948.16			8,560.69	48,508.85	
Special Assessments Receivable - Current	2,062.06				2,062.06	
Special Assessments Receivable - Deferred	4,438.00				4,438.00	
Special Assessments Receivable - Interest	325.00				325.00	
Notes Receivable			276,382.36	4,243.42	280,625.78	
Due From Component Unit	84,000.00				84,000.00	
Restricted Deposits	26,627.71				26,627.71	
Due from Other Funds	310,572.03			1,401.20	311,973.23	
Due From Government	563,087.70	33,862.79		11,308.57	608,259.06	
Interest Receivable	4,053.46	1,486.74	4,603.47	2,080.36	12,224.03	
Prepaid Expenses	35,151.49				35,151.49	
Inventory	16,888.94				16,888.94	
TOTAL ASSETS	\$3,717,880.99	\$1,012,234.23	\$ 327,116.74	\$ 596,134.63	\$ 5,653,366.59	

LIABILITIES AND FUND BALANCES:

LIABILITIES:						
Accounts Payable	\$ 58,314.82	\$	\$	\$ 5,236.54	\$ 63,551.36	
Due to Other Funds			310,572.03	1,401.20	311,973.23	
Accrued Wages Payable	13,266.36				13,266.36	
Payroll Deductions and Withholdings and Employer Matching Payable	4,390.57		276,382.36		4,390.57	
Deferred Revenue	96,911.50				373,293.86	
Total Liabilities	172,883.25		586,954.39	6,637.74	766,475.38	

Fund Balances:					
NonSpendable:					
Inventory	16,888.94				16,888.94
Prepays	35,151.49				35,151.49
Notes Receivable	84,000.00	4,243.42			88,243.42
Cumulative Reserve - SDPAA	26,627.71				26,627.71
Restricted:					
Economic Development and Promotion		477,131.74			477,131.74
Grant Revolving Loan		102,648.42			102,648.42
Public Safety		5,473.31			5,473.31
Committed:					
Capital Improvement Additions			1,012,234.23		1,012,234.23
Assigned:					
Subsequent Year's Budget	41,852.15				41,852.15
Unassigned	3,340,477.45		(259,837.65)		3,080,639.80
Total Fund Balances	<u>3,544,997.74</u>	<u>589,496.89</u>	<u>1,012,234.23</u>	<u>(259,837.65)</u>	<u>4,886,891.21</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,717,880.99	\$ 596,134.63	\$ 1,012,234.23	\$ 327,116.74	\$ 5,653,366.59

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

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**CITY OF NORTH SIOUX CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2011**

Total Fund Balances - Governmental Funds	\$ 4,886,891.21
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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.

Cost of Assets:	\$ 21,542,900.85	
(Less) Accumulated Depreciation	<u>(4,732,539.83)</u>	16,810,361.02

Long-term liabilities, including loans payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.

Loans Payable	\$ 700,000.00	
Accrued Leave Payable	<u>35,422.31</u>	(735,422.31)

Assets such as taxes receivable (delinquent), special assessment receivable (current, delinquent and deferred) and certain note receivables are not available to pay for current period expenditures and therefore are deferred in the funds but are revenue in the government-wide financial statements.

294,858.04

Net Assets - Governmental Funds	<u>\$ 21,256,687.96</u>
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The attached notes are an integral part of these financial statements.

CITY OF NORTH SIOUX CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	Major Funds			Nonmajor		Total
	General Fund	Additional Sales Tax Fund	River Valley Capital Project Fund	Other Governmental Funds	Governmental Funds	
Revenues:						
Taxes:						
General Property Taxes	\$ 378,897.45	\$	\$	\$	\$	\$ 378,897.45
General Sales and Use Taxes	1,432,190.18	331,080.38		112,847.31		1,876,117.87
911 Telephone Surcharge				25,193.45		25,193.45
Penalties and Interest on Delinquent Taxes	1,513.84					1,513.84
Licenses and Permits	86,428.64					86,428.64
Intergovernmental Revenue:						
Federal Grants	645,605.41					645,605.41
State Grants	60,138.95					60,138.95
State Shared Revenue:						
Bank Franchise Tax	1,425.52					1,425.52
Liquor Tax Reversion	14,450.80					14,450.80
Motor Vehicle Licenses (5%)	23,138.23					23,138.23
Local Government Highway and Bridge Fund	54,628.67					54,628.67
County Shared Revenue:						
County Highway and Bridge Tax	1,594.62					1,594.62
County Wheel Tax	9,239.04					9,239.04
Charge for Services:						
General Government	3,392.00					3,392.00
Fines and Forfeits:						
Court Fines and Costs	3,576.89					3,576.89
Library	479.99					479.99
Miscellaneous Revenue:						
Investment Earnings	17,790.15	10,048.64	5,735.83	9,202.59		42,777.21
Rentals	109,376.15					109,376.15
Special Assessments				2,387.06		2,387.06
Contributions and Donations			57,183.21			57,183.21
Other	85,175.89			1,550.00		86,725.89
Total Revenue	2,929,042.42	341,129.02	62,919.04	151,180.41		3,484,270.89

Expenditures:

General Government:			
Legislative	64,940.24		64,940.24
Elections	3,250.29		3,250.29
Financial Administration	220,448.46		220,448.46
Other	80,356.84		80,356.84
Total General Government	<u>368,995.83</u>		<u>368,995.83</u>
Public Safety:			
Police	625,756.39	54,794.80	680,551.19
Community Center	11,373.76		11,373.76
Civil Defense	3,768.24		3,768.24
Total Public Safety	<u>640,898.39</u>	<u>54,794.80</u>	<u>695,693.19</u>
Public Works:			
Highways, Streets and Dike	1,022,996.87		1,022,996.87
Cemeteries	3,800.46		3,800.46
Total Public Works	<u>1,026,797.33</u>		<u>1,026,797.33</u>
Health and Welfare:			
Health	20,415.50		20,415.50
Senior Center	10,105.87		10,105.87
Total Health and Welfare	<u>30,521.37</u>		<u>30,521.37</u>
Culture and Recreation:			
Recreation	10,509.04		10,509.04
Parks	40,784.22		40,784.22
Libraries	92,139.92		92,139.92
Total Culture and Recreation	<u>143,433.18</u>		<u>143,433.18</u>
Conservation and Development:			
Economic Development and Assistance		86,865.03	86,865.03
Economic Opportunity/HRC	1,691.00		1,691.00
Economic Opportunity	40,927.49	98,117.89	139,045.38
Total Conservation and Development	<u>42,618.49</u>	<u>184,982.92</u>	<u>227,601.41</u>

CITY OF NORTH SIOUX CITY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)
 GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2011

	Major Funds			Nonmajor		Total Governmental Funds
	General Fund	Additional Sales Tax Fund	River Valley Capital Project Fund	Other Governmental Funds	Governmental Funds	
Debt Service				76,841.45		76,841.45
Capital Outlay	11,548.80	4,432.99				15,981.79
Total Expenditures	<u>2,264,813.39</u>	<u>4,432.99</u>		<u>316,619.17</u>		<u>2,585,865.55</u>
Excess of Revenue Over (Under) Expenditures	664,229.03	336,696.03	62,919.04	(165,438.76)		898,405.34
Other Financing Sources (Uses):						
Sale of Municipal Property	3,471.88					3,471.88
Transfers In/(Out)	58,156.93			(58,156.93)		
Long Term Debt Issued			33,434.43			33,434.43
Total Other Financing Sources (Uses)	<u>61,628.81</u>		<u>33,434.43</u>	<u>(58,156.93)</u>		<u>36,906.31</u>
Net Change in Fund Balances	725,857.84	336,696.03	96,353.47	(223,595.69)		935,311.65
Fund Balance - Beginning	2,819,139.90	675,538.20	(356,191.12)	813,092.58		3,951,579.56
FUND BALANCE - ENDING	<u>\$ 3,544,997.74</u>	<u>\$ 1,012,234.23</u>	<u>\$ (259,837.65)</u>	<u>\$ 589,496.89</u>		<u>\$ 4,886,891.21</u>

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

CITY 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, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 935,311.65

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 depreciation exceeded capital outlay in the current period. (516,064.27)

The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements. 66,768.03

In the statement of activities, the loss on disposal of assets is reported, whereas in the governmental funds, the disposal of capital assets is not reflected. (260,885.50)

Capital assets purchased by the governmental funds and then transferred to the enterprise funds are reported as a transfer in the statement of activities. (257,714.74)

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 and leave expenses) (2,035.95)

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 74,042.28

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. (33,434.43)

Governmental funds report property taxes, special assessments and certain receivables as revenue when cash is received, but the statement of activities includes these items as revenues when earned. (88,455.22)

Change in Net Assets of Governmental Activities \$ (82,468.15)

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

**CITY OF NORTH SIOUX CITY
BALANCE SHEET
PROPRIETARY FUNDS
December 31, 2011**

	Enterprise Funds			Totals
	Major Funds		Non-Major Fund	
	Water Fund	Sewer Fund	Garbage Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 502,922.60	\$ 378,674.50	\$ 28,371.80	\$ 909,968.90
Investments	1,109,279.45	1,374,295.25		2,483,574.70
Accounts Receivable, Net	38,119.41	59,125.16	8,308.39	105,552.96
Interest Receivable	3,204.62	2,759.28		5,963.90
Inventory of Supplies	12,422.53	53,500.00		65,922.53
Prepaid Expenses	4,861.08	3,906.45	75.16	8,842.69
Total Current Assets	<u>1,670,809.69</u>	<u>1,872,260.64</u>	<u>36,755.35</u>	<u>3,579,825.68</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	7,019,865.08	5,824,073.87		12,843,938.95
Machinery and Equipment	1,554,963.29	344,966.17		1,899,929.46
Less: Accumulated Depreciation	<u>(3,173,617.26)</u>	<u>(2,389,663.85)</u>		<u>(5,563,281.11)</u>
Total Noncurrent Assets	<u>7,678,642.89</u>	<u>3,816,879.47</u>		<u>11,495,522.36</u>
TOTAL ASSETS	<u>\$ 9,349,452.58</u>	<u>\$ 5,689,140.11</u>	<u>\$ 36,755.35</u>	<u>\$ 15,075,348.04</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 6,117.98	\$ 17,728.94	\$ 7,385.40	\$ 31,232.32
Accrued Wages Payable	542.49	542.35		1,084.84
Accrued Other Payables	74.04	74.04	1,132.36	1,280.44
Accrued Interest Payable	363.04	790.09		1,153.13
Customer Deposits	41,275.00			41,275.00
Accrued Leave Payable - Current	4,017.20	4,017.20		8,034.40
Deferred Revenue	3,984.14			3,984.14
Other Long-Term Debt - Current	6,374.25	48,689.10		55,063.35
Total Current Liabilities	<u>62,748.14</u>	<u>71,841.72</u>	<u>8,517.76</u>	<u>143,107.62</u>
Noncurrent Liabilities:				
Other Long-Term Debt	29,070.44	55,599.15		84,669.59
Total Noncurrent Liabilities	<u>29,070.44</u>	<u>55,599.15</u>		<u>84,669.59</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	7,643,198.20	3,712,591.22		11,355,789.42
Unrestricted Net Assets	1,614,435.80	1,849,108.02	28,237.59	3,491,781.41
Total Net Assets	<u>9,257,634.00</u>	<u>5,561,699.24</u>	<u>28,237.59</u>	<u>14,847,570.83</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,349,452.58</u>	<u>\$ 5,689,140.11</u>	<u>\$ 36,755.35</u>	<u>\$ 15,075,348.04</u>

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

CITY OF NORTH SIOUX CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Enterprise Funds			Totals
	Major Funds		Non-Major	
	Water Fund	Sewer Fund	Garbage Fund	
<u>Operating Revenue:</u>				
Charges for Goods and Services (Revenues Securing Debt Issues)	\$ 623,957.69	\$ 667,212.57	\$	\$ 1,291,170.26
Charges for Goods and Services			102,204.17	102,204.17
Miscellaneous	18,384.99	4,688.06	2,002.20	25,075.25
Total Operating Revenue	<u>642,342.68</u>	<u>671,900.63</u>	<u>104,206.37</u>	<u>1,418,449.68</u>
<u>Operating Expenses:</u>				
Personal Services	95,309.08	95,726.34		191,035.42
Other Current Expense	127,536.25	202,842.49	94,803.07	425,181.81
Depreciation	271,589.11	183,184.40		454,773.51
Total Operating Expenses	<u>494,434.44</u>	<u>481,753.23</u>	<u>94,803.07</u>	<u>1,070,990.74</u>
Operating Income (Loss)	147,908.24	190,147.40	9,403.30	347,458.94
<u>Nonoperating Revenue (Expense):</u>				
Interest Income	12,828.08	16,173.91		29,001.99
Interest Expense and Fiscal Charges	(2,107.01)	(6,511.90)		(8,618.91)
Total Nonoperating Revenue (Expense)	<u>10,721.07</u>	<u>9,662.01</u>		<u>20,383.08</u>
Income (Loss) Before Contributions	158,629.31	199,809.41	9,403.30	367,842.02
Capital Contributions	161,041.28	96,673.46		257,714.74
Change in Net Assets	319,670.59	296,482.87	9,403.30	625,556.76
Net Assets - Beginning	<u>8,937,963.41</u>	<u>5,265,216.37</u>	<u>18,834.29</u>	<u>14,222,014.07</u>
NET ASSETS - ENDING	<u>\$ 9,257,634.00</u>	<u>\$ 5,561,699.24</u>	<u>\$ 28,237.59</u>	<u>\$ 14,847,570.83</u>

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

CITY OF NORTH SIOUX CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Major Funds</u>		<u>Non-Major Fund</u>	
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash Receipts from Customers	\$ 640,371.84	\$ 675,494.69	\$104,340.92	\$ 1,420,207.45
Cash Receipts from Interfund Services Provided	13,603.91	4,160.99		17,764.90
Cash Payments to Employees for Services	(94,467.66)	(94,885.07)		(189,352.73)
Cash Payments to Suppliers for Goods and Services	(128,717.94)	(260,474.51)	(94,679.47)	(483,871.92)
Net Cash Provided (Used) by Operating Activities	<u>430,790.15</u>	<u>324,296.10</u>	<u>9,661.45</u>	<u>764,747.70</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Principal Paid on Capital Debt	(6,045.13)	(46,315.60)		(52,360.73)
Interest Paid on Capital Debt	(2,107.01)	(6,511.90)		(8,618.91)
Net Cash (Used) by Capital and Related Financing Activities	<u>(8,152.14)</u>	<u>(52,827.50)</u>		<u>(60,979.64)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Purchase of Investment Securities	(348,058.53)	(120,284.55)		(468,343.08)
Interest Earnings	9,623.46	13,414.63		23,038.09
Net Cash Provided (Used) by Investing Activities	<u>(338,435.07)</u>	<u>(106,869.92)</u>		<u>(445,304.99)</u>
Net Increase (Decrease) in Cash and Cash Equivalent:	<u>\$ 84,202.94</u>	<u>\$ 164,598.68</u>	<u>\$ 9,661.45</u>	<u>\$ 258,463.07</u>
Cash and Cash Equivalents at Beginning of Year	\$ 418,719.66	\$ 214,075.82	\$ 18,710.35	\$ 651,505.83
Cash and Cash Equivalents at End of Year	<u>502,922.60</u>	<u>378,674.50</u>	<u>28,371.80</u>	<u>909,968.90</u>
Net Increase (Decrease) in Cash and Cash Equivalent:	<u>\$ 84,202.94</u>	<u>\$ 164,598.68</u>	<u>\$ 9,661.45</u>	<u>\$ 258,463.07</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 147,908.24	\$ 190,147.40	\$ 9,403.30	\$ 347,458.94
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	271,589.11	183,184.40		454,773.51
Change in Assets and Liabilities:				
Receivables	11,219.75	7,755.05	134.55	19,109.35
Inventories	(612.12)	(53,500.00)		(54,112.12)
Prepaid Expenses	(396.83)	(33.96)	(75.16)	(505.95)
Accounts and Other Payables	(172.74)	(4,098.06)	198.76	(4,072.04)
Accrued Wages Payable	33.57	33.43		67.00
Accrued Leave Payable	807.85	807.84		1,615.69
Deferred Revenue	9.32			9.32
Customer Deposits	404.00			404.00
Net Cash Provided (Used) by Operating Activities	<u>\$ 430,790.15</u>	<u>\$ 324,296.10</u>	<u>\$ 9,661.45</u>	<u>\$ 764,747.70</u>
Noncash Investing, Capital and Financing Activities:				
Capital Contributions	<u>\$ 161,041.28</u>	<u>\$ 96,673.46</u>	<u>\$</u>	<u>\$ 257,714.74</u>

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

CITY OF NORTH SIOUX CITY
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Financial Reporting Entity:

The reporting entity of the City 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 City 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 City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

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 City 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 City and for each function of the City'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 City 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 City financial reporting entity are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the City. 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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.

The remaining Special Revenue Funds, namely the Liquor, Lodging and Dining Sales Tax Fund, 911 Emergency Fund, and the Grant Revolving Loan Fund are not considered major funds.

Capital Project Funds – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

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 City of North Sioux City, the length of that cycle is 45 days. The revenues which were accrued at December 31, 2011, are taxes receivable, amounts due from other governments for grants, and other receivables due within 45 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 nonspendable fund balance classification 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, 2011 balance of governmental activities capital assets includes approximately 1.02% for which the costs were determined by estimates of the original costs. The total December 31, 2011 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 City. 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, 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 City'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 City 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 “Nonspendable”, “Restricted”, “Committed”, “Assigned” and “Unassigned” components. In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Municipality classifies governmental fund balances as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered, restricted, or committed. Fund Balance may be assigned by the Municipal Council.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Proprietary fund equity is classified the same as in the government-wide financial statements.

k. Application of Net Assets:

It is the City'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.

l. Application of Fund Balances:

It is the City's policy to first use restricted fund balance, prior to the use of unrestricted (committed, assigned, unassigned) fund balances, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. Deposits and Investments

The City 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 City'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 City 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 City, as discussed above. The City has no investment policy that would further limit its investment choices.

As of December 31, 2011, the City had the following investments:

External Investment Pools:

	<u>Credit Rating</u>	<u>Value</u>
SDFIT - GCR	Unrated	\$799,454.69

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.

Interest Rate Risk – The City 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 City 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 City'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 \$364,625.78 of receivables related to economic development loans and note receivable described in Note 12.

4. Inventory

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

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.

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.

Fund Financial Statements:

In the governmental fund financial statements, supplies are recorded as an expenditure at the time of purchase. Reported inventories are equally offset by a non-spendable fund balance classification which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

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

6. Changes In Capital Assets

A summary of changes in capital assets for the year ended December 31, 2011 is as follows:

	Balance <u>01/01/11</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/11</u>
Governmental Activities:				
Land	\$ 520,267.27	\$ 4,398.00	\$	\$ 524,665.27
Land Held for Sale	1,152,564.00		(196,827.25)	955,736.75
Construction in Progress	<u>1,289,332.06</u>	<u>4,432.99</u>	<u>(1,022,756.69)</u>	<u>271,008.36</u>
Total Capital Assets, not being Depreciated,	<u>2,962,163.33</u>	<u>8,830.99</u>	<u>(1,219,583.94)</u>	<u>1,751,410.38</u>
Capital Assets, being Depreciated:				
Buildings	5,285,010.54	62,370.00	(102,980.40)	5,244,400.14
Improvements, other than Buildings	11,854,712.06	765,041.98		12,619,754.04
Machinery and Equipment	<u>1,918,959.05</u>	<u>11,548.80</u>	<u>(3,171.56)</u>	<u>1,927,336.29</u>
Total Capital Assets, being Depreciated	<u>19,058,681.65</u>	<u>838,960.78</u>	<u>(106,151.96)</u>	<u>19,791,490.47</u>
Less Accumulated Depreciation for:				
Buildings	516,245.42	88,040.18	(38,922.15)	565,363.45
Improvements, other than Buildings	2,448,908.20	327,873.10		2,776,781.30
Machinery and Equipment	<u>1,277,433.86</u>	<u>116,132.78</u>	<u>(3,171.56)</u>	<u>1,390,395.08</u>
Total Accumulated Depreciation	<u>4,242,587.48</u>	<u>532,046.06</u>	<u>(42,093.71)</u>	<u>4,732,539.83</u>
Total Governmental Activities Capital Assets, being Depreciated, Net	<u>14,816,094.17</u>	<u>306,914.72</u>	<u>(64,058.25)</u>	<u>15,058,950.64</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 17,778,257.50</u>	<u>\$ 315,745.71</u>	<u>\$ 0.00</u>	<u>\$ 16,810,361.02</u>

Depreciation expenses were charged to functions as follows:

General Government	\$ 88,563.22
Public Safety	103,987.21
Public Works	282,331.07
Health and Welfare	387.33
Culture and Recreation	<u>56,777.23</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 532,046.06</u>

Construction Work in Progress at December 31, 2011 is comprised of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Total Amount Expended</u>	<u>Amount Committed</u>	<u>Future Financing</u>
Library Development	\$ 271,008.36	\$ 271,008.36	\$ 0.00	\$ 0.00

	Balance 1/1/2011	Increases	Decreases	Balance 12/31/2011
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	1,899,929.46			1,899,929.46
Improvements Other than Building	12,586,224.21	257,714.74		12,843,938.95
Total	16,702,804.89	257,714.74		16,960,519.63
Less Accumulated Depreciation for:				
Buildings	303,467.30	30,775.68		334,242.98
Machinery and Equipment	800,787.03	75,685.05		876,472.08
Improvements Other than Building	4,004,253.27	348,312.78		4,352,566.05
Total Accumulated Depreciation	5,108,507.60	454,773.51		5,563,281.11
Total Business-Type Activities Capital Assets, being depreciated, net	11,594,297.29	(197,058.77)		11,397,238.52
Business - Type Activity, Capital Assets, net	\$ 11,692,581.13	\$ (197,058.77)	\$	\$ 11,495,522.36
Depreciation expense was charged to functions as follows:				
Water				\$ 271,589.11
Sewer				183,184.40
Total Depreciation Expense- Business-type Activities				\$ 454,773.51

7. Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 1/1/2011	Additions	Retired	Balance 12/31/2011	Due within One Year
Primary Government:					
Governmental Activities:					
TIF Loan - River Valley	\$ 666,565.57	\$ 33,434.43	\$	\$ 700,000.00	\$ 700,000.00
SRF Loan	74,042.28		(74,042.28)		
Total Debt	282,800.63	33,434.43	(74,042.28)	700,000.00	700,000.00
Accrued Compensated Absences -					
Governmental Funds	32,460.83	22,992.34	(20,030.86)	35,422.31	35,422.31
Total Governmental Activities	\$ 309,058.43	\$ 56,426.77	\$ (94,073.14)	\$ 735,422.31	\$ 735,422.31
Business-Type Activities:					
State Revolving Loan	\$ 142,405.26		\$ (45,121.05)	\$ 97,284.21	\$ 47,429.52
DENR Loan	49,688.41		(7,239.68)	42,448.73	7,633.83
Total Debt	241,900.83		(52,360.73)	139,732.94	55,063.35
Accrued Compensated Absences -					
Business-Type Funds	6,418.71	\$ 4,814.33	(3,198.64)	8,034.40	8,034.40
Total Business - Type Activities	\$ 247,260.90	\$ 4,814.33	\$ (55,559.37)	\$ 147,767.34	\$ 63,097.75
Total Primary Government	\$ 556,319.33	\$ 61,241.10	\$ (149,632.51)	\$ 883,189.65	\$ 798,520.06

Debt payable at December 31, 2011 is comprised of the following:

Governmental Activities:

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. \$ 700,000.00

Compensated Absences:

Compensated absences of General Government Employees. 35,422.31

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. 97,284.21

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 over 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. 42,448.73

Compensated Absences:

Water Fund	4,017.20
Sewer Fund	4,017.20

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, 2011 were:

Business-Type Activities:

Year Ending December 31,	State Revolving Loan		Consolidated Water Facilities Construction Program Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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			8,917.87	845.17	8,917.87	845.17
2016			9,389.66	370.83	9,389.66	370.83
TOTAL	<u>\$ 97,284.21</u>	<u>\$ 5,148.99</u>	<u>\$ 42,448.73</u>	<u>\$ 6,363.92</u>	<u>\$ 139,732.94</u>	<u>\$ 11,512.91</u>

8. Operating Leases

The City is obligated under a lease accounted for as an operating lease. The lease is for a copy machine. Operating leases do not give rise to property rights or lease obligation. Payments of \$303.75 are made monthly from the General, Liquor and Lodging, Water, and Sewer Funds.

The following are the minimum payments on the existing operating leases:

<u>Year</u>	<u>Capital Outlay Amount</u>
2012	\$ 3,645.00
2013	1,822.50

9. Individual Fund Interfund Receivable and Payable Balances

Interfund receivable and payable balances at December 31, 2011 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 310,572.03	\$
Liquor/Lodging and Dining Sales Tax Fund	1,401.20	
911 Emergency Fund		1,401.20
River Valley Capital Projects Fund		310,572.03
Total	<u>\$ 311,973.23</u>	<u>\$ 311,973.23</u>

The General Fund and the Liquor, Lodging, and Dining Sales Tax Fund loaned money to the 911 Emergency Fund and River Valley Capital Projects Fund for funding temporary cash shortages.

10. Interfund Transfers

Interfund transfers for the year ended December 31, 2011 were as follows:

<u>Transfer To:</u>	<u>Transfer From:</u>		
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
General Fund	\$	\$ 173,494.22	\$ 173,494.22
911 Emergency Fund	115,337.29		115,337.29
Total	<u>\$ 115,337.29</u>	<u>\$ 173,494.22</u>	<u>\$ 288,831.51</u>

The City transferred excess funds from the Debt Service Fund to the General Fund because the underlying debt had been paid off. In addition, the City transferred funds from the General Fund to the 911 Emergency Fund to eliminate an interfund loan and cover 911 expenses in excess of revenues.

11. Restricted Net Assets

Restricted net assets for the year ended December 31, 2011 were as follows:

Cumulative Reserve - SDPAA	\$ 26,627.71
Economic Development and Promotion	579,780.16
Public Safety	<u>5,473.31</u>
Total Restricted Net Assets	<u>\$ 611,881.18</u>

These balances are restricted due to statutory requirements.

12. Notes Receivable

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

Receivables related to the Economic Development Program at December 31, 2011 were as follows:

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 amount receivable at December 31, 2011 was \$84,000. The Commission is a component unit of the City and this note receivable qualifies as a related party transaction.

Mac's Auto Depot borrowed a sum of \$20,000 from the City on November 14, 2007 at an annual interest rate of 3%. Monthly payments of \$359.37 will be made for five years starting in January of 2008 until fully paid off in December 2012. Balance of note receivable at December 31, 2011 was \$4,243.42.

In 2009, The City entered into an agreement with River Valley, LLP to develop property owned by River Valley. The contractor was paid by the City and River Valley LLP reimbursed the City as expenses were incurred. Under the agreement, once the developed property was sold, River Valley's development expenses would be reimbursed through an incremental tax. During 2011, River Valley LLP ran out of funds. The developer is currently in arrears in the amount of \$276,382.36.

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

<u>Year</u>	<u>NSC HRC</u>	<u>Mac's Auto Depot</u>	<u>River Valley, LLP</u>	<u>Total</u>
2012	\$ 6,000.00	\$ 4,243.42	\$ 183,500.00	\$ 193,743.42
2013	6,000.00		92,882.36	98,882.36
2014	6,000.00			6,000.00
2015	6,000.00			6,000.00
2016	6,000.00			6,000.00
2017-2021	30,000.00			30,000.00
2022-2026	24,000.00			24,000.00
Total	<u>\$ 84,000.00</u>	<u>\$ 4,243.42</u>	<u>\$ 276,382.36</u>	<u>\$ 364,625.78</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 City's share of contributions to the SDRS for the fiscal years ended December 31, 2011, 2010, and 2009 were \$50,874, \$49,850, and \$48,798, respectively, equal to the required contributions each year.

14. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2011, the City managed its risks as follows:

Liability Insurance:

The City 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 City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for 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 up to a \$2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2011, the City has a vested balance in the cumulative reserve fund of \$26,627.71.

The City 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 City 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.

Worker's Compensation:

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

As of December 31, 2011 two claims were filed for unemployment benefits for the amount of \$3,257.01. Two claims are anticipated for unemployment benefits in the next year in the amount of \$7,222.00.

15. Expenditures in Excess of Appropriations

The City 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, 2011</u>
Health and Welfare	Senior Center	\$ 845.87

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

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	\$ 380,696.00	\$ 384,696.00	\$ 378,897.45	\$ (5,798.55)
General Sales and Use Taxes	1,290,000.00	1,290,000.00	1,432,190.18	142,190.18
Gross Receipts Business Taxes	400.00	400.00	1,513.84	1,113.84
Licenses and Permits	78,300.00	81,470.00	86,428.64	4,958.64
Intergovernmental Revenue:				
Federal Grants	174,430.00	750,111.33	645,605.41	(104,505.92)
State Grants		136,293.33	60,138.95	(76,154.38)
State Shared Revenue:				
Bank Franchise Tax	2,300.00	2,300.00	1,425.52	(874.48)
Liquor Tax Reversion	10,000.00	10,000.00	14,450.80	4,450.80
Motor Vehicle Licenses (5%)	12,000.00	16,000.00	23,138.23	7,138.23
Local Government Highway and Bridge Fund	26,500.00	26,500.00	54,628.67	28,128.67
Other State Shared Revenue	2,000.00	2,000.00		(2,000.00)
County Shared Revenue:				
County Highway and Bridge Tax	1,000.00	1,000.00	1,594.62	594.62
County Wheel Tax	6,000.00	6,400.00	9,239.04	2,839.04
Charge for Services:				
General Government		3,500.00	3,392.00	(108.00)
Fines and Forfeits:				
Court Fines and Costs	5,050.00	5,050.00	3,576.89	(1,473.11)
Library	3,200.00	3,200.00	479.99	(2,720.01)
Other	1,175.00	1,175.00		(1,175.00)
Miscellaneous Revenue:				
Investment Earnings	40,000.00	40,000.00	17,790.15	(22,209.85)
Rentals	82,660.00	82,660.00	109,376.15	26,716.15
Other	43,500.00	54,599.00	85,175.89	30,576.89
Total Revenue	2,159,211.00	2,897,354.66	2,929,042.42	31,687.76
Expenditures:				
General Government:				
Legislative	71,055.00	71,055.00	64,940.24	6,114.76
Elections	4,000.00	4,000.00	3,250.29	749.71
Financial Administration	268,580.00	270,500.00	220,448.46	50,051.54
Other	123,611.00	127,361.00	80,356.84	47,004.16
Total General Government	467,246.00	472,916.00	368,995.83	103,920.17
Public Safety:				
Police	646,763.00	702,303.00	632,004.74	70,298.26
Community Center	13,800.00	13,800.00	11,373.76	2,426.24
Civil Defense	1,920.00	4,870.00	3,768.24	1,101.76
Total Public Safety	662,483.00	720,973.00	647,146.74	73,826.26

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Public Works:				
Highways, Streets and Dikes	524,238.00	1,054,388.00	1,022,996.87	31,391.13
Sanitation	20,000.00	20,000.00		20,000.00
Cemeteries	3,834.00	3,834.00	3,800.46	33.54
Total Public Works	<u>548,072.00</u>	<u>1,078,222.00</u>	<u>1,026,797.33</u>	<u>51,424.67</u>
Health and Welfare:				
Health	8,864.00	21,019.00	20,415.50	603.50
Senior Center	9,260.00	9,260.00	10,105.87	(845.87)
Total Health and Welfare	<u>18,124.00</u>	<u>30,279.00</u>	<u>30,521.37</u>	<u>(242.37)</u>
Culture and Recreation:				
Recreation	8,500.00	11,000.00	10,509.04	490.96
Parks	43,390.00	43,390.00	40,784.22	2,605.78
Libraries	276,075.00	278,625.00	97,440.37	181,184.63
Total Culture and Recreation	<u>327,965.00</u>	<u>333,015.00</u>	<u>148,733.63</u>	<u>184,281.37</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	5,000.00	5,000.00		5,000.00
Economic Opportunity	56,758.00	56,758.00	42,618.49	14,139.51
Total Conservation and Development	<u>61,758.00</u>	<u>61,758.00</u>	<u>42,618.49</u>	<u>19,139.51</u>
Contingency	<u>105,400.00</u>	<u>94,400.00</u>		<u>94,400.00</u>
Total Expenditures	<u>2,191,048.00</u>	<u>2,791,563.00</u>	<u>2,264,813.39</u>	<u>526,749.61</u>
Excess of Revenue Over (Under) Expenditures	(31,837.00)	105,791.66	664,229.03	558,437.37
<u>Other Financing Sources (Uses):</u>				
Sale of Municipal Property			3,471.88	3,471.88
Transfers In/(Out)	(29,500.00)	(85,900.00)	58,156.93	144,056.93
Total Other Financing Sources (Uses)	<u>(29,500.00)</u>	<u>(85,900.00)</u>	<u>61,628.81</u>	<u>147,528.81</u>
Net Change in Fund Balances	(61,337.00)	19,891.66	725,857.84	705,966.18
Fund Balance - Beginning	<u>2,819,139.90</u>	<u>2,819,139.90</u>	<u>2,819,139.90</u>	
FUND BALANCE - ENDING	<u>\$ 2,757,802.90</u>	<u>\$ 2,839,031.56</u>	<u>\$ 3,544,997.74</u>	<u>\$ 705,966.18</u>

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
SPECIAL REVENUE FUND - ADDITIONAL SALES TAX FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Taxes:				
General Sales and Use Taxes	\$ 315,000.00	\$ 315,000.00	\$ 331,080.38	\$ 16,080.38
Miscellaneous Revenue:				
Investment Earnings	<u>20,000.00</u>	<u>20,000.00</u>	<u>10,048.64</u>	<u>(9,951.36)</u>
Total Revenue	<u>335,000.00</u>	<u>335,000.00</u>	<u>341,129.02</u>	<u>6,129.02</u>
<u>Expenditures:</u>				
Library Project	<u>500,000.00</u>	<u>500,000.00</u>	<u>4,432.99</u>	<u>495,567.01</u>
Total Expenditures	<u>500,000.00</u>	<u>500,000.00</u>	<u>4,432.99</u>	<u>495,567.01</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(165,000.00)</u>	<u>(165,000.00)</u>	<u>336,696.03</u>	<u>501,696.03</u>
Net Change in Fund Balances	(165,000.00)	(165,000.00)	336,696.03	501,696.03
Fund Balance - Beginning	<u>675,538.20</u>	<u>675,538.20</u>	<u>675,538.20</u>	<u> </u>
FUND BALANCE - ENDING	<u>\$ 510,538.20</u>	<u>\$ 510,538.20</u>	<u>\$1,012,234.23</u>	<u>\$ 501,696.03</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 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.

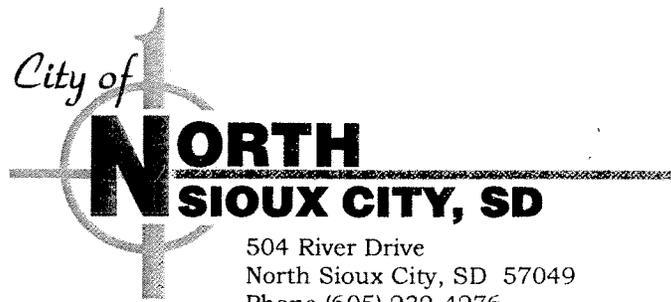
**CITY OF NORTH SIOUX CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011**

SPECIAL REVENUE FUNDS

	Liquor/Lodging Dining Sales Tax Fund	911 Emergency Fund	Grant Revolving Fund	Total Nonmajor Governmental Funds
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 9,963.81	\$	\$ 102,648.42	\$ 112,612.23
Investments	455,928.16			455,928.16
Accounts Receivable		8,560.69		8,560.69
Notes Receivable			4,243.42	4,243.42
Due From Other Funds	1,401.20			1,401.20
Due From Government	11,308.57			11,308.57
Interest Receivable	2,080.36			2,080.36
TOTAL ASSETS	<u>\$ 480,682.10</u>	<u>\$ 8,560.69</u>	<u>\$106,891.84</u>	<u>\$ 596,134.63</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Accounts Payable	\$ 3,550.36	\$ 1,686.18	\$	\$ 5,236.54
Due to Other Funds		1,401.20		1,401.20
Total Liabilities	<u>3,550.36</u>	<u>3,087.38</u>		<u>6,637.74</u>
Fund Balances:				
NonSpendable:				
Notes Receivable			4,243.42	4,243.42
Restricted:				
Economic Development and Promotion	477,131.74			477,131.74
Grant Revolving Loan			102,648.42	102,648.42
Public Safety		5,473.31		5,473.31
Total Fund Balances	<u>477,131.74</u>	<u>5,473.31</u>	<u>106,891.84</u>	<u>589,496.89</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 480,682.10</u>	<u>\$ 8,560.69</u>	<u>\$ 106,891.84</u>	<u>\$ 596,134.63</u>

CITY OF NORTH SIOUX CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT SERVICE</u>	Total Nonmajor Governmental Funds
	Liquor/ Dining Sales Tax Fund	911 Emergency Fund	Grant Revolving Fund	Debt Service Fund	
<u>Revenues:</u>					
Taxes:					
General Sales and Use Taxes	\$ 112,847.31	\$	\$	\$	\$ 112,847.31
911 Telephone Surcharge		25,193.45			25,193.45
Miscellaneous Revenue:					
Miscellaneous Revenue	1,550.00			2,674.33	1,550.00
Investment Earnings	6,319.76		208.50	2,387.06	9,202.59
Special Assessments				2,387.06	2,387.06
Total Revenue	<u>120,717.07</u>	<u>25,193.45</u>	<u>208.50</u>	<u>5,061.39</u>	<u>151,180.41</u>
<u>Expenditures:</u>					
Public Safety:					
Police		54,794.80			54,794.80
Conservation and Development:					
Economic Development and Assistance	86,865.03				86,865.03
Economic Opportunity	98,117.89				98,117.89
Debt Service				76,841.45	76,841.45
Total Expenditures	<u>184,982.92</u>	<u>54,794.80</u>		<u>76,841.45</u>	<u>316,619.17</u>
Excess of Revenue Over (Under)					
Expenditures	<u>(64,265.85)</u>	<u>(29,601.35)</u>	<u>208.50</u>	<u>(71,780.06)</u>	<u>(165,438.76)</u>
<u>Other Financing Sources (Uses):</u>					
Transfers In/(Out)		115,337.29		(173,494.22)	(58,156.93)
Total Other Financing Sources (Uses)		<u>115,337.29</u>		<u>(173,494.22)</u>	<u>(58,156.93)</u>
Net Change in Fund Balances	(64,265.85)	85,735.94	208.50	(245,274.28)	(223,595.69)
Fund Balance - Beginning	<u>541,397.59</u>	<u>(80,262.63)</u>	<u>106,683.34</u>	<u>245,274.28</u>	<u>813,092.58</u>
Fund Balance - Ending	<u>\$ 477,131.74</u>	<u>\$ 5,473.31</u>	<u>\$ 106,891.84</u>	<u>\$</u>	<u>\$ 589,496.89</u>



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CORRECTIVE PLAN OF ACTION

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

The City of North Sioux City will continue to monitor the necessity to have segregation of duties for revenues and implement such segregation as budget dollars and board authority allows.

Don L. Meyer
Board President

8-31-2012
Date

Donna L. Hensch
Finance Officer

8/31/12
Date