

CITY OF NORTH SIOUX CITY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2013

CITY OF NORTH SIOUX CITY
MUNICIPAL OFFICIALS
DECEMBER 31, 2013

Mayor:

Don Fuxa

Governing Board:

Sheri Leitru

Charles Meyer

Joan Christiansen

Bobby Rogers

Dan Parks

Jessica Headid

Harold Beavers

Clarence Verdoorn

Finance Officer:

Donna Houck

Municipal Attorney:

Darrell Jesse

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Sioux City, South Dakota, as of December 31, 2013 and for the year then ended, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component unit. These financial statements collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, however we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component unit.

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

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

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of the Housing and Redevelopment Commission (HRC) have not been audited, and we were not engaged to audit the HRC financial statements as part of the City's basic financial statements. HRC's financial activities are included in the City's basic financial statements as a discretely presented component unit and represent the assets, net position, and revenues of the City's discretely presented component unit.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit of the City of North Sioux City. Accordingly, we do not express an opinion on those financial statements.

Unmodified Opinions

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, South Dakota as of December 31, 2013 and the respective changes in financial position, and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Nonmajor Fund Financial Statements as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Nonmajor Fund Financial Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Nonmajor Fund Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2014, 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* in considering the City of North Sioux City's internal control over financial reporting and compliance.

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Certified Public Accountants
Elk Point, SD

July 10, 2014



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 December 31, 2013. 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 (River Valley TIF) in 2009. The infrastructure for this project was substantially completed in 2011. New single family housing was constructed in 2012. The capital project fund for the TIF was substantially closed out during 2012. In 2013 and years going forward, property taxes collected are being passed onto the developer in accordance with the TIF agreement and recorded in a Debt Service Fund.
- For 2013, construction was approved and began on a building which will house the North Sioux City Library upon completion. The budget for this building was set at approximately \$1.3 million. The City's portion of this project is \$430,000. The remaining funds were solicited and collected by the Friends of the Library Board. The donated funds will be turned over to the City to pay construction costs.

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 types of statements that present different views of the City:

- 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 municipal government (except fiduciary funds and the fiduciary component units)	The activities of the municipality that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the Municipality operates similar to private businesses, the water and sewer systems
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures, and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses, and Changes in Net Position *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 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 Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – 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 position 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 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 fund 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 Position

The City's combined net position increased by 4% between fiscal year 2012 and 2013 – increasing by \$1,404,661 (See Table A-2).

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

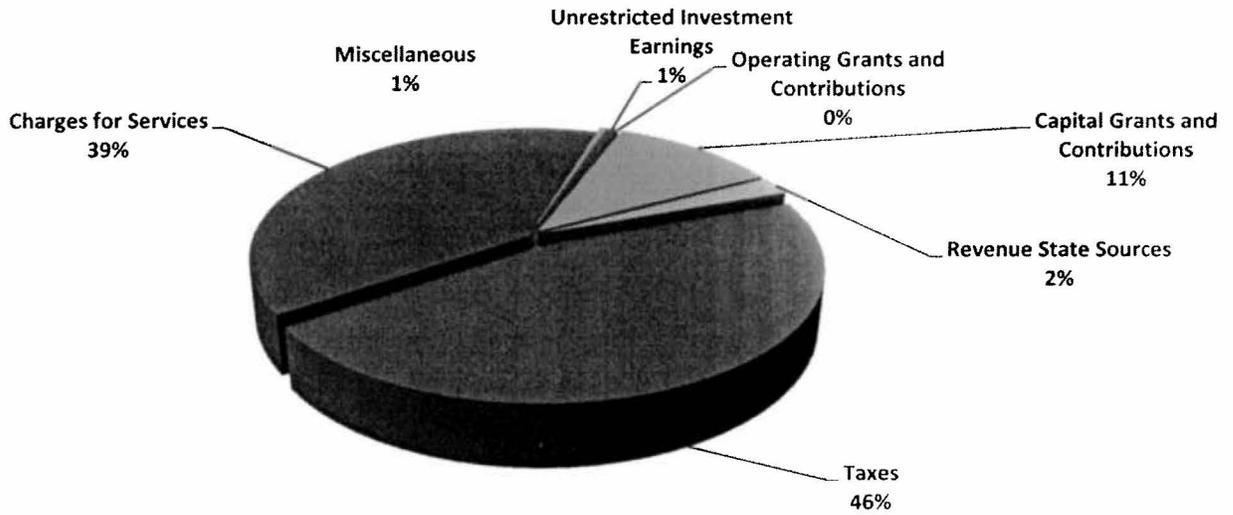
	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and Other Assets	\$ 6,126,963	\$ 6,897,733	\$ 4,435,421	\$ 5,119,974	\$ 10,562,384	\$ 12,017,707
Capital Assets	16,413,842	16,608,981	11,344,422	11,124,220	27,758,264	27,733,201
Total Assets	\$ 22,540,805	\$ 23,506,714	\$ 15,779,843	\$ 16,244,194	\$ 38,320,648	\$ 39,750,908
Other Liabilities	902,077	1,004,595	107,791	104,624	1,009,868	1,109,219
Long-Term Debt Outstanding			92,059	18,309	92,059	18,309
Total Liabilities	\$ 902,077	\$ 1,004,595	\$ 199,850	\$ 122,933	\$ 1,101,927	\$ 1,127,528
Net Position:						
Net Investment in Capital Assets	15,713,842	15,910,156	11,259,752	11,097,445	26,973,594	27,007,601
Restricted	628,414	531,065			628,414	531,065
Unrestricted	5,296,471	6,060,898	4,320,241	5,023,817	9,616,712	11,084,715
Total Net Position	21,638,727	22,502,119	15,579,993	16,121,262	37,218,720	38,623,381
Beginning Net Position	\$ 21,256,688	\$ 21,638,727	\$ 14,847,570	\$ 15,579,993	\$ 36,104,258	\$ 37,218,720
Increase (Decrease) in Net Position	\$ 382,039	\$ 863,392	\$ 732,423	\$ 541,269	\$ 1,114,462	\$ 1,404,661
Percentage of Increase (Decrease) in Net Position from Prior Year	2%	4%	5%	3%	3%	4%

The Statement of Net Position 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 Position. The difference between the City's assets and liabilities is its net position.

Changes in Net Position

The City's revenues totaled \$5,162,356 (See Table A-5). Approximately 40% of the City's revenue comes from charges for services and 47% comes from some type of tax (See Figure A-3). Another 2% comes from intergovernmental revenues and 1% from interest earnings. The City's expenses cover a range of services, with over half related to public works services (street maintenance, water, sewer, and garbage services).

**FIGURE A-3
SOURCES OF REVENUE FOR FISCAL YEAR 2013**



**FIGURE A-4
FUNCTIONAL EXPENSES FOR FISCAL YEAR 2013**

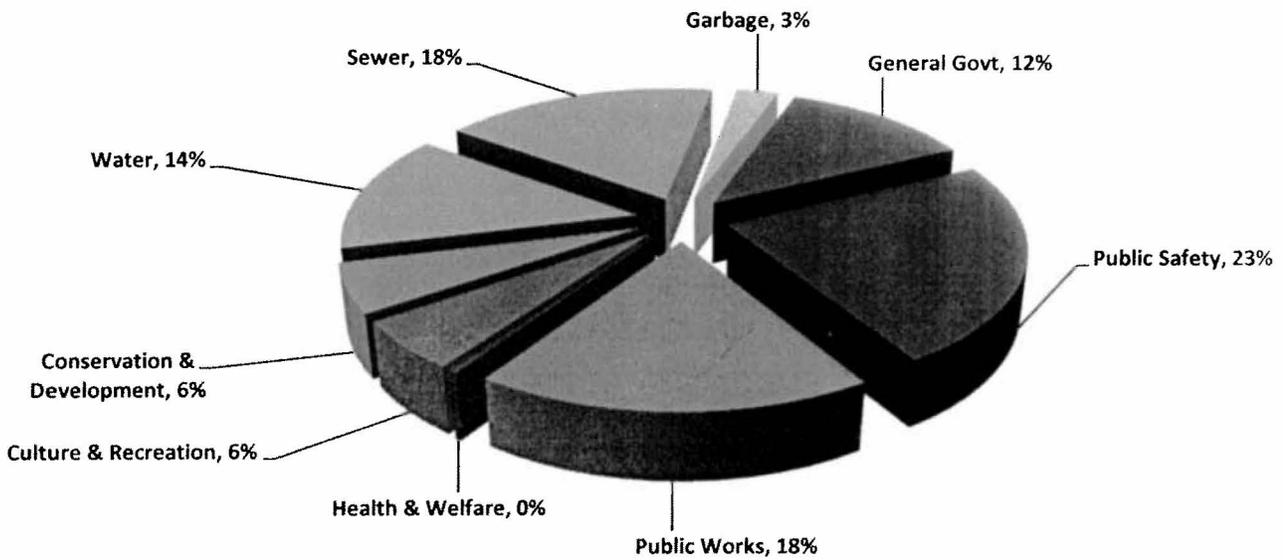


Table A-5
CITY OF NORTH SIOUX CITY
Statement of Activities

	Total Governmental Activities		Total Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues						
Program Revenues						
Charges for Services	\$ 220,656	\$ 205,138	\$ 1,821,879	\$ 1,813,944	\$ 2,042,535	\$ 2,019,082
Operating Grants	44,621	1,482			44,621	1,482
Capital Grants and Contributions	270,550	588,360			270,550	588,360
General Revenues						
Taxes	2,408,436	2,377,368			2,408,436	2,377,368
Revenue State Sources	109,769	114,412			109,769	114,412
Unrestricted Investment Earnings	41,456	21,132	30,000	17,271	71,456	38,403
Other	(139,509)	23,249			(139,509)	23,249
Total Revenues	2,955,979	3,331,141	1,851,879	1,831,215	4,807,858	5,162,356
Expenses						
General Government	439,001	461,535			439,001	461,535
Public Safety	861,031	878,525			861,031	878,525
Public Works	839,695	687,522			839,695	687,522
Culture and Recreation	233,361	211,101			233,361	211,101
Conservation and Development	179,112	215,451			179,112	215,451
Health and Welfare	21,740	13,615			21,740	13,615
Water Services			521,667	517,371	521,667	517,371
Sewer Services			501,357	670,895	501,357	670,895
Garbage Services			96,432	101,680	96,432	101,680
Total Expenses	2,573,940	2,467,749	1,119,456	1,289,946	3,693,396	3,757,695
Excess (Deficiency) Before Special Items and Transfers	382,039	863,392	732,423	541,269	1,114,462	1,404,661
Increase (Decrease) in Net Position	\$ 382,039	\$ 863,392	\$ 732,423	\$ 541,269	\$ 1,114,462	\$ 1,404,661

Governmental Activities

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

Total governmental activities revenues for the City increased approximately 13%. This increase can be contributed to more contributions received to fund the building of the new library. Total governmental activities expenses decreased 4% because of decreases in the cost of services and expenses related to the Public Works.

Business-Type Activities

Revenues of the City's business-type activities decreased slightly, by 1%, to \$1,831,215 and expenses increased 15% to \$1,289,947. Factors contributing to these results included:

- The decrease in revenues is due mostly to decreases in interest on investments and fewer late fees charged due to increased collection efforts.
- The increase in expenses was a result of increased costs, especially sewer charges.

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's four governmental fund types – General Fund, Special Revenue Fund, Debt Service Fund, and Capital Project Fund and only three business-type funds – Water, Sewer, and Garbage Funds.

General Budgetary Highlights

Budgets are 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 2013. By the end of 2013, the City had invested \$27,733,203 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 \$25,061, or 0.1% over the prior year.

Table A-6
CITY OF NORTH SIOUX CITY
Capital Assets

	Governmental Activities		Business-Type Activities		Dollar	Percentage
	2012	2013	2012	2013	Change	Change
					2012-2013	2012-2013
Land	\$ 828,325	\$ 823,927	\$ 98,284	\$ 98,284	\$ (4,398)	-0.5%
Land Held for Sale	722,089	818,127			96,038	13.3%
Construction in Progress	271,008	880,313	45,932		563,373	177.8%
Buildings	4,593,056	4,448,447	1,851,632	1,820,857	(175,384)	-2.7%
Improvements Other Than Buildings	9,515,100	9,187,227	8,353,513	8,274,224	(407,162)	-2.3%
Machinery and Equipment	484,264	450,940	995,060	930,855	(97,529)	-6.6%
Total Capital Assets (Net)	\$ 16,413,842	\$ 16,608,981	\$ 11,344,421	\$ 11,124,220	\$ (25,062)	-0.1%

LONG-TERM DEBT

At year-end, the City had borrowings in TIF Loan, Sewer Revenue Bonds, and other long-term obligations. This is a decrease of 6.8% as shown on Table A-7 below. The City does not expect to increase its debt obligation.

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

The TIF loan is secured by increased property taxes to be collected (100% of the increase to the City of North Sioux City) on the parcels found within the TIF district until paid in full.

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

	Governmental Activities		Business-Type Activities		Dollar	Percentage
	2012	2013	2012	2013	Change	Change
					2012-2013	2012-2013
Accrued Leave Payable	\$ 41,145	\$ 42,806	\$ 7,390	\$ 8,379	\$ 2,650	5.5%
State Revolving Loan			49,855		(49,855)	-100.0%
TIF Loan - River Valley	700,000	698,825			(1,175)	-0.2%
DENR Loan			34,815	26,776	(8,039)	-23.1%
Total Outstanding Debt and Obligations	\$ 741,145	\$ 741,631	\$ 92,060	\$ 35,155	\$ (56,419)	-6.8%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Under the state mandated property tax freeze, property taxes 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 3%.

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The City has experienced a slight decrease in General Sales and Use Taxes of approximately 2% over the prior year.

The General Fund budget for the fiscal year was increased to \$2,268,760, a 2% increase from the prior year due to increases in salaries and wages. The General Fund budget for the next fiscal year will be increased less than 1% due to savings in personnel-related costs.

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

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**CITY OF NORTH SIOUX CITY
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	<u>Primary Government</u>			Unaudited Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 3,574,847.82	\$ 1,884,889.62	\$ 5,459,737.44	\$ 29,025.33
Investments	2,786,689.56	2,986,807.12	5,773,496.68	
Taxes Receivable	12,159.10		12,159.10	
Accounts Receivable, Net	22,017.76	130,869.08	152,886.84	
Special Assessments Receivable - Current	2,273.44		2,273.44	
Special Assessments Receivable - Interest	113.68		113.68	
Notes Receivable	70,330.30		70,330.30	
Due From Government	265,623.61		265,623.61	
Internal Balances	(4.00)	4.00		
Due From Component Unit	72,000.00		72,000.00	
Interest Receivable	3,177.02	3,429.14	6,606.16	
Inventory	29,010.23	106,641.22	135,651.45	
Restricted Deposits	26,627.71		26,627.71	
Prepaid Expenses	32,866.60	7,333.64	40,200.24	
Capital Assets:				
Land and Construction Work in Progress	2,522,367.15	98,283.84	2,620,650.99	70,000.00
Other Capital Assets, Net of Depreciation	14,086,614.26	11,025,936.23	25,112,550.49	545,608.93
TOTAL ASSETS	<u>23,506,714.24</u>	<u>16,244,193.89</u>	<u>39,750,908.13</u>	<u>644,634.26</u>
<u>LIABILITIES:</u>				
Accounts Payable	149,443.35	40,198.99	189,642.34	
Contracts Payable - Retainage	22,628.80		22,628.80	
Accrued Wages Payable	10,634.09	2,397.66	13,031.75	
Accrued Other Payables		1,232.69	1,232.69	
Accrued Taxes Payable	1,822.63		1,822.63	
Customer Deposits Payable		39,650.67	39,650.67	
Unearned Revenue	78,435.82	4,297.86	82,733.68	10,180.00
Noncurrent Liabilities:				
Due Within One Year	741,630.56	16,846.25	758,476.81	41,064.42
Due in More than One Year		18,308.53	18,308.53	577,929.75
TOTAL LIABILITIES	<u>1,004,595.25</u>	<u>122,932.65</u>	<u>1,127,527.90</u>	<u>629,174.17</u>
<u>NET POSITION:</u>				
Net Investment in Capital Assets	15,910,156.37	11,097,444.55	27,007,600.92	
Restricted for:				
Cumulative Reserve - SDPAA	26,627.71		26,627.71	
Economic Development and Promotion	504,416.67		504,416.67	
Debt Services	20.74		20.74	
Unrestricted	6,060,897.50	5,023,816.69	11,084,714.19	15,460.09
TOTAL NET POSITION	<u>\$ 22,502,118.99</u>	<u>\$ 16,121,261.24</u>	<u>\$ 38,623,380.23</u>	<u>\$ 15,460.09</u>

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, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Unaudited Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 461,533.81	\$ 69.00	\$	\$	\$ (461,464.81)	\$	\$ (461,464.81)	\$
Public Safety	878,525.11	5,454.12	1,481.42		(871,589.57)		(871,589.57)	
Public Works	687,522.31	88,430.80			(599,091.51)		(599,091.51)	
Health and Welfare	13,615.00				(13,615.00)		(13,615.00)	
Culture and Recreation	211,100.92	429.35		540,262.58	329,591.01		329,591.01	
Conservation & Development	215,450.70				(215,450.70)		(215,450.70)	
Miscellaneous		110,754.15		48,097.00	158,851.15		158,851.15	
Total Governmental Activities	2,467,747.85	205,137.42	1,481.42	588,359.58	(1,672,769.43)		(1,672,769.43)	
Business-Type Activities:								
Water	517,372.42	753,142.16				235,769.74	235,769.74	
Sewer	670,894.52	955,158.63				284,264.11	284,264.11	
Garbage	101,679.60	105,642.99				3,963.39	3,963.39	
Total Business-Type Activities	1,289,946.54	1,813,943.78				523,997.24	523,997.24	
Total Primary Government	\$ 3,757,694.39	\$ 2,019,081.20	\$ 1,481.42	\$ 588,359.58	(1,672,769.43)	523,997.24	(1,148,772.19)	
Component Unit:								
Housing and Redevelopment	\$ 108,227.93	\$ 125,039.73						16,811.80
General Revenues:								
Taxes:								
Property Taxes					405,682.90		405,682.90	
Sales and Use Taxes					1,971,685.52		1,971,685.52	
State Shared Revenues					114,411.89		114,411.89	
Unrestricted Investment Earnings					21,131.96	17,270.74	38,402.70	29.44
Miscellaneous Revenue					86,274.68		86,274.68	
Gain/(Loss) on Disposal of Capital Assets					(63,025.80)		(63,025.80)	10,000.00
Total General Revenues					2,536,161.15	17,270.74	2,553,431.89	10,029.44
Change in Net Position					863,391.72	541,267.98	1,404,659.70	26,841.24
Net Position - Beginning					21,638,727.27	15,579,993.26	37,218,720.53	(11,381.15)
Net Position - Ending					\$ 22,502,118.99	\$ 16,121,261.24	\$ 38,623,380.23	\$ 15,460.09

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

**CITY OF NORTH SIOUX CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	Major Funds			Nonmajor		Total Governmental Funds
	General Fund	Additional Sales Tax Fund	Liquor/Lodging Dining Sales Tax Fund	911 Emergency Fund	Other Governmental Fund	
ASSETS:						
Cash and Cash Equivalents	\$ 2,437,437.54	\$ 1,085,889.96	\$ 1,000.00	\$	\$ 50,520.32	\$ 3,574,847.82
Investments	1,638,696.56	684,734.06	463,258.94			2,786,689.56
Taxes Receivable - Delinquent	12,159.10					12,159.10
Accounts Receivable, Net	19,930.25			2,087.51		22,017.76
Special Assessments Receivable - Current	2,273.44					2,273.44
Special Assessments Receivable - Interest	113.68					113.68
Notes Receivable					70,330.30	70,330.30
Due from Other Funds	160,656.73					160,656.73
Due From Government	207,064.09	47,976.66	10,582.86			265,623.61
Due From Component Unit	72,000.00					72,000.00
Interest Receivable	1,191.60	984.19	1,001.23			3,177.02
Inventory	29,010.23					29,010.23
Restricted Deposits	26,627.71					26,627.71
Prepaid Expenses	32,866.60					32,866.60
TOTAL ASSETS	<u>\$ 4,640,027.53</u>	<u>\$ 1,819,584.87</u>	<u>\$ 475,843.03</u>	<u>\$ 2,087.51</u>	<u>\$ 120,850.62</u>	<u>\$ 7,058,393.56</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 26,827.19	\$ 115,975.02	\$ 5,365.22	\$ 1,275.92	\$	\$ 149,443.35
Contracts Payable - Retained Percentage		22,628.80				22,628.80
Accrued Wages Payable	10,634.09					10,634.09
Payroll Deductions and Withholdings and Employer Matching Payable	1,822.63					1,822.63
Due to Other Funds			76,024.55	73,769.71	10,866.47	160,660.73
Unearned Revenue	78,435.82					78,435.82
Total Liabilities	<u>117,719.73</u>	<u>138,603.82</u>	<u>81,389.77</u>	<u>75,045.63</u>	<u>10,866.47</u>	<u>423,625.42</u>

Deferred Inflows of Resources:

Unavailable Revenue - Property Taxes	12,159.10					12,159.10
Unavailable Revenue - Special Assessments	<u>2,387.12</u>					<u>2,387.12</u>
Total Deferred Inflows of Resources	<u>14,546.22</u>					<u>14,546.22</u>

Fund Balances:

NonSpendable:						
Inventory	29,010.23					29,010.23
Prepays	32,866.60					32,866.60
Notes Receivable	72,000.00					72,000.00
Cumulative Reserve - SDPAA	26,627.71					26,627.71
Restricted:						
Economic Development and Promotion			394,453.26		70,330.30	464,783.56
Grant Revolving Loan					39,633.11	39,633.11
Debt Service					20.74	20.74
Committed:						
Capital Improvement Additions		1,680,981.05				1,680,981.05
Assigned:						
Subsequent Year's Budget	403,146.65					403,146.65
Unassigned	<u>3,944,110.39</u>				<u>(72,958.12)</u>	<u>3,871,152.27</u>
Total Fund Balances	<u>4,507,761.58</u>	<u>1,680,981.05</u>	<u>394,453.26</u>	<u>(72,958.12)</u>	<u>109,984.15</u>	<u>6,620,221.92</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

<u>\$ 4,640,027.53</u>	<u>\$1,819,584.87</u>	<u>\$ 475,843.03</u>	<u>\$ 2,087.51</u>	<u>\$ 120,850.62</u>	<u>\$ 7,058,393.56</u>
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The attached notes are an integral part of these financial statements.

**CITY OF NORTH SIOUX CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013**

Total Fund Balances - Governmental Funds \$ 6,620,221.92

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Cost of Assets:	\$ 22,290,728.44	
(Less) Accumulated Depreciation	<u>(5,681,747.03)</u>	16,608,981.41

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	\$ 698,825.04	
Accrued Leave Payable	<u>42,805.52</u>	(741,630.56)

Assets such as taxes receivable (delinquent), special assessments receivable (current, delinquent and deferred) and certain notes 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.

14,546.22

Net Position - Governmental Funds \$ 22,502,118.99

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

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CITY OF NORTH SIOUX CITY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Major Funds			Nonmajor		Total Governmental Funds
	General Fund	Additional Sales Tax Fund	Liquor/ Lodging Dining Sales Tax Fund	911 Emergency Fund	Other Governmental Funds	
Revenues:						
Taxes:						
General Property Taxes	\$ 403,581.04				\$ 1,195.70	\$ 404,776.74
General Sales and Use Taxes	1,477,598.99	369,399.71	124,686.82			1,971,685.52
911 Telephone Surcharge				10,939.85		10,939.85
Penalties and Interest on Delinquent Taxes	1,605.53					1,605.53
Licenses and Permits	86,845.12					86,845.12
Intergovernmental Revenue:						
State Grants	1,481.42					1,481.42
State Shared Revenue:						
Bank Franchise Tax	3,447.55					3,447.55
Liquor Tax Reversion	12,082.84					12,082.84
Motor Vehicle Licenses (5%)	29,254.38					29,254.38
Local Government Highway and Bridge Fund	69,627.12					69,627.12
County Shared Revenue:						
County Highway and Bridge Tax	797.31					797.31
County Wheel Tax	9,298.73					9,298.73
Charge for Services:						
General Government Sanitation	69.00					69.00
	1,472.00					1,472.00
Fines and Forfeits:						
Court Fines and Costs	4,054.12					4,054.12
Library	429.35					429.35
Other	1,400.00					1,400.00
Miscellaneous Revenue:						
Investment Earnings	11,175.74	6,051.06	1,648.43		2,256.73	21,131.96
Rentals	110,754.15					110,754.15
Special Assessments	2,387.06					2,387.06
Contributions and Donations	78.00	540,262.58			76,227.90	616,568.48
Other	55,238.79					55,238.79
Total Revenue	<u>2,282,678.24</u>	<u>915,713.35</u>	<u>126,335.25</u>	<u>10,939.85</u>	<u>79,680.33</u>	<u>3,415,347.02</u>

Expenditures:

General Government:				
Legislative	71,538.22			71,538.22
Elections	2,160.21			2,160.21
Financial Administration	239,629.50			239,629.50
Other	76,667.34			76,667.34
Total General Government	<u>389,995.27</u>			<u>389,995.27</u>
Public Safety:				
Police	692,895.64		46,276.32	739,171.96
Community Center	35,728.53			35,728.53
Civil Defense	598.55			598.55
Total Public Safety	<u>729,222.72</u>		<u>46,276.32</u>	<u>775,499.04</u>
Public Works:				
Highways, Streets and Dike	406,250.85			406,250.85
Cemeteries	5,462.75			5,462.75
Total Public Works	<u>411,713.60</u>			<u>411,713.60</u>
Health and Welfare:				
Health	561.86			561.86
Senior Center	12,665.81			12,665.81
Total Health and Welfare	<u>13,227.67</u>			<u>13,227.67</u>
Culture and Recreation:				
Recreation	16,054.33			16,054.33
Parks	41,084.96			41,084.96
Libraries	99,122.16	2,092.75		101,214.91
Total Culture and Recreation	<u>156,261.45</u>	<u>2,092.75</u>		<u>158,354.20</u>
Conservation and Development:				
Economic Development and Assistance			65,833.25	65,833.25
Economic Opportunity	37,529.10		112,088.35	149,617.45
Total Conservation and Development	<u>37,529.10</u>		<u>177,921.60</u>	<u>215,450.70</u>

CITY OF NORTH SIOUX CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Major Funds			Nonmajor		Total Governmental Funds
	General Fund	Additional Sales Tax Fund	Liquor/ Lodging Dining Sales Tax Fund	911 Emergency Fund	Other Governmental Funds	
Debt Service					1,174.96	1,174.96
Capital Outlay	54,669.30	609,304.24	48,019.00			711,992.54
Total Expenditures	<u>1,792,619.11</u>	<u>611,396.99</u>	<u>225,940.60</u>	<u>46,276.32</u>	<u>1,174.96</u>	<u>2,677,407.98</u>
Excess of Revenue Over (Under) Expenditures	<u>490,059.13</u>	<u>304,316.36</u>	<u>(99,605.35)</u>	<u>(35,336.47)</u>	<u>78,505.37</u>	<u>737,939.04</u>
Other Financing Sources (Uses):						
Transfer In	22,899.22					22,899.22
Sale of Municipal Property	10,000.00					10,000.00
Transfer Out					(22,899.22)	(22,899.22)
Total Other Financing Sources (Uses)	<u>32,899.22</u>				<u>(22,899.22)</u>	<u>10,000.00</u>
Net Change in Fund Balances	522,958.35	304,316.36	(99,605.35)	(35,336.47)	55,606.15	747,939.04
Fund Balance - Beginning	<u>3,984,803.23</u>	<u>1,376,664.69</u>	<u>494,058.61</u>	<u>(37,621.65)</u>	<u>54,378.00</u>	<u>5,872,282.88</u>
FUND BALANCE - ENDING	<u>\$ 4,507,761.58</u>	<u>\$ 1,680,981.05</u>	<u>\$ 394,453.26</u>	<u>\$ (72,958.12)</u>	<u>\$ 109,984.15</u>	<u>\$ 6,620,221.92</u>

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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, 2013**

Net Change in Fund Balances - Total Governmental Funds \$747,939.04

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

Governmental funds report capital outlays as expenditures, however, in
the Statement of Activities the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense. This
is the amount by which capital outlay exceeded depreciation in the
current period. 210,146.01

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. 48,019.00

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. (63,025.80)

Some expenses reported in the Statement of Activities do not require
the use of current financial resources and therefore are not reported as
expenditures in governmental funds. (e.g., accrued interest and leave
expenses) (1,660.84)

Repayment of debt is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the Statement of Net Position. 1,174.96

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. (79,200.65)

Change in Net Position of Governmental Activities \$863,391.72

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

**CITY OF NORTH SIOUX CITY
BALANCE SHEET
PROPRIETARY FUNDS
DECEMBER 31, 2013**

	Enterprise Funds			Totals
	Major Funds		Nonmajor Fund	
	Water Fund	Sewer Fund	Garbage Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 1,084,653.52	\$ 779,054.22	\$ 21,181.88	\$ 1,884,889.62
Investments	1,450,243.98	1,518,259.51	18,303.63	2,986,807.12
Accounts Receivable, Net	51,803.61	69,507.33	9,558.14	130,869.08
Due from Other Funds	4.00			4.00
Interest Receivable	1,847.22	1,553.50	28.42	3,429.14
Inventory of Supplies	10,705.22	95,936.00		106,641.22
Prepaid Expenses	3,759.40	3,574.24		7,333.64
Total Current Assets	<u>2,603,016.95</u>	<u>2,467,884.80</u>	<u>49,072.07</u>	<u>5,119,973.82</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	7,089,851.36	6,253,499.04		13,343,350.40
Machinery and Equipment	1,522,285.29	351,753.33		1,874,038.62
Less: Accumulated Depreciation	<u>(3,665,846.11)</u>	<u>(2,742,257.90)</u>		<u>(6,408,104.01)</u>
Total Noncurrent Assets	<u>7,223,722.32</u>	<u>3,900,497.75</u>		<u>11,124,220.07</u>
TOTAL ASSETS	<u>\$ 9,826,739.27</u>	<u>\$ 6,368,382.55</u>	<u>\$ 49,072.07</u>	<u>\$ 16,244,193.89</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 8,826.73	\$ 23,171.23	\$ 8,201.03	\$ 40,198.99
Accrued Wages Payable	1,304.07	1,093.59		2,397.66
Accrued Other Payables	74.04	74.04	1,084.61	1,232.69
Customer Deposits	39,650.67			39,650.67
Accrued Leave Payable - Current	4,189.63	4,189.63		8,379.26
Unearned Revenue	4,297.86			4,297.86
Other Long-Term Debt - Current	<u>7,069.94</u>	<u>1,397.05</u>		<u>8,466.99</u>
Total Current Liabilities	<u>65,412.94</u>	<u>29,925.54</u>	<u>9,285.64</u>	<u>104,624.12</u>
Noncurrent Liabilities:				
Other Long-Term Debt	<u>15,287.62</u>	<u>3,020.91</u>		<u>18,308.53</u>
Total Noncurrent Liabilities	<u>15,287.62</u>	<u>3,020.91</u>		<u>18,308.53</u>
NET POSITION:				
Net Investment in Capital Assets	7,201,364.76	3,896,079.79		11,097,444.55
Unrestricted Net Position	<u>2,544,673.95</u>	<u>2,439,356.31</u>	<u>39,786.43</u>	<u>5,023,816.69</u>
Total Net Position	<u>9,746,038.71</u>	<u>6,335,436.10</u>	<u>39,786.43</u>	<u>16,121,261.24</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,826,739.27</u>	<u>\$ 6,368,382.55</u>	<u>\$ 49,072.07</u>	<u>\$ 16,244,193.89</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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Enterprise Funds			Totals
	Major Funds		Nonmajor Fund	
	Water Fund	Sewer Fund	Garbage Fund	
Operating Revenue:				
Charges for Goods and Services (Revenues Securing Debt Issues)	\$ 741,524.24	\$ 947,495.54	\$	\$ 1,689,019.78
Charges for Goods and Services			103,436.44	103,436.44
Miscellaneous	11,617.92	7,663.09	2,206.55	21,487.56
Total Operating Revenue	<u>753,142.16</u>	<u>955,158.63</u>	<u>105,642.99</u>	<u>1,813,943.78</u>
Operating Expenses:				
Personal Services	99,883.00	102,033.71		201,916.71
Other Current Expense	153,261.17	367,774.47	101,679.60	622,715.24
Depreciation	263,028.81	199,696.63		462,725.44
Total Operating Expenses	<u>516,172.98</u>	<u>669,504.81</u>	<u>101,679.60</u>	<u>1,287,357.39</u>
Operating Income (Loss)	236,969.18	285,653.82	3,963.39	526,586.39
Nonoperating Revenue (Expense):				
Interest Income	8,316.23	8,926.09	28.42	17,270.74
Interest Expense and Fiscal Charges	<u>(1,199.44)</u>	<u>(1,389.71)</u>		<u>(2,589.15)</u>
Total Nonoperating Revenue (Expense)	<u>7,116.79</u>	<u>7,536.38</u>	<u>28.42</u>	<u>14,681.59</u>
Change in Net Position	244,085.97	293,190.20	3,991.81	541,267.98
Net Position - Beginning	<u>9,501,952.74</u>	<u>6,042,245.90</u>	<u>35,794.62</u>	<u>15,579,993.26</u>
NET POSITION - ENDING	<u>\$ 9,746,038.71</u>	<u>\$ 6,335,436.10</u>	<u>\$ 39,786.43</u>	<u>\$ 16,121,261.24</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, 2013**

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Major Funds</u>		<u>Nonmajor 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	\$ 739,683.27	\$ 952,643.58	\$ 105,748.54	\$ 1,798,075.39
Cash Receipts from Interfund Services Provided	12,199.80	7,047.49		19,247.29
Cash Payments to Employees for Services	(98,626.73)	(100,987.78)		(199,614.51)
Cash Payments to Suppliers for Goods and Services	(149,305.40)	(427,497.73)	(101,965.56)	(678,768.69)
Net Cash Provided (Used) by Operating Activities	<u>503,950.94</u>	<u>431,205.56</u>	<u>3,782.98</u>	<u>938,939.48</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Cash Loaned to Other Funds	(4.00)			(4.00)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(4.00)</u>			<u>(4.00)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Purchase of Capital Assets	(69,986.28)	(176,537.66)		(246,523.94)
Principal Paid on Capital Debt	(6,712.88)	(51,181.19)		(57,894.07)
Interest Paid on Capital Debt	(1,439.25)	(1,644.83)		(3,084.08)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(78,138.41)</u>	<u>(229,363.68)</u>		<u>(307,502.09)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Purchase of Investment Securities	(26,741.98)	(27,473.37)	(18,303.63)	(72,518.98)
Interest Earnings	9,158.36	9,816.00		18,974.36
Net Cash Provided (Used) by Investing Activities	<u>(17,583.62)</u>	<u>(17,657.37)</u>	<u>(18,303.63)</u>	<u>(53,544.62)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 408,224.91</u>	<u>\$ 184,184.51</u>	<u>\$ (14,520.65)</u>	<u>\$ 577,888.77</u>
Cash and Cash Equivalents at Beginning of Year	\$ 676,428.61	\$ 594,869.71	\$ 35,702.53	\$ 1,307,000.85
Cash and Cash Equivalents at End of Year	<u>1,084,653.52</u>	<u>779,054.22</u>	<u>21,181.88</u>	<u>1,884,889.62</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 408,224.91</u>	<u>\$ 184,184.51</u>	<u>\$ (14,520.65)</u>	<u>\$ 577,888.77</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 236,969.18	\$ 285,653.82	\$ 3,963.39	\$ 526,586.39
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	263,028.81	199,696.63		462,725.44
Change in Assets and Liabilities:				
Receivables	(1,272.61)	4,532.44	105.55	3,365.38
Inventories	1,717.31	(42,436.00)		(40,718.69)
Prepaid Expenses	1,101.68	332.21	75.16	1,509.05
Accounts and Other Payables	1,136.78	(17,619.47)	(361.12)	(16,843.81)
Accrued Wages Payable	761.58	551.24		1,312.82
Accrued Leave Payable	494.69	494.69		989.38
Unearned Revenue	342.85			342.85
Customer Deposits	(329.33)			(329.33)
Net Cash Provided (Used) by Operating Activities	<u>\$ 503,950.94</u>	<u>\$ 431,205.56</u>	<u>\$ 3,782.98</u>	<u>\$ 938,939.48</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 Position 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:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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
2. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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
3. 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.

Liquor, Lodging and Dining Fund – Used for the following purposes: the economic welfare of the municipality; land acquisition; architectural fees; construction costs; payments for civic center, auditorium or athletic facility building, including the maintenance, staffing and operation of such facilities; and the promotion and advertising for the municipality, its facilities, attractions and activities. This is a major fund.

911 Emergency Fund – A special revenue fund established from the collection of a telephone surcharge to be used by the Police Department for providing emergency services.

The remaining Special Revenue Fund, namely the Grant Revolving Loan Fund is not considered a major fund.

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. This is not a major fund.

Debt Service Funds – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

River Valley Tax Increment Financing District Fund – A debt service fund to be used to account for the accumulation of resources for and the payment of, general long-term debt principal financed by and payable to the contractor of the River Valley TIF project. This is not a major fund.

Proprietary Funds:

Enterprise Funds – enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principle revenue sources.

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)*
- b. *Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

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 not a 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 Position 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 Position 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, 2013, 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 inflows of resources 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. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of

acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

f. 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, 2013 balance of governmental activities capital assets includes approximately 1.04% for which the costs were determined by estimates of the original costs. The total December 31, 2013 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 investment in capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position/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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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.

g. 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.

h. 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.

i. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred inflows and deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Net Position, 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.

k. 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.

l. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints 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 Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Committed”, “Assigned” and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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.

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

The City does not have a formal minimum fund balance policy.

2. Violations of Finance Related Legal and Contractual Provisions

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	<u>Activity</u>	<u>Year Ended December 31, 2013</u>
<u>Additional Sales Tax Fund</u>		
Culture and Recreation	Library Project	\$ 181,396.99
<u>Liquor, Lodging, and Dining Sales Tax Fund</u>		
Conservation and Development	Economic Development and Assistance	12,852.25

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

3. Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

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, 2013, the City had the following investments:

External Investment Pools:

	<u>Credit Rating</u>	<u>Value</u>
SDFIT - GCR	Unrated	\$799,935.96

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.

4. 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 \$142,330.03 of receivables related to economic development loans and note receivable described in Note 11.

5. 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 nonspendable fund balance classification which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. 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.

7. Changes In General Capital Assets

A summary of changes in capital assets for the year ended December 31, 2013 is as follows:

	Balance 01/01/13	Increases	Decreases	Balance 12/31/13
Governmental Activities:				
Land	\$ 828,325.55	\$	\$ (4,398.00)	\$ 823,927.55
Land Held for Sale	722,089.00	96,038.00		818,127.00
Construction in Progress	271,008.36	609,304.24		880,312.60
Total Capital Assets, not being Depreciated	<u>1,821,422.91</u>	<u>705,342.24</u>	<u>(4,398.00)</u>	<u>2,522,367.15</u>
Capital Assets, being Depreciated:				
Buildings	5,244,400.14		(62,370.00)	5,182,030.14
Improvements, other than Buildings	12,619,754.04			12,619,754.04
Machinery and Equipment	1,932,905.81	54,669.30	(20,998.00)	1,966,577.11
Total Capital Assets, being Depreciated	<u>19,797,059.99</u>	<u>54,669.30</u>	<u>(83,368.00)</u>	<u>19,768,361.29</u>
Less Accumulated Depreciation for:				
Buildings	651,344.02	85,980.57	(3,742.20)	733,582.39
Improvements, other than Buildings	3,104,654.37	327,873.07		3,432,527.44
Machinery and Equipment	1,448,642.31	87,992.89	(20,998.00)	1,515,637.20
Total Accumulated Depreciation	<u>5,204,640.70</u>	<u>501,846.53</u>	<u>(24,740.20)</u>	<u>5,681,747.03</u>
Total Governmental Activities Capital Assets, being Depreciated, Net	<u>14,592,419.29</u>	<u>(447,177.23)</u>	<u>(58,627.80)</u>	<u>14,086,614.26</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 16,413,842.20</u>	<u>\$ 258,165.01</u>	<u>\$ (63,025.80)</u>	<u>\$ 16,608,981.41</u>

Depreciation expenses were charged to functions as follows:

General Government	\$ 71,538.54
Public Safety	103,026.07
Public Works	274,147.87
Health and Welfare	387.33
Culture and Recreation	52,746.72
Total Depreciation Expense, Governmental Activities	<u>\$ 501,846.53</u>

	<u>Balance</u> <u>1/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2013</u>
Business-Type Activities:				
Capital Assets, not being Depreciated				
Land	\$ 98,283.84	\$	\$	\$ 98,283.84
Construction in Progress	45,932.08	41,372.03	(87,304.11)	
Total Capital Assets, not being Depreciated	<u>144,215.92</u>	<u>41,372.03</u>	<u>(87,304.11)</u>	<u>98,283.84</u>
Capital Assets, being Depreciated:				
Buildings	2,216,651.22			2,216,651.22
Machinery and Equipment	1,874,038.62	288,456.02		2,162,494.64
Improvements Other than Building	13,054,894.38			13,054,894.38
Total	<u>17,145,584.22</u>	<u>288,456.02</u>		<u>17,434,040.24</u>
Less Accumulated Depreciation for:				
Buildings	365,018.65	30,775.67		395,794.32
Machinery and Equipment	878,978.82	64,205.11		943,183.93
Improvements Other than Building	4,701,381.10	367,744.66		5,069,125.76
Total Accumulated Depreciation	<u>5,945,378.57</u>	<u>462,725.44</u>		<u>6,408,104.01</u>
Total Business-Type Activities Capital Assets, being depreciated, net	<u>11,200,205.65</u>	<u>(174,269.42)</u>		<u>11,025,936.23</u>
Business-Type Activity, Capital Assets, net	<u>\$ 11,344,421.57</u>	<u>\$ (132,897.39)</u>	<u>\$ (87,304.11)</u>	<u>\$ 11,124,220.07</u>

Depreciation expense was charged to functions as follows:

Water	\$ 263,028.81
Sewer	199,696.63
Total Depreciation Expense, Business-Type Activities	<u>\$ 462,725.44</u>

Construction Work in Progress at December 31, 2013 is comprised of the following:

<u>Project Name</u>	<u>Project</u> <u>Authorization</u>	<u>Total Amount</u> <u>Expended</u>	<u>Amount</u> <u>Committed</u>
Library Development	\$ 1,769,465.36	\$ 880,312.60	\$ 889,152.76

8. Long-Term Liabilities

A summary of changes in long-term liabilities follows:

	Balance 1/1/2013	Additions	Retired	Balance 12/31/2013	Due within One Year
Primary Government:					
Governmental Activities:					
TIF Loan - River Valley	\$ 700,000.00	\$	\$ (1,174.96)	\$ 698,825.04	\$ 698,825.04
Total Debt	<u>700,000.00</u>	<u></u>	<u>(1,174.96)</u>	<u>698,825.04</u>	<u>698,825.04</u>
Accrued Compensated Absences -					
Governmental Funds	41,144.68	42,805.52	(41,144.68)	42,805.52	42,805.52
Total Governmental Activities	<u>741,144.68</u>	<u>42,805.52</u>	<u>(42,319.64)</u>	<u>741,630.56</u>	<u>741,630.56</u>
Business-Type Activities:					
State Revolving Loan	49,854.69		(49,854.69)		
DENR Loan	34,814.90		(8,039.38)	26,775.52	8,466.99
Total Debt	<u>84,669.59</u>	<u></u>	<u>(57,894.07)</u>	<u>26,775.52</u>	<u>8,466.99</u>
Accrued Compensated Absences -					
Business-Type Funds	7,389.88	8,379.26	(7,389.88)	8,379.26	8,379.26
Total Business - Type Activities	<u>92,059.47</u>	<u>8,379.26</u>	<u>(65,283.95)</u>	<u>35,154.78</u>	<u>16,846.25</u>
Total Primary Government	<u>\$ 833,204.15</u>	<u>\$ 51,184.78</u>	<u>\$ (107,603.59)</u>	<u>\$ 776,785.34</u>	<u>\$ 758,476.81</u>

Debt payable at December 31, 2013 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 from the River Valley Tax Increment Financing District Debt Service Fund.

\$ 698,825.04

Compensated Absences:

Compensated absences of General Government Employees.

42,805.52

Business-Type Activities:

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.

26,775.52

Compensated Absences:

Water Fund

4,189.63

Sewer Fund

4,189.63

Municipal employees accumulate a limited amount of earned but unused vacation time and sick leave 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.

Annual requirement to amortize long-term debt, excluding compensated absences, at December 31, 2013 were:

Business-Type Activities:		
Year	Consolidated Water Facilities	
Ending	Construction Program Loan	
December 31,	Principal	Interest
2014	\$ 8,467.50	\$ 1,295.54
2015	8,917.87	845.17
2016	9,389.66	370.83
TOTAL	\$ 26,775.03	\$ 2,511.54

9. 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 \$309.36 are made monthly from the General Fund.

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

Year	Amount
2014	\$ 3,712.32
2015	3,712.32
2016	309.36

10. Individual Fund Interfund Receivable and Payable Balances

Interfund receivable and payable balances at December 31, 2013 were:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 160,656.73	\$
Grant Revolving Loan Fund		10,866.47
Liquor, Lodging, and Dining Sales Tax Fund		76,024.55
911 Emergency Fund		73,769.71
Water Fund	4.00	
Total	\$ 160,660.73	\$ 160,660.73

The General Fund and Water Fund loaned money to the Grant Revolving Loan Fund, Liquor, Lodging, and Dining Sales Tax Fund, and 911 Emergency Fund for funding temporary cash shortages. The City expects all interfund receivables to be repaid within one year.

11. Restricted Net Position

Restricted net position for the year ended December 31, 2013 was as follows:

Cumulative Reserve - SDPAA	\$ 26,627.71
Economic Development and Promotion	504,416.67
Debt Services	<u>20.74</u>
Total Restricted Net Position	<u>\$ 531,065.12</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, 2013 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, 2013 was \$72,000. The Commission is a component unit of the City and this note receivable qualifies as a related party transaction.

Aegis Food borrowed a sum of \$75,000 from the City on September 4, 2012 at an annual interest rate of 3%. Monthly payments of \$1,347.65 will be made for five years starting in August of 2013 until fully paid off in August 2018. Balance of note receivable at December 31, 2013 was \$70,330.30.

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

<u>Year</u>	<u>NSC HRC</u>	<u>Aegis Food</u>	<u>Total</u>
2014	\$ 6,000.00	\$ 14,256.53	\$ 20,256.53
2015	6,000.00	14,690.13	20,690.13
2016	6,000.00	15,136.95	21,136.95
2017	6,000.00	15,597.34	21,597.34
2018	6,000.00	10,649.35	16,649.35
2019-2023	30,000.00		30,000.00
2024-2028	<u>12,000.00</u>		<u>12,000.00</u>
Total	<u>\$ 72,000.00</u>	<u>\$ 70,330.30</u>	<u>\$ 142,330.30</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, 2013, 2012, and 2011 were \$50,641, \$50,582, and \$50,874, 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, 2013, 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, 2013, 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.

During the year ended December 31, 2013 no claims were filed for unemployment benefits. At December 31, 2013, no claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

15. Interfund Transfers

Interfund transfers for the year ended December 31, 2013 were as follows:

	<u>Transfer To:</u>
	General Fund
<u>Transfer From:</u>	
Aggregate Other	
Governmental Funds	<u>\$ 22,899.22</u>

The City transferred the residual funds from the River Valley Capital Project Fund to the General Fund because the project is complete.

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**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts (Budgetary Basis)</u>	<u>Positive (Negative)</u>
Revenues:				
Taxes:				
General Property Taxes	\$ 416,746.00	\$ 416,746.00	\$ 403,581.04	\$ (13,164.96)
General Sales and Use Taxes	1,545,000.00	1,545,000.00	1,477,598.99	(67,401.01)
Gross Receipts Business Taxes	600.00	600.00	1,605.53	1,005.53
Licenses and Permits	84,050.00	84,050.00	86,845.12	2,795.12
Intergovernmental Revenue:				
State Grants	6,000.00	6,000.00	1,481.42	(4,518.58)
State Shared Revenue:				
Bank Franchise Tax	1,800.00	1,800.00	3,447.55	1,647.55
Liquor Tax Reversion	8,000.00	8,000.00	12,082.84	4,082.84
Motor Vehicle Licenses (5%)	20,000.00	20,000.00	29,254.38	9,254.38
Local Government Highway and Bridge Fund	30,000.00	30,000.00	69,627.12	39,627.12
County Shared Revenue:				
County Highway and Bridge Tax	1,000.00	1,000.00	797.31	(202.69)
County Wheel Tax	8,000.00	8,000.00	9,298.73	1,298.73
Charge for Services:				
General Government	3,550.00	3,550.00	69.00	(3,481.00)
Sanitation	3,000.00	3,000.00	1,472.00	(1,528.00)
Fines and Forfeits:				
Court Fines and Costs	3,000.00	3,000.00	4,054.12	1,054.12
Library	500.00	500.00	429.35	(70.65)
Other			1,400.00	1,400.00
Miscellaneous Revenue:				
Investment Earnings	15,000.00	15,000.00	11,175.74	(3,824.26)
Rentals	100,660.00	100,660.00	110,754.15	10,094.15
Special Assessments			2,387.06	2,387.06
Contribution and Donations			78.00	78.00
Other	44,500.00	44,500.00	55,238.79	10,738.79
Total Revenue	<u>2,291,406.00</u>	<u>2,291,406.00</u>	<u>2,282,678.24</u>	<u>(8,727.76)</u>
Expenditures:				
General Government:				
Legislative	74,650.00	74,650.00	71,538.22	3,111.78
Elections	3,300.00	3,300.00	2,160.21	1,139.79
Financial Administration	255,932.00	282,932.00	263,444.50	19,487.50
Other	141,794.00	141,794.00	76,667.34	65,126.66
Total General Government	<u>475,676.00</u>	<u>502,676.00</u>	<u>413,810.27</u>	<u>88,865.73</u>
Public Safety:				
Police	744,055.00	744,055.00	716,238.64	27,816.36
Community Center	40,900.00	40,900.00	35,728.53	5,171.47
Civil Defense	3,155.00	3,155.00	598.55	2,556.45
Total Public Safety	<u>788,110.00</u>	<u>788,110.00</u>	<u>752,565.72</u>	<u>35,544.28</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Works:				
Highways, Streets and Dikes	582,968.00	582,968.00	406,250.85	176,717.15
Sanitation	66,500.00	66,500.00		66,500.00
Cemeteries	4,115.00	5,615.00	5,462.75	152.25
Total Public Works	<u>653,583.00</u>	<u>655,083.00</u>	<u>411,713.60</u>	<u>243,369.40</u>
Health and Welfare:				
Health	5,151.00	5,151.00	561.86	4,589.14
Senior Center	11,577.00	12,577.00	12,665.81	(88.81)
Total Health and Welfare	<u>16,728.00</u>	<u>17,728.00</u>	<u>13,227.67</u>	<u>4,500.33</u>
Culture and Recreation:				
Recreation	11,400.00	16,400.00	16,054.33	345.67
Parks	122,914.00	122,914.00	41,084.96	81,829.04
Libraries	110,736.00	110,736.00	106,633.46	4,102.54
Total Culture and Recreation	<u>245,050.00</u>	<u>250,050.00</u>	<u>163,772.75</u>	<u>86,277.25</u>
Conservation and Development:				
Economic Opportunity	38,813.00	38,813.00	37,529.10	1,283.90
Total Conservation and Development	<u>38,813.00</u>	<u>38,813.00</u>	<u>37,529.10</u>	<u>1,283.90</u>
Contingency	107,000.00	16,300.00		16,300.00
Total Expenditures	<u>2,324,960.00</u>	<u>2,268,760.00</u>	<u>1,792,619.11</u>	<u>476,140.89</u>
Excess of Revenue Over (Under) Expenditures	(33,554.00)	22,646.00	490,059.13	467,413.13
Other Financing Sources (Uses):				
Sale of Municipal Property	10,000.00	10,000.00	10,000.00	
Transfers In			22,899.22	22,899.22
Transfers Out		(56,200.00)		56,200.00
Total Other Financing Sources (Uses)	<u>10,000.00</u>	<u>(46,200.00)</u>	<u>32,899.22</u>	<u>79,099.22</u>
Net Change in Fund Balances	(23,554.00)	(23,554.00)	522,958.35	546,512.35
Fund Balance - Beginning	3,984,803.23	3,984,803.23	3,984,803.23	
FUND BALANCE - ENDING	<u>\$ 3,961,249.23</u>	<u>\$ 3,961,249.23</u>	<u>\$ 4,507,761.58</u>	<u>\$ 546,512.35</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Positive</u> <u>(Negative)</u>
<u>Revenues:</u>				
Taxes:				
General Sales and Use Taxes	\$ 341,960.00	\$ 341,960.00	\$ 369,399.71	\$ 27,439.71
Miscellaneous Revenue:				
Investment Earnings	7,000.00	7,000.00	6,051.06	(948.94)
Contributions and Donations	798,000.00	798,000.00	540,262.58	(257,737.42)
Total Revenue	<u>1,146,960.00</u>	<u>1,146,960.00</u>	<u>915,713.35</u>	<u>(231,246.65)</u>
<u>Expenditures:</u>				
Culture and Recreation:				
Library Project	430,000.00	430,000.00	611,396.99	(181,396.99)
Total Expenditures	<u>430,000.00</u>	<u>430,000.00</u>	<u>611,396.99</u>	<u>(181,396.99)</u>
Excess of Revenue Over (Under)				
Expenditures	<u>716,960.00</u>	<u>716,960.00</u>	<u>304,316.36</u>	<u>(412,643.64)</u>
Net Change in Fund Balances	716,960.00	716,960.00	304,316.36	(412,643.64)
Fund Balance - Beginning	<u>1,376,664.69</u>	<u>1,376,664.69</u>	<u>1,376,664.69</u>	<u> </u>
FUND BALANCE - ENDING	<u>\$ 2,093,624.69</u>	<u>\$ 2,093,624.69</u>	<u>\$ 1,680,981.05</u>	<u>\$ (412,643.64)</u>

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
SPECIAL REVENUE FUND - LIQUOR, LODGING, AND DINING SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u> <u>Basis)</u>	<u>Positive</u> <u>(Negative)</u>
<u>Revenues:</u>				
Taxes:				
General Sales and Use Taxes	\$ 92,700.00	\$ 92,700.00	\$ 124,686.82	\$ 31,986.82
Miscellaneous Revenue:				
Investment Earnings	<u>2,000.00</u>	<u>2,000.00</u>	<u>1,648.43</u>	<u>(351.57)</u>
Total Revenue	<u>94,700.00</u>	<u>94,700.00</u>	<u>126,335.25</u>	<u>31,635.25</u>
<u>Expenditures:</u>				
Conservation and Development:				
Economic Development and Assistance	<u>50,000.00</u>	<u>101,000.00</u>	<u>113,852.25</u>	<u>(12,852.25)</u>
Economic Opportunity	<u>127,677.00</u>	<u>127,677.00</u>	<u>112,088.35</u>	<u>15,588.65</u>
Total Expenditures	<u>177,677.00</u>	<u>228,677.00</u>	<u>225,940.60</u>	<u>2,736.40</u>
Excess of Revenue Over (Under) Expenditures	<u>(82,977.00)</u>	<u>(133,977.00)</u>	<u>(99,605.35)</u>	<u>34,371.65</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	<u> </u>	<u>51,000.00</u>	<u> </u>	<u>(51,000.00)</u>
Total Other Financing Sources (Uses)	<u> </u>	<u>51,000.00</u>	<u> </u>	<u>(51,000.00)</u>
Net Change in Fund Balances	<u>(82,977.00)</u>	<u>(82,977.00)</u>	<u>(99,605.35)</u>	<u>(16,628.35)</u>
Fund Balance - Beginning	<u>494,058.61</u>	<u>494,058.61</u>	<u>494,058.61</u>	<u> </u>
FUND BALANCE - ENDING	<u>\$ 411,081.61</u>	<u>\$ 411,081.61</u>	<u>\$ 394,453.26</u>	<u>\$ (16,628.35)</u>

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
SPECIAL REVENUE FUND - 911 EMERGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u> <u>Basis)</u>	<u>Positive</u> <u>(Negative)</u>
<u>Revenues:</u>				
Taxes:				
911 Telephone Surcharge	\$ 35,000.00	\$ 35,000.00	\$ 10,939.85	\$ (24,060.15)
Total Revenue	<u>35,000.00</u>	<u>35,000.00</u>	<u>10,939.85</u>	<u>(24,060.15)</u>
<u>Expenditures:</u>				
Public Safety:				
Police	50,000.00	54,000.00	46,276.32	7,723.68
Total Expenditures	<u>50,000.00</u>	<u>54,000.00</u>	<u>46,276.32</u>	<u>7,723.68</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(15,000.00)</u>	<u>(19,000.00)</u>	<u>(35,336.47)</u>	<u>(16,336.47)</u>
<u>Other Financing Sources (Uses):</u>				
Transfer In	15,000.00	19,000.00		(19,000.00)
Total Other Financing Sources (Uses)	<u>15,000.00</u>	<u>19,000.00</u>		<u>(19,000.00)</u>
Net Change in Fund Balances			(35,336.47)	(35,336.47)
Fund Balance - Beginning	<u>(37,621.65)</u>	<u>(37,621.65)</u>	<u>(37,621.65)</u>	
FUND BALANCE - ENDING	<u>\$ (37,621.65)</u>	<u>\$ (37,621.65)</u>	<u>\$ (72,958.12)</u>	<u>\$ (35,336.47)</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, 2013

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
	<u>Grant Revolving Fund</u>	<u>River Valley Tax Increment Financing District</u>	<u>Nonmajor Governmental Funds</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 50,499.58	\$ 20.74	\$ 50,520.32
Notes Receivable	70,330.30		70,330.30
TOTAL ASSETS	\$ 120,829.88	\$ 20.74	\$ 120,850.62
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Due to Other Funds	\$ 10,866.47	\$	\$ 10,866.47
Total Liabilities	10,866.47		10,866.47
Fund Balances:			
Restricted:			
Economic Development and Promotion	70,330.30		70,330.30
Grant Revolving Loan	39,633.11		39,633.11
Debt Service		20.74	20.74
Total Fund Balances	109,963.41	20.74	109,984.15
TOTAL LIABILITIES AND FUND BALANCES	\$ 120,829.88	\$ 20.74	\$ 120,850.62

CITY OF NORTH SIOUX CITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
	Grant Revolving Fund	River Valley Tax Increment Financing District	River Valley Capital Project Fund	
<u>Revenues:</u>				
Taxes:				
General Property Taxes	\$	\$ 1,195.70	\$	\$ 1,195.70
Miscellaneous Revenue:				
Investment Earnings	2,236.06		20.67	2,256.73
Contributions and Donations			76,227.90	76,227.90
Total Revenue	<u>2,236.06</u>	<u>1,195.70</u>	<u>76,248.57</u>	<u>79,680.33</u>
<u>Expenditures:</u>				
Debt Service		1,174.96		1,174.96
Total Expenditures		<u>1,174.96</u>		<u>1,174.96</u>
Excess of Revenue Over (Under)				
Expenditures	2,236.06	20.74	76,248.57	78,505.37
<u>Other Financing Sources (Uses):</u>				
Transfer Out			(22,899.22)	(22,899.22)
Total Other Financing Sources (Uses)			<u>(22,899.22)</u>	<u>(22,899.22)</u>
Net Change in Fund Balances	2,236.06	20.74	53,349.35	55,606.15
Fund Balance - Beginning	107,727.35		(53,349.35)	54,378.00
Fund Balance - Ending	<u>\$ 109,963.41</u>	<u>\$ 20.74</u>	<u>\$</u>	<u>\$ 109,984.15</u>

QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Sioux City, South Dakota, as of December 31, 2013 and for the year then ended, and the related notes to the financial statements, which collectively comprise the City of North Sioux City's basic financial statements and have issued our report thereon dated July 10, 2014. A disclaimer of opinion was issued on the aggregate discretely presented component units because the financial data of these components units was not audited.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Prior and Current Audit Findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 Prior and Current Audit Findings as item 2013-01 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 contract agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Prior and Current Audit Findings as items 2013-02 and 2013-03.

North Sioux City's Response to Findings

The City of North Sioux City's responses to the findings identified in our audit are described in the accompanying Schedule of Prior and Current Audit Findings. The City of North Sioux City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Certified Public Accountants
Elk Point, SD

July 10, 2014

**CITY OF NORTH SIOUX CITY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2013**

STATUS OF PRIOR AUDIT RECOMMENDATIONS:

The prior audit recommendation 2012-01 has not been corrected and is restated as Current Audit Finding Number 2013-01.

CURRENT AUDIT FINDING:

Internal Control Related Finding – Material Weakness:

Audit Finding Number 2013-01:

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.

Criteria:

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

Condition Found:

A material weakness in internal controls was reported due to a lack of adequate segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Recommendation:

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

Compliance Related Findings:

Audit Finding Number 2013-02:

Expenditures were paid in excess of appropriations for various departments.

Criteria:

SDCL 9-21-9 requires that the governing body shall not add to the expenditures any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided.

Condition Found:

The expenditures paid for Health and Welfare within the General Fund exceeded the amount budgeted in that department by \$88,811. The expenditures paid for Culture and Recreation in the Additional Sales Tax Special Revenue Fund exceeded the amount budgeted in that department by \$181,396.99. The expenditures paid for Conservation and Development in the Liquor, Lodging, and Dining Special Revenue Fund exceeded the amount budgeted in that department by \$12,852.25.

Recommendation:

We recommend that when such a situation occurs in the future, a supplemental budget be adopted to utilize unobligated fund balances.

Audit Finding Number 2013-03:

The municipality failed to authorize a transfer of \$22,899.22 out of the River Valley Capital Project Fund to the General Fund to close out the River Valley Capital Project Fund in violation of SDCL 9-21-26.1.

Criteria:

SDCL 9-21-26.1 states, if there remains in the treasury of any municipality an unexpended balance of any special fund, and all claims against such fund have been fully paid, and the purpose for which it was created has been fully served, and there remains no further use for such balance for the purpose for which it was created, the governing board of the municipality may transfer by a two-thirds vote such balance to any other fund of the municipality or subdivision to which such balance belongs.

Recommendation:

We recommend that the City of North Sioux City's governing body authorize interfund transfers.

Corrective Action Plan:

Donna Houck, Finance Officer for the City of North Sioux City, is the contact person responsible for the corrective action plan for these comments. The City Council has prepared responses to the findings, which are on page 52.

CITY OF NORTH SIOUX CITY

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CORRECTIVE PLAN OF ACTION December 31, 2013

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

Also, per SDCL 9-21-9, expenditures in several departments exceeded the appropriations set aside for them. The City will monitor the expenditures and when a situation occurs in the future, a supplemental budget will be adopted to utilize unobligated fund balances.

Lastly, a transfer between funds was not properly authorized, per SDCL 9-21-26. In the future, the City will authorize any interfund transfer by a two-thirds vote at such time as deemed necessary.



Board President



Finance Officer