Comprehensive Annual Financial Report

Prepared by THE CITY FINANCE OFFICE-----Michael Carlson, Finance Officer

FISCAL YEAR: January 1, 2014----December 31, 2014

MISSIONS STATEMENT

CITY OF VERMILLION

Working within a revenue base which is acceptable to the Community, the City of Vermillion is dedicated to a service structure that promotes the health, safety, and well-being of the Public. Entrusted with the responsible management and delivery of Community-owned goods and services, City employees and officials shall strive to improve service reliability, responsiveness, accountability, impartiality, and the quality of communication between themselves and the Vermillion Community.

CITY OF VERMILLION

AUDITED FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

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CITY OF
Vermillion
SOUTH DAKOTA

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CITY OF VERMILLION
INTRODUCTORY SECTION

CITY OF
Vermillion
SOUTH DAKOTA

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www.vermillion.us

August 24, 2015

Honorable Mayor and Members of the City Council
City of Vermillion
Vermillion, South Dakota 57069

I am pleased to submit to you the Comprehensive Annual Financial Report for the City of Vermillion, South Dakota, for the fiscal year ended December 31, 2014.

The report was prepared by the City Finance Office in accordance with Generally Accepted Accounting Principles (GAAP) applicable to government as prescribed by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the presented data and the completeness and fairness of presentations, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds; and that all disclosures necessary to enable readers to gain an understanding of the City's financial affairs have been included.

Management of the City is responsible for establishing and maintaining an accounting and internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles. Because the cost of internal controls should not outweigh their benefits, the City of Vermillion's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's financial statements have been audited by Williams & Company, P.C. a firm of certified public accounts authorized by the State of South Dakota Department of Legislative Audit to conduct the audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Vermillion for the year ended December 31, 2014, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Vermillion's financial statements for the year ended December 31, 2014, are fairly presented in conformity with accounting principals generally accepted in the United States of America. The

independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Vermillion's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Vermillion

The City of Vermillion was founded in 1859, located in the southeastern corner of South Dakota, 6 miles west of I-29 between Sioux Falls, SD and Sioux City, IA. Vermillion is situated atop a bluff of the Vermillion River and also overlooks the mighty, natural Missouri River, which contains the red clay that prompted our county name of Clay County. Vermillion is home to the University of South Dakota with enrollment of 10,061, offering majors in 132 undergraduate programs and 66 graduate programs, and Division I athletics. The 2010 census had the city population increasing 3% over 2000 to 10,571.

The city operates under the Council-Manager form of government and is aldermanic in form. The City Council consists of a part-time Mayor and 8 part-time aldermen who hire a City Manager as the chief executive officer. The City is divided into four wards with representation on the City Council by two members from each ward. The Mayor is elected at large. The terms of the Mayor and Alderman are four years with elections held in each even-numbered year. The City Council meets the first and third Monday of the month in regular session and, in addition, special meetings and work sessions throughout the year.

The City provides the full range of basic services normally associated with a municipality. These basic services include police, emergency communications, fire, emergency medical services, building inspection, street construction and maintenance, planning and zoning, airport, recreation and parks, golf course, liquor store, general administration services and utility services including water, electric, wastewater, landfill/recycling and curbside recycling. For financial reporting purposes, all funds involved in providing these services are included based on financial accountability. Financial accountability is determined by several inherent factors, including fiscal dependence, ability to impose will upon the entity's governing body, provision of specific financial burdens or benefits and separate legal entity status. The Housing and Redevelopment commission is a legally separate authority whose board is appointed by the City Council and reported separately as a component unit within the City of Vermillion financial statements.

The annual budget serves as the basis for the City of Vermillion's financial planning, development and control. The budget ordinance must be adopted by a majority of the Council members no later than September 30 of each year. Once the budget is approved, the expenditures incorporated within the budget become legally binding and the actual expenditures cannot exceed the budgeted amounts unless amended through a supplemental appropriation ordinance or other permitted means. Even though it is not necessary to make formal appropriations for proprietary funds, an annual budget is developed and published with the

annual budget ordinance. Because enterprise fund revenues and expenses fluctuate with changing services and delivery levels, flexible budgets are used for planning, control and evaluation purposes. All appropriations shall lapse at the close of the fiscal year.

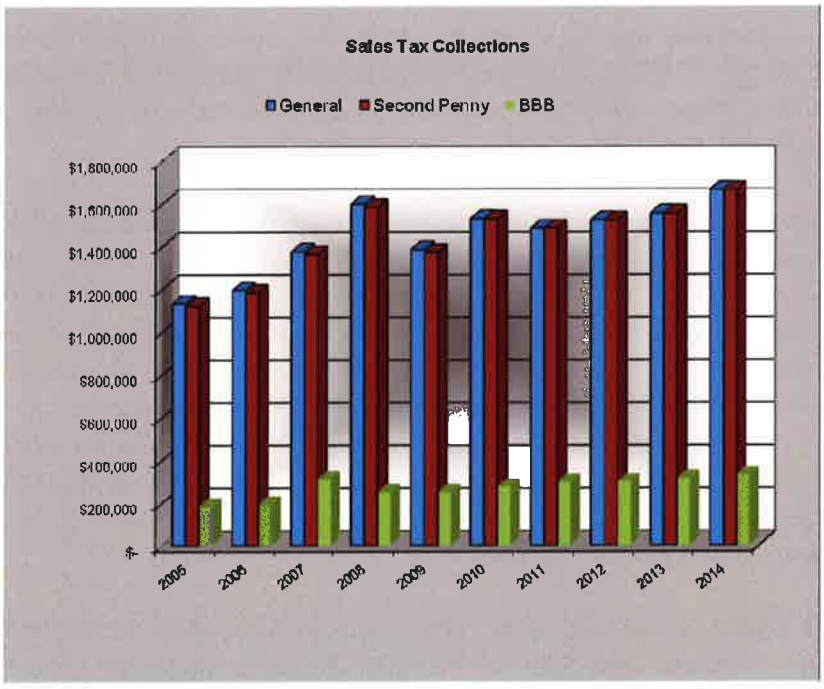
Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons, presented on pages 54-59 as part of the required supplemental information and supplementary information.

Factor Affecting Financial Condition

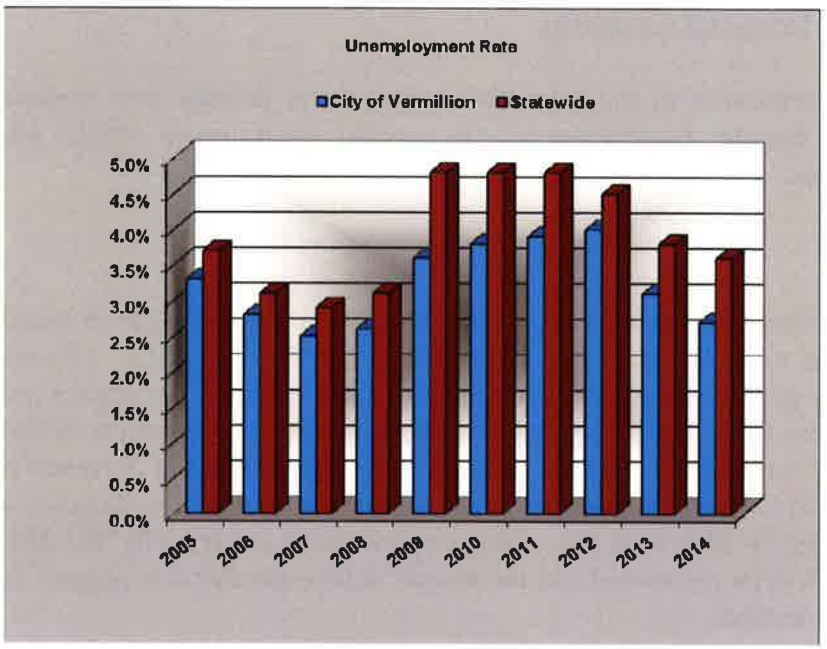
The information presented in the financial statements is perhaps best understood when it is considered for a broader perspective of the specific environment within which the City of Vermillion operates.

Local Economy.

The economy in Vermillion as reflected in the sales tax collections saw an increase in 2014. The total City sales tax revenues increased $236,789, or 6.95%, over 2013. This would include the first cent used for general fund, the second penny sales tax used for capital projects increasing $219,520 while the BBB sales tax used for advertising and promotion of the City increased $17,269, or 5.52%, over 2013. As the South Dakota Department of Revenue collects the sales tax on behalf of the City, information as to the individual areas of the increase are not available. For the first quarter of 2015 total City sales tax revenue was up 2.8%, $52,231 over 2014. The sales tax receipts will be monitored and the budget will be reviewed in August 2015 to determine if adjustments are needed.



the unemployment rate for the City of Vermillion decreased during 2014 from 3.1% to 2.7% while the state unemployment rate decreased from 3.8% to 3.6%. The unemployment rate for the City of Vermillion saw a high in June 2014 of 4.5% but decreased the rest of the year to 2.7% at year end. The state unemployment rate was as high as 4.1% early in the year but continued to decrease the rest of the year. With the higher state rate than city rate it appears that individuals are attracted to the community for the job availability.



The City of Vermillion is home to the University of South Dakota that has been ranked among the top doctorial institutions in the country. It is the home to South Dakota's School of Medicine, Law, College of Fine Arts and internationally accredited Business School. The University is the City's largest employer and saw a slight decrease in enrollment of 1.7% from 10,235 for 2013 to 10,061 for 2014.

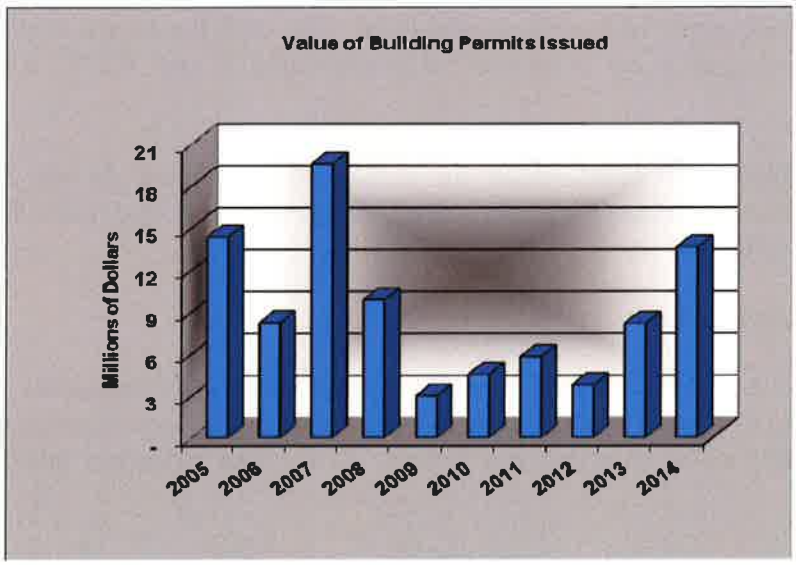
The University moved to Division I for all athletics in 2008 increasing the athletic scholarships offered along with additional fundraising to support programs at that level. The grand opening was held on January 13, 2014 for a 31,000 square foot addition to the University Center. The project expanded seating with booth and table areas, it also introduced contemporary dining options with national brands. Construction began in late 2014 on a $66 million Sports Performance Enhancement Facility Arena, a Science, Health and Research Lab and an Outdoor Track and Soccer Complex all located on the north side of campus near the Dakota Dome. The project consists of a 6,000 seat arena for basketball and volleyball, on outdoor facility for soccer and track and a science, health and research laboratory. There are a number of other projects in the planning and design phase on the campus.

Sanford Vermillion operates a 25-bed acute care hospital, medical clinic, 66 bed care center and 23 unit senior living complex. The Sanford Vermillion Clinic contracted with the University of South Dakota to provide student health services starting in the fall of 2002. The Sanford

Vermillion Clinic, Vermillion Medical Clinic, and Olson Medical Clinic have been instrumental in increasing the availability of medical care in the community. In addition, all clinics are providing outreach programs bringing specialists into the community. In February 2014, Dakota Hospital Foundation and Sanford Health announced that Sanford Health will make a $12 million investment in Sanford Vermillion's medical facilities over the next five years. A maintenance facility was constructed in late 2014 and groundwork began on the first phase of hospital improvements in May 2015. The agreement also means Sanford Health will assume responsibility for the infrastructure, including building projects and technology, for Sanford Vermillion.

The 18-hole golf course and residential development project, which was undertaken by the City after significant review by citizen committees, has provided for the orderly growth of the City with all the development being served by City utility services. All developed housing sites have been sold resulting in an increase of over twenty-two million dollars of taxable value. The golf course and housing development were included in a tax incremental financing district that was dissolved in 2013. An area on the south side of the course remains to be developed due to lack of infrastructure. Marketing of this area will begin when infrastructure is extended, which will open up approximately 17 housing sites.

The value of building permits issued in 2014 totaled $13,611,697 up from $8,838,807 in 2013. The number of single family dwellings constructed totaled four in 2014, a decrease of five, with eighteen new multi-family structures consisting of 150 units and five commercial permits. Through July 2015, the value of building permits issued is $22,338,505 for six single family dwellings, thirteen new multi-family structures consisting of 50 units and seven commercial permits. It should be noted that construction by the State of South Dakota on the University property are not required to obtain building permits thus these building values are not reported in any of the building permit numbers.



Major Initiatives

Vermillion was named Large Community of the Year by Governor Dennis Daugaard at the Governor's Economic Development Conference on April 15, 2014. The Governor recognized

Vermillion for taking a multi-faceted approach to achieving economic development by focusing on further developing its workforce, business park and housing development.

Construction was completed in 2014 on a 500,000 gallon water tower that was placed in service. The project is funded by a South Dakota Board of Water and Natural Resources, Drinking Water State Revolving Loan in the amount of $1,532,000 that includes 10% principal forgiveness as a grant from the State. The existing 100,000 gallon water tower that is over 100 years old was retired and will be removed later in 2015.

The City of Vermillion and Vermillion Chamber of Commerce and Development Company (VDCD) commissioned a Talent Attraction Strategy and Workforce Housing Solutions study prepared by Community Housing Laboratory, LLC in October 2012. The major finding of the report was the need to solve the chronic workforce housing problem and implement a long-term talent attraction strategy. Due to the lack of available housing sites the VCDC has acquired 50 acres adjoining the city that has been annexed into the city. The development labeled Bliss Pointe will be developed in phases with the first phase completed in late 2014 with over 60 housing sites. The balance of the development will have an additional 70 housing sites when fully developed. To assist the VCDC with the infrastructure development, the City created Tax Incremental District Number 6 and sold a TIF bond for $1,732,000. To date in 2015, the VCDC has marketed six residential housing sites and one commercial lot.

The City Council adopted an ordinance creating a Business Improvement District (BID) #1 which enacted a general $2.00 occupancy tax on all hotel, motel and lodging establishment rooms within the municipal limits to be effective June 1, 2014. The Business Improvement Board adopted a plan that recommends addressing the described needs through visitor facilities, events, attractions and activities which benefit the City and the hotels, motels, and lodging establishments located in the district. During 2014 the occupancy tax generated $39,000 of which $15,000 was expended to the Vermillion Area Chamber of Commerce and Development Company (VCDC) for promotion of the community. The BID Board approved the 2015 budget with 85% of the occupancy tax collected being expended to the VCDC for advertising and promotion.

The equipment replacement fund added the following equipment during 2014; two police vehicles, two mowers, a pickup, wheel loader, utility vehicle, skid steer loader and utility equipment totaling $404,967.

Long-Term Financial Planning.

The City has made and will continue to make investments in infrastructure improvements in streets, parks and buildings. The City utilities have made significant improvements to continue to provide the quality of service that the citizens have come to expect and have planned for future needs.

In 2005 the City was awarded a $750,000 grant with 20% local matching for bike path improvements. The first phase of the bike path extension along the Vermillion River started in 2009 with completion in 2010. The bike path extension along SD Hwy 50 was completed in

2012. The bike path along Stanford Street between Cherry Street and SD Hwy 50 was completed by the Department of Transportation in late 2014.

The landfill building that housed the solid waste baler and considerable equipment was destroyed by fire on October 22, 2012. Insurance proceeds provided the majority of the funding for the replacement of the building, contents and equipment with the assistance of a South Dakota Board of Water and Natural Resources Solid Waste grant in the amount of $225,000. The landfill building and baler were replaced and placed in service during 2014.

The Joint Powers Landfill completed the leachate detention pond during 2014 while construction of cell 5 was still in progress at year end. These two projects were being funded by a State Revolving Loan of $1,639,000, a South Dakota Board of Water and Natural Resources Solid Waste Grant of $522,210 and $200,000 of local funds. Cell 5 was completed and placed into service in May 2015.

As the existing swimming pool is reaching the end of its useful life, a committee was appointed charged with providing the City Council information as to what type of swimming pool would best fit the community's needs going forward. The city contracted with a pool consultant to work with the committee in developing designs for the new pool. The committee held public meetings to review the project designs to refine the project. The City Council on September 16, 2013 adopted a resolution for capital outlay accumulation designating $500,000 of the General Fund balance for funding of the pool project. During 2013 the City Council approved a master planning process for Prentis Park that includes the swimming pool. The City Council approved a funding package for the Prentis Park improvements consisting of $1 million of General Fund Reserves, $1 million of Second Penny Sales Tax Reserves, grants and donations of $250,000 and a General Obligation Bond of $3 million. The General Obligation Bond was approved by over 75% of the voters in November 2014 election. The City Council in an effort to reduce the impact of the bond repayment on property taxes adopted an ordinance that imposed a 5% markup on the wholesale purchase price of malt beverages. Following adoption of the ordinance an initiated petition was received to repeal the markup ordinance. The City Council set a special election date for the initiated ordinance for June 30, 2015. At the special election, the initiated measure failed 37% to 63%. Due to the initiated petition being filed, pool plans were put on hold until the outcome was determined. The design engineers estimate is the project will be bid in early 2016 with the issuance of bonds to follow bid opening in 2016.

Engineering and design has started on the West Main Mill and Overlay project scheduled for 2015. This project will be partially funded by the State Federal Aid Urban funds through the South Dakota Department of Transportation and the balance will be paid with second penny sales tax funds.

The 2015 budget included $511,900 for equipment replacement in the equipment replacement fund, $95,000 for airport improvement, $405,000 for West Main mill and overlay, $21,000 for fire department equipment, $42,000 for ambulance department equipment, $185,000 for street construction and miscellaneous concrete projects, and $60,000 for bike path relocations. The City will continue to provide the same quality services to the citizens during the next budget year.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Vermillion for its comprehensive annual financial report (CAFR) for the year ended December 31, 2013. This was the eighth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not be accomplished without the dedicated services of the entire staff of the Finance Office. We should like to express our appreciation to all members of the Departments who assisted and contributed to its presentation. Without the leadership and support of the City Council, preparation of this report would not have been possible.

Sincerely,

Michael D. Carlson
Finance Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Vermillion

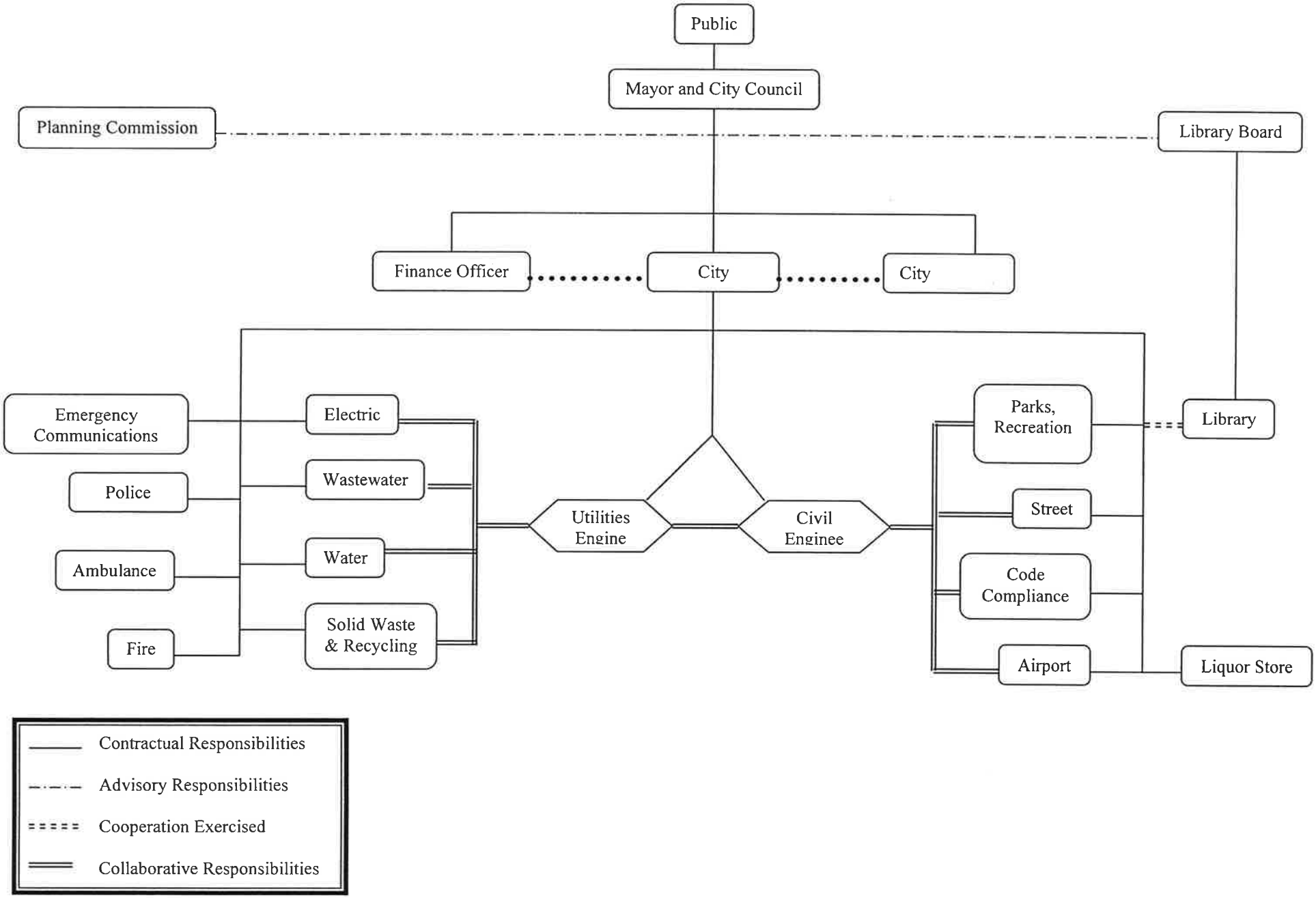
South Dakota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Jeffrey R. Esser

Executive Director/CEO


Public
Mayor and City Council
Planning Commission
Library Board
Finance Officer
City
City
Emergency Communications
Police
Ambulance
Fire
Electric
Wastewater
Water
Solid Waste & Recycling
Utilities Engine
Civil Enginee
Parks, Recreation
Library
Street
Code Compliance
Airport
Liquor Store
Contractual Responsibilities
Advisory Responsibilities
Cooperation Exercised
Collaborative Responsibilities

CITY OF VERMILLION
MUNICIPAL OFFICIALS

For the Period January 1, 2014 through December 31, 2014

Mayor
John E. (Jack) Powell

Alderman Central Ward

Kelsey Collier-Wise	
Katherine Price	Beginning July 7
John Grayson	Ending July 7

Alderman Northeast Ward

Clarene Meins	
Holly Meins	Beginning July 7
Kent Osborne	Ending July 7

Alderman Northwest Ward

Howard Willson	
Parker Erickson	Beginning July 7
Tom Davies	Ending July 7

Alderman Southeast Ward

Steve Ward	
Rich Holland	Beginning July 7
Dennis Zimmerman	Ending July 7

City Manager
John Prescott

CITY OF
Vermillion
SOUTH DAKOTA

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CITY OF VERMILLION
FINANCIAL SECTION

WILLIAMS & COMPANY P.C.
Certified Public Accountants

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Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543
www.williamscpas.com

INDEPENDENT AUDITOR'S REPORT

The Mayor and Members of the
City Council
City of Vermillion, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF VERMILLION, SOUTH DAKOTA, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Vermillion Housing and Redevelopment Commission (a discretely presented component unit), which statements reflect total assets of $72,865 and total revenues of $904,474 as of and for the year ended June 30, 2014. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the Vermillion Housing and Redevelopment Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Vermillion, South Dakota as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 17 and 54 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary compliance schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2015, on our consideration of the City of Vermillion's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Vermillion's internal control over financial reporting and compliance.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
August 24, 2015

As management of the City of Vermillion, we offer readers of the City of Vermillion's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which can be found on pages i-viii of this report, as well as the separately issued financial statements of the Vermillion Housing and Redevelopment Commission, a discretely presented component unit of the City.

FINANCIAL HIGHLIGHTS

- The net position of the City increased by $1,370,680 as a result of the current year's operations. The net position of our governmental activities increased by $132,419 or 0.39% and the net position of our business-type activities also increased by $1,238,261 or 3.39%.
- Total revenues from all sources increased in 2014 by $1,066,878 to $23,343,364. In 2014, charges for services increased $250,195, operating grants & contributions decreased $61,340, capital grants & contributions increased $1,465,964, property taxes decreased $445,694, sales tax increased $133,757, other general revenues decreased by $276,004.
- Total cost of all programs was $21,972,684 for 2014. This is an increase of $2,786,855 or 14.53% over 2013.
- The City's long-term debt/capital leases increased $2,165,102 from 2013 due to repayment of existing bond issues, drawdowns of $1,221,588 for the lechate system and cell #5 at the landfill and $408,127 for the new water tower. During 2014, the City issued $1,732,000 in Tax Increment Revenue Bonds for infrastructure and development cost for the Bliss Pointe Development.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Vermillion's basic financial statements. The comprehensive annual financial report presents the following three components of the financial statement:

1. Government-wide financial statements provide information of the City as a whole.
2. Fund financial statements provide detailed information for the City's significant funds.
3. Notes to the financial statements provide additional information essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Vermillion's finances, in a manner similar to private-sector businesses.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Position and the Statement of Activities present information as follows:

- Governmental activities – This includes general government, public safety, public works, health and welfare, economic development and culture and recreation, which are principally supported by taxes and intergovernmental revenues.
- Business-type activities – This includes the Electric, Water, Sewer, Liquor Store, Golf Course, Solid Waste System, and Curbside Recycling that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include not only the City of Vermillion itself (known as the *primary government*) but also a legally separate entity for which the City of Vermillion is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Separately issued financial statements of the Vermillion Housing and Redevelopment Commission are available and may be obtained from the Commission at PO Box 362, Vermillion, SD 57069.

The government-wide financial statements can be found on pages 18-19 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Vermillion, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the City's significant funds and not the City as a whole. The City's funds can be divided into two categories-governmental and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The governmental fund statements provide a detailed short-term view of the governments operations and the basic services it provides, and are reported on the modified accrual basis of accounting with focuses on available spendable resources. This allows the reader to evaluate the City's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between the governmental funds and the government-wide financial statements.

The City maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General fund, Sales tax fund, and Bliss Pointe capital project fund are considered to be major funds. Data for the other seventeen governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The City adopted an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget on page 54.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report activities that charge for services provided to outside customers. The Enterprise funds are presented as business-type activities in the government-wide statements. The City uses enterprise funds to account for its electric utility, water utility, wastewater utility, liquor store, golf course, Joint Powers landfill operations and curbside recycling. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles; self funded unemployment insurance, custodial services and copier-fax-postage activities. These services benefit governmental and business-type functions; as such the results of operations have been allocated and are included within governmental and business-type activities in the government wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the Electric Utility, Water Utility, Wastewater Utility, Liquor Store, Golf course, Joint Powers Landfill operations, all of which are considered to be major funds of the City, and Curbside Recycling which is considered a non-major fund. Conversely, all the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-53 on this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the general fund and sales tax fund schedule of revenues, expenditures, and changes in fund balance budget and actual. Required supplementary information can be found on pages 54-59 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on general fund and major special revenue funds budget and actual revenues and expenditures. Combining and individual fund statements and schedules can be found on pages 60-67 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following two tables present condensed information on the City of Vermillion's Net Position (Exhibit 1) and Changes in Net Position (Exhibit 2) for the fiscal year ended December 31, 2014 with comparative data for the fiscal year ended December 31, 2013. Assets exceeded liabilities by $72,178,760 at the close of the most recent fiscal year.

City of Vermillion
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	$ 7,881,769	$ 7,575,815	$ 13,078,252	$ 15,375,758	$ 20,960,021	$ 22,951,573
Capital Assets	32,340,123	31,117,743	46,040,544	42,257,704	78,380,667	73,375,447
Total Assets	40,221,892	38,693,558	59,118,796	57,633,462	99,340,688	96,327,020
Long-term Liabilities Outstanding	5,006,176	3,479,384	19,078,398	18,466,255	24,084,574	21,945,639
Other Liabilities	837,010	967,887	2,240,344	2,605,414	3,077,354	3,573,301
Total Liabilities	5,843,186	4,447,271	21,318,742	21,071,669	27,161,928	25,518,940
Net Position						
Net Investment in capital assets	29,109,338	27,679,603	26,523,053	23,380,670	55,632,391	51,060,273
Restricted	1,961,402	1,948,689	1,305,934	1,288,560	3,267,336	3,237,249
Unrestricted	3,307,966	4,617,995	9,971,067	11,892,563	13,279,033	16,510,558
Total Net Position	$ 34,378,706	$ 34,246,287	$ 37,800,054	$ 36,561,793	$ 72,178,760	$ 70,808,080

City of Vermillion
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	$ 1,385,053	$ 1,295,369	$ 12,754,171	$ 12,593,660	$ 14,139,224	$ 13,889,029
Operating Grants & Contributions	287,861	349,201	-	-	287,861	349,201
Capital Grants & Contributions	1,545,892	719,768	1,011,477	371,637	2,557,369	1,091,405
General Revenues:						
Property Taxes	2,077,118	2,024,530	-	498,282	2,077,118	2,522,812
Other Taxes	3,634,580	3,500,823	-	-	3,634,580	3,500,823
Other	390,756	189,097	256,456	298,604	647,212	487,701
Total Revenues	9,321,260	8,078,788	14,022,104	13,762,183	23,343,364	21,840,971
Expenses:						
General Government	1,410,726	1,405,594	-	-	1,410,726	1,405,594
Public Safety	2,529,195	2,325,498	-	-	2,529,195	2,325,498
Public Works	1,885,352	1,767,762	-	-	1,885,352	1,767,762
Health & Welfare	491,071	491,543	-	-	491,071	491,543
Culture & Recreation	1,325,700	1,219,328	-	-	1,325,700	1,219,328
Conservation & Development	2,485,337	526,765	-	-	2,485,337	526,765
Interest on Long-term Debt	208,517	183,194	-	-	208,517	183,194
Electric	-	-	5,055,658	4,991,778	5,055,658	4,991,778
Water	-	-	1,474,754	1,409,578	1,474,754	1,409,578
Wastewater	-	-	1,723,732	1,789,908	1,723,732	1,789,908
Liquor	-	-	1,065,297	1,017,830	1,065,297	1,017,830
Golf	-	-	788,147	786,751	788,147	786,751
Joint Powers Landfill	-	-	1,428,877	1,174,487	1,428,877	1,174,487
Curbside Recycling	-	-	100,321	95,813	100,321	95,813
Total Expenses	10,335,898	7,919,684	11,636,786	11,266,145	21,972,684	19,185,829
Increase (Decrease) in Net Position before Transfers	(1,014,638)	159,104	2,385,318	2,496,038	1,370,680	2,655,142
Insurance Recovery	-	-	-	435,515	-	435,515
Transfers	1,147,057	1,037,412	(1,147,057)	(1,037,412)	-	-
Increase in Net Position	132,419	1,196,516	1,238,261	1,894,141	1,370,680	3,090,657
Net Position January 1	34,246,287	33,049,771	36,561,793	34,667,652	70,808,080	67,717,423
Net Position December 31	$ 34,378,706	$ 34,246,287	$ 37,800,054	$ 36,561,793	$ 72,178,760	$ 70,808,080

By far the largest portion of the City's net position (77.08%) reflects its investment in capital assets (e.g. land, building, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position $3,267,336 (4.52%) represents resources that are subject to external restriction on how they may be used. Restricted net position includes the amounts restricted for debt service of $1,815,173 (an increase of $76,688), Stormwater construction of $802,684 (a decrease of $110,227), Landfill Closure/Postclosure of $130,851 (a decrease of $49,166), Cumulative reserve of $158,060, Library $23,366 (an increase of $7,225), parks capital $11,414 (a decrease of $2,616), business improvement district of $24,061 and other restrictions of $255,754 (an increase of $38,149), The remaining balance of unrestricted net position of $13,279,033 may be used to meet the government's ongoing obligations to citizens and creditors.

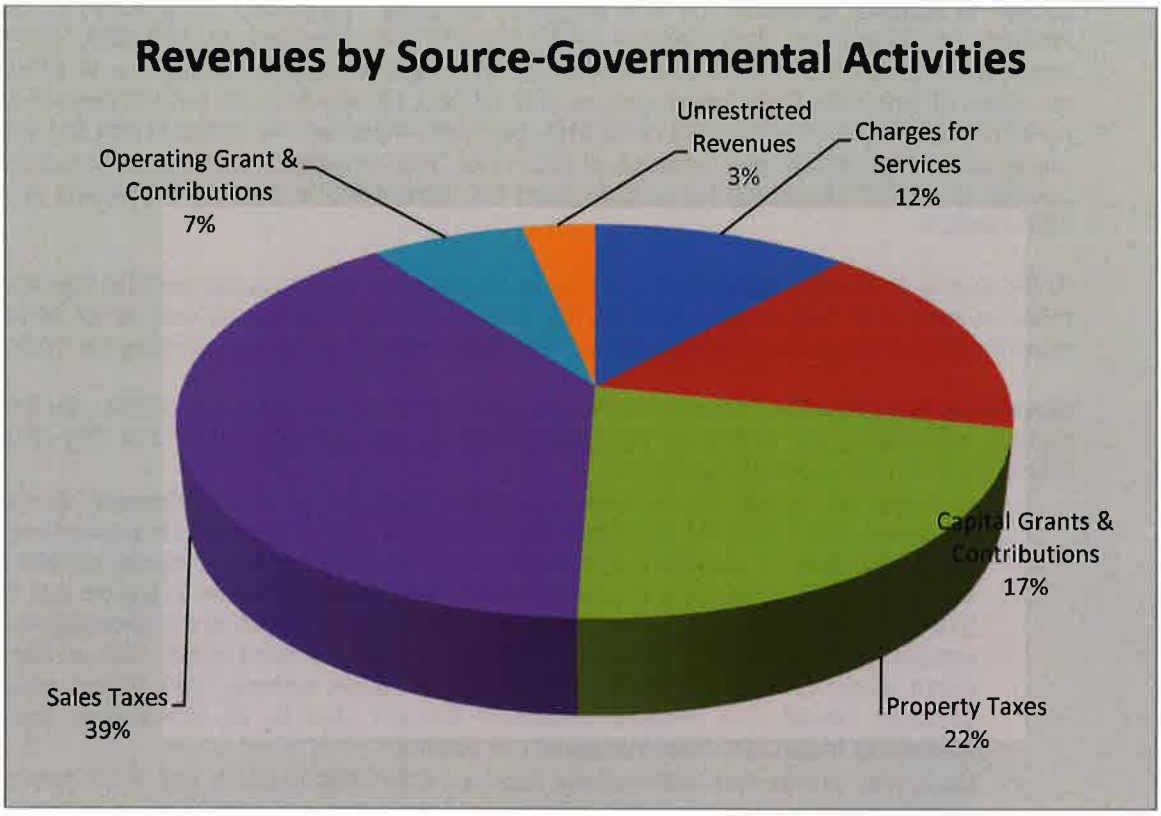
At the end of the current fiscal year, the City of Vermillion is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities: Governmental activities increased the City's net position by $132,419, thereby accounting for 9.66% of the total growth in the net position of the City Vermillion. Elements of this increase are as follows:

- Charges for goods & services increased $89,684 in 2014. General Government increased $58,140 which is attributable to the first year of Business Improvement District fee of $39,858, a decrease in collections for damage to City property of $38,361 an increase in the licenses and permits of $5,699 and an increase in airport fuel sales of $19,135. Public Works decreased $35,553 which is attributable to the decrease in special assessment collections and public payments for improvements of $41,563, an increase in storm water fees of $13,419 and increase in state highway and bridge revenue of $17,690. Health and Welfare increased $69,277 due to an increase in ambulance collections of $61,616 from increased call volume.
- Operating Grants and contributions decreased $61,340 in 2014. For 2014, public safety operating grants decreased $41,323 which is attributed to no COPS grant in 2014 that for 2013 was $33,792 and a decrease in county contribution for E911 Communications of $6,962. Public Works received an airport repairs grant of $747 in 2014.
- Capital grants and contributions increased by $826,124 in 2014. For 2014 capital grants and contributions consist of public works $21,630 for the West Cherry mill and overlay project, $143,167 federal grant for bike path between Cherry Street and SD Hwy 50 and $1,381,096 contribution for street right of way, curb and gutter, paving and storm water improvements on the Bliss Pointe development streets, portions of Norbeck Street and Mickelson Street.
- Property taxes increased by $52,588 or 2.60% during the year. This decrease is the product of the tax revenue for general purposes that increased $276,633 and a decrease in the tax revenue for the tax increment district of $224,075 due to three districts being dissolved during the prior year. State law limits the property tax increase to the lesser of inflation, which for 2014 was 2.1% or 3% plus new property additions less any reduction in valuation.
- Other Taxes increased by $133,757 or 3.82%. This would include the first penny sales tax used for general fund, the second penny sales tax used for capital projects, and BBB

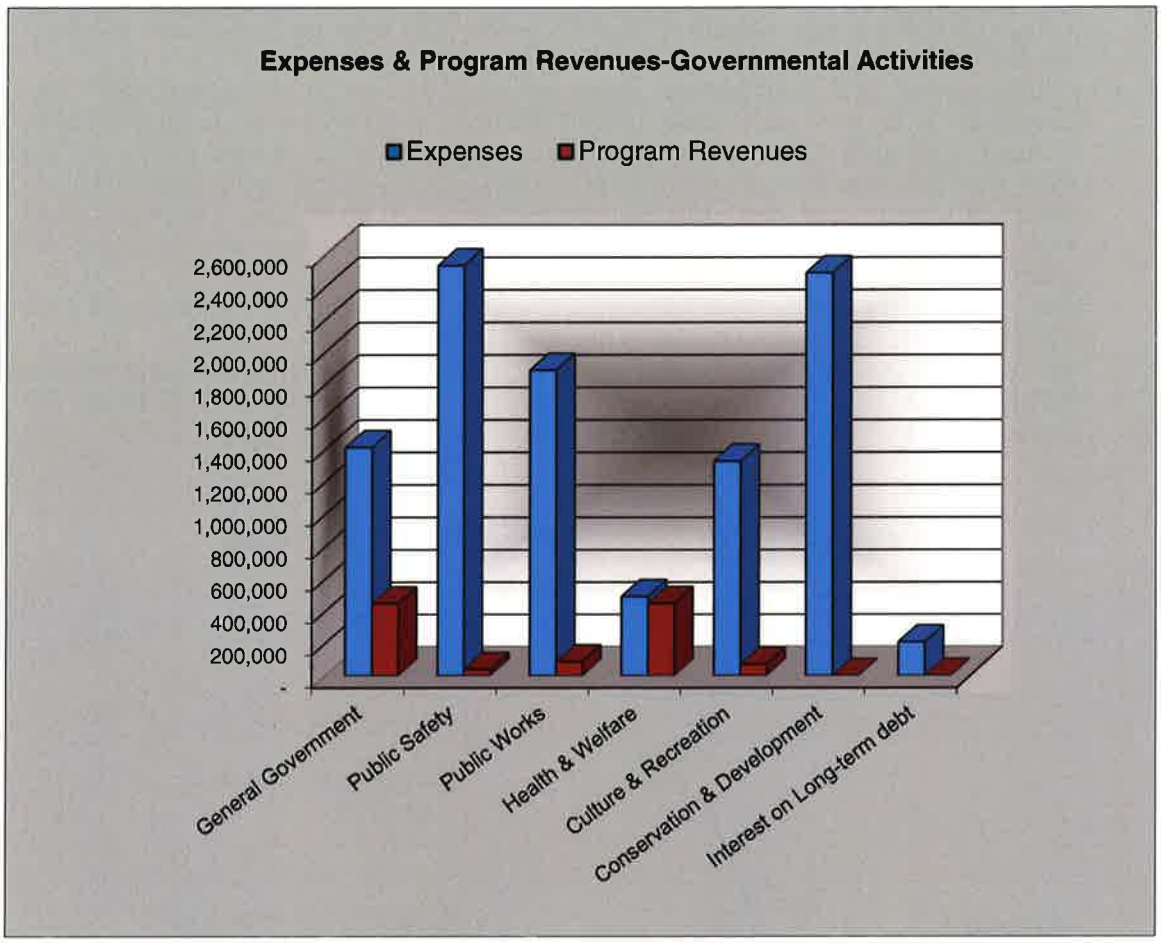
sales tax used for advertising and promotion of the City. The first penny sales tax used for the general fund and the second penny sales tax used for capital projects increased $137,844 while the BBB sales tax used for advertising and promotion decreased by $4,087. As the South Dakota Department of Revenue collects the sales tax on behalf of the City, information as to the individual area of the increase/decrease is not available.

- Other General Revenues increased $159,511 or 65.10%. Contributing to this increase is a decrease in investment earnings of $21,602, an increase in other revenue of $27,879, and an increase in the sale of assets of $194,298.



- Public Safety expenses increased by $203,697 or 8.76%. The police administration, patrol and communication wages increased $155,570. This increase is from positions being filled in 2014 that were vacant during part of the prior year. Fire and rescue operating expenses increased $12,114 due to a reallocation of shard expenses.
- Public works expenses decreased $117,590 or 6.65% with $28,535 being for an increase in fuel purchased for resale at the airport. Street construction and repairs also increased by $44,481.
- Culture and Recreation expenses increased $106,372 or 8.72% with $12,671 being from an increase in operating expenses due to the expansion/renovation of the public library building along with an increase in wages of $15,264 at the library. Recreation wages increased $27,226 from positions being filled in 2014 that were vacant during part of the prior year along with an increase in operating expenses of $23,277 most of which is attributed to setting up the online registration program.

- Conservation and development expenses increased $1,958,572 from the City's continued support of various programs. The City continued to support numerous organizations but during 2015 provided $1,983,036 of TIF #5 bond proceeds to the Vermillion Chamber and Development Company for their residential development expenses for phase 1 of the Bliss Pointe Development.

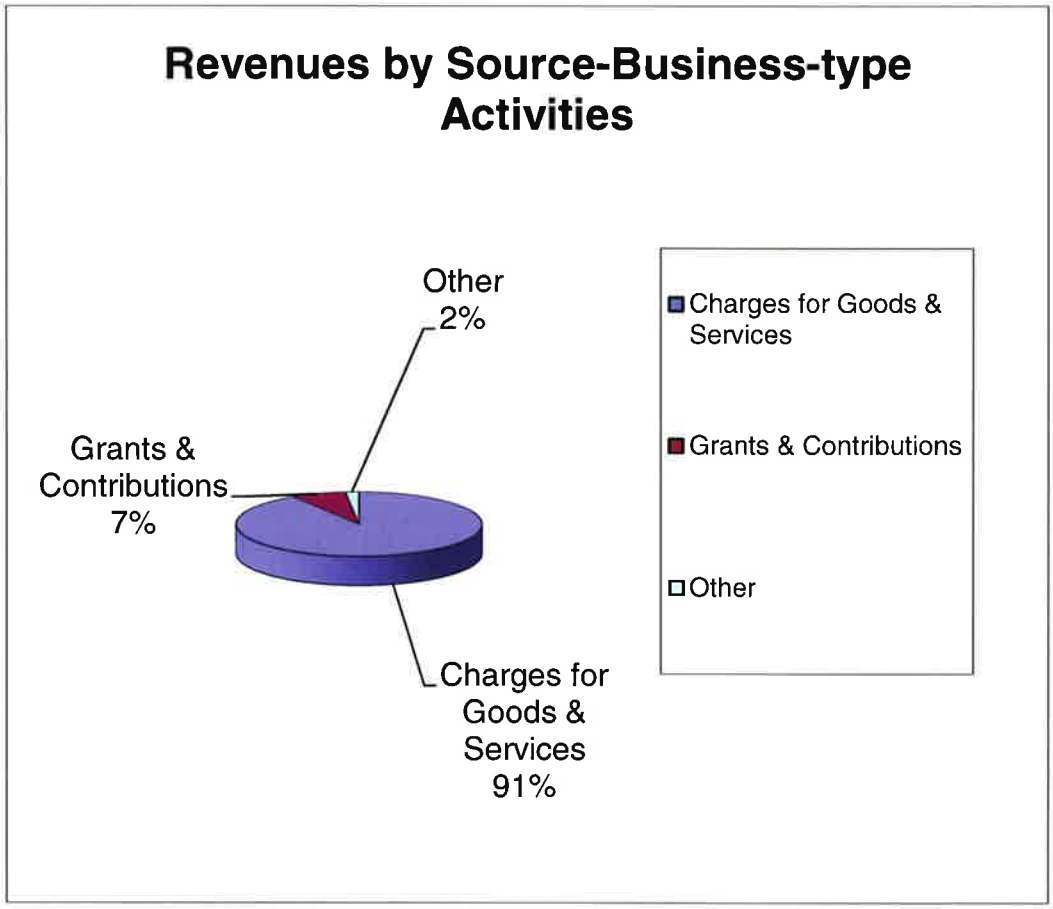


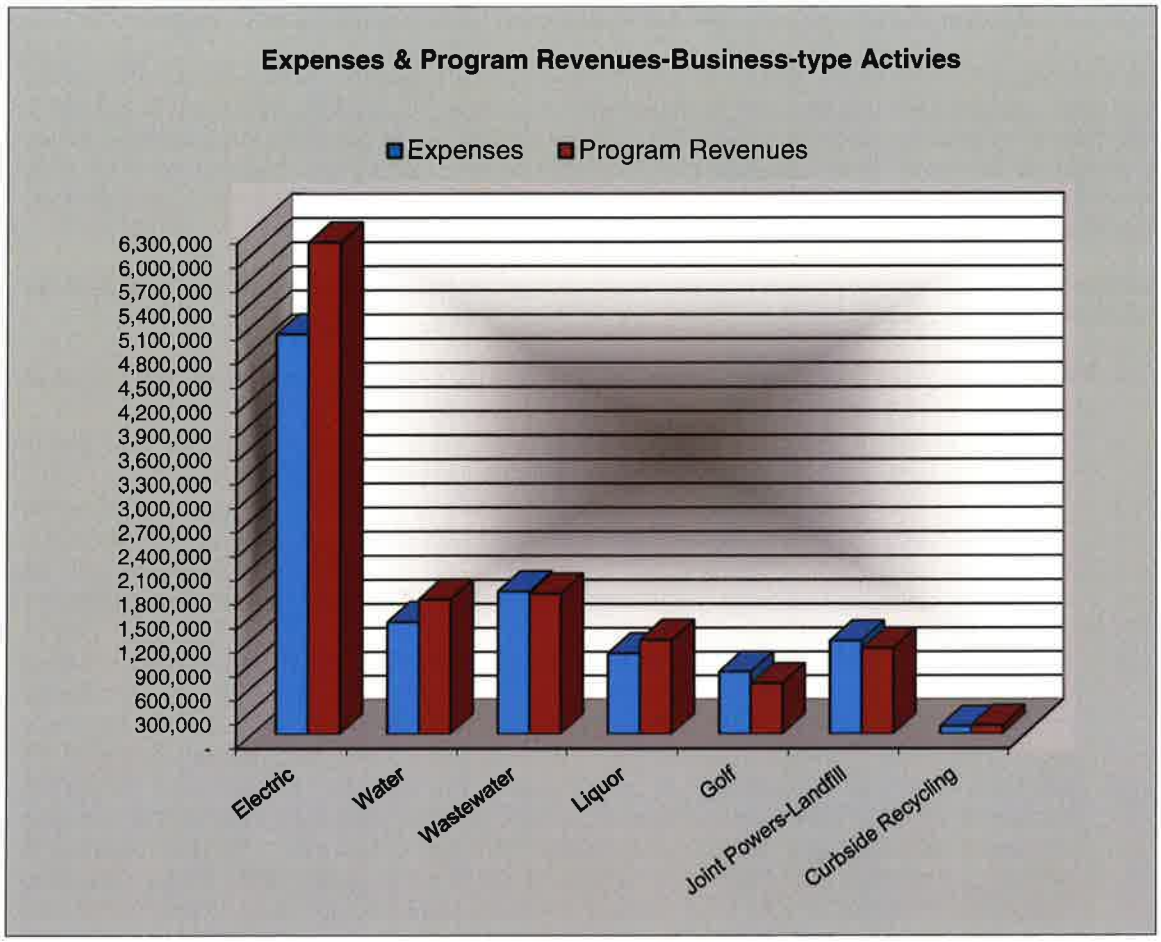
Business-type activities: Business-type activities increased the City of Vermillion's net position by $1,238,261, accounting for 90.34% of the total growth in the government's net position. Key elements of this increase are as follows:

- Charges for services increased by 1.27% or $160,511. The Electric Fund charges for services decreased 0.49% or $30,007. Electric kwh sales also decreased 2.6% during 2014, which is attributed to the cool summer and warmer winter weather. This was the third year of seasonal electric changes. Electric rates were increased to offset increase in supplemental power costs. As our supplemental power supplier has adopted seasonal power supply rates, the city also adopted seasonal utility rates that went into effect with billing in December 2011. Wastewater Fund revenues increased by $66,446. Wastewater rates were increased because of increased operating and capital expenses. The Liquor Fund sales increased $63,084 over 2013 with an increase in liquor, wine and beer ending the annual decrease in wine sales due to the increase in the number of locations selling

wine. The Joint Powers-Landfill revenue decreased $27,565 over 2013. The landfill revenues increased $40,577 from an increase in volume of materials received and a rate increase effective December 1, 2014 while the sale of recycling materials revenues portion of the Joint Powers decreased $13,012 due to decreased market rates for materials being sold. The Golf Fund revenues decreased $14,927, with green fees decreasing $6,354, season pass sales increasing $12,529 and cart rentals increasing $7,246. These decreases are attributed to a cool, wet summer and fall. A decrease in the Curbside Recycling program of $9,566 resulted from a decrease in market values of the items collected.

- Capital grants and contributions increased $639,840 in 2014. Construction was completed on the new water tower, landfill leachate collection system and landfill baler building. Construction in progress on the electric substation improvement project and the landfill cell 5. During 2014, state grants of $433,251 were received for the landfill leachate collection system and baler building. Contributions for water and wastewater main extensions installed by the developer total $221,554 for water and $322,338 for wastewater.
- Tax incremental property taxes decreased $498,282 in 2014. This is attributed the tax increment district being closed in 2013 as bonds were repaid.
- An extraordinary item was reported of $435,515 in 2013, which is the adjustment in insurance recovery for the fire loss of landfill building, baler and contents. No extraordinary items were required to be reported in 2014.





Financial analysis of the Government's Funds

As noted earlier, the City of Vermillion uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Vermillion's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $6,810,621, as shown on Exhibit 3, which is an increase of $275,823 in comparison with the prior year. Approximately 23.20% of this total amount, or $1,579,954, constitutes *unassigned fund balance* which is available for spending at the government's discretion. The remainder of fund balance is either 1) *nonspendable* $224,966, $66,906 for inventory and $158,060 in cumulative reserve 2) *restricted* $1,721,867 consisting of $249,804 in liquor, lodging and dining, $794,217 in storm water, $11,414 in park capital, $23,366 for library, $24,061 for business improvement development, $45,973 for Bliss Pointe and $573,032 for debt

service 3) *committed* $3,051,614 with $2,551,614 in sales tax and $500,000 for capital projects which is for a future swimming pool project or 4) assigned $232,220 for the 2015 budget.

The general fund is the chief operating fund of the City of Vermillion. At the end of the current fiscal year, unassigned fund balance of the general fund was $2,137,148, as shown in Exhibit 3, while total fund balance reached $3,094,334. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37.20% of total general fund expenditures, while total fund balance represents 69.07% of the same amount.

The fund balance of the City's general fund increased $103,102 during the current fiscal year, as shown in Exhibit 4. Factors in this increase are as follows:

- An increase in property taxes of $267,795 or 14.91% and an increase sales tax collection of $109,750 or 7.06%.
- Intergovernmental revenues decreased $20,481 due to state and federal grants decreasing by $45,479 and state and county taxes increased by $24,997.
- Charges for goods and services increased $34,747 or 7.12%. The sale of fuel at the airport increased $19,135 due to the installation of a new jet fuel system in 2013. Ambulance collections increased $54,342 due to an increase in call volume and an increase in billing adjustments. Payments for damage to City property decreased $38,361 due to damage to a light pole in 2013.
- Expenditures in the General Fund increased $353,201 or 6.55%. Public Safety increased $142,079, with an increase in police personal services being $128,804 due to all positions being filled during 2014. Public Works increased $64,947 with the largest single factor being an increase of $44,481 in street construction and repairs followed by $28,535 for the purchase of fuel for resale at the airport. Culture and recreation increased $80,710 due to a number of factors of which recreation personnel services increased $27,226 due to positions being filled for a full year, $23,277 recreation operating expenses the majority is setting up an on line registration, library operating expenses increasing $12,671 for costs of operating the larger building. Conservation and Development increased $32,484 with the major decrease being $33,676 for the VCDC reinvestment program new in 2014.

The sales tax fund has a total fund balance $2,551,614, all of which is committed for capital outlay and debt service. The net increase in fund balance during the current year is $478,130. Revenues during this period increased by $105,313 compared to the prior year. This is due to an increase in sales tax revenue of $109,771 and an increase in investment earnings of $4,458. Expenditures increased during this period by $103,542, which is largely due to the increase in capital outlay. Transfers out decreased by $502,045 to $617,401. The major item of the decrease is $547,833 that was transferred to the library construction fund. The major items of the transfer out for 2014 were $346,025 to City Hall debt service fund and $260,126 to the Bliss Pointe fund.

The Bliss Pointe Capital Project fund has a total fund balance of $45,973. This fund was created to account for economic development expenses for the Bliss Pointe housing development.

Proprietary funds. The City of Vermillion's proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail.

Unrestricted net positions of the proprietary funds are as follows, Electric $5,860,562, Water $1,031,076, Wastewater $1,044,534, Liquor $254,705, Golf Course $988,964, Joint Powers-Landfill $617,615 and Curbside Recycling $75,391. The total growth in net position for all funds

in the current year was $1,214,867. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City of Vermillion adopted a revised budget in September of 2014 and a supplemental budget in December of 2014 to refine the budget numbers adopted a year earlier. The revenue was increased by $102,900 (2% of the original budget). Expenditures were increased by $142,157 (2.34% of the original budget) with culture and recreation increasing $44,544. The original and final budgets are reported on Exhibit 8 on page 59.

Capital Assets and Debt Administration

Capital Assets. The City of Vermillion's investment in capital assets for its governmental and business type activities as of December 31, 2014 amount to $78,380,667 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements other than buildings, furniture and equipment, infrastructure, and construction in progress. During 2014 there was $3,092,594 of additions to the governmental capital assets while the depreciation for the year was $1,796,672 and $634,682 of capital assets were disposed. The total increase in the City's investment in capital assets for the current fiscal year was $5,005,220 or 6.82% (a 3.93%, $1,222,380 increase for governmental activities and an 8.95%, $3,782,840 increase for business-type activities).

Major capital assets events during the current fiscal year included the following:

- Construction was completed on the water tower in 2014 at a total cost of $1,453,518 with $306,939 expended in 2014.
- Construction started on the electric department substation upgrade project with $424,312 expended in 2014.
- Construction was completed on the section of the bike-hike path between Cherry Street and SD HWY 50. The project was administered by the SD Department of Transportation and was partially funded by federal grant funds. Total project cost was $211,471.
- Bliss Pointe Development Phase I project was completed by the Vermillion Chamber and Development Company to address the shortage of residential housing sites in the community. The City granted $1,983,036 of funds to assist in the project development.
- Construction was completed on a new boiler for the wastewater treatment plant at a total cost of $294,264 with $279,095 expended in 2014.
- Construction was completed on the landfill baler building, baler and leachate collection system totaling $3,307,422 with $1,738,284 expended in 2014.

City of Vermillion's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 1,622,815	$ 1,564,503	$ 2,487,229	$ 2,487,229	$ 4,110,044	$ 4,051,732
Building & Structure	14,550,810	14,812,333	26,033,909	21,671,937	40,584,719	36,484,270
Improvements other buildings	-	-	13,990,281	13,296,256	13,990,281	13,296,256
Furniture & Equipment	3,998,343	4,001,680	1,808,354	1,974,062	4,806,697	5,975,742
Infrastructure & books	12,037,228	10,409,435	-	-	12,037,228	10,409,435
Construction in Progress	130,927	329,792	1,720,771	2,828,220	1,851,698	3,158,012
Total	$ 32,340,123	$ 31,117,743	$ 46,040,544	$ 42,257,704	$ 77,380,667	$ 73,375,447

Additional information on the City of Vermillion's capital assets can be found in Note 4 on pages 41-44 of this report.

Long-term debt. At the end of the current fiscal year, the City of Vermillion had a total long-term debt outstanding of $24,480,276. Total note and bonded debt outstanding totaled $21,061,190 with the remainder being capital leases of $3,419,086.

The City's total outstanding debt increased by $2,165,102 or 9.70% during the current fiscal year. The City issued $1,732,000 in Tax Increment Revenue Bonds for costs related to the development in infrastructure for the new Bliss Pointe Development. Two SRF loans were fully drawndown in 2014. The SRF bonds for lechate system and cell #5 at the landfill had an additional drawdown of $1,221,588 in 2014 for a total issuance of $1,639,000. The other bond was for the new water tower which had an additional $408,127 drawn in 2014 for total debt of $1,249,687.

Additional information on the City's long-term debt can be found in Note 5 on pages 45-48 of this report.

City of Vermillion's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue Bonds	$ 1,732,000	$ -	$ 19,000,452	$ 18,216,709	$ 20,732,452	$ 18,216,709
Notes Payable	-	-	328,738	451,009	328,738	451,009
Capital Lease	3,230,785	3,438,140	188,301	209,316	3,419,086	3,647,456
Total	$ 4,962,785	$ 3,438,140	$ 19,517,491	$ 18,877,034	$ 24,480,276	$ 22,315,174

Economic Factors and Next Year's Budgets and Rates

During the current fiscal year, the fund balance in the general fund increased by $155,424 to $3,094,334. The final budget for 2014 had projected the fund balance to decrease by $258,097. The City has appropriated $232,220 of the general fund, fund balance for spending in the 2015 fiscal year.

Electric utility rates were increased electric in January 2014 and December 2014 to pass along increased purchase of power costs. With the SRF loan for the water tower three years of water rate adjustments were adopted and in December 2014 the last of these water rate adjustments were implemented. Wastewater rates were adjusted in April 2014 to meet operating costs.

The storm water drainage fee was increased for 2014 by 4%.

Request for Information

This financial report is designed to provide a general overview of the City of Vermillion's finances for all those with the interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed the City Finance Office, 25 Center, Vermillion, SD 57069.

CITY OF
Vermillion
SOUTH DAKOTA

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CITY OF VERMILLION
BASIC FINANCIAL STATEMENTS

EXHIBIT 1

CITY OF VERMILLION
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing & Redevelopment
ASSETS				
Cash & cash equivalents	$ 202,461	$ 691,981	$ 894,442	$ 14,870
Investments	6,235,000	7,365,000	13,600,000	-
Receivables (net, where applicable, of allowance for uncollectibles)				
Taxes receivables	80,760	-	80,760	-
Accounts receivable	156,113	918,803	1,074,916	3,625
Unbilled accounts receivable	-	446,503	446,503	-
Special assessments receivable	91,692	1,906	93,598	-
Interest receivable	22,865	19,579	42,444	-
Due from insurance company	-	8,373	8,373	-
Due from other governments	483,964	56,546	540,510	-
Internal balances	(583,792)	583,792	-	-
Inventories	66,906	1,303,606	1,370,512	-
Prepaid expenses	78,599	64,839	143,438	2,001
Deposits	158,060	-	158,060	-
Restricted assets:				
Cash	278,156	1,033,864	1,312,020	52,369
Investments	610,334	571,433	1,181,767	-
Interest receivable	651	12,027	12,678	-
Capital assets:				
Land and construction in progress	1,753,742	4,208,000	5,961,742	-
Other capital assets, net of depreciation	30,586,381	41,832,544	72,418,925	-
Total capital assets	32,340,123	46,040,544	78,380,667	-
Total assets	40,221,892	59,118,796	99,340,688	72,865
LIABILITIES				
Accounts payable	$ 414,964	$ 974,686	$ 1,389,650	$ 2,436
Customer deposits	-	87,360	87,360	-
Accrued interest payable	8,236	62,805	71,041	-
Grant revenue collected in advance	14,812	5,764	20,576	6,433
Noncurrent liabilities:				
Due within one year:				
Bonds payable	-	801,036	801,036	-
Notes payable	-	125,214	125,214	-
Capital lease	215,785	21,700	237,485	-
Accrued leave payable	183,213	161,779	344,992	3,868
Due in more than one year:				
Bonds payable	1,732,000	18,199,416	19,931,416	-
Notes payable	-	203,524	203,524	-
Capital lease	3,015,000	166,601	3,181,601	-
Closure - postclosure liability	-	280,002	280,002	-
Accrued leave payable	259,176	228,855	488,031	2,673
Total liabilities	5,843,186	21,318,742	27,161,928	15,410
NET POSITION				
Net investment in capital assets	29,109,338	26,523,053	55,632,391	-
Restricted for:				
BBB tax	255,754	-	255,754	-
Debt service	640,090	1,175,083	1,815,173	-
Stormwater	802,684	-	802,684	-
Parks Capital	11,414	-	11,414	-
Library	23,366	-	23,366	-
Business Improvement District	24,061	-	24,061	-
Landfill closure postclosure	-	130,851	130,851	-
Cumulative reserve-SDPAA	158,060	-	158,060	-
Bliss Pointe Capital Project	45,973		45,973	
Other purposes	-	-	-	52,369
Unrestricted	3,307,966	9,971,067	13,279,033	5,086
Total Net Position	$ 34,378,706	$ 37,800,054	$ 72,178,760	$ 57,455

See Accompanying Notes to Financial Statements

EXHIBIT 2

CITY OF VERMILLION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Housing & Redevelopment
Primary government								
Governmental activities								
General government	$ 1,410,726	$ 324,531	$ -	$ -	$ (1,086,195)	$ -	$ (1,086,195)	$ -
Public safety	2,529,195	38,267	281,668	-	(2,209,260)	-	(2,209,260)	-
Public works	1,885,352	503,841	747	1,402,725	21,961	-	21,961	-
Health & welfare	491,071	448,062	-	-	(43,009)	-	(43,009)	-
Culture & recreation	1,325,700	70,352	4,446	143,167	(1,107,735)	-	(1,107,735)	-
Conservation & development	2,485,337	-	1,000	-	(2,484,337)	-	(2,484,337)	-
Interest on long-term debt	208,517	-	-	-	(208,517)	-	(208,517)	-
Total governmental activities	10,335,898	1,385,053	287,861	1,545,892	(7,117,092)	-	(7,117,092)	-
Business-type activities								
Electric	5,055,658	6,161,105	-	-	-	1,105,447	1,105,447	-
Water	1,474,754	1,686,995	-	252,248	-	464,489	464,489	-
Wastewater	1,723,732	1,828,085	-	322,338	-	426,691	426,691	-
Liquor	1,065,297	1,246,418	-	-	-	181,121	181,121	-
Golf	788,147	623,510	-	3,640	-	(160,997)	(160,997)	-
Joint powers landfill	1,428,877	1,107,835	-	433,251	-	112,209	112,209	-
Curbside recycling	100,321	100,223	-	-	-	(98)	(98)	-
Total business-type activities	11,636,786	12,754,171	-	1,011,477	-	2,128,862	2,128,862	-
Total primary government	$ 21,972,684	$ 14,139,224	$ 287,861	$ 2,557,369	$ (7,117,092)	$ 2,128,862	$ (4,988,230)	$ -
Component Unit								
Housing & redevelopment	895,435	14,317	889,809	-	-	-	-	8,691
Total component unit	$ 895,435	$ 14,317	$ 889,809	$ -	$ -	$ -	$ -	$ 8,691
General revenues:								
Taxes:								
Property taxes - levied for general purposes					2,077,118	-	2,077,118	-
Sales taxes					3,311,729	-	3,311,729	-
Sales taxes for special revenues					322,851	-	322,851	-
Unrestricted state/county shared revenue					78,564	-	78,564	-
Unrestricted investment earnings					33,287	174,616	207,903	348
Miscellaneous revenue					83,464	81,840	165,304	-
Gain on sale of capital assets					195,441	-	195,441	-
Transfers					1,147,057	(1,147,057)	-	-
Total general revenues & transfers					7,249,511	(890,601)	6,358,910	348
Change in net position					132,419	1,238,261	1,370,680	9,039
Net position - beginning					34,246,287	36,561,793	70,808,080	48,416
Net position - ending					$ 34,378,706	$ 37,800,054	$ 72,178,760	$ 57,455

See Accompanying Notes to Financial Statements

CITY OF
Vermillion
SOUTH DAKOTA

EXHIBIT 3

CITY OF VERMILLION
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2014

	General	Sales Tax	Bliss Pointe Capital Project	Other Governmental Funds	2014 Total
ASSETS					
Cash and cash equivalents	$ 150	$ 611	$ -	$ 184,708	$ 185,469
Investments	2,700,000	2,233,000	-	890,000	5,823,000
Receivables (net, where applicable, of allowance for uncollectibles)					
Property taxes: delinquent	80,760	-	-	-	80,760
Accounts receivable	143,184	-	-	10,305	153,489
Special assessment receivable	-	-	-	91,692	91,692
Interest receivable	4,870	5,491	-	12,066	22,427
Due from other governments	234,261	151,609	-	98,094	483,964
Due from other funds	-	175,858	-	-	175,858
Inventory of supplies	44,857	-	-	-	44,857
Inventory purchased for resale	22,049	-	-	-	22,049
Deposits	158,060	-	-	-	158,060
Advances to other funds	-	35,362	-	-	35,362
Restricted assets:					
Cash and cash equivalents	-	-	249,218	28,938	278,156
Investments	-	-	-	610,334	610,334
Interest receivable	-	-	-	651	651
Total assets	3,388,191	2,601,931	249,218	1,926,788	8,166,128
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	173,953	20,050	203,245	16,052	413,300
Due to other funds	6,973	-	-	586,116	593,089
Grant revenue collected in advance	2,500	-	-	12,312	14,812
Advance from other funds	-	-	-	103,703	103,703
Total liabilities	183,426	20,050	203,245	718,183	1,124,904
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-sales tax and interest	29,671	30,267	-	7,824	67,762
Unavailable revenue-deliquent property tax and interest	80,760	-	-	-	80,760
Unavailable revenue-deliquent stormwater fees	-	-	-	6,787	6,787
Unavailable revenue-special assessments and interest	-	-	-	75,294	75,294
Total deferred inflows of resources	110,431	30,267	-	89,905	230,603
Fund balances:					
Nonspendable:					
Inventory	66,906	-	-	-	66,906
Cumulative Reserve-SDPAA	158,060	-	-	-	158,060
Restricted:					
BBB Purposes	-	-	-	249,804	249,804
Stormwater	-	-	-	794,217	794,217
Parks Capital	-	-	-	11,414	11,414
Library	-	-	-	23,366	23,366
Business Improvement District	-	-	-	24,061	24,061
Debt Service Funds	-	-	-	573,032	573,032
Bliss Pointe Capital Project	-	-	45,973	-	45,973
Committed					
Sales Tax Purposes	-	2,551,614	-	-	2,551,614
Capital Projects	500,000	-	-	-	500,000
Assigned:					
Next Year's Budget	232,220	-	-	-	232,220
Unassigned	2,137,148	-	-	(557,194)	1,579,954
Total fund balances	3,094,334	2,551,614	45,973	1,118,700	6,810,621
Total liabilities, deferred inflows of resources, and fund balances	$ 3,388,191	$ 2,601,931	$ 249,218	$ 1,926,788	$ 8,166,128

See Accompanying Notes to Financial Statements

EXHIBIT 3A

CITY OF VERMILLION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balance - governmental Funds (page 20)		$ 6,810,621
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,245,150
Long-term liabilities, including bonds payable, capital leases and accrued leave payable are not due and payables in the current period and therefore are not reported in the funds.		
Bonds payable	(1,732,000)	
Capital Lease	(3,230,785)	
Accrued leave payable	(433,510)	(5,396,295)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.		230,603
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		78,599
Accrued interest expense from the balance sheet that require current financial resources from governmental activities.		(8,236)
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		3,418,264
Total net position - governmental activities (page 18)		$ 34,378,706

See Accompanying Notes to Financial Statements

EXHIBIT 4

CITY OF VERMILLION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Sales Tax	Bliss Pointe Capital Project	Other Governmental Funds	2014 Total
Revenue:					
Taxes:					
General property taxes	$ 2,064,025	$ -	$ -	$ -	$ 2,064,025
General sales & use taxes	1,664,515	1,663,576	-	330,253	3,658,344
Business Improvement District Fees	-	-	-	39,858	39,858
Stormwater fees	-	-	-	192,960	192,960
Penalties & interest on delinquent taxes	6,098	-	-	451	6,549
Licenses & permits	245,127	-	-	-	245,127
Intergovernmental revenue	377,534	-	-	448,173	825,707
Charges for goods & services	522,768	-	-	3,293	526,061
Fines & forfeits	35,633	-	-	2,011	37,644
Public payments for improvements	-	-	-	7,431	7,431
Investment earnings	13,525	8,858	1,265	10,733	34,381
Rentals	17,612	-	-	-	17,612
Special assessments	91	-	-	137,927	138,018
Contributions & donations from private sources	26,200	-	-	14,439	40,639
Other	43,699	-	-	3,471	47,170
Total revenue	5,016,827	1,672,434	1,265	1,191,000	7,881,526
Expenditures:					
Current:					
General government	1,216,569	-	-	-	1,216,569
Public safety	1,837,978	45,541	-	509,108	2,392,627
Public works	961,546	33,196	-	60,569	1,055,311
Health and welfare	462,862	-	-	-	462,862
Culture-recreation	1,073,627	5,394	-	16,005	1,095,026
Conservation and development	78,360	101,676	1,983,036	300,129	2,463,201
Debt service:					
Principal	2,355	-	-	205,000	207,355
Interest	-	-	-	191,470	191,470
Bond Issuance Costs	-	-	15,000	-	15,000
Capital outlay:					
General government	5,876	6,400	-	-	12,276
Public safety	4,116	112,967	-	26,142	143,225
Public works	2,488	223,678	-	610,767	836,933
Health and welfare	5,289	48,051	-	-	53,340
Culture-recreation	93,671	-	-	179,134	272,805
Total expenditures	5,744,737	576,903	1,998,036	2,098,324	10,418,000
Excess (deficiency) of revenues over (under) expenditures	(727,910)	1,095,531	(1,996,771)	(907,324)	(2,536,474)
Other financing sources (uses):					
Transfers in	1,138,209	-	408,783	603,647	2,150,639
Transfers out	(254,875)	(617,401)	-	(139,806)	(1,012,082)
Proceeds from sale of bonds	-	-	1,732,000	-	1,732,000
Total other financing sources (uses)	883,334	(617,401)	2,140,783	463,841	2,870,557
Net change in fund balances	155,424	478,130	144,012	(443,483)	334,083
Fund balance (Deficit) - beginning	2,991,232	2,073,484	(98,039)	1,568,121	6,534,798
Prior period adjustment	(74,216)	-	-	(5,938)	(80,154)
Adjusted fund balance - beginning	2,917,016	2,073,484	(98,039)	1,562,183	6,454,644
Change in inventory	21,894	-	-	-	21,894
Fund balance - ending	$ 3,094,334	$ 2,551,614	$ 45,973	$ 1,118,700	$ 6,810,621

See Accompanying Notes to Financial Statements

EXHIBIT 4A

CITY OF VERMILLION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Net change in fund balances - total governmental funds (page 22)		$ 334,083
Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding asset is exhausted.		21,894
Governmental funds report capital outlays, including infrastructure, 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. Capital outlays exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	$ 1,296,254	
Contribution & Donations of Capital Assets	1,381,096	
Depreciation expense	(1,439,667)	1,237,683
Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net position on the statement of activities.		(20,342)
The issuance of long-term debt provides current financial resources to governmnetal funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The amount by which proceeds exceeded repayments in the current year is as follows:		
Repayment of long-term debt	207,355	
Proceeds from issuance of long-term debt	(1,732,000)	(1,524,645)
Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied.		(119,337)
Governmental funds do not reflect the change in accrued leave as it does not consume current financial resources. The Statement of Activities reflects the change in accrued leave through expenditures.		(19,072)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.		(18,475)
The effect of the change in prepaid insurance which is not reported in the governmental funds as it is not available to provide current financial resources.		2,401
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		(2,047)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		240,275
Change in net position of governmental activities (page 19)		$ 132,419

See Accompanying Notes to Financial Statements

CITY OF VERMILLION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-Type Activities-Enterprise Funds								Governmental Activities-Internal Service Funds
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling	Totals	
ASSETS									
Current assets:									
Cash	$ 104,043	$ 43,295	$ 104,541	$ 36,139	$ 123,405	$ 264,035	$ 16,523	$ 691,981	$ 16,992
Investments	4,475,000	690,000	775,000	75,000	850,000	450,000	50,000	7,365,000	412,000
Receivables (net of allowance for uncollectibles of $37,191)									
Property Taxes Delinquent									
Accounts	503,873	156,906	160,010	651	6,970	87,465	9,898	925,773	2,624
Unbilled	285,887	66,775	82,309	-	-	-	4,562	439,533	-
Special assessments	-	1,182	724	-	-	-	-	1,906	-
Interest	11,081	2,668	2,982	438	829	1,446	135	19,579	438
Due from other governments	-	-	-	-	-	56,546	-	56,546	-
Due from insurance company	-	-	-	-	-	8,373	-	8,373	-
Inventory of supplies	698,436	211,270	58,045	-	45,124	89,125	-	1,102,000	-
Inventory of stores purchased for resale	-	-	-	187,741	13,865	-	-	201,606	-
Prepaid expenses	31,013	9,063	11,013	6,454	2,597	4,136	563	64,839	-
Due from other funds	326,128	40,299	-	51,814	-	-	-	418,241	-
Total current assets	6,435,461	1,221,458	1,194,624	358,237	1,042,790	961,126	81,681	11,295,377	432,054
Noncurrent assets:									
Advance to other funds	69,294	-	-	-	-	-	-	69,294	-
Restricted assets:									
Current									
- Cash	47,645	171,317	393,744	-	-	10,305	-	623,011	-
- Investments	571,433	-	-	-	-	-	-	571,433	-
- Interest receivable	12,027	-	-	-	-	-	-	12,027	-
Landfill- closure & postclosure									
- Cash	-	-	-	-	-	410,853	-	410,853	-
Total noncurrent assets	700,399	171,317	393,744	-	-	421,158	-	1,686,618	-
Capital assets									
Land & improvements	1,311	100,663	96,429	-	2,230,834	57,992	-	2,487,229	-
Buildings	5,800,902	9,803,738	14,491,654	6,410	983,862	4,127,863	-	35,214,429	-
Improvements other than buildings	12,345,804	4,144,231	4,134,987	-	-	1,767,649	-	22,392,671	-
Furniture & equipment	551,053	155,966	2,552,544	81,590	627,298	1,637,022	54,434	5,659,907	5,328,887
Construction in progress	472,063	-	-	-	43,973	1,204,735	-	1,720,771	-
Less: accumulated depreciation	(5,596,265)	(3,836,231)	(8,198,453)	(45,468)	(926,108)	(2,794,003)	(37,935)	(21,434,463)	(2,233,914)
Total capital assets(net depreciation)	13,574,868	10,368,367	13,077,161	42,532	2,959,859	6,001,258	16,499	46,040,544	3,094,973
Total assets	20,710,728	11,761,142	14,665,529	400,769	4,002,649	7,383,542	98,180	59,022,539	3,527,027
LIABILITIES									
Current liabilities:									
Accounts payable	460,514	74,338	76,592	103,532	6,336	251,903	1,471	974,686	1,664
Customer deposits	58,240	29,120	-	-	-	-	-	87,360	-
Accrued interest payable	30,930	-	458	-	-	31,383	34	62,805	-
Due to other funds	-	626	384	-	-	-	-	1,010	-
Bonds payable - current	200,000	225,813	329,804	-	-	45,419	-	801,036	-
Notes payable - current	-	-	-	-	-	117,164	8,050	125,214	-
Capital lease payable - current	-	-	-	-	-	21,700	-	21,700	-
Revenue collected in advance	-	-	-	-	4,092	-	1,672	5,764	-
Accrued leave payable	51,950	35,495	30,130	-	17,973	24,942	1,289	161,779	3,677
Total current liabilities	801,634	365,392	437,368	103,532	28,401	492,511	12,516	2,241,354	5,341
Noncurrent liabilities:									
Revenue bonds	6,260,000	4,485,101	5,860,734	-	-	1,593,581	-	18,199,416	-
Notes payable	-	-	-	-	-	195,271	8,253	203,524	-
Capital lease payable	-	-	-	-	-	166,601	-	166,601	-
Closure-postclosure liability	-	-	-	-	-	280,002	-	280,002	-
Accrued leave payable	73,489	50,212	42,622	-	25,425	35,283	1,824	228,855	5,202
Advance from other funds	-	591	362	-	-	-	-	953	-
Total noncurrent liabilities	6,333,489	4,535,904	5,903,718	-	25,425	2,270,738	10,077	19,079,351	5,202
Total liabilities	7,135,123	4,901,296	6,341,086	103,532	53,826	2,763,249	22,593	21,320,705	10,543
NET POSITION									
Net Investment in capital assets	7,114,868	5,657,453	6,886,623	42,532	2,959,859	3,861,522	196	26,523,053	3,094,973
Restricted for:									
Debt service	600,175	171,317	393,286	-	-	10,305	-	1,175,083	-
Landfill closure & postclosure	-	-	-	-	-	130,851	-	130,851	-
Unrestricted	5,860,562	1,031,076	1,044,534	254,705	988,964	617,615	75,391	9,872,847	421,511
Total net position	$ 13,575,605	$ 6,859,846	$ 8,324,443	$ 297,237	$ 3,948,823	$ 4,620,293	$ 75,587	37,701,834	$ 3,516,484
Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities								98,220	
Net Position of Business-type Activities								$ 37,800,054	

See Accompanying Notes to Financial Statements

EXHIBIT 6

CITY OF VERMILLION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities-Enterprise Funds								Governmental Activities-Internal Service Funds
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling	Totals	
Operating revenue:									
Charges for goods and services	$ 5,367,226	$ 1,399,529	$ 1,491,940	$ 1,246,418	$ 623,148	$ 893,792	$ 100,063	$ 11,122,116	$ 519,592
Surcharge as security for debt	715,396	266,357	325,433	-	-	-	-	1,307,186	-
Miscellaneous	78,483	21,109	10,712	-	362	214,043	160	324,869	-
Total operating revenue	6,161,105	1,686,995	1,828,085	1,246,418	623,510	1,107,835	100,223	12,754,171	519,592
Operating expenses:									
Personal services	811,262	570,412	458,784	-	353,145	492,852	87,207	2,773,662	84,991
Other current expense	323,677	118,346	490,706	216,611	238,455	543,320	7,658	1,938,773	18,878
Materials (cost of goods sold)	2,996,514	376,304	-	844,878	145,315	8,182	-	4,371,193	-
Depreciation/amortization	552,165	288,192	604,768	3,808	56,581	353,546	4,916	1,863,976	357,005
Total operating expenses	4,683,618	1,353,254	1,554,258	1,065,297	793,496	1,397,900	99,781	10,947,604	460,874
Operating income (loss)	1,477,487	333,741	273,827	181,121	(169,986)	(290,065)	442	1,806,567	58,718
Nonoperating revenue (expense):									
Interest earned	156,836	4,642	3,557	495	4,322	4,629	135	174,616	1,010
Rental revenue	-	9,121	-	-	72,719	-	-	81,840	-
Interest expense and fiscal charges	(379,684)	(123,470)	(174,249)	-	-	(29,160)	(540)	(707,103)	-
Gain(loss) on discarded equipment	(3,232)	-	(468)	-	-	(1,773)	-	(5,473)	195,441
Total nonoperating revenue (expense)	(226,080)	(109,707)	(171,160)	495	77,041	(26,304)	(405)	(456,120)	196,451
Income (Expense) before contributions and transfers	1,251,407	224,034	102,667	181,616	(92,945)	(316,369)	37	1,350,447	255,169
Capital contributions & grants	-	252,248	322,338	-	3,640	433,251	-	1,011,477	-
Transfer in	9,000	-	-	-	-	-	-	9,000	8,500
Transfer out	(884,950)	(48,228)	(28,679)	(194,200)	-	-	-	(1,156,057)	-
Change in net position	375,457	428,054	396,326	(12,584)	(89,305)	116,882	37	1,214,867	263,669
Total net position - beginning	13,200,148	6,431,792	7,928,117	309,821	4,038,128	4,503,411	75,550		3,252,815
Total net position - ending	$ 13,575,605	$ 6,859,846	$ 8,324,443	$ 297,237	$ 3,948,823	$ 4,620,293	$ 75,587		$ 3,516,484

Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities	23,394
Change in Net Position of Business-type Activities (page 7).	$ 1,238,261

See Accompanying Notes to Financial Statements

EXHIBIT 7

CITY OF VERMILLION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31 2014

	Business-Type Activities-Enterprise Funds								Governmental Activities-Internal Service Funds
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash received from customers	$ 5,787,333	$ 1,669,620	$ 1,811,990	$ 1,245,893	$ 697,962	$ 1,078,224	$ 100,124	$ 12,391,146	$ -
Cash received from interfund services provided	394,235	27,417	10,547	-	-	-	-	432,199	519,451
Cash paid for personal services	(802,359)	(562,943)	(454,061)	-	(353,597)	(488,857)	(87,995)	(2,749,812)	(83,982)
Cash paid for interfund services	(883)	(80,963)	(100,554)	(7,854)	(25,489)	(7,509)	-	(223,252)	-
Cash paid to suppliers	(3,342,079)	(432,528)	(477,168)	(1,058,583)	(369,141)	(432,780)	(7,493)	(6,119,772)	(18,857)
Net cash provided (used) by operating activities	2,036,247	620,603	790,754	179,456	(50,265)	149,078	4,636	3,730,509	416,612
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(686,831)	(928,204)	(313,107)	(23,001)	(16,657)	(3,536,474)	-	(5,504,274)	(675,973)
Grants	-	45,348	-	-	-	518,697	-	564,045	-
Insurance proceeds net of expenses	-	-	-	-	-	499,995	-	499,995	-
Proceeds from sale of assets	836	-	-	-	-	-	-	836	247,352
Proceeds from sale of bonds	-	408,127	-	-	-	1,221,588	-	1,629,715	-
Principal paid on bonds and capital leases	(195,000)	(279,857)	(371,115)	-	-	(135,434)	(7,852)	(989,258)	-
Interest paid on bonds and capital leases	(380,050)	(123,585)	(174,347)	-	-	(16,040)	(556)	(694,578)	-
Net cash (used for) capital and related financing activities	(1,261,045)	(878,171)	(858,569)	(23,001)	(16,657)	(1,447,668)	(8,408)	(4,493,519)	(428,621)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES									
Due from other funds	(257,309)	(44,115)	99,228	-	-	-	-	(202,196)	-
Advances to Other Funds	119,020	-	-	(51,814)	(22,000)	-	-	45,206	-
Transfer in	9,000	-	-	-	-	-	-	9,000	8,500
Transfer (out)	(884,950)	(48,228)	(28,679)	(194,200)	-	-	-	(1,156,057)	-
Net cash provided by (used for) non-capital financing activities	(1,014,239)	(92,343)	70,549	(246,014)	(22,000)	-	-	(1,304,047)	8,500
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest on investments	163,215	5,959	3,377	199	5,145	5,444	-	(2,405,898)	1,896
Purchase of investments	-	-	-	-	-	-	(50,000)	(2,451,104)	(102,000)
Sale of investments	68,727	325,000	165,000	50,000	150,000	950,000	-	(4,866,002)	
Net cash provided by (used for) investing activities	231,942	330,959	168,377	50,199	155,145	955,444	(50,000)	1,892,066	(100,104)
Net increase (decrease) in cash and cash equivalents	(7,095)	(18,952)	171,111	(39,360)	66,223	(343,146)	(53,772)	(224,991)	(103,613)
Cash and cash equivalents beginning of year	158,783	233,564	327,174	75,499	57,182	1,028,339	70,295	1,950,836	120,605
Cash and cash equivalents end of year	$ 151,688	$ 214,612	$ 498,285	$ 36,139	$ 123,405	$ 685,193	$ 16,523	$ 1,725,845	$ 16,992
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES									
Operating income (loss)	$ 1,477,487	$ 333,741	$ 273,827	$ 181,121	$ (169,986)	$ (290,065)	$ 442	$ 1,806,567	$ 58,718
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:									
Depreciation	552,165	288,192	604,768	3,808	56,581	353,546	4,916	1,863,976	357,005
Rental revenue	-	9,121	-	-	72,719	-	-	81,840	-
(Increase) decrease in assets and increase (decrease) in liabilities:									
Accounts receivable	14,397	(1,612)	(5,548)	(525)	(2,054)	(28,464)	(99)	(23,905)	(141)
Due from other governments	-	-	-	-	-	(1,147)	-	(1,147)	-
Inventory	3,332	(18,021)	(23,269)	10,586	(4,641)	41,825	-	9,812	-
Prepaid expenses	1,095	(185)	23	(34)	(32)	(106)	7	768	-
Accounts payable	(27,198)	(635)	(63,770)	(15,500)	(6,187)	12,078	158	(101,054)	21
Revenue collected in advance	-	-	-	-	3,787	-	-	3,787	-
Leave liability	8,903	7,469	-	-	(452)	3,995	(788)	19,127	1,009
Closure liability	-	-	-	-	-	57,416	-	57,416	-
Customer deposits	6,066	2,533	4,723	-	-	-	-	13,322	-
Net cash (used) provided by operating activities	$ 2,036,247	$ 620,603	$ 790,754	$ 179,456	$ (50,265)	$ 149,078	$ 4,636	$ 3,730,509	$ 416,612
Noncash investing, capital and financing activities:									
Capital contributions	$ -	$ 221,554	$ 322,338	$ -	$ -	$ -	$ -	$ 543,892	$ -
Exchange of payables for capital assets	122,407	-	23,985	-	-	196,924	-	343,316	-
Gain(loss) on disposal of capital assets not affecting operating income	-	(468)	-	-	-	-	-	(468)	196,451
Total noncash investing, capital and financing activities	$ 122,407	$ 221,086	$ 346,323	$ -	$ -	$ 196,924	$ -	$ 886,740	$ 196,451
Reconciliation of cash and cash equivalents:									
Unrestricted	$ 104,043	$ 43,295	$ 104,541	$ 36,139	$ 123,405	$ 264,035	$ 16,523	$ 691,981	$ 16,992
Restricted	47,645	171,317	393,744	-	-	421,158	-	1,033,864	-
Total reconciliation of cash & cash equivalents	$ 151,688	$ 214,612	$ 498,285	$ 36,139	$ 123,405	$ 685,193	$ 16,523	$ 1,725,845	$ 16,992
	-	-	-	-	-	-	-	-	-

See Accompanying Notes to Financial Statements

Note 1- Summary of Significant Accounting Policies

The City of Vermillion was incorporated February 16, 1877, under the provisions of South Dakota Codified Law, as amended. The City operates under the Council-Manager form of government. The funds included in this report are controlled by or dependent upon the municipality's governing board.

The City's financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Vermillion 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 City Council 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 to 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 the City of Vermillion, South Dakota (Commission) is a proprietary fund-type, and is required to be reported as a discretely presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the City Council, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The City Council, 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 City Council the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained by writing to the Commission at PO Box 362, Vermillion, SD 57069.

Joint Ventures – A joint powers agreement between the City of Yankton, City of Vermillion, Yankton County and Clay County was adopted in 1994. The purpose of this agreement is to provide for the joint ownership, administration and operation of a solid waste disposal and recycling system including; a solid waste transfer station or stations, the transportation of solid waste, a sanitary landfill licensed by the State of South Dakota, recycling program and facilities, establishing and collecting such fees as are necessary to support the joint operation and such

Note 1 – Summary of Significant Accounting Policies (Continued)

other operations and facilities as are necessary to exercise the primary responsibilities established under the joint powers agreement. It is not the purpose of the agreement to create a separate entity. The membership of the Advisory Board consists of: one member of the governing body of each participating government, the city managers of the Cities of Yankton and Vermillion, and one citizen chosen by each participating governing body. The undivided interest in the joint agreement is reported as Joint Powers-Landfill as an enterprise fund. A separate financial statement for the joint venture is not issued.

B. Government-wide and fund financial statements

Government-wide Financial Statements:

The City's government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities. The City's general, special revenue, debt service, capital projects, and internal service funds are classified as governmental activities.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (general governmental, public works, public safety, health & welfare, culture & recreation, conservation & development) and each segment of the business-type activities. The functions are supported by general government revenues and related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Revenues that are not classified as program revenues, including taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single

Note 1 – Summary of Significant Accounting Policies (Continued)

column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City can electively add a fund, as a major fund, which has a specific community focus. The nonmajor funds are combined in a column in the fund financial statements. The various funds reported in the financial statements are grouped into fund types as follows:

Governmental Fund Types – The focus of the governmental funds' measurement (in the fund statements) is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental fund types of the City:

General Fund – The General fund is the general operating fund of the municipality. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds – The Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

Debt Service Fund – The Debt Service fund accounts for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs not being financed by proprietary funds.

Capital Projects Funds – The Capital Projects fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by Proprietary Funds.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. Generally Accepted Accounting Principles used are those applicable to similar businesses in the private sector.

Enterprise Funds – Enterprise funds are used to account for those operations (a) that are financed and operated in a manner similar to private business or enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

The City's internal service funds are presented in the proprietary fund financial statements. These services benefit governmental and business-type functions; as such the results of operations have been allocated and are included within governmental and business-type

Note 1 – Summary of Significant Accounting Policies (Continued)

activities in the government wide financial statements.

A description of the City's internal service funds is as follows:

Copier-Fax-Postage Fund – The copier-fax-postage fund is used to account for all operating cost and replacement of the central copier, postage and fax machine at city hall. All departments are billed for copies, postage, and faxes used at a cost plus depreciation.

Unemployment Insurance Fund – This fund has been established to account for the City self-insurance for unemployment insurance claims.

Equipment Replacement Fund – The equipment replacement fund is used to account for rental of equipment used by all City departments and to provide the means to purchase replacement equipment when needed. All the major items of the city's rolling stock are contained in this fund.

Custodial Services – The custodial services fund is used to account for the costs associated with providing janitorial services for city buildings.

The City reports the following major governmental funds:

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

Special Revenue Fund:

Sales Tax Fund – This fund is used to account for sales tax revenue in excess of the amount received if the rate of sales tax were one percent. The state law was changed to remove the language that restricted the use of the second penny sales tax revenues allowing for local control of the two percent tax revenues. A City ordinance was adopted that designated the usage of the sales tax proceeds in excess of one percent and provides these funds may be used only for capital improvement (definition of "capital" to include the accounting definition of capital item currently being an item over $500), land acquisition, the funding of public ambulances and medical emergency response vehicles, nonprofit hospitals with fifty or fewer licensed beds, and other public care facilities or nonprofit health care facilities with fifty or fewer licensed beds, the transfer to the special 911 fund authorized by SDCL § 34-45-12, the purchasing of fire fighting vehicles and equipment, debt retirement, major building repair projects (roof repair, etc.), capital project planning, feasibility studies, and the minor rehabilitation, major rehabilitation, or reconstruction of streets as defined in the June 1994 South Dakota Department of Transportation's pavement Condition Survey Guide for City Streets.

Capital Project Fund:

Bliss Pointe Capital Project Fund – This fund is to account for the capital expenditures and related TIF revenue bond issuance for the Bliss Pointe development project.

The City reports the following major enterprise funds:

Electric Fund – This fund accounts for the activities of the governments' electric distribution operation.

Note 1 – Summary of Significant Accounting Policies (Continued)

Water Fund – This fund accounts for the activities of the government's water treatment and distribution operation.

Wastewater Fund – This fund accounts for the activities for the government's sanitary sewer collection and treatment operations.

Liquor Fund – This fund accounts for the operation of the City package off-sale liquor store. In November 2008 the City entered into a contract for management of the liquor store. Under the contract, the city accounts for all the operations with the manager paid a fee plus a percentage of the profits.

Golf Course Fund – This fund accounts for the activities of the public 18-hole golf course and residential housing development. All marketed housing sites have been sold resulting in eighty-two single family homes, four twin homes, fifteen townhouse units and one multiunit.

Joint Powers Landfill-Recycling – On April 9, 1994 The City of Vermillion, City of Yankton, Clay County and Yankton County entered into a joint powers operation for landfill and recycling. The fund accounts for the activities of the landfill and recycling center located in Vermillion. The transfer station and recycling in Yankton are accounted for by the City of Yankton.

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, governmental, business-type and component unit 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 fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, and 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).

Note 1 – Summary of Significant Accounting Policies (Continued)

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 for the City is 30 days. The revenues which are accrued at December 31, 2014 are property taxes, special assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

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 unavailable revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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

All proprietary fund types 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:

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements while direct expenses are not eliminated.

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:

a. 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.

b. In order to minimize the doubling-up effect of internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Funds so that expenses are reported only by the function to which they relate.

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

State statutes authorize the City to invest 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 that exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish revocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less that "AA" or better or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota. Deposits and investments during the year have not varied from these statutes and were consistent with those held by the City at year-end.

Deposits

The City's deposits at December 31, 2014 consist of bank deposits that are covered by Federal depository insurance or for the accounts that exceed deposit insurance eligible collateral or revocable standby letter of credit as required by SDCL 4-6A-3 were maintained to insure there would be no loss of public funds. Deposits also consist of nonnegotiable certificate of deposits with a carrying value of $13,850,000. The City's bank deposits, per banks, at December 31, 2014 were $14,980,754 and $67,239 in deposits of the Vermillion Housing and Redevelopment Commission for total bank deposits of $15,047,993.

Investment

In general, SDCL 4-5-6 permits municipal funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly, including without limitations, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) and meeting the requirements of SDCL 4-5-9, if the repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the one hundred largest United States commercial banks, as measured by domestic deposits; or (c) in shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933 and whose only investment are in securities described in (a) and repurchase agreements as described in (b).

The City also participates in the South Dakota Public Funds Investment Trust (SDFIT). The SDFIT was established under SDCL 1-24 and is an external investment pool created for South Dakota local government investing. A nine-member board regulates it 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. The investment in SDFIT is unrated. The City's SDFIT balance at December 31, 2014 was $1,312,406.

Note 1 – Summary of Significant Accounting Policies (Continued)

Investments are stated at fair value. Accordingly, changes in fair value of investments at year-end are reflected as a component of earnings on investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's strategy has been to establish a maturity schedule that has investments maturing in a laddered fashion with only a portion of the total portfolio being reinvested each month. This technique reduces the risk that all or most of the investments will mature and be reinvested at a time of relatively low interest rates.

Credit Risk

The City complies with the state law limits for investments as stated above. In 2009 the City adopted a separate policy for credit risk that complies with the state law.

Custodial Risk – Deposits

In the case of deposits this is the risk that is the event of a bank failure, the City's deposits may not be returned. State law SDCL 4-6A-3 requires depositories 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.

Custodial Risk – Investment

In the case of investments this is the risk that in the event of a bank failure, the City's investments may not be returned.

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.

F. Restricted Cash and Investments

The City's restricted cash and investments and the nature of the restriction is as follows:

Fund	Restricted By	Amount
Special Assessment Bonds Fund	Bond Covenants	$ 278,938
City Hall Debt Service Fund	External Parties	360,334
Bliss Point Capital Fund	External Parties	249,218
Electric Fund	Bond Covenants	619,078
Water Fund	Bond Covenants	171,317
Wastewater Fund	Bond Covenants	393,744
Joint Powers-Landfill Fund	Bond Covenants	10,305
Joint Powers-Landfill Fund	State Agency	410,853
Total Restricted Cash and Investments		$ 2,493,787

Note 1 – Summary of Significant Accounting Policies (Continued)

The City's restricted investments are comprised of investments issued by government-sponsored enterprises (GSE's) or federally related institutions that are guaranteed directly or indirectly by the U.S. government (U.S. Agencies) as follows:

Restricted Investments		Amount	12/31/2014
U.S Treasury Note	$	359,195	AAA
U.S Treasury Bond		321,979	AAA
Money Market		2,593	AAA
First Bank and Trust CD		498,000	
Restricted Investments	$	1,181,767	

G. Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of December 31, 2014, balances of short-term interfund amounts payable or receivable have been recorded as: "due to other funds", and "due from other funds", respectively. Noncurrent portions of interfund loan receivables are reported as advances. Any residual balance outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. The purpose of interfund balances is to finance short-term cash flow shortages of various funds and to account for the current portion of special assessment bonds.

An additional $98,220 is included in the internal balances of the governmental funds and business-type funds on the Statement of Net Position. This represents the adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds as shown in the Statement of Net Position-Proprietary Funds.

The composition of short-term interfund balances as of December 31, 2014 is as follows:

		Short-term Interfund Receivables		Short-term Interfund Payables
Special Revenue Funds:				
Sales Tax	$	175,858	$	-
General		-		6,973
911 Fund		-		51,814
Enterprise Funds:				
Electric		326,128		-
Water		40,299		626
Wastewater		-		384
Liquor		51,814		-
Capital Projects Funds:				
Special Assessments		-		490,299
Bike Path		-		18,885
Debt Service Funds:				
Special Assessments		-		25,118
	$	594,099	$	594,099

Note 1 – Summary of Significant Accounting Policies (Continued)

The composition of long-term advances as of December 31, 2014, is as follows:

	Advance to	Advance (from)
Enterprise		
Electric	$ 69,294	$ -
Water	-	591
Wastewater	-	362
Debt Service		
TIF District No. 6	-	35,362
Special Assessment	-	68,341
Special Revenue		
Sales Tax	35,362	-
	$ 104,656	$ 104,656

The advances consist of Special Assessment Bonds which were purchased by the Electric Enterprise Fund and are payable from the Special Assessment Debt Service Fund, Water Fund and Wastewater Fund. The current portion of the bonds is shown as short-term interfund receivable/payable while those amounts due and payable after one year are recorded as advances. The advance between the Sales Tax Fund and TIF District No. 6 is to cover current debt service payments on the related debt. Repayment on the advance will be made as TIF revenues become available.

H. Inventory and Prepaid Items

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

Payments made to vendors for services that will benefit periods beyond December 31, 2014 are recorded as prepaid items in the government-wide financial statements and in the proprietary funds financial statements.

I. Deferred Outflow/Inflows of Resources

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

Note 1 – Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue,* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: sales, special assessments, and interest income. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Cash Flows

For the purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

K. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

L. 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. Assets with an initial individual cost of $500 or more are considered capital assets. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost beginning in 1980 as required by GASB 34. Depreciation on all assets excluding land and construction in process is provided on the straight-line basis over the following estimated lives:

Buildings	33-50 Years
Improvement Other Than Buildings	30-33 Years
Furniture & Equipment	3-15 Years
Infrastructure	15-40 Years

Interest costs for capital asset construction within enterprise funds are capitalized. However, all other interest costs are recorded in the debt service fund. Interest costs incurred during 2014 were $889,398 of which $16,882 were capitalized.

M. Accumulated Unpaid Vacation and Sick Leave

Annual leave is earned by the employees at the rate of 48 hours to 200 hours per year depending on length of service. Upon termination, employees are entitled to receive compensation for their

Note 1 – Summary of Significant Accounting Policies (Continued)

accrued annual leave balance on the basis of their current rate of pay. Sick leave is earned by the employees at the rate of 120 to 160 hours per year depending on length of service to a maximum of 1700 hours. Upon termination, employees with five years or more of service are entitled to receive compensation for their accrued sick leave balance on the basis of their current rate of pay times one-third of their sick leave balance. Compensation may not exceed one third of 720 hours for 5 to 10 years of service, and one-third of 760 hours for more than 10 years of service.

Vested or accumulated vacation and sick leave including related employee benefits that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. Amounts of vested or accumulated vacation and sick leave including related employee benefits that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. Vested or accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition construction or improvement of those assets.

2. Restricted Net Position - Consists of net position with constraints places on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments: of (b) law through constitutional provisions or enabling legislation.

3. Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Application of Net Position

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

Q. 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 (i.e. City Council) and does not lapse at year-end. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balances may be assigned by action of the City Council.
- Unassigned – includes positive fund balance with in the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

Note 2 – Property Tax

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the City's taxes and remits them to the City. The City accrues all delinquent property tax revenue received with 30 days after December 31, 2014.

Note 2 – Property Tax (Continued)

The City is permitted by state statute to levy the following amounts of taxes per $1,000 of taxable valuation of the property in the municipality:

General Fund	$27
Bond Redemption Funds	Amounts Required by Bond Agreements
Judgement Fund (Upon Judgement Being Made)	$10

The combined tax rate to finance municipal services including principal and interest on long-term debt for the year ended December 31, 2014 was $6.21 per $1,000 of taxable valuation.

Note 3 – Receivables

Receivables are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to special assessments	$	34,879
Uncollectibles related to ambulance charges		28,879
Uncollectibles related to mobile home fees		266
Uncollectibles related to miscellaneous fees		1,291
Uncollectibles related to electric charges		15,489
Uncollectibles related to water charges		6,730
Uncollectibles related to wastewater charges		9,691
Uncollectibles related to golf course charges		4,561
Uncollectibles related to curbside recycling charges		720
	$	102,506

Amounts due from other governments include $430,976 from the State of South Dakota, $88,091 due from Clay County, $19,649 due from the City of Yankton, and $1,794 due from the Federal Government. The City also has $8,373 due from insurance for a fire that occurred at the landfill in 2012.

Note 4 – Capital Assets

A summary of the changes in the capital assets for the year ended December 31, 2014, is as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Governmental Activities:				
Capital Assets, not being depreciated				
Land	$ 1,221,441	$ -	$ -	$ 1,221,441
Infrastructure Land	343,062	58,312	-	401,374
Construction in Progress	329,792	77,328	(276,193)	130,927
Total capital assets, not being depreciated	1,894,295	135,640	(276,193)	1,753,742
Capital Assets, being depreciated				
Buildings	18,925,659	262,783	-	19,188,442
Furniture & Equipment	8,286,196	598,270	(584,660)	8,299,806
Books	1,872,117	75,929	(50,022)	1,898,024
Infrastructure	18,848,593	2,296,165	-	21,144,758
Total capital assets, being depreciated	47,932,565	3,233,147	(634,682)	50,531,030
Less: Accumulated Depreciation for:				
Buildings	(4,113,326)	(524,306)	-	(4,637,632)
Furniture & Equipment	(4,284,516)	(542,120)	525,173	(4,301,463)
Books	(825,745)	(37,653)	35,967	(827,431)
Infrastructure	(9,485,530)	(692,593)	-	(10,178,123)
Total Accumulated Depreciation	(18,709,117)	(1,796,672)	561,140	(19,944,649)
Total Capital Assets, being depreciated, net	29,223,448	1,436,475	(73,542)	30,586,381
Governmental activities capital assets, net	$ 31,117,743	$ 1,572,115	$ (349,735)	$ 32,340,123

The following commitments are included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2014
Culture & Recreation:		
Airport	$ 94,972	$ 950
Swimming Pool	24,800	20,021
Bike Path	4,500	2,700
	$ 124,272	$ 23,671

Note 4 – Capital Assets (Continued)

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Business-Type Activities:				
Capital Assets, not being depreciated				
Land and Improvements	$ 2,487,229	$ -	$ -	$ 2,487,229
Construction in Progress	2,828,220	1,628,978	(2,736,427)	1,720,771
Total capital assets, not being depreciated	5,315,449	1,628,978	(2,736,427)	4,208,000
Capital Assets, being depreciated				
Buildings	29,998,935	5,223,552	(8,058)	35,214,429
Improvements Other than Buildings	21,086,742	1,340,415	(34,487)	22,392,670
Furniture & Equipment	5,502,845	207,752	(50,689)	5,659,908
Total capital assets, being depreciated	56,588,522	6,771,719	(93,234)	63,267,007
Less: Accumulated Depreciation for:				
Buildings	(8,326,999)	(857,994)	4,473	(9,180,520)
Improvements Other than Buildings	(7,790,486)	(635,764)	23,861	(8,402,389)
Furniture & Equipment	(3,528,782)	(370,218)	47,446	(3,851,554)
Total Accumulated Depreciation	(19,646,267)	(1,863,976)	75,780	(21,434,463)
Total Capital Assets, being depreciated, net	$ 36,942,255	$ 4,907,743	$ (17,454)	$ 41,832,544
Business-type activities capital assets, net	$ 42,257,704	$ 6,536,721	$ (2,753,881)	$ 46,040,544

The following commitments are included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2014
Golf Course Housing Sites	$ 252,804	$ 43,973
Electric Substation	743,968	223,684
Joint Pow ers Lechate Project, Cell 5, Baler and Building	1,292,497	1,050,757
	$ 2,289,269	$ 1,318,414

Note 4 – Capital Assets (Continued)

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

Governmental Activities:		
General Government	$	200,237
Public Safety		120,283
Public Works		867,688
Health & Welfare		26,782
Culture & Recreation		224,677
Total depreciation expense		
- Governmental Activities		1,439,667
- Internal Service Funds		357,005
	$	1,796,672
Business-Type Activities:		
Electric	$	552,165
Water		288,192
Wastewater		604,768
Liquor		3,808
Golf Course		56,581
Joint Powers Landfill		353,546
Curbside Recycling		4,916
Total depreciation expense		
- Business-Type Activities	$	1,863,976

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

	Beginning Balance	Additions	Deletions	Ending Balance
Component Unit:				
Capital Assets, being depreciated				
Furniture & Equipment	$ 3,628	$ -	$ -	$ 3,628
Total capital assets being depreciated	3,628	-	-	3,628
Less:				
Accumulated Depreciation	(3,628)	-	-	(3,628)
Total Capital Assets, being depreciated, net	$ -	-	$ -	$ -

Note 4 – Capital Assets (Continued)

Reconciliation of Net Investment in Capital Assets:

	Governmental	Business-Type
Land and Improvements	$ 1,622,815	$ 2,487,229
Construction in Progress	130,927	1,720,771
Capital Assets (Net of Accumulated Depreciation)	30,586,381	41,832,544
Less:		
Revenue Bonds	-	(19,000,452)
Notes Payable	-	(328,738)
Capital Leases	(3,230,785)	(188,301)
Net Investment in Capital Assets	$ 29,109,338	$ 26,523,053

Note 5 – Long-Term Debt

Notes Payable

The City currently has four notes payable outstanding. The first is a loan agreement entered into in 2006 with the Solid Waste Management Program for solid waste improvements in the amount of $445,000. The rate on this loan is 2.5%; repayment began June 1, 2008 and matures December 1, 2015.

The second was entered into in 2009 with the Solid Waste Management Program for purchase of equipment to initiate and establish a new curbside recycling program in the amount not to exceed $175,000. The rate on this loan is 2.5%, repayment began on June 1, 2010 and matures December 1, 2016.

The third was entered into in 2010 with the Solid Waste Management Program for purchase of Landfill Dozer in the amount of $200,000. The rate on this loan is 2.25%, repayment began on June 1, 2011 and matures December 1, 2017.

The fourth was entered into in 2010 with the Solid Waste Management Program for purchase of Landfill Baler in the amount of $255,519. The rate on this loan is 2.25%, repayment began on June 1, 2011 and matures December 1, 2020.

Notes Payable outstanding at December 31, 2014 is as follows:

Purpose	Interest Rate	Outstanding Amounts
Solid Waste Management-2006-204	2.50%	$ 62,759
Solid Waste Management-2008-402	2.50%	16,303
Solid Waste Management-2010-402	2.25%	89,562
Solid Waste Management-2010-203	2.25%	160,114
		$ 328,738

Note 5 – Long-Term Debt (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending December 31	Business-Type Activities Principal	Business-Type Activities Interest
2015	$ 125,214	$ 6,849
2016	63,888	4,237
2017	56,894	2,823
2018	26,966	1,711
2019	27,576	1,100
2020	28,200	477
Total	$ 328,738	$ 17,197

Revenue Bonds

On May 15, 2013, the City entered into a $1,532,000 loan with the South Dakota Conservancy District of State Revolving Fund Loan (SRF) funds for construction of a new water tower. The loan is for 2.25% for twenty (20) years with repayment to start on April 1, 2014. The City completed total drawdowns of $1,294,687. Repayment of the bonds began in 2014.

On June 28, 2013, the City entered into a loan with the South Dakota Conservancy District for $1,639,000 of State Revolving Fund Loan (SRF) for improvements at the solid waste landfill facility. The loan is for 3.0% for twenty (20) years with repayment to start in May of 2015. The full amount of the bond was drawn down in 2014 with repayment of the bonds beginning May 15, 2015.

During 2014, the City issued a new TIF Incremental Revenue Bond in the amount of $1,732,000 for the development of Tax Incremental District Number Six – Bliss Pointe Development. The bonds have an interest rate of 3.5%. All tax increment payments received will be used to pay down the debt as it becomes available to the City.

A detail of revenue bonds outstanding follows:

Purpose	Interest Rate	Amounts
Governmental Activities:		
TIF Incremental Revenue Bonds	3.50%	$ 1,732,000
		$ 1,732,000
Business-Type Activities:		
Electric Revenue Bond, Series 2009 A & B	2.0%-6.25%	$ 6,460,000
Wastewater System Revenue Bond, Series 2003 (SRF)	3.50%	157,241
Wastewater System Revenue Bond, Series 2008 (SRF)	3.25%	3,532,530
Wastewater System Revenue Bond, Series 2009 (SRF)	2.50%	210,768
Wastewater System Revenue Refunding Bond, Series 2013 (SRF)	.5%-2.45%	2,290,000
Joint Powers Revenue Bond 2013 (SRF)	3.00%	1,639,000
Water Utility Bond, Series 2002 (SRF)	3.50%	845,690
Water Utility Bond, Series 2006 (SRF)	2.50%	2,608,772
Water Utility Bond, Series 2013 (SRF)	2.25%	1,256,451
Total Business-Type Activities		$ 19,000,452

Note 5 – Long Term Debt (Continued)

Revenue bond debt service requirements to maturity are as follows:

Year Ending	Governmental		Enterprise	
December 31	Principal	Interest	Principal	Interest
2015	$ -	$ 86,600	$ 801,036	$ 635,367
2016	-	86,600	958,133	683,351
2017	10,957	86,465	980,304	655,337
2018	58,257	85,333	1,012,996	626,018
2019	142,222	81,384	1,041,225	594,578
2020-2024	1,369,508	238,789	5,648,530	2,440,518
2025-2029	151,056	3,776	4,819,908	1,475,727
2030-2034	-	-	2,876,205	673,313
2035-2036	-	-	862,115	78,953
Total	$ 1,732,000	$ 668,947	$ 19,000,452	$ 7,863,162

Capital Lease

The following are the City's three outstanding capital leases:

An agreement with The First National Bank in Sioux Falls (Lessor/Trustee) for the financing to construct a new city hall building. The Declaration of Trust Agreement, the Lease-Purchase Agreement and Ground Lease Agreement between the City and The First National Bank along with the issuance of $4,475,000 of Certificates of Participation were completed in September 2007. These agreements are evidence of the Bank's ownership interest in the lease-purchase assets with the City of Vermillion. In addition to the Certificate of Participation proceeds available for the building construction, the City contributed $1,140,000 of sales tax funds for completion of the building project. The bid was awarded and construction began on the new city hall building in October 2007 and completed in March 2009. The interest rate on the Certificates of Participation varies from 3.80% to 4.40% and the lease payment terms match the terms of the certificates with final payment December 15, 2026. Sales tax funds have been pledged to make the lease payments over the term of the lease.

An agreement with Cannon Financial Services was entered into in 2012 to lease a Canon iPF 755 MFP copier for the engineering department. This is an interest free lease with the final payment to be made in April of 2015. The lease is paid from the General Fund. The equipment is recorded at $7,066 less accumulated depreciation at year end of $3,180.

An agreement with Kinetic Leasing for the financing of a 2012 Caterpillar Motorgrader at the landfill. A down payment of $12,737 was made in 2012 and an agreement for $253,282 to be paid back with an interest rate of 3.25% and maturing in 2019. This lease is paid from the Joint Powers Landfill-Recycling Fund. The equipment is recorded at $266,019 less accumulated depreciation at year end of $119,709.

Note 5 – Long Term Debt (Continued)

A detail of capital leases outstanding follows:

Purpose	Interest Rate	Outstanding Amounts
City Hall - First National Bank	3.8%-4.40%	$ 3,230,000
Engineering - Cannon Financial Services	0.00%	785
Joint Powers - Kinetic Leasing	3.25%	188,301
		$ 3,419,086

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum leases payments as of December 31, 2014.

	Governmental Activities		Business-Type Activities		
Year Ending December 31	Principal	Interest	Principal	Interest	Total
2015	$ 215,785	$ 137,041	$ 21,700	$ 6,120	$ 380,646
2016	220,000	128,710	22,404	5,415	376,529
2017	230,000	120,020	23,132	4,686	377,838
2018	240,000	110,820	121,065	3,935	475,820
2019	250,000	100,740	-	-	350,740
2020-2024	1,420,000	335,440	-	-	1,755,440
2025-2026	655,000	43,561	-	-	698,561
Minimum Lease Payments					4,415,574
Less:					
Amount Representing Interest					(996,488)
Present Value of Minimum Lease Payments					$ 3,419,086

Closure/Postclosure Liability

State and federal laws and regulations require the City of Vermillion to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City of Vermillion reports a portion of these closure and postclosure care costs as an operating expense in each period based upon landfill capacity used as of each balance sheet date. The conversion balefill operations extended the useful life of the landfill due to the higher compaction and less cover.

The landfill permit was amended in 2013 to expand the permitted area as well as increase the final elevation and increase the depth of future cells. The permit amendment was approved by the SD Department of Environment and Natural Resources will increase the estimated capacity and extend the landfill life.

The $280,002 reported as landfill closure and post closure care liability at December 31, 2014, represents the cumulative amount reported to date based on the use of 18 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure

Note 5 – Long Term Debt (Continued)

and postclosure care of $1,596,463 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. The City expects to close the landfill in the year 2076. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The City reports the closure and postclosure care funds as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on theses annual contributions. However, if interest earning are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenues.

Changes in Long-Term Liabilities are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue Bonds Payable	$ -	$ 1,732,000	$ -	$ 1,732,000	$ -
Capital Leases	3,438,140	-	207,355	3,230,785	215,785
Compensated Absences	422,308	442,389	422,308	442,389	183,213
Governmental Activities Long-Term Liabilities	$ 3,860,448	$ 2,174,389	$ 629,663	$ 5,405,174	$ 398,998
Business-Type Activities:					
Revenue Bonds Payable	$ 18,216,709	$ 1,629,715	$ 845,972	$ 19,000,452	$ 801,036
Notes Payable	451,009	-	122,271	328,738	125,214
Capital Leases	209,316	-	21,015	188,301	21,700
Closure/Postclosure Liability	222,586	57,416	-	280,002	-
Compensated Absences	366,784	390,634	366,784	390,634	161,779
Business-Type Activities Long-Term Liabilities	$ 19,466,404	$ 2,077,765	$ 1,356,042	$ 20,188,127	$ 1,109,729

For the governmental activities, compensated absences are generally liquidated by the general fund, the revenue bonds will be repaid by the tax incremental property taxes, the city hall capital lease will be paid out of the sales tax fund and the copier lease from the general fund.

Note 6 – Leases

The City has the following operating leases:

Barstow Park Lease – leased from the public school for twenty years, the land for use as a city park for $20. The lease will expire on February 23, 2029.

The liquor store building is leased with the current lease expiring in February 2015. The following is the amount of current lease payments:

Year	Amount
2015	$ 1,875

Note 6 – Leases (Continued)

The Bluff's golf course entered into a lease with Yamaha Golf & Utility to lease 40 golf carts and 2 beverage carts for 5 years beginning February 1, 2014. The following is the amount of the current lease payments:

Year	Amount
2015	$ 23,191
2016	23,191
2017	23,191
2018	23,190

Note 7 – Conduit Debt

In previous years, the municipality has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the municipality, the State of South Dakota, nor any other political subdivision of the state, is obligated in any manner for the repayment of their conduit debt issues. Accordingly, the bond is not reported as liabilities in the accompanying financial statements. As of December 31, 2014, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of $245,000.

Note 8 – Deficit Fund Equity

As of December 31, 2014, the following funds had deficit fund equity in the amount of:

Debt Service Funds:	
TIF District No. 6 Bonds	$ 35,362
Capital Projects Funds:	
Bike Path	31,533
Special Assessments Projects	490,299
Internal Service Funds:	
Custodial Services	1,503

The deficit in TIF District No. 6 bond fund will continue until TIF revenues are sufficient to cover the deficit. The second penny sales tax fund will advance the funds needed and will be repaid with excess future TIF revenues. The deficit in the bike path fund will be eliminated by a transfer from the second penny sales tax fund in 2015. The deficit in Special Assessment Projects fund will be eliminated with an advance from the Electric fund in 2015. The deficit in Custodial Services fund will be addressed when custodial fees are revised in 2015.

Note 9 – Transfers

The following is a summary of transfers between funds:

	Governmental Fund Types			Business-Fund Type		
	General	Bliss Point Capital Project	Nonmajor Governmental Funds	Electric	Internal Service Fund	Total Transfers Out
General	$ -	$ -	$ 254,875	$ -	$ -	$ 254,875
Sales Tax	-	260,129	348,772	-	8,500	617,401
Electric	884,950	-	-	-	-	884,950
Water	29,583	9,645	-	9,000	-	48,228
Wastewater	28,679	-	-	-	-	28,679
Liquor	194,200	-	-	-	-	194,200
Nonmajor Govermental Funds	797	139,009	-	-	-	139,806
Total Transfers In	$ 1,138,209	$ 408,783	$ 603,647	$ 9,000	$ 8,500	$ 2,168,139

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

2. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10 – Risk Management

The municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2014, the municipality managed its risks as follows:

Employee Health Insurance:

The municipality purchases health insurance for its employees from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance and Property Insurance:

The municipality has been unable to obtain liability coverage for torts; theft of or damage to property; and errors and omission of public officials at a cost it considered to be economically justifiable. The municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays an annual premium to the pool to provide general liability, property, inland marine, automobile liability, official's liability, law enforcement liability, boiler and liquor liability coverage. The agreement with the South Dakota

Note 10 – Risk Management (Continued)

Public Assurance Alliance provides that the above coverages will be provided to a $1,000,000 limit. Member's 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. The municipality carries $5,000 deductible for the officials liability coverage; $3,000 deductible for law enforcement liability coverage; zero deductible for general liability; $1,000 deductible for buildings, contents, miscellaneous property and EDP hardware; automobile liability with $100 deductible for comprehensive and $500 for collision and liquor liability coverage.

A portion of the member premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2014, the Municipality has vested balance in the cumulative reserve fund of $158,060.

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

Workmen's Compensation:

The municipality has been unable to obtain workmen's compensation coverage at a cost it considered to be economically justifiable. The Municipality joined the South Dakota Municipal League Worker Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statue. The pool pays the first $650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of $2,000,000 per incident.

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

Note 10 – Risk Management (Continued)

Unemployment Insurance:

The municipality has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The municipality has equity in the unemployed insurance fund in the amount of $12,437 for the payment of future unemployment benefits. During the current year ended December 31, 2014 the City paid no unemployment benefit. No material claims are anticipated in the next fiscal year.

The City does not have any changes in employment practices or elimination of any positions currently held.

Note 11 – Retirement Plan

All employees, except for part-time and seasonal 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 the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013, and 2012 was $326,188, $310,158, and $300,174, respectively, equal to the required contributions each year.

Note 12 – Commitments

The Vermillion Chamber of Commerce and Development Company in 2009 conducted a capital campaign titled Vermillion NOW! 1 with a goal to raise $1.5 million over five years for economic development in the community. The City Council pledged to match private sector commitments at the rate of fifty cents per dollar raised until August 1, 2009 with a maximum contribution over a five-year period of $450,000. Vermillion NOW! 1 exceeded its goal with commitments of over $1.6 million. During 2009, the city paid $20,000 of this pledge, $30,000 in 2010, $38,713 in 2011, $65,947 in 2012, $166,710 in 2013 and $30,000 in 2014.

The Vermillion Chamber of Commerce and Development Company in 2013 started a second capital campaign titled Vermillion NOW! 2 with a goal to raise $1.6 million over five years for economic development in the community. The City Council in November 2013 pledged $500,000 to the capital campaign with the funds to be made available at $100,000 per year starting in 2015.

In December 2008, the University of South Dakota and the City of Vermillion entered into a Memorandum of Understanding whereby the University will construct a wellness facility and the city will contribute $340,000. The contributions will be from the second penny sales tax fund of

Note 12 – Commitments (Continued)

$68,000 per year for five years starting in the fourth quarter of 2010. Payments have been made in 2010, 2011, 2012, 2013 and the final payment was in 2014. The City Parks & Recreation Department will be able to use the facility to conduct programs and residents can purchase memberships to access the facility.

Note 13 – Contingency

The City receives significant financial assistance from the U.S. government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of December 31, 2014, the City estimates that no material liabilities will result from such audits.

Note 14 – Subsequent Events

On August 4, 2014, the City Council adopted a resolution for the issuance of a General Obligation bond not to exceed $3,100,000 for Prentis Park improvements consisting of a new pool to replace the existing pool, parking lot, basketball courts and related improvements. The resolution required a public vote for approval and an election date of November 4, 2014 was set. The citizens approved the issuance of the General Obligation bond at the November 4 election 75% to 25%. In early 2015 the City Council as an option to assist with the repayment of the GO Bond adopted an ordinance to implement a 5% markup on the wholesale purchase price on malt beverages pursuant to SDCL 35-4-60.2 that was to become effective July 1, 2015. In April 2015, an initiated petition was received to repeal the malt beverage markup ordinance. A special election was held June 30, 2015 at which time the initiated measure failed 37% to 63%. Due to the initiated petition being filed, pool plans were put on hold until the outcome was determined and now it is anticipated the project will be bid in early 2016 with the issuance of bonds to follow bid opening in 2016.

Note 15 – Prior Period Adjustment

In previous years uncollected taxes receivable and storm drainage fees were recognized as revenue in the current year. In reviewing the Deferred Inflows of Resources it was determined that property taxes delinquent and storm drainage fees delinquent were being reported as current year revenue. A prior period adjustment was reported on the financial statements to record the delinquent property taxes of $74,216 and storm drainage fees of $5,938 as a deferred inflow of resources. This adjustment has resulted in a decrease in fund balance of $74,216 for the general fund and a decrease in the storm water fee fund of $5,938.

Note 16 – Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27.* This statement will be implemented for the fiscal year ending December 31, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

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

EXHIBIT 8

CITY OF VERMILLION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts	Variance Amended Budget Favorable
	Original	Final	(Budgetary Basis)	(Unfavorable)
Revenue:				
Taxes:				
General property taxes	$ 2,037,500	$ 2,055,520	$ 2,064,025	$ 8,505
General sales & use taxes	1,600,000	1,678,000	1,664,515	(13,485)
Penalties & interest on delinquent taxes	4,000	4,000	6,098	2,098
Licenses & permits	245,150	241,050	245,127	4,077
Intergovernmental revenue	359,150	360,380	377,534	17,154
Charges for goods & services	548,540	525,150	522,768	(2,382)
Fines & forfeits	41,050	38,150	35,633	(2,517)
Special assessments	100	100	91	(9)
Investment earnings	15,500	13,500	13,525	25
Rentals	15,100	15,100	17,612	2,512
Contributions & donations from private sources	2,500	44,000	26,200	(17,800)
Other	54,600	51,140	43,699	(7,441)
Total revenue	4,923,190	5,026,090	5,016,827	(9,263)
Expenditures:				
General government:				
Executive	549,853	549,673	521,373	28,300
Financial administration	172,861	179,270	178,271	999
Other	548,621	550,612	522,801	27,811
Total general government	1,271,335	1,279,555	1,222,445	57,110
Public safety:				
Police	1,689,118	1,684,839	1,621,110	63,729
Fire	207,530	229,363	219,643	9,720
Other protection	3,300	3,300	1,341	1,959
Total public safety	1,899,948	1,917,502	1,842,094	75,408
Public works:				
Highways & streets	810,686	819,185	747,341	71,844
Sanitation	109,697	109,694	108,908	786
Airport	123,423	124,423	107,785	16,638
Total public works	1,043,806	1,053,302	964,034	89,268
Health and welfare:				
Health	197,819	199,328	188,988	10,340
Ambulance	323,166	302,200	279,163	23,037
Total health and welfare	520,985	501,528	468,151	33,377
Culture-recreation:				
Recreation	287,376	293,079	256,132	36,947
Parks	307,408	308,625	284,703	23,922
Libraries	572,380	610,698	581,189	29,509
Armory	59,661	58,967	45,274	13,693
Total culture-recreation	1,226,825	1,271,369	1,167,298	104,071
Conservation and development:	47,000	128,800	78,360	50,440
Total expenditures	6,009,899	6,152,056	5,742,382	409,674
Debt Service				
Principal	2,355	2,355	2,355	-
Other financing sources (uses):				
Operating transfers in	1,146,212	1,138,252	1,138,209	43
Operating Transfers Out	(267,430)	(268,028)	(254,875)	13,153
Total other financing sources (uses)	878,782	870,224	883,334	13,196
Net change in fund balances	(207,927)	(258,097)	155,424	413,521
Fund balance - beginning	2,991,232	2,991,232	2,991,232	-
Prior Period Adjustment	-	-	(74,216)	(74,216)
Fund Balance -beginning (as restated)	2,991,232	2,991,232	2,917,016	(74,216)
Change in inventory	-	-	21,894	21,894
Fund balance - ending	$ 2,783,305	$ 2,733,135	$ 3,094,334	$ 361,199

EXHIBIT 9

CITY OF VERMILLION
MAJOR SPECIAL REVENUE FUNDS
SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	(Budgetary Basis)	(Unfavorable)
REVENUES				
Taxes:				
General sales & use taxes	$ 1,599,000	$ 1,678,000	$ 1,663,576	$ (14,424)
Miscellaneous revenue:				
Interest earned	13,500	8,500	8,858	358
Total revenue	1,612,500	1,686,500	1,672,434	(14,066)
EXPENDITURES				
Current:				
Public safety	145,000	35,000	45,541	(10,541)
Public works	347,100	53,000	33,196	19,804
Conservation & development	68,000	214,630	101,676	112,954
Culture-recreation	162,000	165,000	5,394	159,606
Total current expenditures	722,100	467,630	185,807	281,823
Capital Outlay:				
General	-	-	6,400	(6,400)
Public safety	-	139,600	112,967	26,633
Public works	-	225,470	223,678	1,792
Health and welfare	67,000	48,100	48,051	49
Total capital outlay	67,000	413,170	391,096	22,074
Total expenditures	789,100	880,800	576,903	303,897
OTHER FINANCING SOURCES (USES)				
Transfers out	(757,291)	(686,896)	(617,401)	69,495
Total other financing sources (uses)	(757,291)	(686,896)	(617,401)	69,495
Net change in fund balance	66,109	118,804	478,130	359,326
Fund balance - beginning	2,073,484	2,073,484	2,073,484	-
Fund balance - ending	$ 2,139,593	$ 2,192,288	$ 2,551,614	$ 359,326

CITY OF VERMILLION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY REPORTING
DECEMBER 31, 2014

The City 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 introduces the annual appropriation ordinance for the ensuing fiscal year.

2. After adoption by the governing board, the operating budget of the general fund, the special revenue funds, and the capital projects fund 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 resolution of the governing board 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 budget. In September and December 2014, the City Council adopted a supplemental appropriation ordinance that included reductions in the previously budgeted amounts as a result of changes since the budget was adopted in September 2013. The following supplemental budgets were adopted by the governing board during the year.

CITY OF VERMILLION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY REPORTING
DECEMBER 31, 2014

General Fund

Expenditures:

General Government	$	8,220
Public Safety		17,554
Public Works		9,496
Health and Welfare		(19,457)
Culture-Recreation		44,544
Conservation & Development		81,800
Transfers Out		7,960

Special Revenue Fund

Sales Tax Fund

Expenditures:

Public Safety	$	29,600
Public Works		(68,630)
Health and Welfare		(18,900)
Culture-Recreation		(3,000)
Conservation & Development		146,630
Transfers Out		(70,395)

5. Unexpended appropriations lapse at year-end. The procedure used by the city is to adopt a supplemental appropriation ordinance during the following year by the council to provide additional funds for certain purchase commitments outstanding
at year-end. Any transfers of budgeted amounts between departments of the General fund, transfers between other funds, and any revision that alter the total expenditure of any department or fund must be approved by the City Council. This is the legal level of control.

6. Formal budgetary integration is employed as a management control device during the year for the General, Capital Projects and Special Revenue funds.

   Formal budgetary integration is not employed for Debt Service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

CITY OF VERMILLION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY REPORTING
DECEMBER 31, 2014

7. Budgets for the General, Capital Projects and Special Revenue funds are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

   Encumbrances-Encumbrances carry over from one year to the next unless canceled by the City. These encumbrances are charged against the new year's budget until a supplemental appropriation ordinance is adopted as described in #5 above.

8. GAAP/Budgetary Accounting Basis Differences-The financial statements prepared in conformity with U.S. GAAP 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 are related.

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CITY OF VERMILLION
OTHER SUPPLEMENTARY INFORMATION

CITY OF VERMILLION
COMBINING AND INDIVIDUAL FUND STATEMENTS
GOVERNMENTAL FUNDS

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

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

Major Funds:

Sales Tax Fund - Any revenue received in excess of the amount received if the rate of tax is one percent (1%) may be used only for capital improvement, land acquisition, the funding of public ambulances and medical emergency response vehicles, nonprofit hospitals with fifty or fewer licensed beds, and other public care facilities or nonprofit health care facilities with fifty or fewer licensed beds, the transfer to the special 911 fund authorized by SDCL § 34-45-12, the purchasing of fire fighting vehicles and equipment, debt retirement, major building repair projects, capital project planning, feasibility studies, and the minor rehabilitation, major rehabilitation, or reconstruction of streets. (Reported in Exhibit 3 and Exhibit 4)

Non-Major Funds:

Liquor, Lodging and Dining Tax - This fund is used to account for the revenues and expenditures of the additional one percent (1%) city sales tax on lodgings, alcoholic beverages, prepared food and admissions. All revenues received from the collection of the tax are used only for the purpose of land acquisition, architectural fees, construction costs, payment for civic center, auditorium or athletic facility buildings, including the maintenance, staffing and operation of such facilities and the promotion and advertising of the city, its facilities, attractions and activities.

911 Fund – This special revenue fund is used to account for the revenues and expenditures for the operation of the Public Safety Answering Point (PSAP) as required by the South Dakota 911 Coordination Board. Clay County and the City of Vermillion created the Clay Area Emergency Services Communications Center through an Intergovernmental Agreement in 1994 to consolidate public safety communications. Clay County and the City of Vermillion share the costs of operating the emergency communications center as outlined in the Intergovernmental Agreement.

Stormwater Fee Fund - This fund was established during the 1993 budget process as a funding source for new Stormwater construction and maintenance of the existing Stormwater system. The fee is charged to every parcel of property based upon the area and the use. The fee is collected by the county treasurer with the property taxes and remitted to the city with the tax receipts.

Parks Capital Fund - This fund is used to account for contributions received for capital improvements to be made in the City's parks.

Library Fund - This fund is used to account for fines, gift moneys and interest received by the library and is expended at the direction of the Library Board.

Business Improvement District – This district includes all lodging establishments located within the city limits whereby a $2 per night fee is charged for rented rooms. The proceeds are for the purpose of funding the enhancement, expansion, marketing and promotion of visitor facilities, events, attractions and activities benefiting the city and its hotels and hotels located within the district.

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

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

Major Funds:

Bliss Pointe – This fund is used to account for the Tax Increment Bond Proceeds, transfer in and receipts and disbursements of monies for the city share of infrastructure improvements and grants to the VCDC for the first phase of the Bliss Pointe residential development. The Tax Incremental Bond was authorized during 2013 with the final closing in May of 2014 with the bond proceeds to be granted to the VCDC for development expenses along with Stormwater Funds for storm drainage costs, Second Penny Sales tax for subbase and oversized water main costs from the Water Fund.

Non-Major Funds:

Special Assessment Project Funds - This fund is used to account for receipt and disbursements of monies used for the construction of capital improvements, which are to be assessed to property owners. The projects are financed by the sale of special assessment bonds reported as a transfer in from the debt service fund and payments received from the property owners. The deficit fund balance is for projects completed in 2014 that will be assessed and a bond sold to reimburse in 2015.

Streetscape Fund - This fund is used to account for private contributions, federal grant proceeds and expenditures for the implementation of the downtown streetscape plan. The final expenditure was made for this fund in 2014.

Bike Path Fund - This fund is used to account for the receipts and disbursements of monies used for the construction of bike paths with the use of the federal matching funds.

Airport Fund - This fund is used to account for receipts and disbursements of monies from federal, state and local matching for improvements at Harold Davidson Field.

Mill & Overlay West Main Street – This fund is used to account for the mill and overlay of West Main Street from High Street to Stanford Street scheduled for the 2015 construction season. The 2013 and 2014 budget will include funding for engineering services for surveying and preparation of construction documents for the project.

DEBT SERVICE FUNDS: Debt Service Funds account for the accumulation of resources and payment of general long-term obligation bond principal and interest from governmental resources.

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

Non-Major Funds:

Special Assessment Bonds - This fund accounts for the accumulation of monies for payment of special assessment bonds. The collection of the special assessments levied against the properties benefiting from the improvements from 2001 through 2013 is recorded in this fund. As the special assessment bonds were purchased by the electric utility the current portion of the inter fund loan is reported as"Due to other funds" and the long term portion is reported as "Advance from other funds". The principal payment for the inter fund loan reduces the liability and the interest is reported as a fund expenditure. The transfer out is the 8% fiscal fee for engineering services transferred to the general fund. No bonds were issued in 2014 but a bond is anticipated to be issued in 2015.

City Hall Bonds - This fund accounts for the reserve and the accumulation of monies for payment of the principal and interest on the certificates of participation in a lease-purchase agreement issued to build the new city hall. The certificates of participation were issued September 15, 2007 with the reserve and capitalized interest being recorded in this fund. The city has pledged sales tax revenues for the principal and interest payments through December 15, 2026.

TIF District No. 6 Bonds – This fund accounts for the accumulation of monies for payment of the tax incremental financing bonds principal and Interest. The tax incremental financing bonds were authorized in 2013 with final closing in 2014. Bond payments start in 2014.

CITY OF
Vermillion
SOUTH DAKOTA

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CITY OF VERMILLION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Special Revenue Funds						
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Business Improvement District	Total
ASSETS							
Cash and cash equivalents	$ 73,622	$ -	$ 52,989	$ 14,141	$ 23,366	$ 20,543	$ 184,661
Investments	150,000	-	740,000	-	-	-	890,000
Receivables (net, where applicable, of allowance for uncollectibles)							
Accounts receivable	-	-	6,787	-	-	3,518	10,305
Special assessment receivable	-	-	-	-	-	-	-
Interest receivable	22	-	1,680	-	-	-	1,702
Due from other governments	32,110	63,853	1,228	-	-	-	97,191
Restricted assets:							
Cash and cash equivalents	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-
Total assets	255,754	63,853	802,684	14,141	23,366	24,061	1,183,859
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	-	12,039	-	-	-	-	12,039
Due to other funds	-	51,814	-	-	-	-	51,814
Revenue collected in advance	-	-	-	2,727	-	-	2,727
Advance from other funds	-	-	-	-	-	-	-
Total liabilities	-	63,853	-	2,727	-	-	66,580
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-sales tax and interest	5,950	-	1,680	-	-	-	7,630
Unavailable revenue- stormwater fee	-	-	6,787	-	-	-	6,787
Unavailable revenue-special assessments and interest	-	-	-	-	-	-	-
Total deferred inflows of resources	5,950	-	8,467	-	-	-	14,417
FUND BALANCES:							
Restricted	249,804	-	794,217	11,414	23,366	24,061	1,102,862
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	249,804	-	794,217	11,414	23,366	24,061	1,102,862
Total liabilities, deferred inflows and fund balances	$ 255,754	$ 63,853	$ 802,684	$ 14,141	$ 23,366	$ 24,061	$ 1,183,859

Capital Project Funds						Debt Service Funds				Total
Special Assessment Projects	Streetscape	Bike Path	Airport	Mill Overlay	Total	Special Assessment Bonds	City Hall Bonds	TIF District No. 6 Bonds	Total	Nonmajor Governmental Funds
$ -	$ -	$ -	$ 47	$ -	$ 47	$ -	$ -	$ -	$ -	$ 184,708
-	-	-	-	-	-	-	-	-	-	890,000
-	-	-	-	-	-	-	-	-	-	10,305
-	-	-	-	-	-	91,692	-	-	91,692	91,692
-	-	-	-	-	-	10,364	-	-	10,364	12,066
-	-	-	903	-	903	-	-	-	-	98,094
-	-	-	-	-	-	28,938	-	-	28,938	28,938
-	-	-	-	-	-	250,000	360,334	-	610,334	610,334
-	-	-	-	-	-	457	194	-	651	651
-	-	-	950	-	950	381,451	360,528	-	741,979	1,926,788
-	-	3,063	950	-	4,013	-	-	-	-	16,052
490,299	-	18,885	-	-	509,184	25,118	-	-	25,118	586,116
-	-	9,585	-	-	9,585	-	-	-	-	12,312
-	-	-	-	-	-	68,341	-	35,362	103,703	103,703
490,299	-	31,533	950	-	522,782	93,459	-	35,362	128,821	718,183
-	-	-	-	-	-	-	194	-	194	7,824
-	-	-	-	-	-	-	-	-	-	6,787
-	-	-	-	-	-	75,294	-	-	75,294	75,294
-	-		-	-	-	75,294	194	-	75,488	89,905
-	-		-	-	-	212,698	360,334	-	573,032	1,675,894
(490,299)	-	(31,533)	-	-	(521,832)	-	-	(35,362)	(35,362)	(557,194)
(490,299)	-	(31,533)	-	-	(521,832)	212,698	360,334	(35,362)	537,670	1,118,700
$ -	$ -	$ -	$ 950	$ -	$ 950	$ 381,451	$ 360,528	$ -	$ 741,979	$ 1,926,788

CITY OF VERMILLION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds						
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Business Improvement District	Total
REVENUES							
Taxes:							
General sales & use	$ 330,253	$ -	$ -	$ -	$ -	$ -	$ 330,253
Stormwater fees	-	-	192,960	-	-	-	192,960
Business Improvement Dist. Fees	-	-	-	-	-	39,858	39,858
Penalties & interest	-	-	451	-	-	-	451
Intergovernmental:							
Federal grant	-	-	-	-	-	-	-
State grant	-	-	-	-	-	-	-
County shared revenue	-	280,375	-	-	3,000	-	283,375
Charges for goods & services							
Culture & recreation	-	-	-	3,293	-	-	3,293
Fines & forfeits:							
Library	-	-	-	-	2,011	-	2,011
Miscellaneous:							
Public payments for improvements	-	-	-	-	-	-	-
Interest earned	1,026	-	-	9	11	-	1,046
Contributions & donations from private sources	-	-	3,886	2,782	7,771	-	14,439
Special assessments (principal & interest)	-	-	-	-	-	-	-
Other	-	-	-	-	3,471	-	3,471
Total revenue	331,279	280,375	197,297	6,084	16,264	39,858	871,157
EXPENDITURES							
Current							
Public safety	-	509,108	-	-	-	-	509,108
Public works	-	-	7,612	-	-	-	7,612
Culture-recreation	-	-	-	6,966	9,039	-	16,005
Conservation & development	285,129	-	-	-	-	15,000	300,129
Capital outlay:							
Public safety	-	26,142	-	-	-	-	26,142
Public works	-	-	160,090	-	-	-	160,090
Culture & recreation	-	-	-	1,734	-	-	1,734
Debt service:							
Principal	-	-	-	-	-	-	-
Interest & fiscal charges	-	-	-	-	-	-	-
Total expenditures	285,129	535,250	167,702	8,700	9,039	15,000	1,020,820
Excess (deficiency) of revenues over (under) expenditures	46,150	(254,875)	29,595	(2,616)	7,225	24,858	(149,663)
OTHER FINANCING SOURCES(USES)							
Transfer in	-	254,875	-	-	-	-	254,875
Transfer out	-	-	(139,009)	-	-	(797)	(139,806)
Total other financing sources(uses)	-	254,875	(139,009)	-	-	(797)	115,069
Net change in fund balances	46,150	-	(109,414)	(2,616)	7,225	24,061	(34,594)
Fund balances (deficits) - beginning	203,654	-	909,569	14,030	16,141	-	1,143,394
Prior period adjustment	-	-	(5,938)	-	-	-	(5,938)
Adjusted fund balances (deficits) - beginning	203,654	-	903,631	14,030	16,141	-	1,137,456
Fund balances (deficits) - ending	$ 249,804	$ -	$ 794,217	$ 11,414	$ 23,366	$ 24,061	$ 1,102,862

Capital Project Funds						Debt Service Funds				
Special Assessment Projects	Streetscape	Bike Path	Airport	Mill Overlay	Total	Special Assessment Bonds	City Hall Bonds	TIF District No. 6 Bonds	Total	Total Nonmajor Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 330,253
-	-	-	-	-	-	-	-	-	-	192,960
-	-	-	-	-	-	-	-	-	-	39,858
-	-	-	-	-	-	-	-	-	-	451
-	-	143,167	855	-	144,022	-	-	-	-	144,022
-	-	-	48	20,728	20,776	-	-	-	-	20,776
-	-	-	-	-	-	-	-	-	-	283,375
-	-	-	-	-	-	-	-	-	-	3,293
-	-	-	-	-	-	-	-	-	-	2,011
7,431	-	-	-	-	7,431	-	-	-	-	7,431
-	-	-	-	-	-	3,001	6,686	-	9,687	10,733
-	-	-	-	-	-	-	-	-	-	14,439
-	-	-	-	-	-	137,927	-	-	137,927	137,927
-	-	-	-	-	-	-	-	-	-	3,471
7,431	-	143,167	903	20,728	172,229	140,928	6,686	-	147,614	1,191,000
-	-	-	-	-	-	-	-	-	-	509,108
52,593	364	-	-	-	52,957	-	-	-	-	60,569
-	-	-	-	-	-	-	-	-	-	16,005
-	-	-	-	-	-	-	-	-	-	300,129
-	-	-	-	-	-	-	-	-	-	26,142
428,999	-	-	950	20,728	450,677	-	-	-	-	610,767
-	-	177,400	-	-	177,400	-	-	-	-	179,134
-	-	-	-	-	-	-	205,000	-	205,000	205,000
-	-	-	-	-	-	9,174	146,934	35,362	191,470	191,470
481,592	364	177,400	950	20,728	681,034	9,174	351,934	35,362	396,470	2,098,324
(474,161)	(364)	(34,233)	(47)	-	(508,805)	131,754	(345,248)	(35,362)	(248,856)	(907,324)
-	-	2,700	47	-	2,747	-	346,025	-	346,025	603,647
-	-	-	-	-	-	-	-	-	-	(139,806)
-	-	2,700	47	-	2,747	-	346,025	-	346,025	463,841
(474,161)	(364)	(31,533)	-	-	(506,058)	131,754	777	(35,362)	97,169	(443,483)
(16,138)	364	-	-	-	(15,774)	80,944	359,557	-	440,501	1,568,121
-	-	-	-	-	-	-	-	-	-	(5,938)
(16,138)	364	-	-	-	(15,774)	80,944	359,557	-	440,501	1,562,183
$ (490,299)	$ -	$ (31,533)	$ -	$ -	$ (521,832)	$ 212,698	$ 360,334	$ (35,362)	$ 537,670	$ 1,118,700

CITY OF VERMILLION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Liquor, Lodging, Dining Tax			911		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes:						
General sales & use	$ 323,000	$ 330,253	$ 7,253	$ -	$ -	$ -
Property taxes						
Stormwater fees	-	-	-	-	-	-
Penalties & interest	-	-	-	-	-	-
Intergovernmental :						
Federal Grant	-	-	-	-	-	-
County shared revenue	-	-	-	292,929	280,375	(12,554)
Charges for goods & services						
Culture & recreation	-	-	-	-	-	-
Fines & forfeits:						
Library	-	-	-	-	-	-
Miscellaneous:						
Grants	-	-	-	-	-	-
Interest earned	500	1,026	526	-	-	-
Contributions & donations from private sources	-	-	-	-		-
Other	-	-	-	-	-	-
Total revenue	323,500	331,279	7,779	292,929	280,375	(12,554)
EXPENDITURES						
Current						
Public safety	-	-	-	560,359	535,250	25,109
Public works	-	-	-	-	-	-
Culture-recreation	-	-	-	-	-	-
Conservation & development	323,500	285,129	38,371	-	-	-
Total expenditures	323,500	285,129	38,371	560,359	535,250	25,109
Excess (deficiency) of revenues over (under) expenditures	-	46,150	46,150	(267,430)	(254,875)	12,555
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	267,430	254,875	(12,555)
Operating Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	267,430	254,875	(12,555)
Net change in fund balances	$ -	46,150	$ 46,150	$ -	-	$ -
Fund balances - beginning		203,654			-	
Prior period adjustment		-			-	
Fund balances - ending		$ 249,804			$ -	

Stormwater Fee			Parks Capital			Library			Business Improvement District		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
									42,000	39,858	(2,142)
234,100	192,960	(41,140)	-	-	-	-	-	-	-	-	-
300	451	151	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,000	3,000	-	-	-	-
-	-	-	3,500	3,293	(207)	-	-	-	-	-	-
-	-	-	-	-	-	3,100	2,011	(1,089)	-	-	-
-		-	-	-	-	-	-	-	-	-	-
5,600		(5,600)	20	9	(11)	100	11	(89)	-	-	-
-	3,886	3,886	3,700	2,782	(918)	3,200	7,771	4,571	-	-	-
-	-	-	-	-	-	2,300	3,471	1,171	-	-	-
240,000	197,297	(42,703)	7,220	6,084	(1,136)	11,700	16,264	4,564	42,000	39,858	(2,142.00)
-	-	-	-	-	-	-	-	-	-	-	-
114,499	167,702	(53,203)	-	-	-	-	-	-	-	-	-
-	-	-	11,750	8,700	3,050	11,700	9,039	2,661	-	-	-
-	-	-	-	-	-	-	-	-	15,000	15,000	-
114,499	167,702	(53,203)	11,750	8,700	3,050	11,700	9,039	2,661	15,000	15,000	-
125,501	29,595	(95,906)	(4,530)	(2,616)	1,914	-	7,225	7,225	27,000	24,858	(2,142.00)
-	-	-	-	-	-	-	-	-	-	-	-
(125,501)	(139,009)	13,508	-	-	-	-		-	(840)	(797)	(43)
(125,501)	(139,009)	13,508	-	-	-	-	-	-	(840)	(797)	(43)
$ -	(109,414)	$ (82,398)	$ (4,530)	(2,616)	$ 1,914	$ -	7,225	$ 7,225	$ 26,160	24,061	$ (2,142)
	909,569			14,030			16,141			-	
	(5,938)			-			-			-	
	$ 794,217			$ 11,414			$ 23,366			$ 24,061	

CITY OF VERMILLION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Assessments			Streetscape			Bike Path		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES									
Intergovernmental :									
Federal grant	$ -	$ -	$ -	$ -	$ -	$ -	$ 162,443	$ 143,167	$ (19,276)
State grant	-	-	-	-	-	-	-	-	-
Miscellaneous:									
Public payments for improvements	-	7,431	7,431	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Contributions and donations from private sources	-	-	-	-	-	-	-	-	-
Total revenue	-	7,431	7,431	-	-	-	162,443	143,167	(19,276)
EXPENDITURES									
Current									
Public works	110,000	481,592	(371,592)	364	364	-	-	-	-
Culture & recreation	-	-	-	-	-	-	205,000	177,400	27,600
Total expenditures	110,000	481,592	(371,592)	364	364	-	205,000	177,400	27,600
Excess (deficiency) of revenues over (under) expenditures	(110,000)	(474,161)	(364,161)	(364)	(364)	-	(42,557)	(34,233)	8,324
OTHER FINANCING SOURCES(USES)									
Transfer in	118,800	-	(118,800)	-	-	-	42,557	2,700	(39,857)
Transfer out	(8,800)	-	8,800	-	-	-	-	-	-
Total other financing sources(uses)	110,000	-	(110,000)	-	-	-	42,557	2,700	(39,857)
Net change in fund balances	$ -	(474,161)	$ (474,161)	$ (364)	(364)	$ -	$ -	(31,533)	$ (31,533)
Fund balances (deficits) - beginning		(16,138)			364			-	
Fund balances (deficits) - ending		$ (490,299)			$ -			$ (31,533)	

Airport			Mill Overlay		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
$ 135,000	$ 855	$ (134,145)	$ -	$ -	$ -
7,500	48	(7,452)	40,200	20,728	(19,472)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
142,500	903	(141,597)	40,200	20,728	(19,472)
150,000	950	149,050	40,200	20,728	19,472
-	-	-	-	-	-
150,000	950	149,050	40,200	20,728	19,472
(7,500)	(47)	7,453	-	-	-
7,500	47	(7,453)	-	-	-
-	-	-	-	-	-
7,500	47	(7,453)	-	-	-
$ -	-	$ -	$ -	-	$ -
	-			-	
	$ -			$ -	

CITY OF
Vermillion
SOUTH DAKOTA

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CITY OF VERMILLION
COMBINING STATEMENTS
INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS - Internal Service Funds are established to account for the financing of goods or services provided by one department to other departments of the governmental unit, or to other governmental units, on a cost reimbursement basis.

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

Copier-Fax-Postage Fund - The copier-fax fund is used to account for all the operating cost and replacement of the central copier and fax machine in city hall. All departments are billed for copies, postage and faxes used at a cost plus depreciation

Unemployment Insurance Fund – This fund has been established to account for the City self-insurance for unemployment insurance claims.

Equipment Replacement Fund - The equipment replacement fund is used to account for rental of equipment used by all City departments and to provide the means to purchase replacement equipment when needed. All the major items of the city's rolling stock are contained in this fund. Each department on a quarterly basis pays the rental amounts for the equipment used by the department.

Custodial Services Fund – The custodial services fund is used to account for the costs associated with providing janitorial services for all City buildings.

CITY OF
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EXHIBIT B-1

CITY OF VERMILLION
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2014

	Copier-Fax-Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
ASSETS:					
Current assets:					
Cash	$ 5,173	$ 394	$ 3,843	$ 7,582	$ 16,992
Investments	-	12,000	400,000	-	412,000
Accounts receivable	2,624	-	-	-	2,624
Interest receivable	-	43	395	-	438
Total current assets	7,797	12,437	404,238	7,582	432,054
Capital assets:					
Machinery & equipment	8,987	-	5,317,584	2,316	5,328,887
less accumulated depreciation	(1,123)	-	(2,231,332)	(1,459)	(2,233,914)
Total capital assets	7,864	-	3,086,252	857	3,094,973
Total assets	15,661	12,437	3,490,490	8,439	3,527,027
LIABILITIES					
Current liabilities:					
Accounts payable	601	-	-	1,063	1,664
Accrued leave payable	-	-	-	3,677	3,677
Total current liabilities	601	-	-	4,740	5,341
Noncurrent liabilities:					
Accrued leave payable	-	-	-	5,202	5,202
Total non current liabilities	-	-	-	5,202	5,202
Total liabilities	601	-	-	9,942	10,543
NET POSITION					
Net investment in capital assets	7,864	-	3,086,252	857	3,094,973
Unrestricted	7,196	12,437	404,238	(2,360)	421,511
Total net position	$ 15,060	$ 12,437	$ 3,490,490	$ (1,503)	$ 3,516,484

EXHIBIT B-2

CITY OF VERMILLION
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	Copier-Fax-Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
Operating Revenues:					
Charges for goods and services	$ 16,742	$ -	$ 418,330	$ 84,520	$ 519,592
Total operating revenue	16,742	-	418,330	84,520	519,592
Operating expenses:					
Personnel services	-	-	-	84,991	84,991
Other current expenses	17,426	-	-	1,452	18,878
Depreciation	1,123	-	355,703	179	357,005
Total operating expenses	18,549	-	355,703	86,622	460,874
Operating income (loss)	(1,807)	-	62,627	(2,102)	58,718
Nonoperating revenue:					
Interest earned	-	52	958	-	1,010
Gain on disposition of assets	-	-	195,441	-	195,441
Total nonoperating revenue	-	52	196,399	-	196,451
Income before contributions and transfers	(1,807)	52	259,026	(2,102)	255,169
Transfer in	-	-	8,500	-	8,500
Change in net position	(1,807)	52	267,526	(2,102)	263,669
Net position - beginning	16,867	12,385	3,222,964	599	3,252,815
Net position - ending	$ 15,060	$ 12,437	$ 3,490,490	$ (1,503)	$ 3,516,484

EXHIBIT B-3

CITY OF VERMILLION
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Copier-Fax-Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 16,601	$ -	$ 418,330	$ 84,520	$ 519,451
Cash paid for personal services	-	-	-	(83,982)	(83,982)
Cash paid to suppliers	(17,203)	-	-	(1,654)	(18,857)
Net cash provided (used for) operating activities	(602)	-	418,330	(1,116)	416,612
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(8,987)	-	(666,986)	-	(675,973)
Proceeds from sale of assets	-	-	247,352	-	247,352
Transfer In	-	-	8,500	-	8,500
Net cash (used for) capital and related financing activities	(8,987)	-	(411,134)	-	(420,121)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	-	106	1,790	-	1,896
Purchase and sale of investments	-	-	(102,000)	-	(102,000)
Net cash provided (used for) investing activities	-	106	(100,210)	-	(100,104)
Net increase (decrease) in cash and cash equivalents	(9,589)	106	(93,014)	(1,116)	(103,613)
Cash and cash equivalents beginning of year	14,762	288	96,857	8,698	120,605
Cash and cash equivalents end of year	$ 5,173	$ 394	$ 3,843	$ 7,582	$ 16,992
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (1,807)	$ -	$ 62,627	$ (2,102)	$ 58,718
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,123	-	355,703	179	357,005
(Increase) decrease in assets and increase (decrease) in liabilities:					
Accounts receivable	(141)	-	-	-	(141)
Accounts payable	223	-	-	(202)	21
Accrued leave payable	-	-	-	1,009	1,009
Net cash provided by (used for) operating activities	$ (602)	$ -	$ 418,330	$ (1,116)	$ 416,612
Noncash investing, capital and financing activities:					
Gain on disposal of fixed assets	-	-	195,441	-	195,441
Total noncash investing, capital and financing activities	$ -	$ -	$ 195,441	$ -	$ 195,441

CITY OF
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CITY OF VERMILLION
STATISTICAL SECTION

This part of the City of Vermillion's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents: Pages

Financial Trends 70-77

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity 78-82

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity 83-87

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information 88-90

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information 91-92

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the formation in these schedules is derived for the comprehensive annual reports for the relevant year.

CITY OF
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SOUTH DAKOTA

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TABLE 1

CITY OF VERMILLION
GOVERNMENT-WIDE NET POSITION BY COMPONENT[1]
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net Investment in Capital Assets	$ 15,224,263	$ 16,197,173	$ 16,775,209	$ 17,468,499	$ 22,167,991	$ 23,357,651	$ 23,217,945	$ 26,379,227	$ 27,679,603	$ 29,149,476
Restricted for:										
BBB	24,759	36,499	129,654	154,418	125,799	144,278	175,308	180,503	217,605	255,754
Capital Projects	-	-	3,531,936	-	-	-	-	-	-	-
Debt Service	711,658	1,056,138	1,376,496	1,679,918	1,600,924	940,546	595,352	899,886	629,942	613,158
Parks Capital	-	-	-	-	-	-	-	-	14,030	11,414
Library	-	-	-	-	-	-	106,132	21,397	16,141	23,366
Business Improvement District	-	-	-	-	-	-	-	-	-	24,061
Stormwater	84,162	180,487	272,825	249,860	366,220	490,302	659,022	823,145	912,911	802,684
Cumulative Reserve	-	-	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060
Unrestricted	2,129,784	4,072,094	992,869	5,136,891	4,116,964	4,255,996	5,796,886	4,587,553	4,617,995	3,380,871
Total Governmental Activities Net Position	$ 18,174,626	$ 21,542,391	$ 23,237,049	$ 24,847,646	$ 28,535,958	$ 29,346,833	$ 30,708,705	$ 33,049,771	$ 34,246,287	$ 34,418,844
Business-Type Activities										
Net Investment in Capital Assets	$ 15,108,493	$ 16,738,269	$ 17,189,168	$ 17,817,417	$ 19,705,309	$ 20,882,426	$ 21,411,403	$ 22,036,403	$ 23,380,670	$ 28,116,635
Restricted for:										
Debt Service	779,022	810,174	838,309	834,790	1,444,260	1,521,831	1,544,613	1,515,809	1,108,543	1,196,685
Landfill Closure Postclosure	214,281	224,505	230,238	214,880	210,879	207,915	196,362	186,161	180,017	130,851
Unrestricted	5,284,511	5,681,029	7,053,543	7,996,485	8,006,051	8,808,530	9,615,384	10,929,279	11,892,563	8,355,883
Total Business-Type Activities Net Position	$ 21,386,307	$ 23,453,977	$ 25,311,258	$ 26,863,572	$ 29,366,499	$ 31,420,702	$ 32,767,762	$ 34,667,652	$ 36,561,793	$ 37,800,054
Primary Government										
Net Investment in Capital Assets	$ 30,332,756	$ 32,935,442	$ 33,964,377	$ 35,285,916	$ 41,873,300	$ 44,240,077	$ 44,629,348	$ 48,415,630	$ 51,060,273	$ 57,266,111
Restricted for:										
BBB	24,759	36,499	129,654	154,418	125,799	144,278	175,308	180,503	217,605	255,754
Capital Projects	-	-	3,531,936	-	-	-	-	-	-	-
Debt Service	1,490,680	1,866,312	2,214,805	2,514,708	3,045,184	2,462,377	2,139,965	2,415,695	1,738,485	1,809,843
Parks Capital	-	-	-	-	-	-	-	-	14,030	11,414
Library	-	-	-	-	-	-	106,132	21,397	16,141	23,366
Business Improvement District	-	-	-	-	-	-	-	-	-	24,061
Stormwater	84,162	180,487	272,825	249,860	366,220	490,302	659,022	823,145	912,911	802,684
Landfill Closure Postclosure	214,281	224,505	230,238	214,880	210,879	207,915	196,362	186,161	180,017	130,851
Cumulative Reserve	-	-	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060
Unrestricted	7,414,295	9,753,123	8,046,412	13,133,376	12,123,015	13,064,526	15,412,270	15,516,832	16,510,558	11,736,754
Total Primary Government Net Position	$ 39,560,933	$ 44,996,368	$ 48,548,307	$ 51,711,218	$ 57,902,457	$ 60,767,535	$ 63,476,467	$ 67,717,423	$ 70,808,080	$ 72,218,898

[1]Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted only when (1) an external party, such as the State of South Dakota or the federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the City.

TABLE 2

CITY OF VERMILLION
CHANGES IN NET POSITION
LAST TEN YEARS
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General Government	$ 978,770	$ 1,004,096	$ 1,038,217	$ 1,097,670	$ 1,185,168	$ 1,336,341	$ 1,324,803	$ 1,325,411	$ 1,405,594	$ 1,410,726
Public Safety	1,604,653	1,661,678	1,748,482	1,923,413	2,026,733	2,118,547	2,028,921	2,211,445	2,325,498	2,529,195
Public Works	1,205,512	1,237,318	1,353,987	1,602,031	1,561,217	1,656,337	1,714,248	1,630,835	1,767,762	1,885,352
Health & Welfare	343,780	365,189	374,133	402,620	415,740	412,409	424,263	443,581	491,543	491,071
Culture & Recreation	977,583	978,573	1,006,229	1,171,859	1,203,636	1,177,757	1,161,245	1,146,227	1,219,328	1,325,700
Conservation & Development	546,219	254,220	786,823	732,787	708,482	368,202	397,229	498,825	526,765	2,478,200
Interest on Long-term debt	91,455	134,858	181,374	298,297	301,118	272,722	241,902	202,154	183,194	193,517
Total Governmental Activities Expenses	5,747,972	5,635,932	6,489,245	7,228,677	7,402,094	7,342,315	7,292,611	7,458,478	7,919,684	10,313,761
Business-Type Activities:										
Electric	2,825,935	2,982,411	3,405,570	3,539,287	4,025,288	4,661,735	4,995,547	5,051,041	4,991,778	5,052,426
Water	1,010,703	1,057,672	1,171,661	1,264,548	1,336,150	1,342,632	1,389,184	1,435,808	1,409,578	1,474,754
Wastewater	1,069,647	1,049,072	1,305,808	1,284,315	1,336,169	1,345,153	1,605,314	1,694,154	1,789,908	1,723,264
Liquor	755,798	818,302	917,741	1,003,575	1,000,796	1,017,680	1,018,600	1,043,401	1,017,830	1,065,297
Golf	1,109,776	1,047,729	902,370	897,527	840,409	834,736	841,741	838,399	786,751	788,147
Joint Powers Landfill	792,584	839,151	927,407	1,220,527	1,022,888	1,288,114	1,273,463	1,242,491	1,174,487	1,427,104
Curbside Recycling	-	-	-	-	33,407	98,197	93,047	99,467	95,813	100,321
Total Business-Type Activities Expenses	7,564,443	7,794,337	8,630,557	9,209,779	9,595,107	10,588,247	11,216,896	11,404,761	11,266,145	11,631,313
Total Primary Government Expenses	$ 13,312,415	$ 13,430,269	$ 15,119,802	$ 16,438,456	$ 16,997,201	$ 17,930,562	$ 18,509,507	$ 18,863,239	$ 19,185,829	$ 21,945,074
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	$ 137,785	$ 158,477	$ 197,706	$ 291,204	$ 249,372	$ 294,330	$ 260,385	$ 211,495	$ 266,391	$ 447,700
Public Safety	37,253	35,933	32,973	43,680	43,573	44,364	258,152	262,610	36,873	38,267
Public Works	436,122	939,078	487,046	764,960	402,603	563,566	359,478	378,820	538,981	86,188
Health & Welfare	226,651	191,584	261,861	289,839	344,652	339,053	360,623	321,131	378,785	448,062
Culture & Recreation	59,349	73,217	81,003	67,716	63,524	75,145	79,117	75,728	74,339	70,352
Operating Grants & Contributions	307,500	-	26,697	257,213	64,553	89,026	71,739	104,314	349,201	660,909
Capital Grants & Contributions	1,791,371	1,513,499	723,410	410,251	3,677,885	223,818	944,239	1,988,284	719,768	182,797
Total Governmental Activities Program Revenues	2,996,031	2,911,788	1,810,696	2,124,863	4,846,162	1,629,302	2,333,733	3,342,382	2,364,338	1,934,275
Business-Type Activities:										
Charges for Services:										
Electric	4,073,646	4,282,382	4,669,319	4,900,026	5,262,358	5,884,283	6,077,336	6,187,213	6,131,098	6,161,105
Water	1,253,081	1,449,187	1,556,163	1,497,831	1,514,565	1,506,335	1,588,609	1,772,353	1,689,093	1,686,995
Wastewater	1,022,771	1,175,089	1,267,106	1,335,134	1,420,454	1,493,778	1,647,990	1,737,914	1,761,639	1,828,085
Liquor	857,975	967,937	1,094,738	1,179,545	1,165,625	1,181,977	1,185,643	1,217,013	1,183,334	1,246,418
Golf	929,292	756,419	731,073	669,459	683,709	609,291	624,007	654,510	638,437	623,510
Joint Powers Landfill	882,070	868,051	1,303,408	1,171,794	1,088,488	1,236,897	1,241,842	1,151,985	1,080,270	1,107,835
Curbside Recycling	-	-	-	-	29,941	111,838	116,759	110,249	109,789	100,223
Operating Grants & Contributions	350	429	4,100	40,625	1,972	93,886	100	100	-	-
Capital Grants & Contributions	1,270,244	683,679	19,033	279,226	1,198,705	775,438	14,473	118,970	371,637	1,011,477
Total Business-Type Activities Program Revenues	10,289,429	10,183,173	10,644,940	11,073,640	12,365,817	12,893,723	12,496,759	12,950,307	12,965,297	13,765,648
Total Primary Government Program Revenues	$ 13,285,460	$ 13,094,961	$ 12,455,636	$ 13,198,503	$ 17,211,979	$ 14,523,025	$ 14,830,492	$ 16,292,689	$ 15,329,635	$ 15,699,923
Net(Expense)/Revenue[1]										
Governmental Activities	(2,751,941)	(2,724,144)	(4,678,549)	(5,103,814)	(2,555,932)	(5,713,013)	(4,958,878)	(4,116,096)	(5,555,346)	(8,379,486)
Business-Type Activities	2,724,986	2,388,836	2,014,383	1,863,861	2,770,710	2,305,476	1,279,863	1,545,546	1,699,152	2,134,335
Total Primary Government Net Revenues (Expenses)	$ (26,955)	$ (335,308)	$ (2,664,166)	$ (3,239,953)	$ 214,778	$ (3,407,537)	$ (3,679,015)	$ (2,570,550)	$ (3,856,194)	$ (6,245,151)

TABLE 2 (continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues										
Governmental Activities:										
Property Taxes	$ 1,446,240	$ 1,459,641	$ 1,547,450	$ 1,620,798	$ 1,827,924	$ 1,872,491	$ 1,893,823	$ 1,979,186	$ 2,024,530	$ 2,077,118
Sales Taxes	2,436,466	2,636,754	3,273,209	3,513,311	3,108,356	3,422,702	3,331,784	3,407,050	3,500,823	3,634,580
Unrestricted State/County Shared Revenue	64,386	74,564	90,355	93,542	74,396	72,312	70,970	72,704	77,480	-
Unrestricted Investment Earnings	71,553	162,096	343,118	370,622	251,231	136,313	125,594	77,802	54,889	33,287
Miscellaneous Revenue	79,236	69,437	79,600	84,002	58,729	53,709	76,419	83,276	55,585	83,464
Gain on sale of capital assets	87,428	803,280	35,096	9,335	11,951	28,362	72,492	11,274	1,143	195,441
Contributed Capital	-	-	-	-	-	-	-	-	-	1,381,096
Transfers	701,157	886,137	846,319	1,022,801	911,657	937,999	937,412	931,586	1,037,412	1,147,057
Total Governmental Activities	4,886,466	6,091,909	6,215,147	6,714,411	6,244,244	6,523,888	6,508,494	6,562,878	6,751,862	8,552,043
Business-Type Activities										
Property Taxes	187,035	254,823	300,773	373,187	435,805	480,052	505,713	501,007	498,282	-
Unrestricted Investment Earnings	137,883	267,403	345,272	295,630	164,057	145,933	249,674	227,946	187,143	174,616
Miscellaneous Revenue	36,462	42,745	43,172	42,437	44,012	60,741	60,988	61,736	81,414	81,840
Gain(Loss) on sale of capital assets	-	-	-	-	-	-	490	30,245	30,047	(5,473)
Insurance recovery net of fire loss	-	-	-	-	-	-	-	608,209	435,515	-
Transfers	(701,157)	(886,137)	(846,319)	(1,022,801)	(911,657)	(937,999)	(937,412)	(931,586)	(1,037,412)	(1,147,057)
Total Business-Type Activities	(339,777)	(321,166)	(157,102)	(311,547)	(267,783)	(251,273)	(120,547)	497,557	194,989	(896,074)
Total Primary Government	$ 4,546,689	$ 5,770,743	$ 6,058,045	$ 6,402,864	$ 5,976,461	$ 6,272,615	$ 6,387,947	$ 7,060,435	$ 6,946,851	$ 7,655,969
Change in Net Position										
Governmental Activities	$ 2,134,525	$ 3,367,765	$ 1,536,598	$ 1,610,597	$ 3,688,312	$ 810,875	$ 1,549,616	$ 2,446,782	$ 1,196,516	$ 172,557
Business-Type Activities	2,385,209	2,067,670	1,857,281	1,552,314	2,502,927	2,054,203	1,159,316	2,043,103	1,894,141	1,238,261
Total Primary Government	$ 4,519,734	$ 5,435,435	$ 3,393,879	$ 3,162,911	$ 6,191,239	$ 2,865,078	$ 2,708,932	$ 4,489,885	$ 3,090,657	$ 1,410,818

[1] Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program supports itself with its own fees and grants versus its reliance upon funding from taxes and other general revenues.

CITY OF VERMILLION
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year	Property Taxes	General Sales Tax 1st Penny	Capital Improvement Sales Tax 2nd Penny	Liquor Lodging & Dining Tax 3rd Penny	Liquor Tax	Other Shared Taxes	Total Taxes
2005	$ 1,446,240	$ 1,131,967	$ 1,120,657	$ 183,842	$ 52,244	$ 12,142	$ 3,947,092
2006	1,459,641	1,224,475	1,210,604	201,675	53,489	21,075	4,170,959
2007	1,547,450	1,483,129	1,469,435	320,645	55,506	34,849	4,911,014
2008	1,620,798	1,634,487	1,618,610	260,214	59,422	34,120	5,227,651
2009	1,827,924	1,430,573	1,416,874	260,909	59,348	15,048	5,010,676
2010	1,872,491	1,568,879	1,567,741	286,082	61,116	11,196	5,367,505
2011	1,893,823	1,513,651	1,512,831	305,302	61,679	9,291	5,296,577
2012	1,979,186	1,547,605	1,546,945	312,500	62,170	13,534	5,461,940
2013	2,024,530	1,587,753	1,586,756	326,314	68,315	9,165	5,602,833
2014	$ 2,077,118	$ 1,655,401	$ 1,656,328	$ 322,851	$ 64,117	$ 19,347	$ 5,795,162

CITY OF VERMILLION
TAXABLE SALES BY CATEGORY(in thousands)
LAST TEN FISCAL YEARS

Fiscal Year	Agriculture Forestry & Fishing	Construction	Manufacturing	Transportation Communications Electric, Gas & Sanitary Services	Wholesale Trade	Retail Trade	Finance Insuance & Real Estate	Services	Public Adm.	Other	Total
2005	$ 763	$ 357	$ 1,585	$ 12,050	$ 3,671	$ 58,932	$ 1,469	$ 10,494	$ n/a	$ n/a	$ 89,321
2006	683	415	2,918	12,539	1,208	72,264	1,242	10,234	n/a	n/a	101,503
2007	770	368	3,876	12,695	1,298	88,716	1,547	10,536	n/a	n/a	119,806
2008	798	297	4,092	13,815	1,759	86,498	1,289	11,523	n/a	n/a	120,071
2009	1,021	5,846	5,737	17,653	6,135	113,188	1,536	18,586	7	9	169,718
2010	1,048	1,887	3,404	21,126	9,940	115,964	1,660	20,455	13	84	175,581
2011	824	2,716	4,286	19,001	6,884	121,996	1,553	19,579	18	374	177,231
2012	689	5,536	4,935	18,610	6,370	124,460	2,012	20,563	n/a	588	183,763
2013	1,401	5,185	3,757	19,413	6,835	126,517	2,364	21,689	n/a	67	187,228
2014	$ 1,494	$ 3,894	$ 4,956	$ 20,755	$ 11,935	$ 102,286	$ 2,292	$ 19,036	$ n/a	$ 85	$ 166,733

Source: State of South Dakota Department of Revenue and Regulation, Municipal Taxable Sales by City

TABLE 4

CITY OF VERMILLION
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	$ 14,490	$ 7,902	$ 184,714	$ 199,518	$ 191,878	$ 204,520	$ -	$ -	$ -	$ -
Unreserved	835,236	1,869,700	1,850,283	2,101,902	2,173,805	2,305,886	-	-	-	-
Nonspendable[2]	-	-	-	-	-	-	201,366	200,626	203,072	224,966
Committed[2]	-	-	-	-	-	-	-	-	500,000	500,000
Assigned[2]	-	-	-	-	-	-	178,135	215,396	210,282	232,220
Unassigned[2]	-	-	-	-	-	-	2,331,213	2,451,984	2,077,878	2,137,148
Total General Fund	849,726	1,877,602	2,034,997	2,301,420	2,365,683	2,510,406	2,710,714	2,868,006	2,991,232	3,094,334
All Other Governmental Funds										
Reserved	519,171	557,164	4,496,827	995,897	1,089,107	497,633	-	-	-	-
Unreserved reported in:										
Special Revenue Fund	1,511,164	1,921,754	2,440,337	2,747,582	2,112,502	2,457,459	-	-	-	-
Capital Projects Fund[1]	(431,537)	25,470	(66,835)	45,238	(57,251)	(52,750)	-	-	-	-
Nonspendable[2]	-	-	-	-	-	-	-	-	-	-
Restricted[2]	-	-	-	-	-	-	1,510,490	1,646,030	1,488,921	1,497,755
Committed[2]	-	-	-	-	-	-	3,098,047	2,099,534	2,073,848	2,551,614
Assigned[2]	-	-	-	-	-	-	22,344	8,255	14,030	11,414
Unassigned[2]	-	-	-	-	-	-	(337,391)	(479,396)	(33,233)	(344,496)
Total All Other Governmental Funds	1,598,798	2,504,388	6,870,329	3,788,717	3,144,358	2,902,342	4,293,490	3,274,423	3,543,566	3,716,287
Total Governmental Funds										
Reserved	533,661	565,066	4,681,541	1,195,415	1,280,985	702,153	-	-	-	-
Unreserved, reported in:										
General Fund	835,236	1,869,700	1,850,283	2,101,902	2,173,805	2,305,886	-	-	-	-
Special Revenue Funds	1,511,164	1,921,754	2,440,337	2,747,582	2,112,502	2,457,459	-	-	-	-
Capital Projects Funds	(431,537)	25,470	(66,835)	45,238	(57,251)	(52,750)	-	-	-	-
Nonspendable[2]	-	-	-	-	-	-	201,366	200,626	203,072	224,966
Restricted[2]	-	-	-	-	-	-	1,510,490	1,646,030	1,488,921	1,497,755
Committed[2]	-	-	-	-	-	-	3,098,047	2,099,534	2,573,848	3,051,614
Assigned[2]	-	-	-	-	-	-	200,479	223,651	224,312	243,634
Unassigned[2]	-	-	-	-	-	-	1,993,822	1,972,588	2,044,645	1,792,652
Total Governmental Funds	$ 2,448,524	$ 4,381,990	$ 8,905,326	$ 6,090,137	$ 5,510,041	$ 5,412,748	$ 7,004,204	$ 6,142,429	$ 6,534,798	$ 6,810,621

[1] The fluctuations in the fund balance result from construction projects in which funds are spent in one year and reimbursed in another fiscal year.

[2] The City implemteted GASB 54 in fiscal 2011, which changed fund balance classifications for periods beginning after June 15, 2010.

TABLE 5

CITY OF VERMILLION
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	$ 3,943,805	$ 4,162,763	$ 4,734,679	$ 5,198,227	$ 4,988,765	$ 5,368,562	$ 5,326,435	$ 5,498,306	$ 5,626,474	$ 5,961,736
Licenses & Permits	187,226	169,888	191,586	201,064	215,277	219,374	220,361	230,068	234,552	245,127
Intergovernmental Revenue	1,755,996	1,833,413	956,276	965,288	4,138,907	743,632	586,907	2,429,826	889,783	843,707
Charges for Goods & Services	260,005	260,440	358,960	455,395	454,080	495,782	486,226	380,372	491,692	526,061
Fines & Forfeits	31,370	32,263	28,904	40,033	41,480	41,336	38,715	35,544	36,728	37,644
Public Payments for Improvements	14,775	106,246	639	173,240	-	14,999	59,949	10,408	77,420	7,431
Investment Earnings	44,585	58,241	210,947	274,834	202,694	89,130	88,262	57,589	37,647	34,381
Rentals	11,520	30,919	24,742	14,080	12,670	15,891	18,112	15,207	15,082	17,612
Special Assessments	73,789	113,314	167,061	141,726	168,406	196,310	153,294	157,952	109,544	138,018
Contributions & Donations	16,226	48,189	4,494	3,238	20,275	15,170	840,927	213,255	241,789	40,639
Miscellaneous	298,041	47,667	88,194	79,881	58,194	53,354	59,806	46,394	44,404	47,170
Total Revenues	6,637,338	6,863,343	6,766,482	7,547,006	10,300,748	7,253,540	7,878,994	9,074,921	7,805,115	7,899,526
Expenditures										
General Government	943,019	1,083,423	1,008,509	1,066,024	1,074,365	1,129,960	1,143,773	1,131,980	1,194,801	1,207,676
Public Safety	1,491,879	1,565,366	1,642,693	1,809,125	1,910,230	2,001,762	1,927,998	2,095,628	2,200,059	2,392,627
Public Works	736,852	700,058	797,688	1,006,391	857,217	908,703	942,093	889,157	1,002,231	1,064,205
Health and Welfare	326,857	349,458	361,284	392,330	399,563	403,645	404,509	418,653	468,088	462,862
Culture-Recreation	855,042	864,365	883,955	968,093	1,018,139	1,018,487	1,007,533	1,031,723	1,005,177	1,095,025
Conservation and Development	587,125	295,126	827,730	732,787	708,482	368,202	397,229	498,825	526,765	2,478,201
Debt Service										
Principal[1]	218,136	230,920	268,763	405,142	499,290	412,156	560,000	226,570	557,356	207,355
Interest	127,801	115,359	129,696	339,970	283,218	262,297	232,991	202,154	184,811	191,470
Bond Issuance Costs	-	-	116,342	-	-	-	-	-	-	-
Capital Outlay	1,973,160	2,047,732	1,724,974	4,986,263	4,984,357	978,348	405,032	4,378,678	1,213,316	1,336,579
Total Expenditures	7,259,871	7,251,807	7,761,634	11,706,125	11,734,861	7,483,560	7,021,158	10,873,368	8,352,604	10,436,000
Excess of Revenues over (under) Expenditures	(622,533)	(388,464)	(995,152)	(4,159,119)	(1,434,113)	(230,020)	857,836	(1,798,447)	(547,489)	(2,536,474)
Other Financing Sources (Uses)										
Issuance of Bonds	604,521	405,755	4,492,254	326,325	-	-	-	-	-	-
Discount on Bonds Issued	(11,500)	-	-	-	-	-	-	-	-	-
Sale of Capital Assets	-	1,041,426	-	-	-	-	-	-	-	-
Transfer In	1,063,195	1,147,553	1,496,554	1,745,905	2,654,412	1,657,913	1,511,547	2,801,359	2,427,698	2,150,639
Transfer Out	(373,004)	(266,216)	(657,132)	(743,104)	(1,792,755)	(820,501)	(587,029)	(1,863,947)	(1,490,286)	(1,012,082)
Proceeds from Sale of Bonds										1,732,000
Total Other Financing Sources (Uses)	1,283,212	2,328,518	5,331,676	1,329,126	861,657	837,412	924,518	937,412	937,412	2,870,557
Net Change in Fund Balances	$ 660,679	$ 1,940,054	$ 4,336,524	$ (2,829,993)	$ (572,456)	$ 607,392	$ 1,782,354	$ (861,035)	$ 389,923	$ 334,083
Change in Inventory	(3,288)	(6,588)	18,752	14,804	(7,640)	12,642	(3,154)	(740)	2,446	21,894
Debt Service as a percentage of non-capital expenditures	7.00%	7.13%	8.53%	11.09%	11.59%	10.37%	11.99%	6.60%	10.40%	4.38%

TABLE 6

CITY OF VERMILLION
ASSESSED AND TAXABLE VALUE OF TAXABLE PROPERTY
LAST TEN YEARS

Fiscal Year	Taxable Value Residential Property	Taxable Value Commercial Property	Total Taxable Value	Total Direct Tax Rate	Estimated Actual Assessed Value	Assessed Value as a Percentage of Actual Value
2005	$ 128,161,269	$ 93,259,570	$ 221,420,839	6.24	$ 246,296,818	90%
2006	140,513,785	105,942,366	246,456,151	6.06	260,249,367	95%
2007	154,265,781	111,927,169	266,192,950	5.97	301,806,066	88%
2008	161,396,656	123,046,250	284,442,906	6.06	323,230,575	88%
2009	158,545,014	123,827,060	282,372,074	6.38	318,345,067	89%
2010	167,307,757	130,355,951	297,663,708	6.19	350,192,598	85%
2011	179,874,956	137,302,095	317,177,051	6.02	373,149,472	85%
2012	176,917,718	139,821,409	316,739,127	6.29	372,634,267	85%
2013	187,196,370	153,558,478	340,754,848	6.06	400,888,056	85%
2014	$ 187,844,104	$ 156,989,204	$ 344,833,308	6.21	$ 405,686,245	85%

Received from Clay County Treasurer.

TABLE 7

CITY OF VERMILLION
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
(Per $1,000 of Assessed Value)
LAST TEN YEARS

		City of Vermillion			Overlapping Rates							
					Clay County			Vermillion School District				Total
Fiscal Year		Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	Direct and Overlapping Rates
2005	a	6.240	-	6.240	5.780	-	5.780	19.930	0.820	20.750	0.060	32.830
	b	6.240	-	6.240	5.780	-	5.780	11.810	0.820	12.630	0.060	24.710
2006	a	6.060	-	6.060	5.610	-	5.610	17.230	0.750	17.980	0.050	29.700
	b	6.060	-	6.060	5.610	-	5.610	10.510	0.750	11.260	0.050	22.980
2007	a	5.970	-	5.970	5.530	-	5.530	16.070	0.680	16.750	0.050	28.300
	b	5.970	-	5.970	5.530	-	5.530	10.020	0.680	10.700	0.050	22.250
2008	a	6.060	-	6.060	5.350	-	5.350	16.870	0.640	17.510	0.050	28.970
	b	6.060	-	6.060	5.350	-	5.350	10.390	0.640	11.030	0.050	22.490
2009	a	6.380	-	6.380	5.470	-	5.470	16.637	0.572	17.209	0.044	29.103
	b	6.380	-	6.380	5.470	-	5.470	10.284	0.572	10.856	0.044	22.750
2010	a	6.185	-	6.185	5.366	-	5.366	16.335	0.565	16.900	0.044	28.495
	b	6.185	-	6.185	5.366	-	5.366	10.142	0.565	10.707	0.044	22.302
2011	a	6.016	-	6.016	5.193	-	5.193	16.552	0.542	17.094	0.042	28.345
	b	6.016	-	6.016	5.193	-	5.193	10.275	0.542	10.817	0.042	22.068
2012	a	6.290	-	6.290	5.214	-	5.214	16.698	0.544	17.242	0.041	28.787
	b	6.290	-	6.290	5.214	-	5.214	10.343	0.544	10.887	0.041	22.432
2013	a	6.064	-	6.064	4.872	-	4.872	16.636	0.474	17.110	0.039	28.085
	b	6.064	-	6.064	4.872	-	4.872	10.355	0.474	10.829	0.039	21.804
2014	a	6.210	-	6.210	4.681	-	4.681	16.321	0.424	16.745	0.034	27.670
	b	6.210	-	6.210	4.681	-	4.681	10.168	0.424	10.592	0.034	21.517

a Non Owner Occupied
b Owner Occupied

Received from Clay County Treasurer.

TABLE 8

CITY OF VERMILLION
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

	2014			2005		
Taxpayer	Assessed Valuation	Rank	Percentage of Total Assessed Valuations	Assessed Valuation	Rank	Percentage of Total Assessed Valuations
Walmart Stores, Inc	$ 6,574,616	1	1.62%	$ -	-	-
Polaris Industries, Inc.	6,009,895	2	1.48%	4,172,748	1	1.69%
JH Investments	4,953,251	3	1.22%	-	-	-
Hatle Investments	2,823,169	4	0.70%	-	-	-
MarketPlace Vermillion LLC	2,110,030	5	0.52%	-	-	-
Hogen Hause Properties LLC	2,323,853	6	0.57%			
TMBL LLC	1,855,644	7	0.46%	-	-	-
ARC LLC	1,778,668	8	0.44%	-	-	-
Radha Inc	1,698,986	9	0.42%	-	-	-
TJ Vermillion Apts. LLC	1,687,034	10	0.42%	-	-	-
Laurence and Beth Brady	-	-	-	3,818,683	2	1.55%
Qwest	-	-	-	2,198,310	3	0.89%
David C. DeRouchey Trustee	-	-	-	2,055,349	4	0.83%
Harlow & Lynne Hatle Trust	-	-	-	1,809,315	5	0.73%
HyVee	-	-	-	1,746,773	6	0.71%
Kirk & Elizabeth Hogen	-	-	-	1,550,868	7	0.63%
505 W Main Limited Partnership	-	-	-	1,384,916	8	0.56%
William Wood	-	-	-	1,221,419	9	0.50%
Tom Durham	-	-	-	990,453	10	0.40%
Total Principal Taxpayers	31,815,146		7.84%	20,948,834		8.51%
All Other Taxpayers	373,871,099		92.16%	225,347,984		91.49%
Total Assessed Valuation	$ 405,686,245		100%	$ 246,296,818		100%

Received from Clay County Treasurer.

TABLE 9

CITY OF VERMILLION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Subsequent Years Tax Collections	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Outstand. Delinquent Taxes	Percentage of Delinq. Taxes to Tax Levy
2005	$ 1,234,902	$ 1,223,476	99.07%	$ 1,987	$ 1,225,463	99.24%	$ 9,439	0.76%
2006	1,285,714	1,267,410	98.58%	8,006	1,275,416	99.20%	10,298	0.80%
2007	1,376,499	1,358,759	98.71%	7,299	1,366,058	99.24%	10,441	0.76%
2008	1,436,746	1,412,780	98.33%	7,066	1,419,846	98.82%	16,900	1.18%
2009	1,548,344	1,521,174	98.25%	7,343	1,528,517	98.72%	19,827	1.28%
2010	1,607,062	1,583,404	98.53%	18,646	1,602,050	99.69%	5,012	0.31%
2011	1,650,542	1,629,803	98.74%	9,033	1,638,836	99.29%	11,706	0.71%
2012	1,718,031	1,690,684	98.41%	13,643	1,704,327	99.20%	13,704	0.80%
2013	1,792,285	1,762,017	98.31%	13,914	1,775,932	99.09%	16,353	0.91%
2014	$ 2,064,257	$ 2,033,514	98.51%	$ -	$ 2,033,514	98.51%	$ 30,743	1.49%

TABLE 10

CITY OF VERMILLION
SPECIAL ASSESSMENTS BILLINGS & COLLECTIONS
LAST TEN YEARS

Year	Special Assessments Outstanding	Assessment Paid or Cancelled	Ratio of Collection To Amount Outstanding	Total Outstanding Assessments December 31*
2005	$ 358,029	$ 68,046	19.01%	$ 289,983
2006	806,507	112,275	13.92%	694,232
2007	711,485	103,058	14.48%	608,428
2008	979,380	112,240	11.46%	867,140
2009	886,278	166,206	18.75%	720,072
2010	773,570	290,668	37.57%	482,902
2011	484,926	118,074	24.35%	366,852
2012	390,154	131,753	33.77%	258,401
2013	333,516	85,739	25.71%	247,777
2014	$ 264,278	$ 135,801	51.39%	$ 128,477

*Amount on financial statement is shown net of allowance for uncollectible special assessments.

Table 11

CITY OF VERMILLION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Revenue Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable	Capital Leases			
2005	$ 2,063,339	$ 81,813	$ -	$ 7,525,398	$ 67,603	$ 318,082	$ 10,056,235	3.39%	984
2006	2,238,174	40,907	-	10,025,790	309,483	234,072	12,848,426	4.26%	1,303
2007	1,986,665	-	4,475,000	11,510,482	324,721	87,864	18,384,732	5.52%	1,843
2008	2,027,848	-	4,355,000	11,201,109	396,737	24,912	18,005,606	4.41%	1,716
2009	1,698,558	-	4,185,000	18,159,279	407,878	-	24,450,715	5.79%	2,347
2010	765,000	-	4,010,000	20,287,816	800,860	-	25,863,676	6.11%	2,445
2011	390,000	-	3,825,000	19,759,654	687,003	-	24,661,657	5.41%	2,333
2012	355,000	-	3,640,496	18,200,435	570,408	229,670	22,996,009	4.73%	2,127
2013	-	-	3,438,140	18,216,709	451,009	209,316	22,315,174	4.22%	2,064
2014	$ 1,732,000	$ -	$ 3,230,785	$ 19,000,452	$ 328,738	$ 188,301	$ 24,480,276	n/a	2,264

n/a - This data was not available at the time of this report.

TABLE 12

CITY OF VERMILLION
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2014

Jurisdiction	Net General Obligation Debt Outstanding	Percentage Applicable To This Governmental Unit[1]	City's Share of Debt
School District	$ 1,270,000	54.55%	$ 692,807
City of Vermillion direct debt			4,962,785
Total Direct and Overlapping Debt			$ 5,655,592

Assessed value data used to estimate applicable percentages provided by the Clay County Director of Equalization. Debt outstanding provided by the Vermillion School District.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Vermillion. This process recognizes that, when considering the government's ability to issue and repay long-term, the entire debt burden borne by the residents and businessess should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying debt, of each overlapping government.

[1] The percentage of overlapping debt applicable is estimated using the taxable property values. Applicable percentages were estimated by determinging the portion the City's taxable value that is within the government's boundaries and dividing it by the School District's total taxable property value.

TABLE 13

CITY OF VERMILLION
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	$ 12,314,841	$ 13,012,361	$ 15,090,303	$ 16,161,529	$ 15,917,253	$ 17,509,630	$ 18,657,474	$ 18,631,713	$ 20,044,403	$ 20,284,312
Total, net debt applicable to limit	8,316,034	9,556,972	8,825,606	8,125,471	7,236,640	6,979,204	5,868,649	4,551,292	5,254,396	8,218,291
Legal Debt Margin	$ 3,998,807	$ 3,455,389	$ 6,264,697	$ 8,036,058	$ 8,680,613	$ 10,530,426	$ 12,788,825	$ 14,080,421	$ 14,790,007	$ 12,066,021
Total net debt applicable to limit as a percentage of debt limit	67.53%	73.45%	58.49%	50.28%	45.46%	39.86%	31.45%	24.43%	26.21%	40.52%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2014

Total 2014 Taxable Value		$ 344,833,308
Assessed Value		405,686,245
Debt Limit - 5% of Assessed Value		20,284,312
AMOUNT OF DEBT APPLICABLE TO LIMIT		
Total Bonded Debt and Long-Term Notes Payable		8,459,889
Less: amount set aside for repayment of debt		
Joint Powers Revenue Bonds	(10,305)	
Curbside Recycling Revenue Bond	(701)	
Wastewater Revenue Bonds	(230,592)	
		(241,598)
DEBT APPLICABLE TO DEBT LIMIT		8,218,291
LEGAL DEBT MARGIN		$ 12,066,021

Table 14

CITY OF VERMILLION
REVENUE BOND COVERAGE
ELECTRIC ENTERPRISE
LAST TEN FISCAL YEARS[1]

Fiscal Year	Net Revenue	Direct Operating Expenses	Depreciation Included in Expenses	Net Revenue Available for Debt Service	Payments on Principal	Payments For Interest	Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
2005	$ 3,984,129	$ 2,808,651	$ 277,325	$ 1,452,803	$ 80,000	$ 15,131	$ 95,131	15.27	$ 1,730,128	18.19
2006	4,191,995	2,965,244	275,317	1,502,068	80,000	11,380	91,380	16.44	1,777,385	19.45
2007	4,592,516	3,362,594	286,811	1,516,733	90,000	7,018	97,018	15.63	1,803,544	18.59
2008	4,868,374	3,507,191	306,305	1,667,488	90,000	763	90,763	18.37	1,973,793	21.75
2009 [2]	5,158,478	4,004,115	311,894	1,466,257	-	-	-	n/a	1,778,151	n/a
2010 [3]	517,889	-	-	517,889	-	391,211	391,211	1.32	517,889	1.32
2011 [3]	738,404	-	-	738,404	185,000	384,797	569,797	1.30	738,404	1.30
2012 [3]	743,301	-	-	743,301	190,000	382,485	572,485	1.30	743,301	1.30
2013 [3]	734,806	-	-	734,806	195,000	385,533	580,533	1.27	734,806	1.27
2014 [3]	$ 715,396	$ -	$ -	$ 715,396	$ 195,000	$ 379,684	$ 574,684	1.24	$ 715,396	1.24

[1] GAAP Basis
[2] General Obligation Bonds were paid off in 2009
[3] Starting in 2010 a surcharge fee was pledged for the debt service

Table 15

CITY OF VERMILLION
REVENUE BOND COVERAGE
WATER ENTERPRISE
LAST TEN FISCAL YEARS[1]

Fiscal Year	Net Revenue	Direct Operating Expenses	Depreciation Included in Expenses	Net Revenue Available for Debt Service	Payments on Principal	Payments For Interest	Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
2005	$ 1,210,698	$ 922,383	$ 132,650	$ 420,965	$ 83,214	$ 84,093	$ 167,307	2.52	$ 553,615	3.31
2006	1,350,043	975,516	143,885	518,412	87,145	82,757	169,902	3.05	662,297	3.90
2007 [2]	1,354,889	1,091,290	148,379	411,978	90,721	77,441	168,162	2.45	560,357	3.33
2007 [3]	145,748	-	-	145,748	-	74,969	74,969	1.94	145,748	1.94
2008 [2]	1,158,017	1,099,739	187,002	245,280	94,446	73,716	168,162	1.46	432,282	2.57
2008 [3]	293,627	-	-	293,627	137,706	88,447	226,153	1.30	293,627	1.30
2009 [2]	1,222,490	1,172,310	232,343	282,523	98,331	69,832	168,163	1.68	514,866	3.06
2009 [3]	263,810	-	-	263,810	147,946	87,413	235,359	1.12	263,810	1.12
2010 [2]	1,200,469	1,189,028	241,817	253,258	102,381	65,621	168,002	1.51	495,075	2.95
2010 [3]	266,174	-	-	266,174	151,896	83,772	235,668	1.13	266,174	1.13
2011 [2]	1,297,129	1,246,547	247,878	298,460	106,603	63,412	170,015	1.76	546,338	3.21
2011 [3]	261,909	-	-	261,909	155,729	79,939	235,668	1.11	261,909	1.11
2012 [2]	1,480,051	1,319,913	253,851	413,989	503,868	40,574	544,442	0.76	667,840	1.23
2012 [3]	264,576	-	-	264,576	159,659	76,009	235,668	1.12	264,576	1.12
2013 [2]	1,396,147	1,305,751	257,677	348,073	71,275	33,748	105,023	3.31	605,750	5.77
2013 [3]	263,339	-	-	263,339	163,689	71,981	235,670	1.12	263,339	1.12
2014 [2]	1,399,529	1,353,254	288,192	334,467	112,038	55,435	167,473	2.00	622,659	3.72
2014 [3]	$ 266,357	$ -	$ -	$ 266,357	$ 167,819	$ 67,850	$ 235,669	1.13	$ 266,357	1.13

[1] GAAP Basis
[2] Bond obligations not covered with surcharge pledge
[3] Starting in 2007 bonds were paid with surcharge pledge

Table 16

CITY OF VERMILLION
REVENUE BOND COVERAGE
WASTEWATER ENTERPRISE
LAST TEN FISCAL YEARS[1]

Fiscal Year	Net Revenue	Direct Operating Expenses	Depreciation Included in Expenses	Net Revenue Available for Debt Service	Payments on Principal	Payments For Interest	Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
2005	$ 1,019,556	$ 1,057,775	$ 230,778	$ 192,559	$ 16,313	$ 11,126	$ 27,439	7.02	$ 423,337	15.43
2006	1,125,387	1,012,040	307,791	421,138	70,040	38,925	108,965	3.86	728,929	6.69
2007	1,260,442	1,191,304	380,627	449,765	139,674	114,424	254,098	1.77	830,392	3.27
2008	1,332,533	1,168,515	380,848	544,866	144,728	110,244	254,972	2.14	925,714	3.63
2009	1,418,108	1,230,161	387,288	575,235	149,498	105,646	255,144	2.25	962,523	3.77
2010 [2]	1,344,143	1,236,230	413,192	521,105	154,426	140,768	295,194	1.77	934,297	3.17
2010 [3]	145,131	-	-	145,131	41,335	49,870	91,205	1.59	145,131	1.59
2011 [2]	1,346,120	1,435,127	509,019	420,012	168,769	104,201	272,970	1.54	929,031	3.40
2011 [3]	300,259	-	-	300,259	138,513	124,963	263,476	1.14	300,259	1.14
2012 [2]	1,383,666	1,464,328	592,300	511,638	176,377	97,582	273,959	1.87	1,103,938	4.03
2012 [3]	321,140	-	-	321,140	160,945	128,744	289,689	1.11	321,140	1.11
2013 [2]	1,427,149	1,554,596	597,771	470,324	107,677	57,988	165,665	2.84	1,068,095	6.45
2013 [3]	322,606	-	-	322,606	167,184	123,829	291,013	1.11	322,606	1.11
2014 [2]	1,491,940	1,554,258	604,768	542,450	198,431	54,758	253,189	2.14	1,147,218	4.53
2014 [3]	$ 325,433	$ -	$ -	$ 325,433	$ 172,684	$ 118,329	$ 291,013	1.12	$ 325,433	1.12

[1] GAAP Basis
[2] Bond obligations not covered with surcharge pledge
[3] Starting in 2010 a surcharge fee was pledged for the debt service

Table 17

CITY OF VERMILLION
REVENUE BOND COVERAGE
CURBSIDE RECYCLING ENTERPRISE
LAST TEN FISCAL YEARS[1]

Fiscal Year	Net Revenue	Direct Operating Expenses	Depreciation Included in Expenses	Net Revenue Available for Debt Service	Payments on Principal	Payments For Interest	Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
2010	$ 111,838	$ 92,905	$ 7,337	$ 26,270	$ 7,110	$ 1,421	$ 8,531	3.08	$ 33,607	3.94
2011	116,759	88,143	7,338	35,954	7,288	1,119	8,407	4.28	43,292	5.15
2012	110,249	98,546	7,338	19,041	7,472	936	8,408	2.26	26,379	3.14
2013	109,789	95,081	7,337	22,045	7,660	748	8,408	2.62	29,382	3.49
2014	$ 100,223	$ 99,781	$ 4,916	$ 5,358	$ 7,852	$ 556	$ 8,408	0.64	$ 10,274	1.22

[1] GAAP Basis
First Payment 2010

Table 18

CITY OF VERMILLION
PRINCIPAL EMPLOYERS
DECEMBER 31, 2014

	2014		
Employer	# of Employees	Rank	Percentage of Total City Employees
University of South Dakota	1,304	1	22.96%
Sanford Vermillion Medical Center	240	2	4.23%
Walmart	180	3	3.17%
Hy Vee Food Stores	174	4	3.06%
Vermillion Public Schools	160	5	2.82%
Polaris Industries	130	6	2.29%
SESDAC	140	7	2.46%
Masaba Mining Equipment	110	8	1.94%
City of Vermillion	110	9	1.94%
Total Principal Employers	2,548		44.86%
Other Employers	3,132		55.14%
Total Employers	5,680		100%

[1] Comparative data for nine years ago not currently available.

Information in table provided from South Dakota Economic Development Office, Vermillion Development Corporation and the South Dakota Department of Labor.

TABLE 19

CITY OF VERMILLION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

Calendar Year	Population[1]	Total Personal Income	Per Capita Personal Income[2]	Educational Attainment Bachelor's Degree or Higher[1]	Median Age[1]	Public School Enrollment[3]	University of South Dakota Enrollment[4]	Unemployment Rate[1]
2004	9,975	$ 281,863,575	$ 28,257	n/a	25.1	1,305	8,120	3.30%
2005	10,218	296,792,028	29,046	n/a	25.4	1,327	8,641	3.30%
2006	9,862	301,481,340	30,570	n/a	n/a	1,318	8,746	2.80%
2007	9,975	333,145,050	33,398	n/a	n/a	1,282	9,243	2.50%
2008	10,495	408,087,580	38,884	n/a	n/a	1,288	9,291	2.60%
2009	10,417	422,117,674	40,522	2,358	n/a	1,275	9,617	3.60%
2010	10,578	423,627,744	40,048	2,358	23.4	1,251	10,151	4.00%
2011	10,571	455,673,526	43,106	2,128	n/a	1,239	9,970	3.40%
2012	10,811	486,451,756	44,996	2,128	n/a	1,256	10,284	4.00%
2013	10,811	528,668,711	48,901	2,186	23.4	1,210	10,235	3.10%
2014	10,811	$ n/a	$ n/a	n/a	n/a	1,241	10,061	3.60%

[1] State of South Dakota website.

[2] United States Census Bureau per Business Research Bureau, USD.

[3] Vermillion Public School Business Office.

[4] USD website. Fall Semester enrollment figures.

n/a - This data was unavailable at the time of the report.

TABLE 20

CITY OF VERMILLION
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
General										
Executive	2.99	2.82	3.71	3.07	3.63	3.88	3.31	3.01	3.00	2.95
Finance	5.96	6.00	6.02	6.00	6.02	5.94	6.00	6.00	6.00	6.00
Engineering	4.70	4.83	4.64	4.87	4.22	4.71	4.73	4.38	4.30	4.22
Service Center	2.52	2.55	2.57	2.46	2.54	2.56	2.53	2.24	2.25	2.50
Public Safety										
Police Administration	5.45	5.53	5.71	5.10	5.10	5.67	5.26	4.98	4.86	4.91
Police Patrol	14.50	13.92	13.77	15.04	15.57	16.44	15.77	17.40	15.70	17.22
Communications	7.88	7.22	8.83	7.44	7.43	8.01	8.33	8.39	7.81	8.24
Fire	1.00	1.00	1.00	1.01	1.00	1.00	1.00	0.46	1.00	1.00
Public Works										
Street Department	6.45	5.51	5.72	5.94	6.71	6.69	6.48	5.89	6.33	6.70
Carpentry	1.05	1.04	1.07	1.08	1.04	1.05	1.04	1.05	1.04	0.57
Health & Welfare										
Code Compliance	3.00	3.04	3.01	3.02	3.01	2.91	3.25	2.73	3.04	3.00
Ambulance	3.85	4.04	4.13	4.57	3.02	3.06	3.44	3.14	3.15	5.06
Culture-Recreation										
Pool	4.99	4.81	4.61	4.43	5.06	4.65	4.83	4.07	4.01	4.69
Recreation	4.41	3.79	4.27	4.22	4.53	4.01	4.25	3.83	3.62	3.83
Libraries	8.23	8.10	8.08	8.24	8.56	8.84	8.56	8.01	7.87	7.95
Parks	3.89	4.76	4.00	4.56	4.43	4.49	4.30	4.17	4.29	3.98
Electric	11.91	11.27	10.87	10.67	11.15	10.85	10.91	10.61	10.73	10.41
Water	8.62	8.36	8.64	8.48	8.56	8.70	8.35	8.58	8.46	8.47
Wastewater	7.14	7.01	7.67	7.41	7.15	6.98	6.95	6.78	6.91	7.08
Golf	9.74	9.42	9.13	9.71	9.65	9.85	9.32	9.33	9.35	9.15
Joint Powers	9.08	9.20	9.10	9.70	9.95	9.95	9.76	10.00	9.81	10.17
Curbside Recycling	-	-	-	-	0.72	1.96	1.95	2.00	1.91	2.00
Internal Service										
Custodial	1.66	1.73	1.81	1.82	2.01	2.16	2.14	2.14	2.32	2.39
	129.00	125.96	128.38	128.84	131.05	134.36	132.46	129.19	127.76	132.49

Information in table provided from City of Vermillion payroll data base.

Table 21

CITY OF VERMILLION
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Non Traffic Violations	701	735	905	821	821	747	561	493	338	573
Traffic Violations	599	603	762	936	906	1,219	660	709	689	839
Parking Violations	2,323	2,341	2,297	2,576	1,839	1,865	1,399	1,275	1,328	1,412
Fire										
Structure Fires	13	14	13	12	12	12	14	22	15	13
Other Fires & Incidents Calls	106	79	79	116	104	102	92	123	145	177
Ambulance										
Total Calls	541	518	574	702	771	740	727	795	712	865
Total Stand-By	43	37	28	38	44	45	52	68	95	68
Code Compliance										
Rental Housing Inspections	764	600	912	1,184	970	1,105	1,086	959	1,215	980
Building Permits-Single Family	36	36	37	30	11	10	9	15	9	4
Building Permits-Multiple Family	6	7	7	9	1	7	4	2	2	18
Building Permits-Commercial	6	6	8	12	13	6	3	3	4	5
Value of New Construction	$ 14,331,000	$ 8,212,480	$ 19,544,721	$ 9,839,155	$ 2,983,296	$ 4,502,352	$ 5,786,357	$ 3,771,388	$ 8,138,807	$ 13,611,097
Municipal Garage										
Service Jobs	266	260	239	273	243	248	241	234	204	216
Repairs	367	374	369	288	353	376	368	294	291	257
Library										
Circulation	79,813	78,652	78,196	78,711	77,979	79,168	78,344	75,236	73,460	83,800
Number of Card Holders	7,239	7,772	8,137	7,319	7,634	7,158	4,763	5,357	6,056	6,355
Swimming Pool										
Swim Lesson Participation	408	351	389	392	402	427	406	325	325	340
Open Swim Hours	21,000	18700	18,700	19,125	13,090	12,320	12,320	13,200	13,200	13,200
Parks & Recreation										
Fall/Winter Participants	4,571	4,588	4,204	4,041	3,657	3,009	2,799	2,144	1,489	1,494
Summer Participants	1,947	2,352	1,936	1,889	2,048	2,130	2,034	1,950	1,985	2,420
Electric										
Total Number Meters	4,218	4,277	4,357	4,374	4,414	4,431	4,447	4,474	4,491	4,526
Total Metered Kilowatts	59,015,023	61,249,026	64,250,866	63,777,094	62,286,446	65,537,825	67,118,551	67,571,917	66,800,569	65,034,860
Summer Peak Demand Kilowatts	14,533	16,132	15,424	14,746	14,620	15,619	16,720	17,051	16,562	15,393
Winter Peak Demand Kilowatts	11,587	10,850	11,294	11,496	11,059	11,148	11,240	10,836	11,218	11,079
Water										
Number of Connections	2,669	2,709	2,746	2,847	2,826	2,856	2,875	2,944	2,967	3,022
Average Daily Consumption	1,061,452	1,102,896	1,199,674	1,070,737	1,017,595	921,929	958,603	1,130,197	1,005,093	1,000,844
Daily Peak Demand	2,102,000	2,231,000	2,549,000	2,387,000	1,647,000	1,385,000	1,864,000	2,249,000	2,071,000	1,904,000
Wastewater										
Number of Connections	2,607	2,612	2,683	2,759	2,761	2,763	2,809	2,862	2,917	2,955
Average Daily Flow	1,232,000	1,102,000	1,109,000	1,025,000	1,033,000	1,248,000	1,374,000	831,000	832,000	912,000
Daily Peak Demand	2,918,000	2,133,000	1,859,000	1,787,000	1,730,000	3,517,000	2,835,000	1,134,000	1,082,000	1,256,000
Joint Powers										
Tonnage in Landfill Trenches	25,677	28,912	32,090	36,382	35,420	36,488	34,813	34,187	34,494	34,854
Tonnage Recycled	934	972	1,163	1,211	1,805	1,085	1,086	1,077	1,035	828
Curbside Recycling										
Tonnage Collected	-	-	-	-	-	-	136	144	160	175
Bluff's Golf Course										
Rounds of Golf	22,465	21,188	23,376	21,443	23,012	21,476	20,703	22,799	19,808	23,222
Liquor Store										
Gross Sales	857,976	967,937	1,094,738	1,179,546	1,165,625	1,181,977	1,185,643	1,217,013	1,183,334	1,246,418
Gross Profit %	27.04%	33.53%	33.37%	31.25%	30.93%	31.17%	30.97%	31.06%	30.86%	30.35%
Street Department										
Tons of Sand for Ice	422	524	1,001	959	630	767	450	350	368	295
Truckloads of Snow Hauled	363	193	595	538	713	1,874	316	226	169	112

Information in table provided from City of Vermillion Department Superintendents

Table 22

CITY OF VERMILLION
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles	5	5	5	5	5	5	5	5	5	5
Fire										
Stations	2	2	1	1	2	2	2	2	2	2
Engines/Trucks	6	6	6	6	6	6	6	6	6	10
Hydrants	384	385	387	388	392	398	398	397	401	417
Ambulance										
Ambulances	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	46.00	46.69	46.77	46.94	46.94	46.94	47.39	47.39	47.39	53.70
Streetlights	1,183	1,172	1,187	1,211	1,285	1,243	1,243	1,259	1,281	
Culture & Recreation										
Parks (acres)	115.50	115.50	115.50	115.50	115.50	115.50	115.50	115.50	115.50	130.00
Parks	7	7	7	7	7	7	7	7	7	7
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Softball Diamonds	2	2	2	2	2	2	2	2	2	2
Baseball Diamonds	3	3	3	3	3	3	3	3	3	3
Golf Courses	1	1	1	1	1	1	1	1	1	1
Electric										
Total Transformers on 13.8 kV Line	709	694	677	678	664	661	675	665	669	686
Total miles of 3 phase on 13.8 kV Line	49.48	49.49	49.71	53.17	47.60	48.53	49.83	49.61	49.82	50.82
Total Miles of 115kV Transmission Line	-	-	-	-	-	-	-	21.25	21.97	21.97
Water										
Water Mains (miles)	59.63	61.07	61.21	62.17	63.41	64.01	64.69	64.86	64.94	66.26
Maximum Daily Capacity (gallons)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Wastewater										
Sanitary Sewer (miles)	57.23	57.85	57.85	57.93	58.15	58.18	58.27	58.36	58.36	59.42
Stormwater Sewer (miles)	6.26	6.26	6.26	6.57	6.81	6.82	6.84	6.84	6.89	8.01
Maximum Daily Capacity (gallons)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

Information in table provided from City of Vermillion Department Superintendents

CITY OF
Vermillion
SOUTH DAKOTA

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CITY OF VERMILLION
COMPLIANCE SECTION

I. Summary of the Independent Auditor's Results

A. Unmodified opinions were issued on the financial statements.

B. A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.

C. The audit did not disclose any noncompliance which is material to the financial statements.

II. Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*

Instances of Non-Compliance:

No matters were noted.

Material Weakness:

II-A-14 Financial Reporting

Observation - During the audit, we identified various adjustments related to fixed assets not recorded properly in the City's financial statements. Adjustments were made by the City to properly include these changes to the financial statements.

Recommendation - The City should implement procedures to ensure all required adjustments are properly made to the City's financial statements.

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

Conclusion - Response accepted.

WILLIAMS & COMPANY 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*

Honorable Members of the City Council
City of Vermillion, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF VERMILLION, SOUTH DAKOTA as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 24, 2015. Our report includes a reference to other auditors who audited the financial statements of Vermillion Housing and Redevelopment Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting:

In planning and performing our audit of the financial statements, we considered the City of Vermillion'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 Vermillion's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Vermillion's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as II-A-14 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Compliance and Other Matters:

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

City of Vermillion's Response to Findings

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

Purpose of this Report

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

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

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

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
August 24, 2015