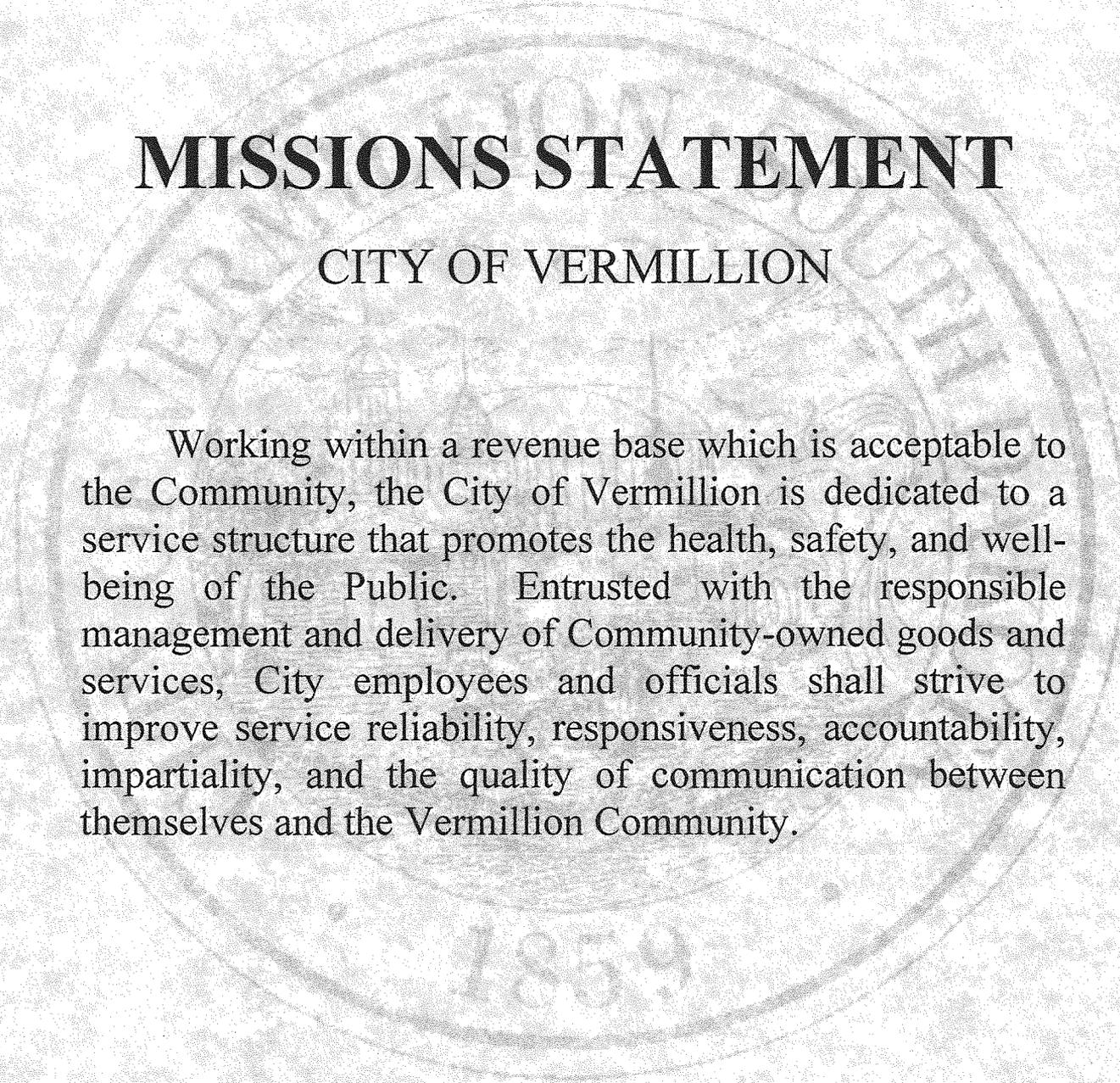


Comprehensive Annual Financial Report



Prepared by THE CITY FINANCE OFFICE-----Michael Carlson, Finance Officer
FISCAL YEAR: January 1, 2012----December 31, 2012



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, 2012

TABLE OF CONTENTS

	Page
<u>INTRODUCTORY SECTION</u>	
Finance Officer's Letter of Transmittal	i-ix
Certificate of Achievement for Excellence in Financial Reporting	x
Organization Chart	xi
Municipal Officials	xii
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1-4
Management's Discussion and Analysis	5-18
Basic Financial Statements	
Government-wide Financial Statements	
Exhibit 1 Statement of Net Position	21
Exhibit 2 Statement of Activities	23
Fund Financial Statements	
Governmental Funds Financial Statements	
Exhibit 3 Balance Sheet	24
Exhibit 3A Reconciliation of the Balance sheet to the Statement of Net Position	25
Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances	26

TABLE OF CONTENTS
(continued)

	Page
Exhibit 4A Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	27
Proprietary Funds Financial Statements	
Exhibit 5 Statement of Net Position	28
Exhibit 6 Statement of Revenues, Expenses and Changes in Net Position	29
Exhibit 7 Statement of Cash Flows	30
Notes to Financial Statements	
Note 1 Summary of Significant Accounting Policies	31-44
Note 2 Property Tax	44
Note 3 Receivables	44
Note 4 Capital Assets	45-48
Note 5 Long-Term Debt	48-52
Note 6 Leases	52
Note 7 Conduit Debt	53
Note 8 Deficit Fund Equity	53
Note 9 Transfers	54
Note 10 Risk Management	54-55
Note 11 Retirement Plan	56
Note 12 Extraordinary Item	56
Note 13 Prior Period Adjustment	56
Note 14 Commitments	56-57

TABLE OF CONTENTS
(continued)

	Page
Note 15 Contingency	57
Note 16 Subsequent Events	57
Required Supplementary Information	
Exhibit 8 Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund	61
Exhibit 9 Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Sales Tax Special Revenue Fund	62
Exhibit 10 Notes to Required Supplementary Information – Budgetary Reporting	64-65
Other Supplementary Information	
Governmental Non-Major Funds Combining Statements	
Exhibit A-1 Balance Sheet	72-73
Exhibit A-2 Statement of Revenues, Expenditures and Changes in Fund Balances	74-75
Exhibit A-3 Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Nonmajor Special Revenue Funds	76-77
Exhibit A-4 Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Capital Projects Funds	78-79
Internal Service Non-Major Funds Combining Statements	
Exhibit B-1 Statement of Net Position	82
Exhibit B-2 Statement of Revenues, Expenses and Changes in Net Position	83
Exhibit B-3 Statement of Cash Flows	84

TABLE OF CONTENTS
(continued)

<u>STATISTICAL INFORMATION SECTION</u>		Page
Table 1	Net Position by Component	87
Table 2	Changes in Net Position	88-89
Table 3	Governmental Activities Tax Revenues by Source	90
Table 4	Fund Balances of Governmental Funds	91
Table 5	Changes in Fund Balances of Governmental Funds	92
Table 6	Assessed and Taxable Value of Taxable Property	93
Table 7	Property Tax Rates – Direct and Overlapping Governments	94
Table 8	Principal Taxpayers	95
Table 9	Property Tax Levies and Collections	96
Table 10	Special Assessments Billings and Collections	97
Table 11	Ratios of Outstanding Debt by Type	98
Table 12	Computation of Direct and Overlapping Debt	99
Table 13	Legal Debt Margin Information	100
Table 14	Revenue Bond Coverage - Electric	101
Table 15	Revenue Bond Coverage - Water	102
Table 16	Revenue Bond Coverage - Wastewater	103
Table 17	Revenue Bond Coverage – Golf Course	104
Table 18	Principal Employers	105
Table 19	Demographic and Economic Statistics	106
Table 20	Full-time Equivalent City Government Employees by Function	107
Table 21	Operating Indicators by Function	108

TABLE OF CONTENTS
(continued)

	Page
Table 22 Capital Asset Statistics by Function	109

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2012	113-114
Schedule of Findings and Questioned Costs For the Year Ended December 31, 2012	115-116
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance required by OMB Circular A-133	117-118
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 <i>Government Auditing Standards</i>	119-120



25 Center Street • Vermillion, SD 57069
Ph: 605.677.7050 • Fax: 605.677.5461
Info@cityofvermillion.com
www.vermillion.us

May 20, 2013

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, 2012.

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, 2012, 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 conclude, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Vermillion's financial statements for the year ended December 31, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Vermillion was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. The Single Audit reports are included in this report.

GAAP require 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 10,284, offering majors in 132 undergraduate programs and 65 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 61-65 as part of the required supplemental information and supplementary information.

Factor Affecting Financial Condition

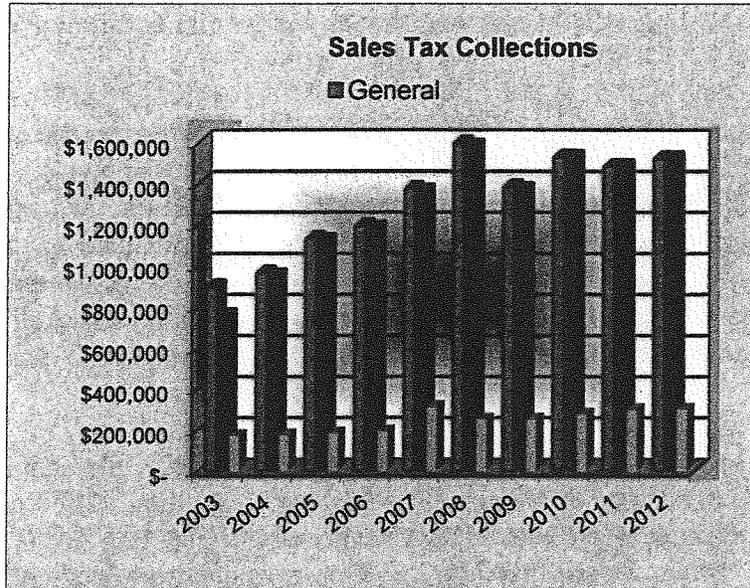
The information presented in the financial statement is perhaps best understood when it is considered for a broader perspective of the specific environment within which the City of Vermillion operates.

Local economy.

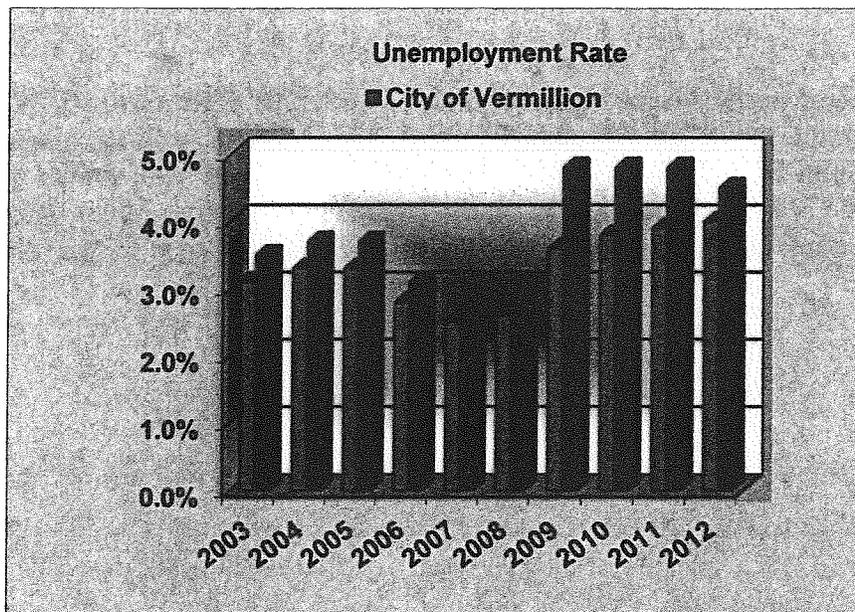
The economy in the Vermillion as reflected in the sales tax collections saw an increase in 2012. The total City sales tax revenues increased \$80,337 or 2.46% over 2011. This would include the first cent used for general fund, the second penny sales tax used for capital projects increasing \$77,638 while the BBB sales tax used for advertising and promotion of the City increased \$2,699 or .91% over 2011. 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 2013 total City sales tax revenue is up 2.2%, \$12,031 over 2012. The sales tax receipts will be monitored and the budget will be reviewed in August 2013 to determine if adjustments are needed.

In March 2012 The Governor's Office of Economic Development announced that Navigant Consulting, Inc., a Chicago-based global consulting firm with locations in Mitchell and Plankinton, will be expanding its presence in South Dakota with a new location in Vermillion called Alleviant. At yearend Alleviant had 10 employees with a goal of 100 by June 2013.

In March 2013 Eagle Creek Software Service announced a partnership with the State of South Dakota and the Vermillion Area Chamber of Commerce and Development Company (VCDC) to bring 200 jobs to the community. The rural high-tech jobs will be phased in over the 2-4 years. A new \$4 million technology center will be built by the VCDC to house the new business. To assist with the financing a tax increment district has been created for the building site.



The unemployment rate for the City of Vermillion increased slightly during 2012 from 3.9% to 4.0% while the state unemployment rate decreased from 4.8% to 4.4%. The unemployment rate for the City of Vermillion saw a high in July 2012 of 4.7% but decreased the rest of the year to 4.0% at year end. The state unemployment rate was as high as 5.1% 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 doctoral institutions in the country. It is the home to South Dakota's only School of Medicine, Law, College of Fine Arts and internationally accredited Business School. The

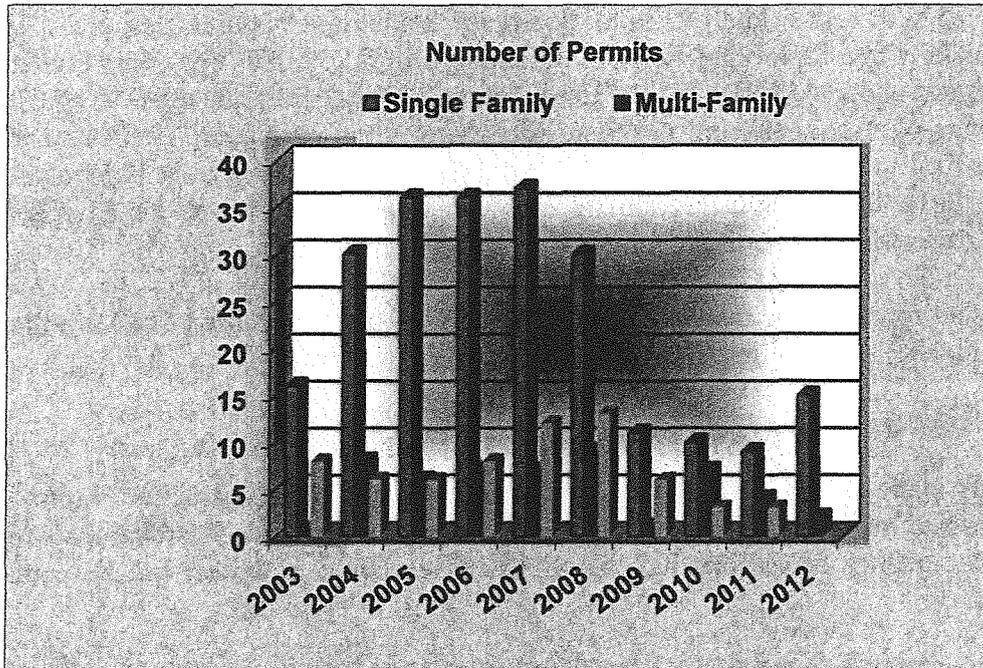
University is the City's largest employer and saw an increase in enrollment of 3.15% to 10,284 for the fall of 2012.

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. Construction started in 2012 for a 30,000 square foot addition to the University Center. The project will expand seating to 1,200 and provide additional dining options and is scheduled for completion in 2014. There are a number of projects in the planning and design phase on the campus that consist of an athletic arena that will be connected to the Dakota Dome to support basketball, volleyball and related programs and a outdoor track and soccer facility along with smaller improvement projects.

Sanford Vermillion operates a 25-bed hospital constructed in 1993, medical clinic, 66 bed care center and Dakota Gardens senior living. 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.

The 18-hole golf course and residential development project, which was undertaken by the City after significant review by citizen committees, will provide 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 eighty-two single family, four-twin homes, fifteen town home units, and one multi unit with a taxable value of over twenty-two million dollars. 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 2012 totaled \$3,771,388 down from \$5,786,357 in 2011. The number of single family dwellings constructed totaled fifteen in 2012, an increase of six, with two new multi-family units and three 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.

A solid waste master planning process was started in 2011 in planning for the construction of the next landfill cell and leachate collection system and to review the current recycling system operation. Following a request for proposal process the firm of HDR was contracted to complete the master plan. The process included public outreach meetings starting in June with the draft report presented to the Joint Powers Board in November. The final report was presented to the City Council in April 2012. The report recommended to continue the landfill operations and to maximize the existing landfill capacity by re-permitting it to allow for higher waste placement and steeper sideslopes. The South Dakota Department of Environment and Natural Resources has approved the steeper sideslopes and the application is currently under consideration for the vertical expansion of the existing cells and future cells. As the current cells are reaching their capacity, grant/loan applications were submitted in December, 2011 for the funding of cell 5 and related leachate collection system. On March 30, 2012 the South Dakota Board of Water and Natural Resources approved a \$1,639,000 Clean Water State Revolving Fund Loan and a \$522,210 Regional Landfill Assistance grant. The resolution approving the State Revolving Loan was adopted by the City Council on April 1, 2013 in anticipation of bidding the leachate collection system in June of 2013 and the cell 5 in late 2013 or early 2014.

In June 2011 the City received a gift of over \$800,000 from Edith Siegrist for the library expansion project. Following the receipt of the gift and the funding commitments from the Library Board and Library Foundation, the city moved forward with the development of plans and specifications and awarded a bid to Welfl Construction on February 6, 2012 for \$2,375,700. The project consists of an expansion to the existing library building and renovation of the existing building. The project was substantially complete in March 2013 and the library has expanded into the completed and renovated space in April 2013.

On March 25, 2011 the South Dakota Board of Water and Natural Resources approved a Drinking Water State Revolving Loan in the amount of \$1,532,000 for construction of a new water tower that includes 10% principal forgiveness as a grant from the State. The City Council adopted the resolution approving the State Revolving Loan on March 19, 2012 and hired an engineering firm to complete the plans for bidding of the water tower. A bid was awarded on August 20, 2012 for the construction of a new 500,000 water tower for \$1,258,700. The completion date of the project is set for 2014.

The equipment replacement fund added the following equipment during 2012 a police vehicle, and four utility vehicles totaling \$109,383.

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. Planning is in process for a bike path along Stanford Street between Cherry Street and SD Hwy 50.

The reconstruction of Stanford Street from Main Street to Cherry Street was completed in 2012 as a Federal Aid Urban street project. The project bid by the state is \$1,255,000 is to be funded from the State allocated Federal Aid Urban funds estimated at \$985,000, special assessments to adjoining property owners estimated at \$96,000 and \$174,000 from second penny sales tax. The water and wastewater utility portion of the project was \$220,000 paid by the respective utilities. Based upon the use of Federal Aid Urban funding, the State Department of Transportation administered this project.

The landfill building that housed the solid waste baler and considerable equipment was destroyed by fire on October 22, 2012. Insurance coverage will provide for the replacement of the building, contents and equipment. The landfill has continued to operate as an area fill until such time as the building and baler can be replaced. A consulting engineer is developing the building and baler specifications for bidding in May or June 2013 anticipating completion in November 2013.

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. From the project design, an estimated cost of \$5,000,000 was developed. At the current time there is not a funding source identified for this project.

The 2013 budget included \$1,064,700 for equipment replacement in the equipment replacement fund, \$27,945 for airport improvement, \$620,000 for the library renovation, \$75,000 for miscellaneous concrete projects including city sidewalks, and \$50,000 for replacement of the boiler in the National Guard Armory. 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, 2011. This was the sixth 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

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



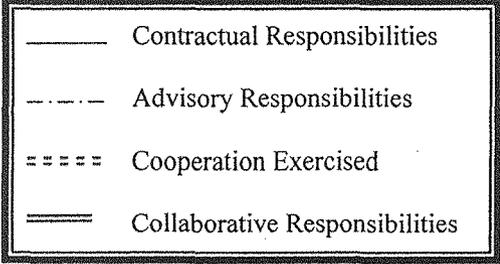
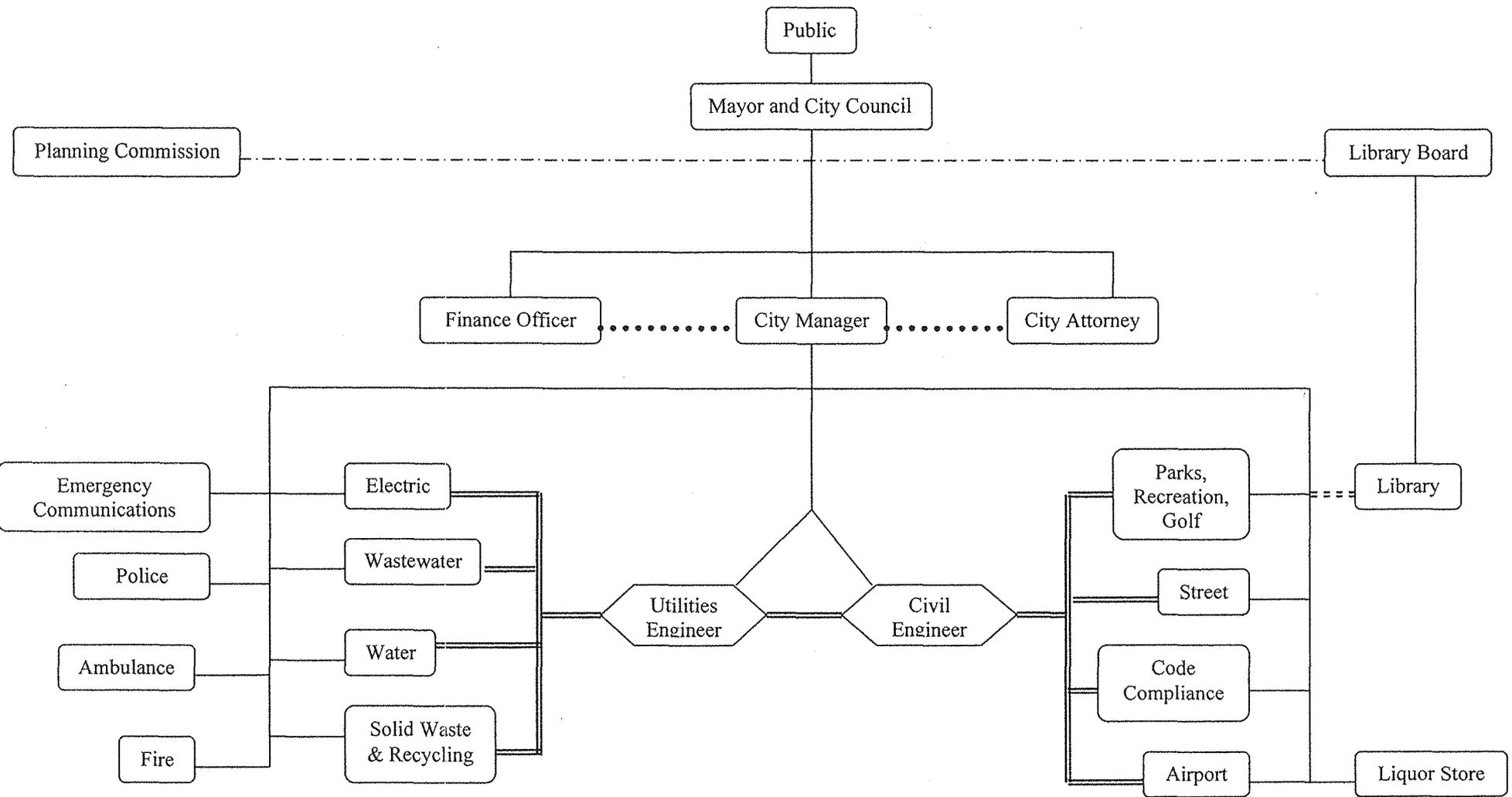
Christopher P. Mouill

President

Jeffrey R. Egan

Executive Director

TX



CITY OF VERMILLION MUNICIPAL OFFICIALS

For the Period January 1, 2012 through December 31, 2012

Mayor

John E. (Jack) Powell

Alderman Central Ward

John Grayson

Kelsey Collier-Wise Beginning July 3

Jennifer French Ending July 3

Alderman Northeast Ward

Clarene Meins

Kent Osborne

Alderman Northwest Ward

Howard Willson

Tom Davies

Alderman Southeast Ward

Steve Ward

Dennis Zimmerman

City Manager

John Prescott

**CITY OF VERMILLION
FINANCIAL SECTION**



21 1st Avenue NW
P.O. Box 1010
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, 2012, 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 U.S. generally accepted accounting principles; 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 \$139,997 and total revenues of \$921,165 as of and for the year ended June 30, 2012. 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As described in Note 13 to the financial statements, in 2012, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 6 through 18 and 61 through 65 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 U.S. generally accepted auditing standards, 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 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, budgetary compliance schedules, and the schedule of federal awards 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 U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements, budgetary compliance schedules, and the schedule of federal awards 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 May 20, 2013, 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
May 20, 2013

Management's Discussion and Analysis
December, 31, 2012

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, 2012. 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-ix of this report.

FINANCIAL HIGHLIGHTS

- The net position of the City increased by \$4,489,885 as a result of the current year's operations. The net position of our governmental activities increased by \$2,446,782 or 7.97% and the net position of our business-type activities also increased by \$2,043,103 or 6.24%.
- Total revenues from all sources increased in 2012 by \$2,134,685 to \$23,353,124. In 2012, charges for services increased \$281,080, operating grants & contributions increased \$32,575, capital grants & contributions increased \$1,148,542, property taxes increased \$80,657, sales tax increased \$75,266, other general revenues decreased by \$91,644 and the City had an insurance recovery of \$608,209.
- Total cost of all programs was \$18,863,239 for 2012. This is an increase of \$353,732 or 1.91% over 2011.
- The City's long-term debt/capital leases decreased \$1,700,136 over 2011 from repayment of existing bond issues, a drawdown of \$45,030 on the City's State Revolving Fund Loan for the wastewater treatment plant and two capital leases for equipment totaling \$260,348. During 2012 the City retired \$2,005,514 of existing debt.

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

Management's Discussion and Analysis

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 assets 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 21-23 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 government's 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.

Management's Discussion and Analysis

The City maintains seventeen 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, Stanford Street fund and Library Renovation fund which are considered to be major funds. Data for the other thirteen 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 61.

The basic governmental fund financial statements can be found on pages 24-27 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. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental 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 28-30 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 31-57 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 61-65 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 72-79 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, 2012

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2012**

Management's Discussion and Analysis

with comparative data for the fiscal year ended December 31, 2011. Assets exceeded liabilities by \$67,717,423 at the close of the most recent fiscal year.

	City of Vermillion Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 7,981,697	\$ 8,092,458	\$ 14,460,050	\$ 12,732,608	\$ 22,441,747	\$ 20,825,066
Capital Assets	30,374,723	27,432,945	41,027,877	41,858,060	71,402,600	69,291,005
Total Assets	38,356,420	35,525,403	55,487,927	54,590,668	93,844,347	90,116,071
Total deferred outflows of resources	-	-	9,039	-	9,039	-
Long-term Liabilities Outstanding	3,974,478	4,223,008	18,029,681	19,629,220	22,004,159	23,852,228
Other Liabilities	1,332,171	593,690	2,799,633	2,193,686	4,131,804	2,787,376
Total Liabilities	5,306,649	4,816,698	20,829,314	21,822,906	26,135,963	26,639,604
Net Position:						
Net Investment in capital assets	26,379,227	23,217,945	22,036,403	21,411,403	48,415,630	44,629,348
Restricted	2,082,991	1,693,874	1,701,970	1,740,975	3,784,961	3,434,849
Unrestricted	4,587,553	5,796,886	10,929,279	9,615,384	15,516,832	15,412,270
Total Net Position	\$ 33,049,771	\$ 30,708,705	\$ 34,667,652	\$ 32,767,762	\$ 67,717,423	\$ 63,476,467

	City of Vermillion Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,249,784	\$ 1,317,755	\$ 12,831,237	\$ 12,482,186	\$ 14,081,021	\$ 13,799,941
Operating Grants & Contributions	104,314	71,739	100	100	104,414	71,839
Capital Grants & Contributions	1,988,284	944,239	118,970	14,473	2,107,254	958,712
General Revenues:						
Property Taxes	1,979,186	1,893,823	501,007	505,713	2,480,193	2,399,536
Other Taxes	3,407,050	3,331,784	-	-	3,407,050	3,331,784
Other	245,056	345,475	319,927	311,152	564,983	656,627
Total Revenues	8,973,674	7,904,815	13,771,241	13,313,624	22,744,915	21,218,439
Expenses:						
General Government	1,325,411	1,324,803	-	-	1,325,411	1,324,803
Public Safety	2,211,445	2,028,921	-	-	2,211,445	2,028,921
Public Works	1,630,835	1,714,248	-	-	1,630,835	1,714,248
Health & Welfare	443,581	424,263	-	-	443,581	424,263
Culture & Recreation	1,146,227	1,161,245	-	-	1,146,227	1,161,245
Conservation & Development	498,825	397,229	-	-	498,825	397,229
Interest on Long-term Debt	202,154	241,902	-	-	202,154	241,902
Electric	-	-	5,051,041	4,995,547	5,051,041	4,995,547
Water	-	-	1,435,808	1,389,184	1,435,808	1,389,184
Wastewater	-	-	1,694,154	1,605,314	1,694,154	1,605,314
Liquor	-	-	1,043,401	1,018,600	1,043,401	1,018,600
Golf	-	-	838,399	841,741	838,399	841,741
Joint Powers Landfill	-	-	1,242,491	1,273,463	1,242,491	1,273,463
Curbside Recycling	-	-	99,467	93,047	99,467	93,047
Total Expenses	7,458,478	7,292,611	11,404,761	11,216,896	18,863,239	18,509,507
Increase(Decrease) in Net Position before Transfers & Extraordinary Item	1,515,196	612,204	2,366,480	2,096,728	3,881,676	2,708,932
Insurance Recovery	-	-	608,209	-	608,209	-
Transfers	931,586	937,412	(931,586)	(937,412)	-	-
Increase in Net Position	2,446,782	1,549,616	2,043,103	1,159,316	4,489,885	2,708,932
Net Position January 1	30,708,705	29,346,833	32,767,762	31,420,702	63,476,467	60,767,535
Prior period adjustment	(105,716)	(187,744)	(143,213)	187,744	(248,929)	-
Adjusted net position-beginning	30,602,989	29,159,089	32,624,549	31,608,446	63,227,538	60,767,535
Net Position December 31	\$ 33,049,771	\$ 30,708,705	\$ 34,667,652	\$ 32,767,762	\$ 67,717,423	\$ 63,476,467

By far the largest portion of the City's net position (71.5%) 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

Management's Discussion and Analysis

in its 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 \$3,784,961 (5.6%) 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 \$2,415,695 (an increase of \$275,730), Stormwater construction of \$823,145 (an increase of \$164,123), Landfill Closure/Postclosure of \$186,161 (a decrease of \$10,201), Cumulative reserve of \$158,060, Library \$21,397 (a decrease of \$84,735 and other restrictions of \$180,503 (an increase of \$5,195), The remaining balance of unrestricted net position of \$15,516,832 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal, 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.

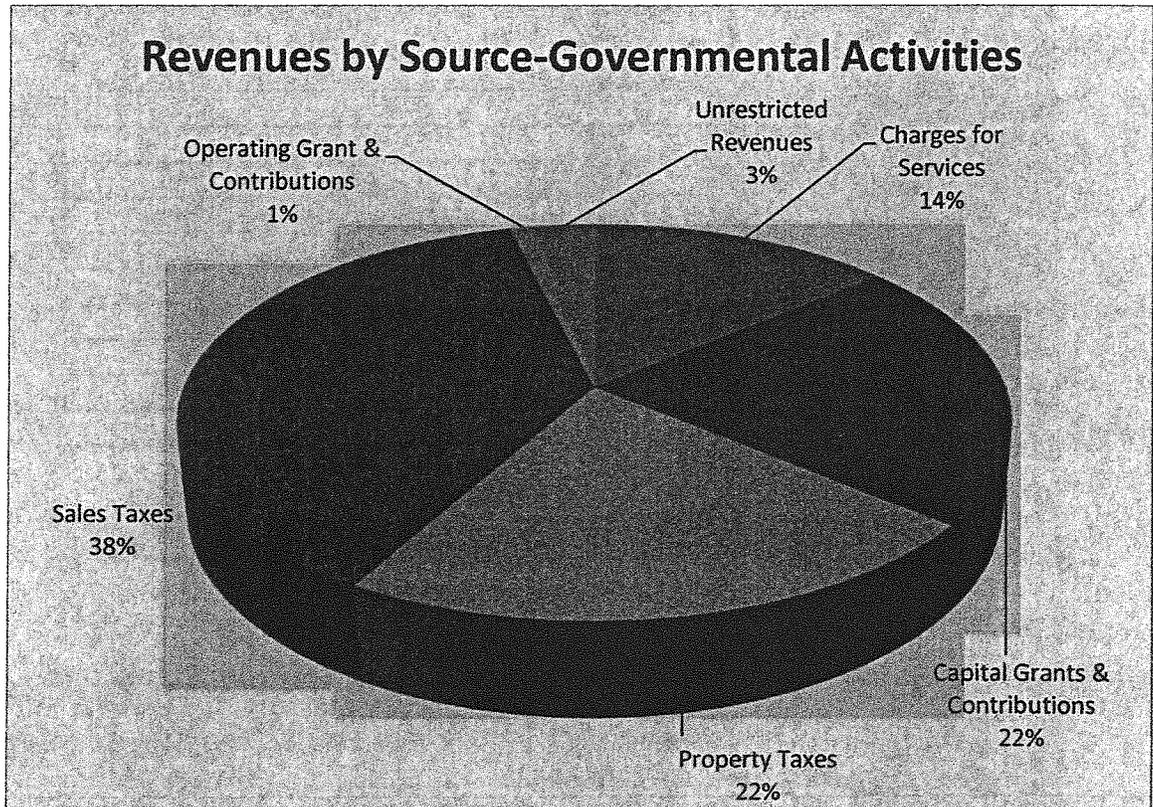
Governmental activities: Governmental activities increased the City's net position by \$2,446,782, thereby accounting for 54.5% of the total growth in the net position of the City Vermillion. Elements of this increase are as follows:

- Charges for goods & services decreased \$67,971 in 2012. Public Works increased \$19,342 which is attributable to the increase of county motor vehicle of \$8,995, increase in county highway and bridge of \$30,185, increase in storm water fees \$6,171, decrease in street repairs charges \$4,236 and a decrease in special assessment collections of \$21,773. General Government decreased \$48,890 with the major factor being a decrease in the sale of fuel at the airport of \$45,444. Health and Welfare decreased \$39,492 with ambulance revenues decreasing \$47,785 and rental registration increasing \$14,014.
- Operating Grants and contributions increased \$32,575 in 2012. 2012 culture and recreation operating grants consisted of a work study grant of \$7,534 and contributions of \$7,144. Public safety operating grants consisted of police vests grant of \$1,513 and a COPS grant for one officers wages and benefits of \$53,273. Public works operating grant consists of \$10,000 for a storm drainage study.
- Capital grants and contributions increased by \$1,044,045 in 2012. 2012 capital grants and contributions consist of public safety contributions of fire and communication radios and radar units \$27,980, public works had contributions of \$984,482 for Stanford Street paving and a grant of \$455,508 for the airport project; health and welfare had a contribution for new radios of \$7,640; culture and recreation received \$150,000 in donations from the Library Foundation for the library renovation project, grants for the bike path project of \$142,764, a CDBG grant for library renovation for \$200,000, contributions for improvements to ball fields of \$3,812, for the planting of trees of \$2,310 and \$13,780 for the skate park.
- Property taxes increased by \$85,363 or 4.51% during the year. This increase is the product of the tax revenue for general purposes that increased \$65,353 and an increase in the tax revenue for the tax increment district of \$20,010. State law limits the property tax increase to the lesser of inflation or 3% plus new property additions less any reduction in valuation.
- Other Taxes increased by \$75,266 or 2.26%. This would include the first cent used for general fund, the second penny sales tax used for capital projects, and BBB used for advertising and promotion of the City. The first cent used for the general fund and the second cent used for capital projects increased \$68,068 while the BBB used for advertising and promotion increased by \$7,198. As the South Dakota Department of

Management's Discussion and Analysis

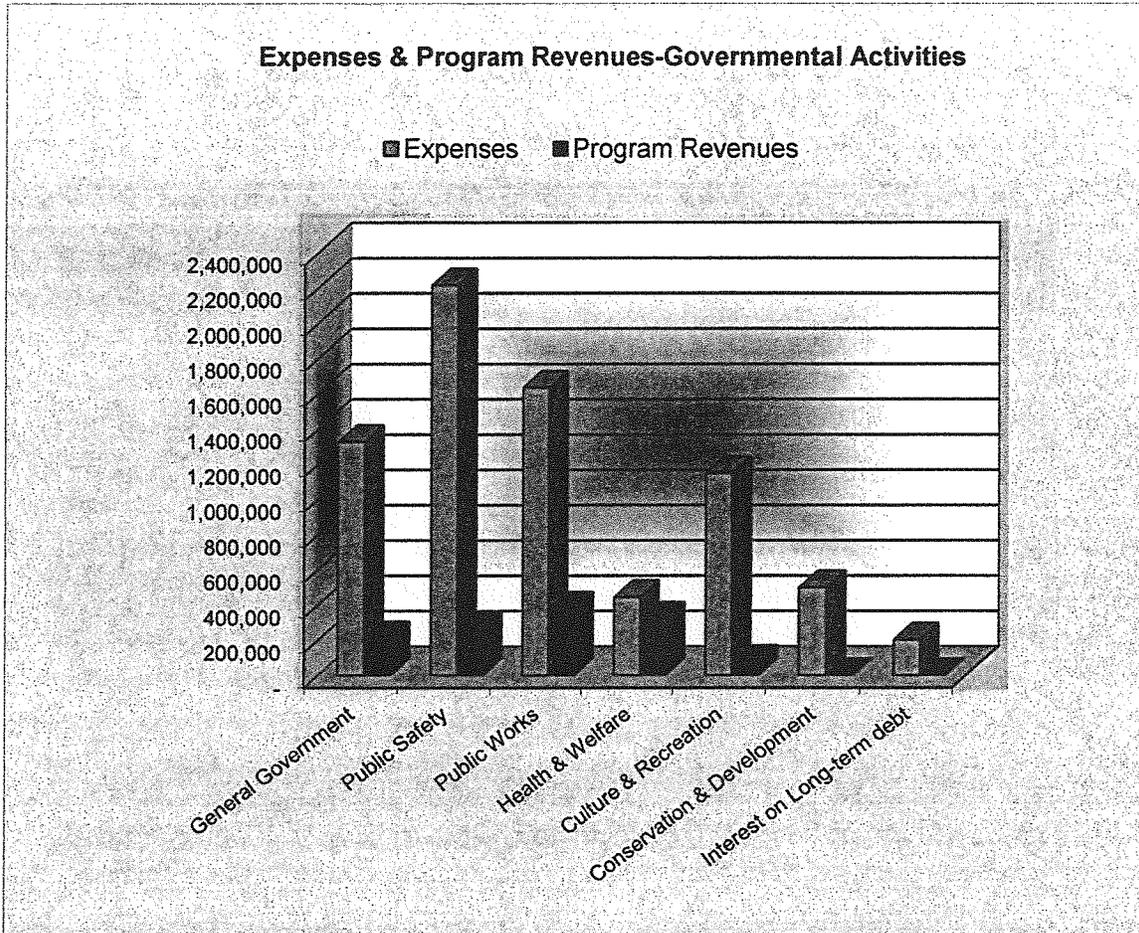
Revenue collects the sales tax on behalf of the City, information as to the individual area of the increase/decrease is not available.

- Other General Revenues decreased \$100,419 or 29.07%. Contributing to this decrease is a decrease in investment earnings of \$47,792, an increase in other revenue of \$1,734, an increase in contributions and donations of \$12,093, and a decrease in the sale of assets of \$61,218.



- General government expenses remained relatively stable in 2012 increasing only \$608.
- Public Safety expenses increased by \$182,524 or 9.00%. The police administration, patrol and communication wages increased \$170,054. This increase is from several positions being filled in 2012 that were vacant during the prior year. Fire and rescue wages decreased \$15,809 due to the position of fire chief being vacant for part of the year.
- Public works expenses decreased \$83,413 or 4.87% with the majority \$45,046 being for an decrease in fuel purchased for the airport. Snow removal decreased \$16,067 due to the mild winter.
- Health and Welfare expenses increased \$19,318 or 4.55% with the majority of the increase due to an increase in wages in the ambulance service. The new director was selected in 2011, 2012 was a full year of wages and benefits.
- Culture and Recreation expenses decreased \$15,018 or 1.29% with the majority \$9,603 coming from a decrease in operating expenses in the parks capital fund.
- Conservation and development expenses increased \$101,596 from increased support of various programs. The largest ones being the VCDC Job Training Program pass through grant of \$24,850, Vermillion NOW of \$65,947 and a Housing study for \$34,180.

Management's Discussion and Analysis



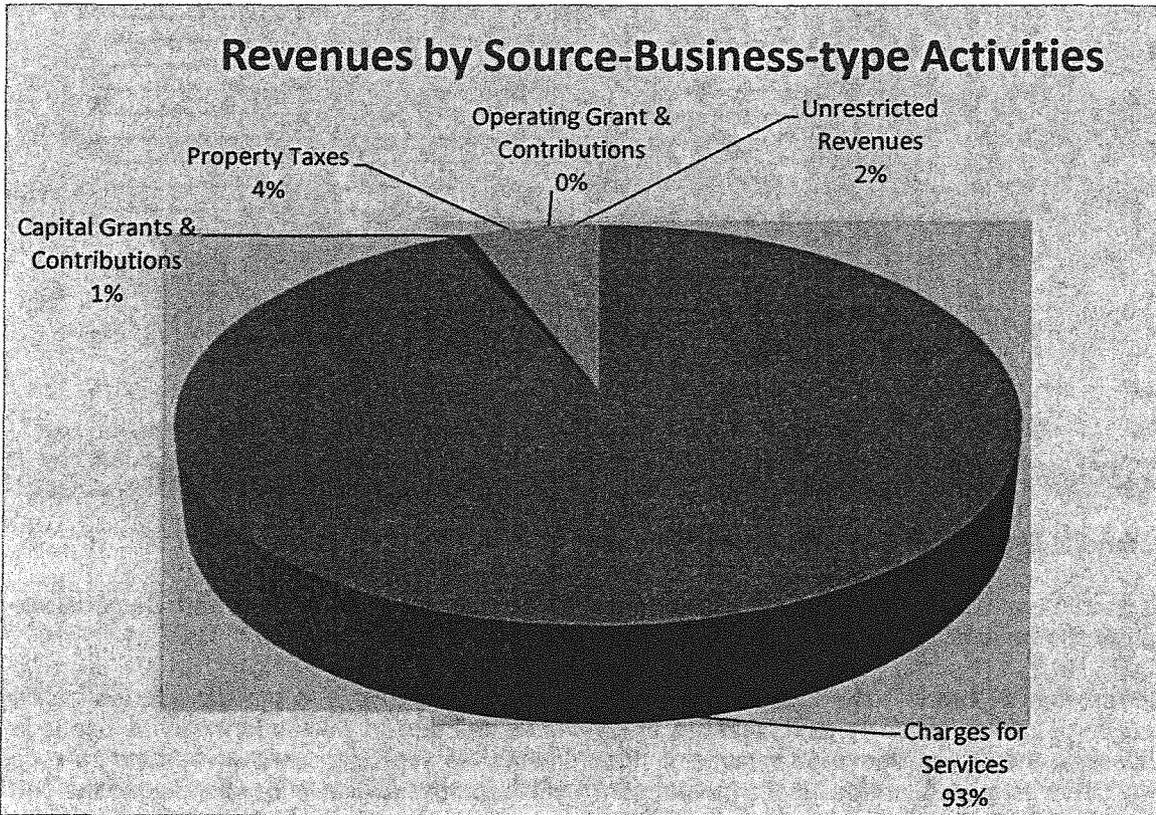
Business-type activities: Business-type activities increased the City of Vermillion's net position by \$2,043,103, accounting for 45.5% of the total growth in the government's net position. Key elements of this increase are as follows:

- Charges for services increased by 2.80% or \$349,051. The Electric Fund charges for services increased 1.81% or \$109,877. Electric kwh sales increased 1.0% during 2012 which was the first year of seasonal rates. 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. The Water Fund charges for services increased 11.57% or \$183,744. Water rates increased 2% in December 2012 and sales of water increased by 8,373,262 cubic feet over 2011 due to the hot dry summer and fall. Wastewater Fund rates increased 3% or \$89,924 in April 2012 to support the funds debt service. The Liquor Fund sales increased \$31,370 over 2011 even though there was increased competition for wine sales due to the increased number of locations selling wine. The Joint Powers-Landfill revenue decreased \$89,857 over 2011. The landfill revenues decreased \$4,645 while the sale of recycling materials revenues portion of the Joint Powers decreased \$85,212 due to decreased market rates for materials being sold. The Golf Fund revenues increased \$30,503, green fees were increased 3% while season

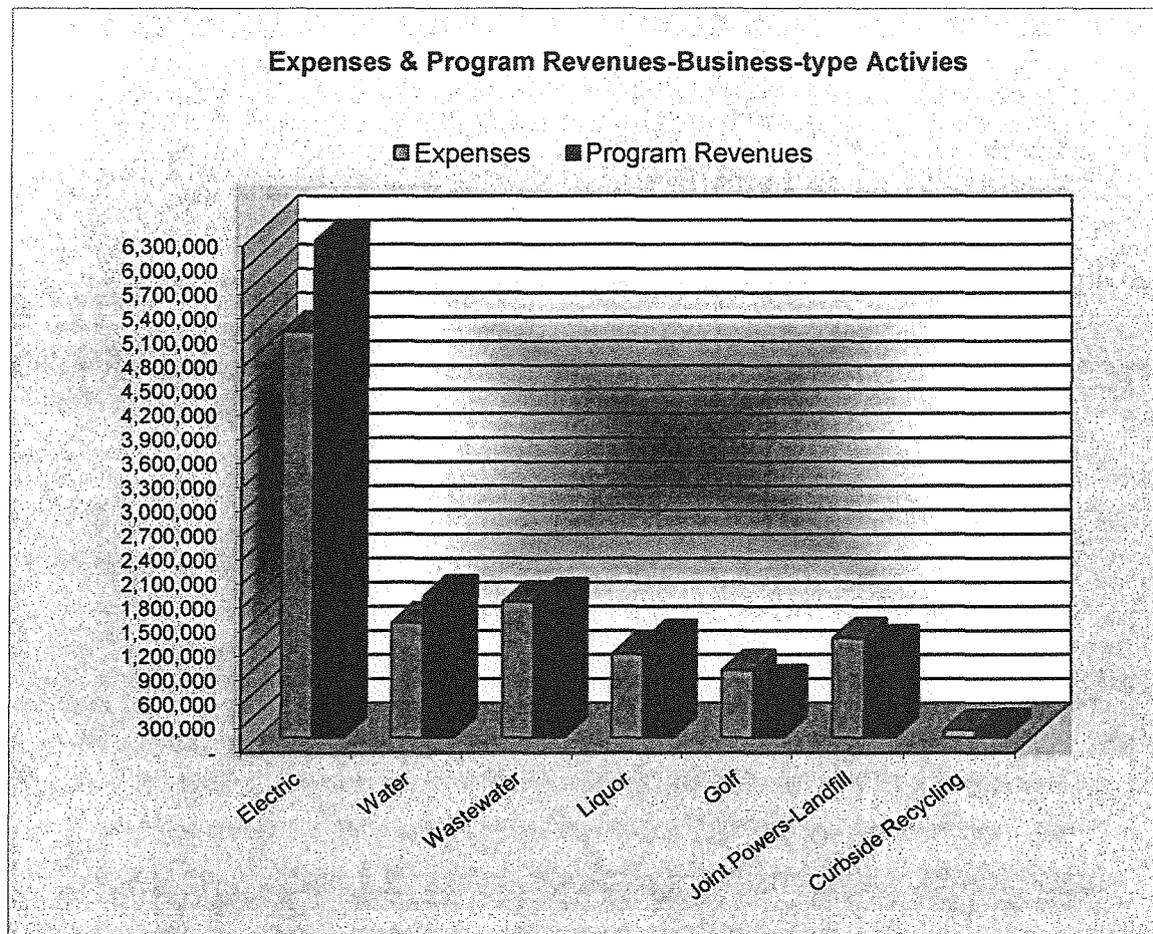
Management's Discussion and Analysis

pass sales increased \$10,392 or 8.3% and cart rentals of \$12,343 or 15.58% attributed to early spring weather, dry summer and fall. An decrease in the Curbside Recycling program of \$6,510 resulted from an decrease in market values of the items collected.

- Operating grants and contributions were unchanged in 2012. There were no grants received and contributions totaled \$100.
- Capital grants and contributions increased \$104,497 in 2012. As construction started on the new water tower in 2012, a grant of \$44,114 was received, none were received in 2011. Contributions totaling \$66,785 were received for developer installed utilities on Commerce Drive and \$3,455 was received at the golf course for new hitting mats.
- Tax incremental property taxes decreased \$4,706 in 2012. This is attributed to decreased values of industrial properties located in the districts.
- An extraordinary item was reported of \$608,209 which is the insurance recovery for the fire loss of landfill building, baler and contents.



Management's Discussion and Analysis



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, *unreserved 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 \$6,142,429, as shown on Exhibit 3, which is an decrease of \$861,775 in comparison with the prior year. Approximately 32.11% of this total amount \$1,972,588 constitutes *unassigned fund balance* which is available for spending at the government's discretion. The remainder of fund balance is either 1) *nonspendable* \$200,626, \$42,566 for inventory and \$158,060 in cumulative reserve 2) *restricted* \$1,646,030 consisting of \$166,623 in liquor, lodging and dining, \$821,349 in storm water, \$21,397 library and \$636,661 for debt service 3) *committed* \$2,099,534 with \$2,099,170 in sales tax and \$364 for capital projects or 4) assigned \$223,651 for parks capital \$8,255 and \$215,396 for the 2013 budget.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2012**

Management's Discussion and Analysis

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 \$2,451,984, as shown in Exhibit 3, while total fund balance reached \$2,868,006. 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 47% of total general fund expenditures, while total fund balance represents 55% of the same amount.

The fund balance of the City's general fund increased \$158,032 during the current fiscal year, as shown in Exhibit 4. Factors in this increase are as follows:

- An increase in property taxes of \$67,272 or 4.0% and a increase sales tax collection of \$38,707 or 2.6%.
- Intergovernmental revenues decreased \$141,347 due to emergency communications being removed to become a E911 special revenue fund. This decreased revenues by \$225,917 in the general fund offset by an increase in revenues in the E911 fund. State and federal grants increased by \$35,883 and state and county taxes increased by \$40,915.
- Charges for goods and services decreased \$98,774 or 20.8%. The sale of fuel at the airport decreased \$45,444 the majority due to a major user switching planes during the year and housing the new plane elsewhere until a hanger can be built which is scheduled for mid 2013. Ambulance collections decreased \$47,785 or 16.6% due to a reduction in billing, an increase in billing adjustments, and an increase in estimated uncollectable amounts.
- Other revenue decreased \$13,998 or 24.8% due to an decrease in miscellaneous property sales of \$6,928 and a decrease in work study support of \$7,643.
- Expenditures in the General Fund decreased \$324,100 or 5.90%. Public Safety decreased \$267,690 due to emergency communications being removed to become a E911 special revenue fund. This decreased expenditures by \$436,294 in the general fund offset by an increase in transfer out to the E911 fund of \$225,917. Police patrol increased \$173,933 of which the majority is from a increase in police patrol and administrative personnel service costs due to vacancies in 2011 that were filled in 2012. Public Works decreased \$61,929 with the largest single factor being a decrease of \$45,046 in the sale of fuel at the airport. Culture and recreation decreased \$5,397 the major factor being a decrease in wages and employee benefits for operating the different programs due to the retirement of several long term employees. Conservation and Development increased \$10,216 with the major increase being for the VCDC Job Training Grant of \$24,850.

The sales tax fund has a total fund balance \$2,099,170, all of which is committed for capital outlay and debt service. The net decrease in fund balance during the current year is \$299,477. Revenues during this period increased by \$29,440 compared to the prior year. This is due to a increase in sales tax revenue of \$38,931 and a decrease in investment earnings of \$9,491. Expenditures increased during this period by \$111,029, which is largely due to the increase in capital outlay. Transfers out increased by \$948,237 to \$1,501,562. Of this amount \$338,479 was for support of city hall debt service, \$6,475 the City's matching for airport projects, \$31,445 for bike path construction, \$200,000 to support of debt service at the golf course, \$175,046 for construction of Stanford street and \$750,117 to support the library renovation project. Transfers in increased \$25,640 from parks capital to support the construction of the new skate park.

The library renovation capital projects fund was a major fund for the addition and renovation of the public library building. Total expenditures for this project at year end totaled \$2,329,215 with the projected budgeted for \$2,819,294. The project is being financed through private donations

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2012**

Management's Discussion and Analysis

of \$1,104,772, a CDBG grant of \$200,000 and a transfer from the Library special revenue fund of \$120,000 with the balance from the Sales Tax Fund. It will be completed in 2013.

The Stanford Street reconstructions capital project fund was a major fund for widening and improvements on Stanford street. Expenditures for the project at year end totaled \$1,159,528 with the project budgeted for \$1,159,980. The project is being financed through a state grant of \$984,482, a city match of \$175,046 from sales tax funds. The project will be completed in 2013.

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 position of the proprietary funds are as follows, Electric \$5,682,226, Water \$699,428, Wastewater \$1,150,777, Liquor \$311,223, Golf Course \$405,070, Joint Powers-Landfill \$2,574,659 and Curbside Recycling \$64,637. The total growth in net assets for all funds in the current year was \$2,023,198. 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 2012 to refine the budget numbers adopted a year earlier. The revenue was decreased by \$276,674 (5.75% of the original budget). Expenditures were decreased by \$471,474 (7.69% of the original budget) with public safety decreasing \$482,547. The original and final budgets are reported on Exhibit 8 on page 61.

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, 2012 amount to \$71,402,600 (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 2012 there was \$4,523,209 of additions to the governmental capital assets while the depreciation for the year was \$1,548,680 and \$170,449 of capital assets were disposed. The total increase in the City's investment in capital assets for the current fiscal year was \$2,111,595 or 3.0% (a 10.7%, \$2,941,778 increase for governmental activities and a 1.9%, \$830,183 decrease for business-type activities).

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

- The library expansion and renovation project continued in 2012 totaling \$2,329,215 of construction in progress. Construction will be completed in 2013.
- Stanford street reconstruction project began in 2012 totaling \$1,256,203 of construction in progress and \$228,617 in improvements, this was a SD DOT project that will have final close out in 2013. As part of this project water and sanitary sewer lines were replaced totaling \$228,617 paid by the respective utilities.
- The parallel taxiway extension project began at the airport totaling \$471,699 of the construction in progress in 2012 it should be completed in 2013.
- Construction began in a new water tower for the City accounting for \$490,207 of construction in progress in business activities with completion slated for 2014.
- The electric relay upgrade and SCADA addition construction started in 2012 with \$181,462 of construction in progress expenditures.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2012**

Management's Discussion and Analysis

- Utility extensions were added to Commerce Court by the developer totaling \$68,906 for future development.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,564,503	\$ 1,564,503	\$ 2,457,547	\$ 2,457,547	\$ 4,022,050	\$ 4,022,050
Building & Structure Improvements other than buildings	11,824,070	12,132,038	22,135,748	23,466,813	33,959,818	35,598,851
Furniture & Equipment	3,139,948	3,407,339	2,076,125	2,101,440	5,216,073	5,508,779
Infrastructure	9,594,396	10,173,714	-	-	9,594,396	10,173,714
Construction in Progress	4,251,806	155,351	863,797	189,790	5,115,603	345,141
Total	\$ 30,374,723	\$ 27,432,945	\$ 41,027,877	\$ 41,858,060	\$ 71,402,600	\$ 69,291,005

Additional information on the City of Vermillion's capital assets can be found in Note 4 on pages 45-48 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 \$22,996,009. Total note and bonded debt outstanding totaled \$19,125,843 with the remainder being capital leases of \$3,870,166.

The City's total outstanding debt decreased by \$1,665,648 or 6.51% during the current fiscal year. The City retired \$2,005,514, of outstanding debt while starting two capital leases of \$260,348 and receiving the last drawdown on wastewater State Revolving Fund Loan (SRF) for which \$45,030 was drawn down in the current year.

Additional information on the City's long-term debt can be found in Note 5 on pages 48-52 of this report.

City of Vermillion's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue Bonds	\$ 355,000	\$ 390,000	\$ 18,200,435	\$ 19,794,142	\$ 18,555,435	\$ 20,184,142
Notes Payable	-	-	570,408	687,003	570,408	687,003
Capital Lease	3,640,496	3,825,000	229,670	-	3,870,166	3,825,000
Total	\$ 3,995,496	\$ 4,215,000	\$ 19,000,513	\$ 20,481,145	\$ 22,996,009	\$ 24,696,145

Economic Factors and Next Year's Budgets and Rates

During the current fiscal year, the fund balance in the general fund increased by \$158,032 to \$2,868,006. The final budget for 2012 had projected the fund balance to decrease by \$228,514. The City has appropriated \$215,396 of the general fund reserve for spending in the 2013 fiscal year.

Utility rates were increased in 2012 for wastewater, the electric rates were adjusted to seasonal rates with higher rates in the summer and lower in the winter. During the 2012 budget process wastewater utility rate increases were also proposed for the debt service on

Management's Discussion and Analysis

the Phase II improvements, the water rates were increased for 2013, 2014 and 2015 for the debt service on the water tower and an increase was made in the storm water drainage fee.

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
BASIC FINANCIAL STATEMENTS**

CITY OF VERMILLION
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government			Component Unit Housing & Redevelopment
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash & cash equivalents	\$ 300,659	\$ 517,158	\$ 817,817	\$ 9,405
Investments	5,725,000	7,475,000	13,200,000	-
Receivables (net, where applicable, of allowance for uncollectibles)				
Taxes receivables	58,470	-	58,470	-
Accounts receivable	151,010	892,545	1,043,555	1,512
Unbilled accounts receivable	-	393,204	393,204	-
Special assessments receivable	228,118	8,972	237,090	-
Interest receivable	21,490	29,243	50,733	-
Due from insurance company	-	1,240,889	1,240,889	-
Due from other governments	1,051,323	67,028	1,118,351	-
Internal balances	(759,112)	759,112	-	-
Inventories	42,566	1,104,791	1,147,357	-
Prepaid expenses	72,019	60,829	132,848	1,901
Deposits	158,699	-	158,699	-
Restricted assets:				
Cash	311,181	1,319,936	1,631,117	127,052
Investments	615,426	580,134	1,195,560	-
Interest receivable	4,848	11,209	16,057	-
Capital assets:				
Land and construction in progress	5,816,309	3,321,344	9,137,653	-
Other capital assets, net of depreciation	24,558,414	37,706,533	62,264,947	127
Total capital assets	<u>30,374,723</u>	<u>41,027,877</u>	<u>71,402,600</u>	<u>127</u>
Total assets	<u>38,356,420</u>	<u>55,487,927</u>	<u>93,844,347</u>	<u>139,997</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	9,039	9,039	-
Total deferred outflows of resources	<u>-</u>	<u>9,039</u>	<u>9,039</u>	<u>-</u>
LIABILITIES				
Accounts payable	920,796	1,130,754	2,051,550	6,393
Customer deposits	-	78,908	78,908	-
Accrued interest payable	7,806	40,022	47,828	-
Revenue collected in advance	17,212	2,924	20,136	-
Noncurrent liabilities:				
Due within one year:				
Bonds payable	35,000	1,277,992	1,312,992	-
Notes payable	-	119,400	119,400	-
Capital lease	202,355	-	202,355	-
Accrued leave payable	149,002	149,633	298,635	-
Due in more than one year:				
Bonds payable	320,000	16,922,443	17,242,443	-
Notes payable	-	451,008	451,008	-
Capital lease	3,438,141	229,670	3,667,811	-
Closure - postclosure liability	-	209,309	209,309	-
Accrued leave payable	216,337	217,251	433,588	-
Total liabilities	<u>5,306,649</u>	<u>20,829,314</u>	<u>26,135,963</u>	<u>6,393</u>
NET POSITION				
Net investment in capital assets	26,379,227	22,036,403	48,415,630	127
Restricted for:				
BBB tax	180,503	-	180,503	-
Debt service	899,886	1,515,809	2,415,695	-
Stormwater	823,145	-	823,145	-
Library	21,397	-	21,397	-
Landfill closure postclosure	-	186,161	186,161	-
Cumulative reserve-SDPAA	158,060	-	158,060	-
Other purposes	-	-	-	127,892
Unrestricted	4,587,553	10,929,279	15,516,832	5,585
Total Net Position	<u>\$ 33,049,771</u>	<u>\$ 34,667,652</u>	<u>\$ 67,717,423</u>	<u>\$ 133,604</u>

See Accompanying Notes to Financial Statements

CITY OF VERMILLION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Housing & Redevelopment
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government								
Governmental activities:								
General government	\$ 1,325,411	\$ 211,495	\$ -	\$ -	\$ (1,113,916)	\$ -	\$ (1,113,916)	\$ -
Public safety	2,211,445	262,610	54,786	27,980	(1,866,069)	-	(1,866,069)	-
Public works	1,630,835	378,820	10,000	1,439,990	197,975	-	197,975	-
Health & welfare	443,581	321,131	-	7,648	(114,802)	-	(114,802)	-
Culture & recreation	1,146,227	75,728	14,678	512,666	(543,155)	-	(543,155)	-
Conservation & development	498,825	-	24,850	-	(473,975)	-	(473,975)	-
Interest on long-term debt	202,154	-	-	-	(202,154)	-	(202,154)	-
Total governmental activities	<u>7,458,478</u>	<u>1,249,784</u>	<u>104,314</u>	<u>1,988,284</u>	<u>(4,116,096)</u>	<u>-</u>	<u>(4,116,096)</u>	<u>-</u>
Business-type activities:								
Electric	5,051,041	6,187,213	-	-	-	1,136,172	1,136,172	-
Water	1,435,808	1,772,353	-	60,065	-	396,610	396,610	-
Wastewater	1,694,154	1,737,914	-	55,450	-	99,210	99,210	-
Liquor	1,043,401	1,217,013	-	-	-	173,612	173,612	-
Golf	838,399	654,510	-	3,455	-	(180,434)	(180,434)	-
Joint powers landfill	1,242,491	1,151,985	100	-	-	(90,406)	(90,406)	-
Curbside recycling	99,467	110,249	-	-	-	10,782	10,782	-
Total business-type activities	<u>11,404,761</u>	<u>12,831,237</u>	<u>100</u>	<u>118,970</u>	<u>-</u>	<u>1,545,546</u>	<u>1,545,546</u>	<u>-</u>
Total primary government	<u>\$ 18,863,239</u>	<u>\$ 14,081,021</u>	<u>\$ 104,414</u>	<u>\$ 2,107,254</u>	<u>\$ (4,116,096)</u>	<u>\$ 1,545,546</u>	<u>\$ (2,570,550)</u>	<u>\$ -</u>
Component Unit								
Housing & redevelopment	866,552	-	905,998	-	-	-	-	39,446
Total component unit	<u>\$ 866,552</u>	<u>\$ -</u>	<u>\$ 905,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,446</u>
General revenues:								
Taxes:								
Property taxes - levied for general purposes					1,724,502	-	1,724,502	-
Property taxes - levied for debt service					254,684	501,007	755,691	-
Sales taxes					3,094,409	-	3,094,409	-
Sales taxes for special revenues					312,641	-	312,641	-
Unrestricted state/county shared revenue					72,704	-	72,704	-
Unrestricted investment earnings					77,802	227,946	305,748	826
Miscellaneous revenue					83,276	61,736	145,012	14,341
Gain on sale of capital assets					11,274	30,245	41,519	-
Insurance recovery net of fire loss					-	608,209	608,209	-
Transfers					931,586	(931,586)	-	-
Total general revenues & transfers					<u>6,562,878</u>	<u>497,557</u>	<u>7,060,435</u>	<u>15,167</u>
Change in net position					2,446,782	2,043,103	4,489,885	54,613
Net position - beginning					30,708,705	32,767,762	63,476,467	78,991
Prior period adjustment					(105,716)	(143,213)	(248,929)	-
Net position - beginning, as adjusted					<u>30,602,989</u>	<u>32,624,549</u>	<u>63,227,538</u>	<u>78,991</u>
Net position - ending					<u>\$ 33,049,771</u>	<u>\$ 34,667,652</u>	<u>\$ 67,717,423</u>	<u>\$ 133,604</u>

See Accompanying Notes to Financial Statements

CITY OF VERMILLION
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 DECEMBER 31, 2012

	General	Sales Tax	Library Renovation	Stanford Street	Other Governmental Funds	2012 Total
ASSETS						
Cash and cash equivalents	\$ 11,690	\$ 1,392	\$ -	\$ 173,911	\$ 74,347	\$ 261,340
Investments	2,350,000	1,945,000	-	-	900,000	5,195,000
Receivables (net, where applicable, of allowance for uncollectibles)						
Property taxes: delinquent	58,470	-	-	-	-	58,470
Accounts receivable	142,980	-	-	-	5,695	148,675
Special assessment receivable	-	-	-	-	228,118	228,118
Interest receivable	4,924	5,522	-	-	9,902	20,348
Due from other governments	324,326	238,636	-	-	488,361	1,051,323
Due from other funds	-	22,000	-	-	-	22,000
Inventory of supplies	33,357	-	-	-	-	33,357
Inventory of stores						
purchased for resale	9,209	-	-	-	-	9,209
Deposits	158,699	-	-	-	-	158,699
Restricted assets:						
Cash and cash equivalents	-	-	-	-	311,181	311,181
Investments	-	-	-	-	615,426	615,426
Interest receivable	-	-	-	-	4,848	4,848
Total assets	3,093,655	2,212,550	-	173,911	2,637,878	8,117,994
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	190,897	83,010	298,615	173,911	172,365	918,798
Due to other funds	-	-	-	-	542,710	542,710
Revenue collected in advance	4,900	-	-	-	12,312	17,212
Advance from other funds	-	-	-	-	197,143	197,143
Total liabilities	195,797	83,010	298,615	173,911	924,530	1,675,863
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-sales tax and interest	29,852	30,370	-	-	20,173	80,395
Unavailable revenue-special assessments and interest	-	-	-	-	219,307	219,307
Total deferred inflows of resources	29,852	30,370	-	-	239,480	299,702
Fund balances:						
Nonspendable:						
Inventory	42,566	-	-	-	-	42,566
Cumulative Reserve-SDPAA	158,060	-	-	-	-	158,060
Restricted:						
BBB Purposes	-	-	-	-	166,623	166,623
Stormwater	-	-	-	-	821,349	821,349
Library	-	-	-	-	21,397	21,397
Debt Service Funds	-	-	-	-	683,888	683,888
Committed						
Sales Tax Purposes	-	2,099,170	-	-	-	2,099,170
Capital Projects	-	-	-	-	364	364
Assigned:						
Parks Capital	-	-	-	-	8,255	8,255
Next Year's Budget	215,396	-	-	-	-	215,396
Unassigned	2,451,984	-	(298,615)	-	(228,006)	1,925,361
Total fund balances	2,868,006	2,099,170	(298,615)	-	1,473,868	6,142,429
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,093,655	\$ 2,212,550	\$ -	\$ 173,911	\$ 2,637,878	\$ 8,117,994

CITY OF VERMILLION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2012

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

Total fund balance - governmental Funds (page 24)		\$ 6,142,429
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		27,994,656
Long-term liabilities, including bonds payable and accrued leave payable are not due and payables in the current period and therefore are not reported in the funds.		
	Bonds payable (3,995,496)	
	Accrued leave payable <u>(359,119)</u>	(4,354,615)
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.		299,702
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		72,019
Accrued interest expense from the balance sheet that require current financial resources from governmental activities.		(7,806)
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 assets.		<u>2,903,386</u>
Total net position - governmental activities (page 21)		<u>\$ 33,049,771</u>

CITY OF VERMILLION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Sales Tax	Library Renovation	Stanford Street	Other Governmental Funds	2012 Total
Revenue:						
Taxes:						
General property taxes	\$ 1,721,715	\$ -	\$ -	\$ -	\$ 254,436	\$ 1,976,151
General sales & use taxes	1,522,677	1,522,097	-	-	298,761	3,343,535
Stormwater fees	-	-	-	-	175,585	175,585
Penalties & interest on						
delinquent taxes	2,787	-	-	-	248	3,035
Licenses & permits	230,068	-	-	-	-	230,068
Intergovernmental revenue	418,156	-	200,000	984,482	827,188	2,429,826
Charges for goods & services	376,651	-	-	-	3,721	380,372
Fines & forfeits	33,496	-	-	-	2,048	35,544
Public payments for improvements	-	-	-	-	10,408	10,408
Investment earnings	22,322	19,237	2,350	-	13,680	57,589
Rentals	15,207	-	-	-	-	15,207
Special assessments	80	-	-	-	157,872	157,952
Contributions & donations						
from private sources	29,209	-	150,000	-	34,046	213,255
Other	42,370	-	-	-	4,024	46,394
Total revenue	<u>4,414,738</u>	<u>1,541,334</u>	<u>352,350</u>	<u>984,482</u>	<u>1,782,017</u>	<u>9,074,921</u>
Expenditures:						
Current:						
General government	1,109,699	22,281	-	-	-	1,131,980
Public safety	1,646,243	237	-	-	449,148	2,095,628
Public works	802,407	29,907	-	-	56,843	889,157
Health and welfare	418,653	-	-	-	-	418,653
Culture-recreation	1,000,565	20,000	-	-	11,158	1,031,723
Conservation and development	66,298	133,947	-	-	298,580	498,825
Debt service:						
Principal	1,570	-	-	-	225,000	226,570
Interest	-	-	-	-	202,154	202,154
Capital outlay:						
General government	5,235	21,708	-	-	-	26,943
Public safety	14,589	18,606	-	-	2,685	35,880
Public works	1,520	25,765	-	1,159,528	561,478	1,748,291
Health and welfare	26,334	-	-	-	-	26,334
Culture-recreation	78,212	92,438	2,189,139	-	181,441	2,541,230
Total expenditures	<u>5,171,325</u>	<u>364,889</u>	<u>2,189,139</u>	<u>1,159,528</u>	<u>1,988,487</u>	<u>10,873,368</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(756,587)</u>	<u>1,176,445</u>	<u>(1,836,789)</u>	<u>(175,046)</u>	<u>(206,470)</u>	<u>(1,798,447)</u>
Other financing sources (uses):						
Transfers in	1,140,536	25,640	841,959	175,046	618,178	2,801,359
Transfers out	<u>(225,917)</u>	<u>(1,501,562)</u>	<u>-</u>	<u>-</u>	<u>(136,468)</u>	<u>(1,863,947)</u>
Total other financing sources (uses)	<u>914,619</u>	<u>(1,475,922)</u>	<u>841,959</u>	<u>175,046</u>	<u>481,710</u>	<u>937,412</u>
Net change in fund balances	158,032	(299,477)	(994,830)	-	275,240	(861,035)
Fund balance - beginning	2,710,714	2,398,647	696,215	-	1,198,628	7,004,204
Change in inventory	(740)	-	-	-	-	(740)
Fund balance(deficit) - ending	<u>\$ 2,868,006</u>	<u>\$ 2,099,170</u>	<u>\$ (298,615)</u>	<u>\$ -</u>	<u>\$ 1,473,868</u>	<u>\$ 6,142,429</u>

See Accompanying Notes to Financial Statements

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, 2012

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

Net change in fund balances - total governmental funds (page 26)	\$ (861,035)
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.	(740)
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	\$ 4,385,744
Contribution & Donations of Capital Assets	24,516
Depreciation expense	<u>(1,241,923)</u>
	3,168,337
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 assets on the statement of activities.	(12,299)
The repayment of the principal of long term debt consumes the current financial resources of governmental funds, however, has no effect on net assets. assets. The amount by which proceeds exceeded repayments in the year is as follows"	
Repayments of long-term debts	\$ 226,570
Proceeds from issuance of long-term debt	<u>(7,066)</u>
	219,504
Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied.	(115,484)
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.	32,698
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	(24,535)
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.	1,826
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.	466
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.	38,044
Change in net position of governmental activities (page 23)	<u>\$ 2,446,782</u>

CITY OF VERMILLION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	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	\$ 19,774	\$ 5,554	\$ 10,600	\$ 111,579	\$ 83,773	\$ 227,378	\$ 58,500	\$ 517,158	\$ 39,319
Investments	4,275,000	700,000	925,000	125,000	400,000	1,050,000	-	7,475,000	530,000
Receivables (net of allowance for uncollectibles of \$68,325)									
Accounts	477,805	139,642	152,201	109	2,042	111,219	9,527	892,545	2,335
Unbilled	253,948	61,221	73,749	-	-	-	4,286	393,204	-
Special assessments	-	5,804	3,168	-	-	-	-	8,972	-
Interest	20,474	3,473	2,470	333	1,163	1,330	-	29,243	1,142
Due from other governments	-	48,729	-	-	-	18,299	-	67,028	-
Due from insurance company	-	-	-	-	-	1,240,889	-	1,240,889	-
Inventory of supplies	615,211	184,048	32,068	-	8,205	40,683	-	880,215	-
Inventory of stores purchased for resale	-	-	-	180,748	43,828	-	-	224,576	-
Prepaid expenses	27,596	8,123	10,843	5,970	2,481	5,200	616	60,829	-
Due from other funds	398,190	101,869	45,525	-	-	-	-	545,584	-
Total current assets	6,087,998	1,258,463	1,255,624	423,739	541,492	2,694,998	72,929	12,335,243	572,796
Noncurrent assets:									
Advance to Other Funds	204,839	-	-	-	-	-	-	204,839	-
Restricted assets:									
Bonds payable:									
Current									
- Cash	47,448	179,953	54,020	-	632,740	10,305	-	924,466	-
- Investments	580,134	-	-	-	-	-	-	580,134	-
- Interest receivable	11,209	-	-	-	-	-	-	11,209	-
Landfill- closure & postclosure	-	-	-	-	-	-	-	-	-
- Cash	-	-	-	-	-	395,470	-	395,470	-
Total noncurrent assets	843,630	179,953	54,020	-	632,740	405,775	-	2,116,118	-
Capital assets									
Land & improvements	1,311	100,663	96,429	-	2,201,152	57,992	-	2,457,547	-
Buildings	5,474,714	8,350,220	14,148,800	6,410	963,372	740,114	-	29,683,630	-
Improvements other than buildings	11,805,273	3,385,167	3,808,988	-	-	1,751,266	-	20,750,694	-
Furniture & equipment	526,521	146,471	2,527,365	57,689	610,901	1,447,865	54,434	5,371,246	4,587,755
Construction in progress	181,462	490,207	-	-	43,973	148,155	-	863,797	-
Less: accumulated depreciation	(4,581,542)	(3,306,508)	(7,030,297)	(37,989)	(819,121)	(2,297,898)	(25,682)	(18,099,037)	(2,207,688)
Total capital assets(net depreciation)	13,407,739	9,166,220	13,551,285	26,110	3,000,277	1,847,494	28,752	41,027,877	2,380,067
Total noncurrent assets	14,251,369	9,346,173	13,605,305	26,110	3,633,017	2,253,269	28,752	43,143,995	2,380,067
Total assets	20,339,367	10,604,636	14,860,929	449,849	4,174,509	4,948,267	101,681	55,479,238	2,952,863
DEFERRED OUTFLOWS OF RESOURCES									
Deferred charge on refunding	-	-	-	-	9,039	-	-	9,039	-
Total deferred outflows of resources	-	-	-	-	9,039	-	-	9,039	-
LIABILITIES									
Current liabilities:									
Accounts payable	400,040	454,138	39,630	112,516	66,110	56,947	1,373	1,130,754	1,998
Customer deposits	52,605	26,303	-	-	-	-	-	78,908	-
Accrued interest payable	31,613	-	535	-	6,764	1,044	66	40,022	-
Due to other funds	-	1,866	1,008	-	22,000	-	-	24,874	-
Bonds payable - current	190,000	175,606	256,360	-	656,026	-	-	1,277,992	-
Notes payable - current	-	-	-	-	-	111,740	7,660	119,400	-
Revenue collected in advance	-	-	-	-	1,252	-	1,672	2,924	-
Accrued leave payable	51,533	29,256	24,869	-	16,434	25,428	2,113	149,633	2,537
Total current liabilities	725,791	687,169	322,402	112,516	768,586	195,159	12,884	2,824,507	4,535
Noncurrent liabilities:									
Revenue bonds	6,655,000	3,755,442	6,512,001	-	-	-	-	16,922,443	-
Notes payable	-	-	-	-	-	426,853	24,155	451,008	-
Capital lease payable	-	-	-	-	-	229,670	-	229,670	-
Closure-postclosure liability	-	-	-	-	-	209,309	-	209,309	-
Accrued leave payable	74,820	42,474	36,107	-	23,862	36,920	3,068	217,251	3,683
Advance from other funds	-	4,998	2,698	-	-	-	-	7,696	-
Total noncurrent liabilities	6,729,820	3,802,914	6,550,806	-	23,862	902,752	27,223	18,037,377	3,683
Total liabilities	7,455,611	4,490,083	6,873,208	112,516	792,448	1,097,911	40,107	20,861,884	8,218
NET POSITION									
Net investment in capital assets	6,562,739	5,235,172	6,782,924	26,110	2,353,290	1,079,231	(3,063)	22,036,403	2,380,067
Restricted for debt service	638,791	179,953	54,020	-	632,740	10,305	-	1,515,809	-
Restricted for landfill closure & postclosure	-	-	-	-	-	188,161	-	188,161	-
Unrestricted	5,682,226	699,428	1,150,777	311,223	405,070	2,574,659	64,637	10,888,020	564,578
Total net position	\$ 12,883,756	\$ 6,114,553	\$ 7,987,721	\$ 337,333	\$ 3,391,100	\$ 3,850,356	\$ 61,574	\$ 34,626,393	\$ 2,944,645

Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities
Net Position of Business-type Activities

41,259
\$ 34,667,652

CITY OF VERMILLION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-Type Activities-Enterprise Funds							Totals	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling		
Operating revenue:									
Charges for goods and services	\$ 5,363,234	\$ 1,480,051	\$ 1,383,666	\$ 1,217,013	\$ 654,510	\$ 866,663	\$ 110,249	\$ 11,075,386	\$ 449,002
Surcharge as security for debt	743,301	264,576	321,140	-	-	-	-	1,329,017	-
Miscellaneous	80,678	27,726	33,108	-	-	285,322	-	426,834	-
Total operating revenue	<u>6,187,213</u>	<u>1,772,353</u>	<u>1,737,914</u>	<u>1,217,013</u>	<u>654,510</u>	<u>1,151,985</u>	<u>110,249</u>	<u>12,831,237</u>	<u>449,002</u>
Operating expenses:									
Personal services	781,407	521,266	411,904	-	352,177	479,050	83,480	2,629,284	73,310
Other current expense	249,070	92,583	460,124	223,621	245,583	424,547	7,728	1,703,236	18,950
Materials (cost of goods sold)	3,086,924	452,233	-	816,173	151,991	11,340	-	4,518,661	-
Depreciation	522,374	253,851	592,300	3,607	52,585	308,920	7,338	1,740,975	308,757
Total operating expenses	<u>4,639,775</u>	<u>1,319,913</u>	<u>1,464,328</u>	<u>1,043,401</u>	<u>802,336</u>	<u>1,223,857</u>	<u>98,546</u>	<u>10,592,156</u>	<u>399,017</u>
Operating income (loss)	<u>1,547,438</u>	<u>452,440</u>	<u>273,586</u>	<u>173,612</u>	<u>(147,826)</u>	<u>(71,872)</u>	<u>11,703</u>	<u>2,239,081</u>	<u>49,985</u>
Nonoperating revenue (expense):									
Interest earned	201,887	8,081	7,888	1,432	3,378	5,280	-	227,946	2,516
Rental revenue	-	10,070	-	-	51,666	-	-	61,736	-
Incremental property taxes	-	-	-	-	501,007	-	-	501,007	-
Interest expense and fiscal charges	(386,724)	(117,554)	(226,848)	-	(40,596)	(18,526)	(921)	(791,169)	-
Gain(loss) on discarded equipment	(33,280)	-	(7,872)	-	(189)	30,245	-	(11,096)	11,274
Total nonoperating revenue (expense)	<u>(218,117)</u>	<u>(99,403)</u>	<u>(226,832)</u>	<u>1,432</u>	<u>515,266</u>	<u>16,999</u>	<u>(921)</u>	<u>(11,576)</u>	<u>13,790</u>
Income before contributions, extraordinary items, and transfers	1,329,321	353,037	46,754	175,044	367,440	(54,873)	10,782	2,227,505	63,775
Capital contributions & grants	-	60,065	55,450	-	3,455	100	-	119,070	-
Insurance recovery net fire loss	-	-	-	-	-	608,209	-	608,209	-
Transfer in	9,000	-	-	-	200,000	7,000	-	216,000	1,174
Transfer out	(884,950)	(38,583)	(28,679)	(194,200)	-	(1,174)	-	(1,147,586)	(7,000)
Change in net position	<u>453,371</u>	<u>374,519</u>	<u>73,525</u>	<u>(19,156)</u>	<u>570,895</u>	<u>559,262</u>	<u>10,782</u>	<u>2,023,198</u>	<u>57,949</u>
Net position - beginning	12,564,935	5,740,034	7,914,196	356,489	2,828,868	3,291,094	50,792		2,886,696
Prior period adjustment	(134,550)	-	-	-	(8,663)	-	-		-
Net position - beginning, as adjusted	<u>12,430,385</u>	<u>5,740,034</u>	<u>7,914,196</u>	<u>356,489</u>	<u>2,820,205</u>	<u>3,291,094</u>	<u>50,792</u>		<u>2,886,696</u>
Net position - ending	\$ <u>12,883,756</u>	\$ <u>6,114,553</u>	\$ <u>7,987,721</u>	\$ <u>337,333</u>	\$ <u>3,391,100</u>	\$ <u>3,850,356</u>	\$ <u>61,574</u>		\$ <u>2,944,645</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities								19,905	
Change in Net Position of Business-type Activities (page 23).								\$ <u>2,043,103</u>	

CITY OF VERMILLION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	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	\$ 5,844,194	\$ 1,749,895	\$ 1,725,709	\$ 1,224,998	\$ 712,324	\$ 1,121,065	\$ 110,047	\$ 12,488,232	\$ -
Cash received from interfund services provided	377,466	36,779	10,724	-	-	-	-	424,969	436,273
Cash paid for personal services	(772,551)	(515,570)	(410,656)	-	(350,516)	(471,780)	(81,709)	(2,802,782)	(70,182)
Cash paid for interfund services	(866)	(82,069)	(96,656)	(7,292)	(29,770)	(7,302)	-	(223,955)	-
Cash paid to suppliers	(3,364,799)	(462,039)	(377,368)	(1,041,340)	(359,798)	(375,673)	(7,895)	(5,988,712)	(39,548)
Net cash provided by (used for) operating activities	2,083,444	726,996	851,753	176,366	(27,760)	266,310	20,643	4,097,752	326,543
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(604,224)	(288,552)	(202,627)	-	(42,375)	(743,966)	-	(1,881,744)	(402,379)
Grants	-	-	-	-	-	100	-	100	-
Insurance proceeds net of expenses	-	-	-	-	-	711,918	-	711,918	-
Proceeds from sale of assets	1,703	-	-	-	-	82,650	-	84,353	106,790
Proceeds from sale of bonds	-	-	45,030	-	-	253,282	-	298,312	-
Principal paid on bonds and capital leases	(190,000)	(663,527)	(337,322)	-	(445,000)	(132,735)	(7,472)	(1,776,056)	-
Interest paid on bonds and capital leases	(386,985)	(117,554)	(226,903)	-	(23,550)	(18,739)	(936)	(774,667)	-
Net cash provided by (used for) capital and related financing activities	(1,179,506)	(1,069,633)	(721,822)	-	(510,925)	152,510	(8,408)	(3,337,784)	(295,589)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES									
Incremental property taxes	-	-	-	-	501,380	-	-	501,380	-
Due to other funds	-	(4,052)	(2,477)	-	-	-	-	(6,529)	-
Due from other funds	(83,373)	(101,869)	(45,525)	-	-	-	-	(230,767)	-
Advances to Other Funds	378,151	(15,585)	(10,636)	-	-	-	-	351,930	-
Transfer in	9,000	-	-	-	200,000	7,000	-	216,000	12,894
Transfer (out)	(884,950)	(38,583)	(28,679)	(194,200)	-	-	-	(1,146,412)	-
Net cash provided by (used for) non-capital financing activities	(581,172)	(160,089)	(87,317)	(194,200)	701,380	7,000	-	(314,398)	12,894
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest on investments	203,317	17,412	10,200	3,202	3,728	9,065	-	246,924	3,167
Purchase of investments	(825,000)	-	(125,000)	-	-	(425,000)	-	(1,375,000)	(70,000)
Sale of investments	10	400,000	-	100,000	86,000	-	-	586,010	-
Net cash provided by (used for) investing activities	(621,673)	417,412	(114,800)	103,202	89,728	(415,935)	-	(542,066)	(66,833)
Net increase (decrease) in cash and cash equivalents	(298,907)	(85,314)	(72,186)	85,368	252,423	9,885	12,235	(96,496)	(22,985)
Cash and cash equivalents beginning of year	366,129	270,821	136,806	26,211	464,090	623,268	46,265	1,933,590	53,437
Cash and cash equivalents end of year	\$ 67,222	\$ 185,507	\$ 64,620	\$ 111,579	\$ 716,513	\$ 633,153	\$ 58,500	\$ 1,837,094	\$ 30,452
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES									
Operating income (loss)	\$ 1,547,438	\$ 452,440	\$ 273,586	\$ 173,612	\$ (147,828)	\$ (71,872)	\$ 11,703	\$ 2,239,081	\$ 15,309
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:									
Depreciation	522,374	253,851	592,300	3,607	52,585	308,920	7,338	1,740,975	314,545
Rental revenue	-	10,070	-	-	51,866	-	-	61,736	-
(Increase) decrease in assets and increase (decrease) in liabilities:									
Accounts receivable	34,801	4,292	(1,481)	7,985	5,561	(35,937)	(202)	15,019	725
Due from other governments	-	-	-	-	-	5,017	-	5,017	-
Inventory	(42,111)	(11,475)	4,461	(9,836)	(9,007)	47,571	-	(20,397)	-
Prepaid expenses	(196)	(17)	(1,711)	36	(104)	(272)	3	(2,261)	-
Accounts payable	12,636	12,180	(16,650)	962	17,117	(12,256)	30	14,019	(5,671)
Revenue collected in advance	-	-	-	-	587	-	-	587	-
Leave liability	8,856	5,696	1,248	-	1,661	7,270	1,771	26,502	1,635
Closure liability	-	-	-	-	-	17,869	-	17,869	-
Customer deposits	(354)	(41)	-	-	-	-	-	(395)	-
Net cash provided by (used for) operating activities	\$ 2,083,444	\$ 726,996	\$ 851,753	\$ 176,366	\$ (27,760)	\$ 266,310	\$ 20,643	\$ 4,097,752	\$ 326,543
Noncash investing, capital and financing activities:									
Capital contributions	-	11,336	55,450	-	-	-	-	66,786	-
Exchange of payables for capital assets	-	401,500	-	-	34,778	-	-	436,278	24,427
Gain (loss) on disposal of capital assets not affecting operating income	-	-	-	-	-	310,260	-	310,260	-
Total noncash investing, capital and financing activities	\$ -	\$ 412,836	\$ 55,450	\$ -	\$ 34,778	\$ 310,260	\$ -	\$ 813,324	\$ 24,427
Reconciliation of cash and cash equivalents:									
Unrestricted	\$ 19,774	\$ 5,554	\$ 10,600	\$ 111,579	\$ 83,773	\$ 227,378	\$ 58,500	\$ 517,158	\$ 30,452
Restricted	47,448	179,953	54,020	-	632,740	405,775	-	1,319,936	-
Total reconciliation of cash & cash equivalents	\$ 67,222	\$ 185,507	\$ 64,620	\$ 111,579	\$ 716,513	\$ 633,153	\$ 58,500	\$ 1,837,094	\$ 30,452

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

Notes to Financial Statements

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, both 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

Notes to Financial Statements

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. Because the principal users of the internal services are the City's governmental activities, the

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

financial statements of the internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the City's internal service funds 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. Each department on a quarterly basis pays rental amounts.

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:

Library Renovation Fund - This fund is used to account for the receipts and disbursements of monies used for the expansion and renovation of the Library.

Stanford Street Fund - This fund is used to account for the receipts and disbursements of monies used for the reconstruction of Stanford Street from Main Street to Cherry Street.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2012**

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

The City reports the following major enterprise funds:

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

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 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 and fiduciary fund types.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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).

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, 2012 are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

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

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

All proprietary and fiduciary 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.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

- 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.

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 which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish revocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank’s public debt rating which may not be less than “AA” or better or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota. 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, 2012 consist of bank deposits that are covered by Federal depository insurance or for the accounts which exceed deposit insurance eligible collateral or revocable standby letter of credit as required by SDCL 4-6A-3 were maintained to insure there will be no loss of public funds. Deposits also consist of nonnegotiable certificate of deposits with a carrying value of \$13,450,000. The City’s bank deposits, per banks, at December 31, 2012 were \$14,019,572 and \$136,457 in deposits of the Vermillion Housing and Redevelopment Commission for total bank deposits of \$14,156,029.

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).

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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, 2012 was \$1,900,157.

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 in 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.

City of Vermillion
 Comprehensive Annual Financial Report
 December 31, 2012

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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	\$ 289,970
TIF District		
No. 4 Bonds	Bond Covenants	271,211
City Hall Debt Service Fund	External Parties	365,426
Electric Fund	Bond Covenants	627,582
Water Fund	Bond Covenants	179,953
Wastewater Fund	Bond Covenants	54,020
Golf Course Fund	Bond Covenants	632,740
Joint Powers-Landfill Fund	Bond Covenants	10,305
	State Agency	395,470
Total Restricted Cash and Investments		\$ 2,826,677

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	Carrying Amount	Credit Rating 12/31/2012
Federal Home Loan Bank System	\$ 364,145	AAA
Restricted Investments	\$ 364,145	

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, 2012, 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 \$41,259 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.

City of Vermillion
 Comprehensive Annual Financial Report
 December 31, 2012

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

The composition of short-term interfund balances as of December 31, 2012 is as follows:

	Short-term Interfund Receivables	Short-term Interfund Payables
Special Revenue Funds:		
Sales Tax	\$ 22,000	\$ -
911 Fund	-	45,525
Enterprise Funds:		
Electric	398,190	-
Water	101,869	1,866
Wastewater	45,525	1,008
Golf Course	-	22,000
Capital Projects Funds:		
Special Assessments	-	22,205
Airport	-	201,990
Bike Path	-	101,869
Debt Service Funds:		
Special Assessments	-	62,727
Tif #3	-	108,394
	<u>\$ 567,584</u>	<u>\$ 567,584</u>

The composition of Long-term advances as of December 31, 2012, is as follows:

	Advance to	Advance (from)
Enterprise Funds:		
Electric	\$ 204,839	\$ -
Water	-	4,998
Wastewater	-	2,698
Debt Service Funds:		
Special Assessments	-	197,143
	<u>\$ 204,839</u>	<u>\$ 204,839</u>

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. 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.

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.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Payments made to vendors for services that will benefit periods beyond December 31, 2012 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. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the proprietary fund financial statements. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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: property taxes, 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:

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Buildings	33-50 Years
Improvement Other Than Buildings	30-33 Years
Furniture & Equipment	3-15 Years
Infrastructure	15-10 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 2012 were \$993,323 of which none 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 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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2012**

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is established by the city council through adoption or amendment of budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or for other purposes).

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 within 30 days after December 31, 2012.

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, 2012 was \$6.29 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	\$ 21,311
Uncollectibles related to ambulance charges	103,546
Uncollectibles related to mobile home fees	227
Uncollectibles related to miscellaneous fees	614
Uncollectibles related to electric charges	30,255
Uncollectibles related to water charges	9,233
Uncollectibles related to wastewater charges	23,697
Uncollectibles related to golf course charges	4,217
Uncollectibles related to joint powers charges	112
Uncollectibles related to curbside recycling charges	811
	<u>\$ 194,023</u>

Amounts due from other governments include \$787,593 from the State of South Dakota, \$67,778 due from Clay County, \$18,299 due from the City of Yankton, and \$244,681 due from the Federal Government. The City also has \$1,240,889 due from insurance for a fire that occurred at the landfill. Information on this event can be found on page 56 of this report.

City of Vermillion
 Comprehensive Annual Financial Report
 December 31, 2012

Notes to Financial Statements

Note 4 – Capital Assets

A summary of the changes in the capital assets for the year ended December 31, 2012, is as follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 1,221,441	\$ -	\$ -	\$ 1,221,441
Infrastructure Land	343,062	-	-	343,062
Construction in Progress	155,351	4,096,455	-	4,251,806
Total capital assets, not being depreciated	<u>1,719,854</u>	<u>4,096,455</u>	<u>-</u>	<u>5,816,309</u>
Capital Assets, being depreciated				
Buildings	15,348,276	116,259	-	15,464,535
Furniture & Equipment	7,087,577	233,904	(142,024)	7,179,457
Books	1,800,843	76,591	(28,425)	1,849,009
Infrastructure	17,430,680	-	-	17,430,680
Total capital assets, being depreciated	<u>41,667,376</u>	<u>426,754</u>	<u>(170,449)</u>	<u>41,923,681</u>
Less: Accumulated Depreciation for:				
Buildings	(3,216,238)	(424,227)	-	(3,640,465)
Furniture & Equipment	(3,680,238)	(477,457)	118,186	(4,039,509)
Books	(811,746)	(36,499)	19,512	(828,733)
Infrastructure	(8,246,063)	(610,497)	-	(8,856,560)
Total Accumulated Depreciation	<u>(15,954,285)</u>	<u>(1,548,680)</u>	<u>137,698</u>	<u>(17,365,267)</u>
Total Capital Assets, being depreciated, net	<u>25,713,091</u>	<u>(1,121,926)</u>	<u>(32,751)</u>	<u>24,558,414</u>
Governmental activities capital assets, net	<u>\$ 27,432,945</u>	<u>\$ 2,974,529</u>	<u>\$ (32,751)</u>	<u>\$ 30,374,723</u>

The following is included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2012
Public Works- Airport	\$ 645,000	\$ 471,699
Public Works- Stanford	1,232,119	1,256,203
Culture & Recreation:		
Swimming Pool	12,100	12,100
Bike Path	207,914	182,589
Library Renovation	2,819,294	2,329,215
	<u>\$ 4,916,427</u>	<u>\$ 4,251,806</u>

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2012**

Notes to Financial Statements

Note 4 – Capital Assets (Continued)

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Business-Type Activities:				
Capital Assets, not being depreciated				
Land and Improvements	\$ 2,457,547	\$ -	\$ -	\$ 2,457,547
Construction in Progress	189,790	685,950	(11,943)	863,797
Total capital assets, not being depreciated	<u>2,647,337</u>	<u>685,950</u>	<u>(11,943)</u>	<u>3,321,344</u>
Capital Assets, being depreciated				
Buildings	30,458,066	490,218	(1,264,654)	29,683,630
Improvements Other than Buildings	20,355,704	647,118	(252,128)	20,750,694
Furniture & Equipment	5,384,477	737,083	(750,314)	5,371,246
Total capital assets, being depreciated	<u>56,198,247</u>	<u>1,874,419</u>	<u>(2,267,096)</u>	<u>55,805,570</u>
Less: Accumulated Depreciation for:				
Buildings	(7,017,076)	(799,868)	269,062	(7,547,882)
Improvements Other than Buildings	(6,687,410)	(596,348)	27,724	(7,256,034)
Furniture & Equipment	(3,283,038)	(344,759)	332,676	(3,295,121)
Total Accumulated Depreciation	<u>(16,987,524)</u>	<u>(1,740,975)</u>	<u>629,462</u>	<u>(18,099,037)</u>
Total Capital Assets, being depreciated, net	<u>\$ 39,210,723</u>	<u>\$ 133,444</u>	<u>\$ (1,637,634)</u>	<u>\$ 37,706,533</u>
Business-type activities capital assets, net	<u>\$ 41,858,060</u>	<u>\$ 819,394</u>	<u>\$ (1,649,577)</u>	<u>\$ 41,027,877</u>

The following was included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2012
Golf Course Housing Sites	\$ 252,804	\$ 43,973
Electric Replay Upgrade	212,157	181,462
Water Dept - Water Tower	1,420,000	490,207
Joint Powers Lechate Project and Cell 5	2,361,210	148,155
	<u>\$ 4,246,171</u>	<u>\$ 863,797</u>

City of Vermillion
 Comprehensive Annual Financial Report
 December 31, 2012

Notes to Financial Statements

Note 4 – Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 201,376
Public Safety	123,155
Public Works	763,876
Health & Welfare	20,595
Culture & Recreation	132,921
Total depreciation expense	
- Governmental Activities	1,241,923
- Internal Service Funds	306,757
	<u>\$ 1,548,680</u>
Business-Type Activities:	
Electric	\$ 522,374
Water	253,851
Wastewater	592,300
Liquor	3,607
Golf Course	52,585
Joint Powers Landfill	308,920
Curbside Recycling	7,338
Total depreciation expense	
- Business-Type Activities	<u>\$ 1,740,975</u>

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	\$ 6,698	\$ -	\$ (3,070)	\$ 3,628
Total capital assets being depreciated	<u>6,698</u>	<u>-</u>	<u>(3,070)</u>	<u>3,628</u>
Less:				
Accumulated Depreciation	<u>(6,141)</u>	<u>(430)</u>	<u>3,070</u>	<u>(3,501)</u>
Total Capital Assets, being depreciated, net	<u>\$ 557</u>	<u>(430)</u>	<u>-</u>	<u>\$ 127</u>

City of Vermillion
 Comprehensive Annual Financial Report
 December 31, 2012

Notes to Financial Statements

Note 4 – Capital Assets (Continued)

Reconciliation of Invested in Capital Assets:

	<u>Governmental</u>	<u>Business-Type</u>
Land and Improvements	\$ 1,564,503	\$ 2,457,547
Construction in Progress	4,251,806	863,797
Capital Assets (Net of Accumulated Depreciation)	24,558,414	37,706,533
Less:		
Revenue Bonds	(355,000)	(18,191,396)
Notes Payable	-	(570,408)
Capital Leases	<u>(3,640,496)</u>	<u>(229,670)</u>
Net Investment in Capital Assets	<u>\$ 26,379,227</u>	<u>\$ 22,036,403</u>

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, 2012 is as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Outstanding Amounts</u>
Solid Waste Management-2006-204	2.50%	\$ 183,693
Solid Waste Management-2008-402	2.50%	31,815
Solid Waste Management-2010-402	2.25%	146,016
Solid Waste Management-2010-203	2.25%	<u>208,884</u>
		<u>\$ 570,408</u>

City of Vermillion
 Comprehensive Annual Financial Report
 December 31, 2012

Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending December 31	Business-Type Activities	
	Principal	Interest
2013	\$ 119,400	\$ 12,663
2014	122,272	9,791
2015	125,214	6,849
2016	63,888	4,237
2017	56,894	2,823
2018-2020	82,740	3,288
Total	\$ 570,408	\$ 39,651

Revenue Bonds

The City received the final draw down on the 2008 wastewater SRF loan in 2012.

During 2012 the City prepaid two SRF loans with existing reserves. The first being the 1999 Water Utility Bond for \$435,034 and the second the 1990 Wastewater Revenue Bond for \$4,120.

A detail of revenue bonds outstanding follows:

Purpose	Interest	Amounts
	Rate	
Governmental Activities:		
Tax Increment #4 Revenue Bond, Series 2005	4.25%	\$ 355,000
Business-Type Activities:		
Electric Revenue Bond, Series 2009 A & B	2.0%-6.25%	6,845,000
Wastewater System Revenue Bond, Series 2003 (SRF)	3.50%	183,403
Wastewater System Revenue Bond, Series 2005 (SRF)	3.25%	2,481,847
Wastewater System Revenue Bond, Series 2008 (SRF)	3.25%	3,872,398
Wastewater System Revenue Bond, Series 2009 (SRF)	2.50%	230,713
Tax Increment #1 Revenue Refunding Bond, Series 2009	3.00%	656,026 *
Water Utility Bond, Series 2002 (SRF)	3.50%	990,769
Water Utility Bond, Series 2006 (SRF)	2.50%	2,940,279
		\$ 18,555,435

* This note is reported gross of bond premium of \$1,026.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2012**

Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Governmental		Enterprise	
	Principal	Interest	Principal	Interest
2013	\$ 35,000	\$ 15,088	\$ 1,277,992	\$ 631,815
2014	35,000	13,600	782,237	683,604
2015	40,000	12,112	805,473	660,979
2016	40,000	10,413	829,285	633,967
2017	40,000	8,713	853,690	605,645
2018-2022	165,000	15,299	4,701,645	2,552,973
2023-2027	-	-	4,802,625	1,648,415
2028-2032	-	-	2,547,488	858,079
2033-2036	-	-	1,600,000	255,313
Total	\$ 355,000	\$ 75,225	\$ 18,200,435	\$ 8,530,790

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 \$636.

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 \$23,942.

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, 2012.

City of Vermillion
 Comprehensive Annual Financial Report
 December 31, 2012

Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

Year Ending December 31	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2013	\$ 202,355	\$ 152,634	\$ -	\$ -	\$ 354,989
2014	207,355	144,934	20,354	7,464	380,107
2015	215,786	137,041	21,016	6,803	380,646
2016	220,000	128,710	21,699	6,120	376,529
2017	230,000	120,020	22,404	5,415	377,839
2018-2022	1,305,000	449,100	144,197	8,621	1,906,918
2023-2026	1,260,000	141,460	-	-	1,401,460
Minimum Lease Payments					5,178,488
Less:					
Amount Representing Interest Present Value of Minimum Lease Payments					(1,308,322)
					\$ 3,870,166

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 to balefill operations extended the useful life of the landfill due to the higher compaction and less cover. The \$209,309 reported as landfill closure and post closure care liability at December 31, 2012, represents the cumulative amount reported to date based on the use of 62 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$127,730 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. The City expects to close the landfill in the year 2031. 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 these 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:

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2012**

Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue Bonds Payable	\$ 390,000	\$ -	\$ 35,000	\$ 355,000	\$ 35,000
Capital Leases	3,825,000	7,066	191,570	3,640,496	202,355
Compensated Absences	396,868	365,339	396,868	365,339	149,002
Governmental Activities Long-Term Liabilities	\$ 4,611,868	\$ 372,405	\$ 623,438	\$ 4,360,835	\$ 386,357
Business-Type Activities:					
Revenue Bonds Payable	\$ 19,794,142	\$ 45,030	\$ 1,638,737	\$ 18,200,435	\$ 1,277,992
Notes Payable	687,003	-	116,595	570,408	119,400
Capital Leases	-	253,282	23,612	229,670	-
Closure/Postclosure Liability	191,440	17,869	-	209,309	-
Compensated Absences	340,382	366,884	340,382	366,884	149,633
Business-Type Activities Long-Term Liabilities	\$ 21,012,967	\$ 683,065	\$ 2,119,326	\$ 19,576,706	\$ 1,547,025

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, and the capital lease will be paid out of the sales tax 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
2013	\$ 11,250
2014	11,250
2015	1,875

The ambulance defibrillators are leased for five years beginning in October 2009. The following is the amount of the current lease payments:

Year	Amount
2013	\$ 8,895
2014	5,190

The Bluff's golf course entered into a lease with Midwest Golf Car to lease 40 golf carts for 5 years beginning February 1, 2009. The following is the amount of the current lease payments:

Year	Amount
2013	\$ 22,449

City of Vermillion
 Comprehensive Annual Financial Report
 December 31, 2012

Notes to Financial Statements

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, 2012, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$295,000.

Note 8 – Deficit Fund Equity

As of December 31, 2012 the following funds had deficit fund equity in the amount of:

Debt Service Funds	
TIF District No. 3 Bonds	\$ 108,394

This deficit will be eliminated with property tax collections.

Capital Projects Funds:	
Library Renovation	\$ 298,615
Special Assessments Projects	119,614

These deficits will be eliminated with a advance from the electric fund in 2013, a transfer of future second penny tax collections, and special assessment collections or bonds issued.

Note 9 – Transfers

The following is a summary of transfers between funds:

	Governmental Fund Types					Business-Fund Type			Internal Service Fund	Total Transfers Out
	General	Sales Tax Fund	Library Renovaion Fund	Stanford Street Fund	Nonmajor Governmental Funds	Electric	Golf	Joint Powers		
General	\$ -	\$ -	\$ -	\$ -	\$ 225,917	\$ -	\$ -	\$ -	\$ -	\$ 225,917
Sales Tax	-	-	750,117	175,046	376,399	-	200,000	-	-	1,501,562
Electric	884,950	-	-	-	-	-	-	-	-	884,950
Water	29,583	-	-	-	-	9,000	-	-	-	38,583
Wastewater	28,679	-	-	-	-	-	-	-	-	28,679
Liquor	194,200	-	-	-	-	-	-	-	-	194,200
Joint Powers	-	-	-	-	-	-	-	-	1,174	1,174
Nonmajor Governmental Funds	3,124	25,640	91,842	-	15,862	-	-	-	-	136,468
Internal Service	-	-	-	-	-	-	-	7,000	-	7,000
Total Transfers In	\$ 1,140,536	\$ 25,640	\$ 841,959	\$ 175,046	\$ 618,178	\$ 9,000	\$ 200,000	\$ 7,000	\$ 1,174	\$ 3,018,533

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.

Notes to Financial Statements

Note 9 – Transfers (Continued)

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, 2012, 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 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 \$2,000 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%

Notes to Financial Statements

Note 10 – Risk Management (Continued)

As of December 31, 2012 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 statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment 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 \$12,319 for the payment of future unemployment benefits. During the current year ended December 31, 2012 the City paid \$435 in unemployment benefits. 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.

Notes to Financial Statements

Note 11 – Retirement Plan (Continued)

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, 2012, 2011, and 2010 was \$300,174, \$285,664, and \$290,088, respectively, equal to the required contributions each year.

Note 12 - Extraordinary Item

On Monday morning October 22, 2012 when the employees reported to the landfill to start the day they observed the large building on fire. The fire department was notified and responded to control the fire. The building housed the solid waste baler and conveyor for baling and bagging solid waste before being placed in the landfill. Also stored in the building were three loaders, a truck and many shop tools and equipment for maintenance of the equipment that all were a total loss. The office building located ten feet away was saved by the work of the fire department. The property was insured with replacement cost coverage for the building and contents while the loaders and truck stored inside were covered at current value. The projected insurance recovery for the fire loss is \$1,990,889. The carrying value of the building, contents and equipment is \$1,344,599 and the fire related expenses covered by insurance for 2012 were \$38,081. The insurance recovery in excess of carrying value and fire related expenses results in a gain of \$608,209. An architect has been contracted with to develop the bid specifications for the replacement of the building and baler anticipated for fall of 2013. The loaders have been replaced along with some of the tools and equipment with the balance anticipated after the building is completed.

Note 13 – Prior Period Adjustment

In previous years bond issuance costs were deferred and amortized over the term of the bonds. In 2012 the City implemented Governmental Accounting Standards Board statement 65 requiring these costs to be recognized in the period the loan was originated. A prior period adjustment was reported on the financial statements to recognize the effect of the removal of the unamortized bond issuance costs. The prior period adjustment decreased the beginning balance of the net position of the governmental activities by \$105,716 and decreased the beginning balance net position in the business type activities by \$134,550 in the electric fund and \$8,663 in the golf course fund totaling \$143,213.

Note 14 – Commitments

The Vermillion Chamber of Commerce and Development Company conducted a capital campaign titled Vermillion NOW! with a goal to raise \$1.5 million over five years for economic development in the community. The Vermillion 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! 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 and \$65,947 in 2012 and has budgeted \$50,000 in the 2013 budget.

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

Notes to Financial Statements

Note 14 – Commitments (Continued)

city will contribute \$340,000. The contributions will be from the second penny sales tax fund of \$68,000 per year for five years starting in the fourth quarter of 2010. Payments have been made in 2010, 2011 and 2012 and the fourth payment was included in the 2013 budget. 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 15 – 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, 2012, the City estimates that no material liabilities will result from such audits.

Note 16 – Subsequent Events

On March 30, 2012 the South Dakota Board of Water and Natural Resources approved a \$1,639,000 Clean Water State Revolving Fund Loan and a \$522,210 Regional Landfill Assistance grant for the construction of landfill cell 5, a leachate collection system and pond at the landfill. The resolution approving the State Revolving Loan has not been adopted by the City Council at this time pending resolution of the landfill permit amendment to allow for a vertical expansion of the existing cells that will increase the existing landfill cell life postponing the need to construct cell 5 and the related leachate collection system and pond. The leachate collection system and pond is anticipated to be bid in June 2013 and the cell 5 late 2013 or early 2014.

On January 17, 2013 the City refunded and defeased its outstanding 2005 Wastewater System Revenue Bond, Series 2005 of \$2,481,847 carrying an interest rate of 3.25 percent, with a new bond Series 2013, of \$2,550,00 at an average coupon on 2.03 percent due July 1, 2026. The transaction resulted in the present value savings of \$140,316.

On March 25, 2011 the South Dakota Board of Water and Natural Resources approved a Drinking Water State Revolving Loan in the amount of \$1,532,000 for construction of a new water tower with \$153,200 of principal forgiveness. The City Council adopted the resolution approving the State Revolving Loan on March 19, 2012 and hired an engineering firm to complete the plans for the new water tower. A contract was approved on August 8, 2012 with Maguire Iron, Inc for \$1,258,700 for construction of the 500,000 gallon water tower to be completed in 2014. The first payment to the contractor and the first drawdown on the SRF loan were made in January 2013.

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.

CITY OF VERMILLION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance
	Original	Final		Amended Budget Favorable (Unfavorable)
Revenue:				
Taxes:				
General property taxes	\$ 1,713,040	\$ 1,708,228	\$ 1,721,715	\$ 13,487
General sales & use taxes	1,576,000	1,528,500	1,522,677	(5,823)
Penalties & interest on delinquent taxes	4,000	4,000	2,787	(1,213)
Licenses & permits	240,200	232,525	230,068	(2,457)
Intergovernmental revenue	633,179	440,250	418,156	(22,094)
Charges for goods & services	496,700	447,665	376,651	(71,014)
Fines & forfeits	44,050	41,050	33,496	(7,554)
Special assessments	-	110	80	(30)
Investment earnings	29,000	22,700	22,322	(378)
Rentals	13,850	15,207	15,207	-
Contributions & donations from private sources	-	30,585	29,209	(1,376)
Other	58,100	60,625	42,370	(18,255)
Total revenue	<u>4,808,119</u>	<u>4,531,445</u>	<u>4,414,738</u>	<u>(116,707)</u>
Expenditures:				
General government:				
Executive	506,227	505,544	468,226	37,318
Financial administration	158,855	159,057	157,249	1,808
Other	513,311	519,582	489,459	30,123
Total general government	<u>1,178,393</u>	<u>1,184,183</u>	<u>1,114,934</u>	<u>69,249</u>
Public safety:				
Police	2,102,105	1,605,093	1,503,900	101,193
Fire	178,077	192,544	155,615	36,929
Other protection	3,100	3,100	1,317	1,783
Total public safety	<u>2,283,282</u>	<u>1,800,737</u>	<u>1,660,832</u>	<u>139,905</u>
Public works:				
Highways & streets	775,489	751,630	641,662	109,968
Sanitation	105,534	105,187	100,197	4,990
Airport	124,297	68,697	62,068	6,629
Total public works	<u>1,005,320</u>	<u>925,514</u>	<u>803,927</u>	<u>121,587</u>
Health and welfare:				
Health	187,283	187,966	155,172	32,794
Ambulance	266,947	300,288	289,815	10,473
Total health and welfare	<u>454,230</u>	<u>488,254</u>	<u>444,987</u>	<u>43,267</u>
Culture-recreation:				
Recreation	290,103	288,852	244,114	44,738
Parks	285,328	300,811	270,408	30,403
Libraries	527,602	530,933	512,798	18,135
Armory	56,708	56,708	51,457	5,251
Total culture-recreation	<u>1,159,741</u>	<u>1,177,304</u>	<u>1,078,777</u>	<u>98,527</u>
Conservation and development:				
Total conservation and development:	<u>47,500</u>	<u>81,000</u>	<u>66,298</u>	<u>14,702</u>
Total expenditures	<u>6,128,466</u>	<u>5,656,992</u>	<u>5,169,755</u>	<u>487,237</u>
Debt Service				
Principal	-	1,800	1,570	230
Other financing sources (uses):				
Operating transfers in	1,142,212	1,140,536	1,140,536	-
Operating Transfers Out	-	(241,703)	(225,917)	15,786
Total other financing sources (uses)	<u>1,142,212</u>	<u>898,833</u>	<u>914,619</u>	<u>15,786</u>
Net change in fund balances	(178,135)	(228,514)	158,032	386,546
Fund balance - beginning	2,710,714	2,710,714	2,710,714	-
Change in inventory	-	-	(740)	(740)
Fund balance - ending	<u>\$ 2,532,579</u>	<u>\$ 2,482,200</u>	<u>\$ 2,868,006</u>	<u>\$ 385,806</u>

CITY OF VERMILLION
 MAJOR SPECIAL REVENUE FUNDS
 SALES TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes:				
General sales & use taxes	\$ 1,558,560	\$ 1,527,500	\$ 1,522,097	\$ (5,403)
Miscellaneous revenue:				
Interest earned	24,000	19,250	19,237	(13)
Total revenue	<u>1,582,560</u>	<u>1,546,750</u>	<u>1,541,334</u>	<u>(5,416)</u>
EXPENDITURES				
Current:				
General	26,500	47,500	43,989	3,511
Public safety	29,300	30,100	18,843	11,257
Public works	101,700	81,950	55,672	26,278
Conservation & development	118,000	248,000	133,947	114,053
Culture-recreation	190,000	150,500	112,438	38,062
Total expenditures	<u>465,500</u>	<u>558,050</u>	<u>364,889</u>	<u>193,161</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	25,000	25,640	25,640	-
Transfers out	(2,426,608)	(1,998,247)	(1,501,562)	496,685
Total other financing sources (uses)	<u>(2,401,608)</u>	<u>(1,972,607)</u>	<u>(1,475,922)</u>	<u>496,685</u>
Net change in fund balance	(1,284,548)	(983,907)	(299,477)	684,430
Fund balance - beginning	2,398,647	2,398,647	2,398,647	-
Fund balance - ending	<u>\$ 1,114,099</u>	<u>\$ 1,414,740</u>	<u>\$ 2,099,170</u>	<u>\$ 684,430</u>

CITY OF VERMILLION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY REPORTING
 DECEMBER 31, 2012

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 2012 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 2011. The following supplemental budgets were adopted by the governing board during the year.

General Fund

Expenditures:

General Government	\$ 5,790
Public Safety	(482,545)
Public Works	(79,806)
Health and Welfare	34,024
Culture-Recreation	17,563
Conservation & Development	33,500
Debt Service	1,800
Transfers Out	241,703

Special Revenue Fund

Sales Tax Fund

Expenditures:

General Government	\$ 21,000
Public Safety	800
Public Works	(19,750)
Economic Development	130,000
Culture-Recreation	(39,500)
Transfers Out	(428,361)

CITY OF VERMILLION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY REPORTING
DECEMBER 31, 2012

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.

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.

**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. The operations were previously reported in the General Fund until the creation of the special revenue fund in 2012. 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.

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:

Library Renovation - This fund is used to account for the receipts and disbursements of monies used for the expansion and renovation of the library. A major gift was received during 2011 and with the award of a \$200,000 Community Development Block Grant, City Council commitment of \$1,400,000 of second penny sales tax, the Library Board and Library Foundation donations the project bid was awarded in February, 2012. The project completion is scheduled for April 2013. (Reported in Exhibit 3 and Exhibit 4)

Stanford Street Fund – This fund is used to account for the receipts and disbursement for the reconstruction of Stanford Street from Main Street to Cherry Street. This street is on the city’s State Transportation Improvement Program with the bidding and construction under the oversight of the SD Department of Transportation. The funding is from the state allotment of highway funds, second penny sales tax and special assessment. The water and wastewater utility systems were improved as part of the project that were funded from the respective utility funds. (Reported in Exhibit 3 and Exhibit 4)

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.

Streetscape Fund - This fund is used to account for private contributions, federal grant proceeds and expenditures for the implementation of the downtown streetscape plan.

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. Construction was completed along the south side of HWY 50 during 2012. Engineering and easement acquisition for bike path extension along the east side of HWY 19 between Cherry and HWY 50 continue and the project is anticipated to be bid and constructed in 2013.

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

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 2010 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 during 2012. The deficit fund balance is for sidewalk improvements and Stanford Street improvements completed in late 2012 and with the adoption of the resolution of necessity adopted in February, 2013 for the sidewalks.

TIF District No 3 Bonds - This fund accounts for the accumulation of monies for payment of tax incremental financing bonds principal and interest and funds advanced from the electric utility. The final payment on this bond is July 1, 2011 with City Council action to repay the advances made by the electric utility in prior years to meet the bond payments. Based upon current tax collections the \$108,394 advance will be repaid in 2013.

TIF District No 4 Bonds - This fund accounts for the accumulation of monies for payment of tax incremental financing bonds principal and interest. The tax incremental financing bonds were issued June 1, 2005 with the bond reserve and capitalized interest being recorded in this fund. The final payment on this bond is scheduled for December 1, 2020.

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.

CITY OF VERMILLION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2012

	Special Revenue Funds						Capital Project Funds	
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Total	Special Assessment Projects	Streetscape
ASSETS								
Cash and cash equivalents	\$ 26,485	\$ -	\$ 15,119	\$ 10,982	\$ 21,397	\$ 73,983	\$ -	\$ 364
Investments	100,000	-	800,000	-	-	900,000	-	-
Receivables (net, where applicable, of allowance for uncollectibles)								
Accounts receivable	-	-	5,671	-	-	5,671	-	-
Special assessment receivable	-	-	-	-	-	-	-	-
Interest receivable	141	-	1,796	-	-	1,937	-	-
Due from other governments	53,877	53,821	559	-	-	108,257	-	-
Restricted assets:								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
Total assets	<u>\$ 180,503</u>	<u>\$ 53,821</u>	<u>\$ 823,145</u>	<u>\$ 10,982</u>	<u>\$ 21,397</u>	<u>\$ 1,089,848</u>	<u>\$ -</u>	<u>\$ 364</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ 8,296	\$ -	\$ -	\$ -	\$ 8,296	\$ 97,409	\$ -
Due to other funds	-	45,525	-	-	-	45,525	22,205	-
Revenue collected in advance	-	-	-	2,727	-	2,727	-	-
Advance from other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>53,821</u>	<u>-</u>	<u>2,727</u>	<u>-</u>	<u>56,548</u>	<u>119,614</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-sales tax and interest	13,880	-	1,796	-	-	15,676	-	-
Unavailable revenue-special assessments and interest	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>13,880</u>	<u>-</u>	<u>1,796</u>	<u>-</u>	<u>-</u>	<u>15,676</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Restricted	166,623	-	821,349	-	21,397	1,009,369	-	-
Committed	-	-	-	-	-	-	-	364
Assigned	-	-	-	8,255	-	8,255	-	-
Unassigned	-	-	-	-	-	-	(119,614)	-
Total fund balances	<u>166,623</u>	<u>-</u>	<u>821,349</u>	<u>8,255</u>	<u>21,397</u>	<u>1,017,624</u>	<u>(119,614)</u>	<u>364</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 180,503</u>	<u>\$ 53,821</u>	<u>\$ 823,145</u>	<u>\$ 10,982</u>	<u>\$ 21,397</u>	<u>\$ 1,089,848</u>	<u>\$ -</u>	<u>\$ 364</u>

Capital Project Funds			Debt Service Funds				Total Nonmajor Governmental Funds	
Bike Path	Airport	Total	Special Assessment Bonds	TIF District No. 3 Bonds	TIF District No. 4 Bonds	City Hall Bonds		Total
\$ -	\$ -	\$ 364	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,347
-	-	-	-	-	-	-	-	900,000
-	-	-	-	-	24	-	24	5,695
-	-	-	228,118	-	-	-	228,118	228,118
-	-	-	7,965	-	-	-	7,965	9,902
111,454	268,650	380,104	-	-	-	-	-	488,361
-	-	-	39,970	-	271,211	-	311,181	311,181
-	-	-	250,000	-	-	365,426	615,426	615,426
-	-	-	351	-	-	4,497	4,848	4,848
<u>111,454</u>	<u>268,650</u>	<u>\$ 380,468</u>	<u>\$ 526,404</u>	<u>\$ -</u>	<u>\$ 271,235</u>	<u>\$ 369,923</u>	<u>\$ 1,167,562</u>	<u>\$ 2,637,878</u>
-	66,660	\$ 164,069	\$ -	\$ -	\$ -	\$ -	\$ -	172,365
101,869	201,990	326,064	62,727	108,394	-	-	171,121	542,710
9,585	-	9,585	-	-	-	-	-	12,312
-	-	-	197,143	-	-	-	197,143	197,143
<u>111,454</u>	<u>268,650</u>	<u>499,718</u>	<u>259,870</u>	<u>108,394</u>	<u>-</u>	<u>-</u>	<u>368,264</u>	<u>924,530</u>
-	-	-	-	-	-	4,497	4,497	20,173
-	-	-	219,307	-	-	-	219,307	219,307
-	-	-	219,307	-	-	4,497	223,804	239,480
-	-	-	47,227	-	271,235	365,426	683,888	1,693,257
-	-	364	-	-	-	-	-	364
-	-	-	-	-	-	-	-	8,255
-	-	(119,614)	-	(108,394)	-	-	(108,394)	(228,008)
-	-	(119,250)	47,227	(108,394)	271,235	365,426	575,494	1,473,868
<u>\$ 111,454</u>	<u>\$ 268,650</u>	<u>\$ 380,468</u>	<u>\$ 526,404</u>	<u>\$ -</u>	<u>\$ 271,235</u>	<u>\$ 369,923</u>	<u>\$ 1,167,562</u>	<u>\$ 2,637,878</u>

CITY OF VERMILLION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds						Capital Project Funds	
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Total	Special Assessment Projects	Streetscape
REVENUES								
Taxes:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General sales & use	298,761	-	-	-	-	298,761	-	-
Stormwater fees	-	-	175,585	-	-	175,585	-	-
Penalties & interest	-	-	248	-	-	248	-	-
Intergovernmental:								
Federal grant	-	-	-	-	-	-	-	-
State grant	-	-	-	-	-	-	-	-
County shared revenue	-	225,916	-	-	3,000	228,916	-	-
Charges for goods & services								
Culture & recreation	-	-	-	3,721	-	3,721	-	-
Fines & forfeits:								
Library	-	-	-	-	2,048	2,048	-	-
Miscellaneous:								
Public payments for improvements	-	-	-	-	-	-	10,408	-
Interest earned	487	-	7,031	23	920	8,461	-	-
Contributions & donations from private sources	-	-	10,000	19,902	4,144	34,046	-	-
Special assessments (principal & interest)	-	-	-	-	-	-	-	-
Other	-	-	-	-	4,024	4,024	-	-
Total revenue	<u>299,248</u>	<u>225,916</u>	<u>192,864</u>	<u>23,646</u>	<u>14,136</u>	<u>755,810</u>	<u>10,408</u>	<u>-</u>
EXPENDITURES								
Current								
Public safety	-	449,148	-	-	-	449,148	-	-
Public works	-	-	26,369	-	-	26,369	30,474	-
Culture-recreation	-	-	-	4,863	6,295	11,158	-	-
Conservation & development	298,580	-	-	-	-	298,580	-	-
Capital outlay:								
Public safety	-	2,685	-	-	-	2,685	-	-
Public works	-	-	-	-	-	-	96,674	-
Culture & recreation	-	-	-	7,232	-	7,232	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest & fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>298,580</u>	<u>451,833</u>	<u>26,369</u>	<u>12,095</u>	<u>6,295</u>	<u>795,172</u>	<u>127,148</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>668</u>	<u>(225,917)</u>	<u>166,495</u>	<u>11,551</u>	<u>7,841</u>	<u>(39,362)</u>	<u>(116,740)</u>	<u>-</u>
OTHER FINANCING SOURCES(USES)								
Transfer in	-	225,917	-	-	-	225,917	15,862	-
Transfer out	-	-	-	(25,640)	(92,092)	(117,732)	(2,874)	-
Total other financing sources(uses)	<u>-</u>	<u>225,917</u>	<u>-</u>	<u>(25,640)</u>	<u>(92,092)</u>	<u>108,185</u>	<u>12,988</u>	<u>-</u>
Net change in fund balances	668	-	166,495	(14,089)	(84,251)	68,823	(103,752)	-
Fund balances(deficits) - beginning	165,955	-	654,854	22,344	105,648	948,801	(15,862)	364
Fund balances(deficits) - ending	<u>\$ 166,623</u>	<u>\$ -</u>	<u>\$ 821,349</u>	<u>\$ 8,255</u>	<u>\$ 21,397</u>	<u>\$ 1,017,624</u>	<u>\$ (119,614)</u>	<u>\$ 364</u>

Capital Project Funds			Debt Service Funds				Total Nonmajor Funds	
Bike Path	Airport	Total	Special Assessment Bonds	TIF District No. 3 Bonds	TIF District No. 4 Bonds	City Hall Bonds		
\$ -	\$ -	\$ -	\$ -	\$ 137,880	\$ 116,556	\$ -	\$ 254,436	\$ 254,436
-	-	-	-	-	-	-	-	298,761
-	-	-	-	-	-	-	-	175,585
-	-	-	-	-	-	-	-	248
142,764	420,499	563,263	-	-	-	-	-	563,263
-	35,009	35,009	-	-	-	-	-	35,009
-	-	-	-	-	-	-	-	228,916
-	-	-	-	-	-	-	-	3,721
-	-	-	-	-	-	-	-	2,048
-	-	10,408	-	-	-	-	-	10,408
-	-	-	3,554	143	78	1,444	5,219	13,680
-	-	-	-	-	-	-	-	34,046
-	-	-	157,872	-	-	-	157,872	157,872
-	-	-	-	-	-	-	-	4,024
<u>142,764</u>	<u>455,508</u>	<u>608,680</u>	<u>161,426</u>	<u>138,023</u>	<u>116,634</u>	<u>1,444</u>	<u>417,527</u>	<u>1,782,017</u>
-	-	-	-	-	-	-	-	449,148
-	-	30,474	-	-	-	-	-	56,843
-	-	-	-	-	-	-	-	11,158
-	-	-	-	-	-	-	-	298,580
-	464,804	561,478	-	-	-	-	-	2,685
174,209	-	174,209	-	-	-	-	-	561,478
-	-	-	-	-	35,000	190,000	225,000	225,000
-	-	-	23,225	-	17,075	161,854	202,154	202,154
<u>174,209</u>	<u>464,804</u>	<u>766,161</u>	<u>23,225</u>	<u>-</u>	<u>52,075</u>	<u>351,854</u>	<u>427,154</u>	<u>1,988,487</u>
<u>(31,445)</u>	<u>(9,296)</u>	<u>(157,481)</u>	<u>138,201</u>	<u>138,023</u>	<u>64,559</u>	<u>(350,410)</u>	<u>(9,627)</u>	<u>(206,470)</u>
31,445	6,475	53,782	-	-	-	338,479	338,479	618,178
-	-	(2,874)	(15,862)	-	-	-	(15,862)	(136,468)
<u>31,445</u>	<u>6,475</u>	<u>50,908</u>	<u>(15,862)</u>	<u>-</u>	<u>-</u>	<u>338,479</u>	<u>322,617</u>	<u>481,710</u>
-	(2,821)	(106,573)	122,339	138,023	64,559	(11,931)	312,990	275,240
-	2,821	(12,677)	(75,112)	(246,417)	206,676	377,357	262,504	1,198,628
<u>-</u>	<u>-</u>	<u>\$ (119,250)</u>	<u>\$ 47,227</u>	<u>\$ (108,394)</u>	<u>\$ 271,235</u>	<u>\$ 365,426</u>	<u>\$ 575,494</u>	<u>\$ 1,473,868</u>

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, 2012

	Liquor, Lodging, Dining Tax			911		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes:						
General sales & use	\$ 310,800	\$ 298,761	\$ (12,039)	\$ -	\$ -	-
Stormwater fees	-	-	-	-	-	-
Penalties & interest	-	-	-	-	-	-
Intergovernmental :						
Federal Grant	-	-	-	-	-	-
County shared revenue	-	-	-	241,703	225,916	(15,787)
Charges for goods & services						
Culture & recreation	-	-	-	-	-	-
Fines & forfeits:						
Library	-	-	-	-	-	-
Miscellaneous:						
Grants	-	-	-	-	-	-
Interest earned	500	487	(13)	-	-	-
Contributions & donations from private sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenue	<u>311,300</u>	<u>299,248</u>	<u>(12,052)</u>	<u>241,703</u>	<u>225,916</u>	<u>(15,787)</u>
EXPENDITURES						
Current						
Public safety	-	-	-	483,406	451,833	31,573
Public works	-	-	-	-	-	-
Culture-recreation	-	-	-	-	-	-
Conservation & development	299,400	298,580	820	-	-	-
Total expenditures	<u>299,400</u>	<u>298,580</u>	<u>820</u>	<u>483,406</u>	<u>451,833</u>	<u>31,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,900</u>	<u>668</u>	<u>(11,232)</u>	<u>(241,703)</u>	<u>(225,917)</u>	<u>15,786</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	241,703	225,917	(15,786)
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,703</u>	<u>225,917</u>	<u>(15,786)</u>
Net change in fund balances	<u>11,900</u>	<u>668</u>	<u>(11,232)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		<u>165,955</u>			<u>-</u>	
Fund balances - ending		<u>\$ 166,623</u>			<u>\$ -</u>	

Stormwater Fee			Parks Capital			Library		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
173,990	175,585	1,595	-	-	-	-	-	-
.100	248	148	-	-	-	-	-	-
-	-	-	-	-	-	3,000	3,000	-
-	-	-	9,000	3,721	(5,279)	-	-	-
-	-	-	-	-	-	3,100	2,048	(1,052)
10,000	10,000	-	-	-	-	-	-	-
7,041	7,031	(10)	40	23	(17)	1,000	920	(80)
-	-	-	17,000	19,902	2,902	3,000	4,144	1,144
-	-	-	-	-	-	2,500	4,024	1,524
<u>191,131</u>	<u>192,864</u>	<u>1,733</u>	<u>26,040</u>	<u>23,646</u>	<u>(2,394)</u>	<u>12,600</u>	<u>14,136</u>	<u>1,536</u>
105,000	26,369	78,631	-	-	-	-	-	-
-	-	-	13,260	12,095	1,165	12,600	6,295	6,305
<u>105,000</u>	<u>26,369</u>	<u>78,631</u>	<u>13,260</u>	<u>12,095</u>	<u>1,165</u>	<u>12,600</u>	<u>6,295</u>	<u>6,305</u>
<u>86,131</u>	<u>166,495</u>	<u>80,364</u>	<u>12,780</u>	<u>11,551</u>	<u>(1,229)</u>	<u>-</u>	<u>7,841</u>	<u>7,841</u>
-	-	-	(25,640)	(25,640)	-	(90,268)	(92,092)	1,824
-	-	-	(25,640)	(25,640)	-	(90,268)	(92,092)	1,824
<u>86,131</u>	<u>166,495</u>	<u>80,364</u>	<u>12,780</u>	<u>(14,089)</u>	<u>(1,229)</u>	<u>(90,268)</u>	<u>(84,251)</u>	<u>7,841</u>
	<u>654,854</u>			<u>22,344</u>			<u>105,648</u>	
\$	<u>821,349</u>		\$	<u>8,255</u>		\$	<u>21,397</u>	

CITY OF VERMILLION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 339,000	\$ 142,764	\$ (196,236)
State grant	-	-	-	-	-	-	1,150	-	(1,150)
Miscellaneous:									
Public payments for improvements	9,407	10,408	1,001	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Contributions and donations from private sources	-	-	-	-	-	-	-	-	-
Total revenue	<u>9,407</u>	<u>10,408</u>	<u>1,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,150</u>	<u>142,764</u>	<u>(197,386)</u>
EXPENDITURES									
Current									
Public works	210,000	127,148	82,852	364	-	364	-	-	-
Culture & recreation	-	-	-	-	-	-	419,300	174,209	245,091
Total expenditures	<u>210,000</u>	<u>127,148</u>	<u>82,852</u>	<u>364</u>	<u>-</u>	<u>364</u>	<u>419,300</u>	<u>174,209</u>	<u>245,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200,593)</u>	<u>(116,740)</u>	<u>83,853</u>	<u>(364)</u>	<u>-</u>	<u>364</u>	<u>(79,150)</u>	<u>(31,445)</u>	<u>47,705</u>
OTHER FINANCING SOURCES(USES)									
Transfer in	236,129	15,862	(220,267)	-	-	-	79,150	31,445	(47,705)
Transfer out	(2,874)	(2,874)	-	-	-	-	-	-	-
Total other financing sources(uses)	<u>233,255</u>	<u>12,988</u>	<u>(220,267)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,150</u>	<u>31,445</u>	<u>(47,705)</u>
Net change in fund balances	<u>32,662</u>	<u>(103,752)</u>	<u>(136,414)</u>	<u>(364)</u>	<u>-</u>	<u>364</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances(deficits) - beginning		<u>(15,862)</u>			<u>364</u>			<u>-</u>	
Fund balances(deficits) - ending		<u>\$ (119,614)</u>		<u>\$ 364</u>			<u>\$ -</u>		

Stanford Street			Library Renovation			Airport		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ -	\$ 614,991	\$ 420,499	\$ (194,492)
1,018,000	984,482	(33,518)	-	-	-	23,017	35,009	11,992
-	-	-	1,850	2,350	500	-	-	-
-	-	-	150,000	150,000	-	-	-	-
<u>1,018,000</u>	<u>984,482</u>	<u>(33,518)</u>	<u>351,850</u>	<u>352,350</u>	<u>500</u>	<u>638,008</u>	<u>455,508</u>	<u>(182,500)</u>
1,198,000	1,159,528	38,472	-	-	-	684,076	464,804	219,272
-	-	-	2,285,282	2,189,139	96,143	-	-	-
<u>1,198,000</u>	<u>1,159,528</u>	<u>38,472</u>	<u>2,285,282</u>	<u>2,189,139</u>	<u>96,143</u>	<u>684,076</u>	<u>464,804</u>	<u>219,272</u>
<u>(180,000)</u>	<u>(175,046)</u>	<u>4,954</u>	<u>(1,933,432)</u>	<u>(1,836,789)</u>	<u>96,643</u>	<u>(46,068)</u>	<u>(9,296)</u>	<u>36,772</u>
180,000	175,046	(4,954)	1,237,217	841,959	(395,258)	46,068	6,475	(39,593)
-	-	-	-	-	-	-	-	-
<u>180,000</u>	<u>175,046</u>	<u>(4,954)</u>	<u>1,237,217</u>	<u>841,959</u>	<u>(395,258)</u>	<u>46,068</u>	<u>6,475</u>	<u>(39,593)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(696,215)</u>	<u>(994,830)</u>	<u>(298,615)</u>	<u>-</u>	<u>(2,821)</u>	<u>(2,821)</u>
				696,215			2,821	
\$ <u>-</u>			\$ <u>(298,615)</u>			\$ <u>-</u>		



**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.

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 VERMILLION
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2012

	<u>Copier- Fax- Postage</u>	<u>Unemployment Insurance</u>	<u>Equipment Replacement</u>	<u>Custodial Services</u>	<u>Totals</u>
ASSETS:					
Current assets:					
Cash	\$ 14,210	\$ 723	\$ 17,616	\$ 6,770	\$ 39,319
Investments	-	12,000	518,000	-	530,000
Accounts receivable	2,335	-	-	-	2,335
Interest receivable	-	31	1,111	-	1,142
Total current assets	<u>16,545</u>	<u>12,754</u>	<u>536,727</u>	<u>6,770</u>	<u>572,796</u>
Capital assets:					
Machinery & equipment	12,797	-	4,572,642	2,316	4,587,755
less accumulated depreciation	(11,197)	-	(2,195,390)	(1,101)	(2,207,688)
Total capital assets	<u>1,600</u>	<u>-</u>	<u>2,377,252</u>	<u>1,215</u>	<u>2,380,067</u>
Total assets	<u>18,145</u>	<u>12,754</u>	<u>2,913,979</u>	<u>7,985</u>	<u>2,952,863</u>
LIABILITIES					
Current liabilities:					
Accounts payable	680	435	-	883	1,998
Accrued leave payable	-	-	-	2,537	2,537
Total current liabilities	<u>680</u>	<u>435</u>	<u>-</u>	<u>3,420</u>	<u>4,535</u>
Noncurrent liabilities:					
Accrued leave payable	-	-	-	3,683	3,683
Total non current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,683</u>	<u>3,683</u>
Total liabilities	<u>680</u>	<u>435</u>	<u>-</u>	<u>7,103</u>	<u>8,218</u>
NET POSITION					
Net investment in capital assets	1,600	-	2,377,252	1,215	2,380,067
Unrestricted	15,865	12,319	536,727	(333)	564,578
Total net position	<u>\$ 17,465</u>	<u>\$ 12,319</u>	<u>\$ 2,913,979</u>	<u>\$ 882</u>	<u>\$ 2,944,645</u>

CITY OF VERMILLION
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Copier- Fax- Postage</u>	<u>Unemployment Insurance</u>	<u>Equipment Replacement</u>	<u>Custodial Services</u>	<u>Totals</u>
Operating Revenues:					
Charges for goods and services	\$ 17,438	\$ -	\$ 359,564	\$ 72,000	\$ 449,002
Total operating revenue	<u>17,438</u>	<u>-</u>	<u>359,564</u>	<u>72,000</u>	<u>449,002</u>
Operating expenses:					
Personnel services	-	-	-	73,310	73,310
Other current expenses	16,797	435	-	1,718	18,950
Depreciation	3,199	-	303,379	179	306,757
Total operating expenses	<u>19,996</u>	<u>435</u>	<u>303,379</u>	<u>75,207</u>	<u>399,017</u>
operating income(loss)	<u>(2,558)</u>	<u>(435)</u>	<u>56,185</u>	<u>(3,207)</u>	<u>49,985</u>
Nonoperating revenue:					
Interest earned	-	90	2,426	-	2,516
Gain(loss) on disposition of assets	-	-	11,274	-	11,274
Total nonoperating revenue	<u>-</u>	<u>90</u>	<u>13,700</u>	<u>-</u>	<u>13,790</u>
Income before contributions and transfers	<u>(2,558)</u>	<u>(345)</u>	<u>69,885</u>	<u>(3,207)</u>	<u>63,775</u>
Transfer in	-	-	1,174	-	1,174
Transfer Out	-	-	(7,000)	-	(7,000)
Change in net position	<u>(2,558)</u>	<u>(345)</u>	<u>64,059</u>	<u>(3,207)</u>	<u>57,949</u>
Net position - beginning	<u>20,023</u>	<u>12,664</u>	<u>2,849,920</u>	<u>4,089</u>	<u>2,886,696</u>
Net position - ending	<u>\$ 17,465</u>	<u>\$ 12,319</u>	<u>\$ 2,913,979</u>	<u>\$ 882</u>	<u>\$ 2,944,645</u>

CITY OF VERMILLION
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Copier- Fax- Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 17,442	\$ -	\$ 359,564	\$ 72,000	\$ 449,006
Cash paid for personal services	-	-	-	(72,141)	(72,141)
Cash paid to suppliers	(16,458)	(652)	-	(1,954)	(19,064)
Net cash provided (used for) operating activities	<u>984</u>	<u>(652)</u>	<u>359,564</u>	<u>(2,095)</u>	<u>357,801</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	-	-	(125,636)	-	(125,636)
Proceeds from sale of assets	-	-	21,161	-	21,161
Net cash (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(104,475)</u>	<u>-</u>	<u>(104,475)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers Out	-	-	(7,000)	-	(7,000)
Net cash (used for) non-capital financing activities	<u>-</u>	<u>-</u>	<u>(7,000)</u>	<u>-</u>	<u>(7,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	-	111	2,430	-	2,541
Purchase and sale of investments	-	1,000	(241,000)	-	(240,000)
Net cash provided (used for) investing activities	<u>-</u>	<u>1,111</u>	<u>(238,570)</u>	<u>-</u>	<u>(237,459)</u>
Net increase (decrease) in cash and cash equivalents	984	459	9,519	(2,095)	8,867
Cash and cash equivalents beginning of year	<u>13,226</u>	<u>264</u>	<u>8,097</u>	<u>8,865</u>	<u>30,452</u>
Cash and cash equivalents end of year	<u>\$ 14,210</u>	<u>\$ 723</u>	<u>\$ 17,616</u>	<u>\$ 6,770</u>	<u>\$ 39,319</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (2,558)	\$ (435)	\$ 56,185	\$ (3,207)	\$ 49,985
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:					
Depreciation	3,199	-	303,379	179	306,757
(Increase) decrease in assets and increase (decrease) in liabilities:					
Accounts receivable	4	-	-	-	4
Accounts payable	339	(217)	-	(236)	(114)
Accrued leave payable	-	-	-	1,169	1,169
Net cash provided by (used for) operating activities	<u>\$ 984</u>	<u>\$ (652)</u>	<u>\$ 359,564</u>	<u>\$ (2,095)</u>	<u>\$ 357,801</u>
Noncash investing, capital and financing activities:					
Transfer in of capital assets	-	-	1,174	-	1,174
Gain(loss) on disposal of fixed assets	-	-	11,274	-	11,274
Total noncash investing, capital and financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,448</u>	<u>\$ -</u>	<u>\$ 12,448</u>

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	87-92
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	93-97
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	98-104
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	105-106
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	107-109
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.

TABLE 1

CITY OF VERMILLION
GOVERNMENT-WIDE NET POSITION BY COMPONENT¹
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Net Investment in Capital Assets	\$ 11,867,339	\$ 13,818,734	\$ 15,224,263	\$ 16,197,173	\$ 16,775,209	\$ 17,468,499	\$ 22,167,991	\$ 23,357,651	\$ 23,217,945	\$ 26,379,227
Restricted for:										
BBB	89,623	47,533	24,759	36,499	129,654	154,418	125,799	144,278	175,308	180,503
Capital Projects	-	-	-	-	3,531,936	-	-	-	-	-
Debt Service	866,967	694,016	711,658	1,056,138	1,376,496	1,679,918	1,600,924	940,546	595,352	899,886
Additional 1% Sales Tax	1,125,180	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	106,132	21,397
Stormwater	47,261	127,235	84,162	180,487	272,825	249,860	366,220	490,302	659,022	823,145
Cumulative Reserve	-	-	-	-	158,060	158,060	158,060	158,060	158,060	158,060
Unrestricted	955,153	1,352,583	2,129,784	4,072,094	992,869	5,136,891	4,116,964	4,255,996	5,796,886	4,587,553
Total Governmental Activities										
Net Position	\$ <u>14,951,523</u>	\$ <u>16,040,101</u>	\$ <u>18,174,626</u>	\$ <u>21,542,391</u>	\$ <u>23,237,049</u>	\$ <u>24,847,646</u>	\$ <u>28,535,958</u>	\$ <u>29,346,833</u>	\$ <u>30,708,705</u>	\$ <u>33,049,771</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 12,679,381	\$ 13,144,108	\$ 15,108,493	\$ 16,738,269	\$ 17,189,168	\$ 17,817,417	\$ 19,705,309	\$ 20,882,426	\$ 21,411,403	\$ 22,036,403
Restricted for:										
Debt Service	995,783	419,593	779,022	810,174	838,309	834,790	1,444,260	1,521,831	1,544,613	1,515,809
Landfill Closure Postclosure	158,984	178,829	214,281	224,505	230,238	214,880	210,879	207,915	196,362	186,161
Unrestricted	4,620,319	5,258,568	5,284,511	5,681,029	7,053,543	7,996,485	8,006,051	8,808,530	9,615,384	10,929,279
Total Business-Type Activities										
Net Position	\$ <u>18,454,467</u>	\$ <u>19,001,098</u>	\$ <u>21,386,307</u>	\$ <u>23,453,977</u>	\$ <u>25,311,258</u>	\$ <u>26,863,572</u>	\$ <u>29,366,499</u>	\$ <u>31,420,702</u>	\$ <u>32,767,762</u>	\$ <u>34,667,652</u>
Primary Government										
Net Investment in Capital Assets	\$ 24,546,720	\$ 26,962,842	\$ 30,332,756	\$ 32,935,442	\$ 33,964,377	\$ 35,285,916	\$ 41,873,300	\$ 44,240,077	\$ 44,629,348	\$ 48,415,630
Restricted for:										
BBB	89,623	47,533	24,759	36,499	129,654	154,418	125,799	144,278	175,308	180,503
Capital Projects	-	-	-	-	3,531,936	-	-	-	-	-
Debt Service	1,862,750	1,113,609	1,490,680	1,866,312	2,214,805	2,514,708	3,045,184	2,462,377	2,139,965	2,415,695
Additional 1% Sales Tax	1,125,180	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	106,132	21,397
Stormwater	47,261	127,235	84,162	180,487	272,825	249,860	366,220	490,302	659,022	823,145
Landfill Closure Postclosure	158,984	178,829	214,281	224,505	230,238	214,880	210,879	207,915	196,362	186,161
Cumulative Reserve	-	-	-	-	158,060	158,060	158,060	158,060	158,060	158,060
Unrestricted	5,575,472	6,611,151	7,414,295	9,753,123	8,046,412	13,133,376	12,123,015	13,064,526	15,412,270	15,516,832
Total Primary Government										
Net Position	\$ <u>33,405,990</u>	\$ <u>35,041,199</u>	\$ <u>39,560,933</u>	\$ <u>44,996,368</u>	\$ <u>48,548,307</u>	\$ <u>51,711,218</u>	\$ <u>57,902,457</u>	\$ <u>60,767,535</u>	\$ <u>63,476,467</u>	\$ <u>67,717,423</u>

¹Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net assets are 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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government	\$ 906,806	\$ 928,314	\$ 978,770	\$ 1,004,096	\$ 1,038,217	\$ 1,097,670	\$ 1,185,168	\$ 1,336,341	\$ 1,324,803	\$ 1,325,411
Public Safety	1,495,636	1,582,090	1,604,653	1,661,678	1,748,482	1,923,413	2,026,733	2,118,547	2,028,921	2,211,445
Public Works	962,223	999,893	1,205,512	1,237,318	1,353,987	1,602,031	1,561,217	1,656,337	1,714,248	1,630,835
Health & Welfare	331,500	338,169	343,780	365,189	374,133	402,620	415,740	412,409	424,263	443,581
Culture & Recreation	869,835	929,704	977,583	978,573	1,006,229	1,171,859	1,203,636	1,177,757	1,161,245	1,146,227
Conservation & Development	219,607	680,161	546,219	254,220	786,823	732,787	708,482	368,202	397,229	498,825
Interest on Long-term debt	140,517	142,663	91,455	134,858	181,374	298,297	301,118	272,722	241,902	202,154
Total Governmental Activities Expenses	<u>4,926,124</u>	<u>5,600,994</u>	<u>5,747,972</u>	<u>5,635,932</u>	<u>6,489,245</u>	<u>7,228,677</u>	<u>7,402,094</u>	<u>7,342,315</u>	<u>7,292,611</u>	<u>7,458,478</u>
Business-Type Activities:										
Electric	2,280,813	2,526,674	2,825,935	2,982,411	3,405,570	3,539,287	4,025,288	4,661,735	4,995,547	5,051,041
Water	876,409	1,015,709	1,010,703	1,057,672	1,171,661	1,264,548	1,336,150	1,342,632	1,389,184	1,435,808
Wastewater	953,118	1,010,170	1,069,647	1,049,072	1,305,808	1,284,315	1,336,169	1,345,153	1,605,314	1,694,154
Liquor	628,154	671,465	755,798	818,302	917,741	1,003,575	1,000,796	1,017,680	1,018,600	1,043,401
Golf	975,027	914,987	1,109,776	1,047,729	902,370	897,527	840,409	834,736	841,741	838,399
Joint Powers Landfill	737,505	743,960	792,584	839,151	927,407	1,220,527	1,022,888	1,288,114	1,273,463	1,242,491
Curbside Recycling	-	-	-	-	-	-	33,407	98,197	93,047	99,467
Total Business-Type Activities Expenses	<u>6,451,026</u>	<u>6,882,965</u>	<u>7,564,443</u>	<u>7,794,337</u>	<u>8,630,557</u>	<u>9,209,779</u>	<u>9,595,107</u>	<u>10,588,247</u>	<u>11,216,896</u>	<u>11,404,761</u>
Total Primary Government Expenses	<u>\$ 11,377,150</u>	<u>\$ 12,483,959</u>	<u>\$ 13,312,415</u>	<u>\$ 13,430,269</u>	<u>\$ 15,119,802</u>	<u>\$ 16,438,456</u>	<u>\$ 16,997,201</u>	<u>\$ 17,930,562</u>	<u>\$ 18,509,507</u>	<u>\$ 18,863,239</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 146,269	\$ 139,638	\$ 137,785	\$ 158,477	\$ 197,706	\$ 291,204	\$ 249,372	\$ 294,330	\$ 260,385	\$ 211,495
Public Safety	29,954	35,747	37,253	35,933	32,973	43,680	43,573	44,364	258,152	262,610
Public Works	7,119	590,077	436,122	939,078	487,046	764,960	402,603	563,566	359,478	378,820
Health & Welfare	197,606	193,907	226,651	191,584	261,861	289,839	344,652	339,053	360,623	321,131
Culture & Recreation	69,909	67,386	59,349	73,217	81,003	67,716	63,524	75,145	79,117	75,728
Operating Grants & Contributions	126,756	-	307,500	-	26,697	257,213	64,553	89,026	71,739	104,314
Capital Grants & Contributions	-	1,208,768	1,791,371	1,513,499	723,410	410,251	3,677,885	223,818	944,239	1,988,284
Total Governmental Activities Program Revenues	<u>577,613</u>	<u>2,235,523</u>	<u>2,996,031</u>	<u>2,911,788</u>	<u>1,810,696</u>	<u>2,124,863</u>	<u>4,846,162</u>	<u>1,629,302</u>	<u>2,333,733</u>	<u>3,342,382</u>
Business-Type Activities:										
Charges for Services:										
Electric	3,386,418	3,595,419	4,073,646	4,282,382	4,669,319	4,900,026	5,262,358	5,884,283	6,077,336	6,187,213
Water	1,041,327	1,098,268	1,253,081	1,449,187	1,556,163	1,497,831	1,514,565	1,506,335	1,588,609	1,772,353
Wastewater	806,124	905,007	1,022,771	1,175,089	1,267,106	1,335,134	1,420,454	1,493,778	1,647,990	1,737,914
Liquor	704,118	767,567	857,975	967,937	1,094,738	1,179,545	1,165,625	1,181,977	1,185,643	1,217,013
Golf	686,104	677,061	929,292	756,419	731,073	669,459	683,709	609,291	624,007	654,510
Joint Powers Landfill	779,472	811,613	882,070	868,051	1,303,408	1,171,794	1,088,488	1,236,897	1,241,842	1,151,985
Curbside Recycling	-	-	-	-	-	-	29,941	111,838	116,759	110,249
Operating Grants & Contributions	5,101	1,065	350	429	4,100	40,625	1,972	93,886	100	100
Capital Grants & Contributions	48,453	11,608	1,270,244	683,679	19,033	279,226	1,198,705	775,438	14,473	118,970
Total Business-Type Activities Program Revenues	<u>7,457,117</u>	<u>7,867,608</u>	<u>10,289,429</u>	<u>10,183,173</u>	<u>10,644,940</u>	<u>11,073,640</u>	<u>12,365,817</u>	<u>12,893,723</u>	<u>12,496,759</u>	<u>12,950,307</u>
Total Primary Government Program Revenues	<u>\$ 8,034,730</u>	<u>\$ 10,103,131</u>	<u>\$ 13,285,460</u>	<u>\$ 13,094,961</u>	<u>\$ 12,455,636</u>	<u>\$ 13,198,503</u>	<u>\$ 17,211,979</u>	<u>\$ 14,523,025</u>	<u>\$ 14,830,492</u>	<u>\$ 16,292,689</u>
Net(Expense)/Revenue ¹										
Governmental Activities	\$ (4,348,511)	(3,365,471)	(2,751,941)	(2,724,144)	(4,678,549)	(5,103,814)	(2,555,932)	(5,713,013)	(4,958,878)	(4,116,096)
Business-Type Activities	1,006,091	984,643	2,724,986	2,388,836	2,014,383	1,863,861	2,770,710	2,305,476	1,279,863	1,545,546
Total Primary Government Net Revenues (Expenses)	<u>\$ (3,342,420)</u>	<u>\$ (2,380,828)</u>	<u>\$ (26,955)</u>	<u>\$ (335,308)</u>	<u>\$ (2,664,166)</u>	<u>\$ (3,239,953)</u>	<u>\$ 214,778</u>	<u>\$ (3,407,537)</u>	<u>\$ (3,679,015)</u>	<u>\$ (2,570,550)</u>

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues										
Governmental Activities:										
Property Taxes	\$ 1,324,306	\$ 1,415,026	\$ 1,446,240	\$ 1,459,641	\$ 1,547,450	\$ 1,620,798	\$ 1,827,924	\$ 1,872,491	\$ 1,893,823	\$ 1,979,186
Sales Taxes	1,774,819	2,091,280	2,436,466	2,636,754	3,273,209	3,513,311	3,108,356	3,422,702	3,331,784	3,407,050
Stormwater	113,209	-	-	-	-	-	-	-	-	-
Unrestricted State/County Shared Revenue	435,909	84,877	64,386	74,564	90,355	93,542	74,396	72,312	70,970	72,704
Unrestricted Investment Earnings	52,917	45,306	71,553	162,096	343,118	370,622	251,231	136,313	125,594	77,802
Miscellaneous Revenue	79,764	82,215	79,236	69,437	79,600	84,002	58,729	53,709	76,419	83,276
Special Assessments	43,091	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	60,054	11,744	87,428	803,280	35,096	9,335	11,951	28,362	72,492	11,274
Transfers	717,440	723,601	701,157	886,137	846,319	1,022,801	911,657	937,999	937,412	931,586
Total Governmental Activities	4,601,509	4,454,049	4,886,466	6,091,909	6,215,147	6,714,411	6,244,244	6,523,888	6,508,494	6,562,878
Business-Type Activities										
Property Taxes	145,335	168,175	187,035	254,823	300,773	373,187	435,805	480,052	505,713	501,007
Unrestricted Investment Earnings	108,449	90,791	137,883	267,403	345,272	295,630	164,057	145,933	249,674	227,946
Miscellaneous Revenue	26,761	26,623	36,462	42,745	43,172	42,437	44,012	60,741	60,988	61,736
Gain(Loss) on sale of capital assets	(158,037)	-	-	-	-	-	-	-	490	30,245
Insurance recovery net of fire loss	-	-	-	-	-	-	-	-	-	608,209
Transfers	(717,440)	(723,601)	(701,157)	(886,137)	(846,319)	(1,022,801)	(911,657)	(937,999)	(937,412)	(931,586)
Total Business-Type Activities	(594,932)	(438,012)	(339,777)	(321,166)	(157,102)	(311,547)	(267,783)	(251,273)	(120,547)	497,557
Total Primary Government	\$ 4,006,577	\$ 4,016,037	\$ 4,546,689	\$ 5,770,743	\$ 6,058,045	\$ 6,402,864	\$ 5,976,461	\$ 6,272,615	\$ 6,387,947	\$ 7,060,435
Change in Net Position										
Governmental Activities	\$ 252,998	\$ 1,088,578	\$ 2,134,525	\$ 3,367,765	\$ 1,536,598	\$ 1,610,597	\$ 3,688,312	\$ 810,875	\$ 1,549,616	\$ 2,446,782
Business-Type Activities	411,159	546,631	2,385,209	2,067,670	1,857,281	1,552,314	2,502,927	2,054,203	1,159,316	2,043,103
Total Primary Government	\$ 664,157	\$ 1,635,209	\$ 4,519,734	\$ 5,435,435	\$ 3,393,879	\$ 3,162,911	\$ 6,191,239	\$ 2,865,078	\$ 2,708,932	\$ 4,489,885

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.

TABLE 3

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
2003	\$ 1,324,306	\$ 876,899	\$ 735,668	\$ 162,252	\$ 63,804	\$ 20,360	\$ 3,183,289
2004	1,415,026	965,767	951,199	174,344	51,577	33,300	3,591,213
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	\$ 6,514	\$ 5,454,920

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 Insurance & Real Estate	Services	Public Adm.	Other	Total
2003	\$ 586	\$ n/a	\$ 1,592	\$ 12,238	\$ 1,242	\$ 53,737	\$ 1,170	\$ 9,032	\$ n/a	\$ 286	\$ 79,883
2004	701	233	1,298	15,117	1,823	59,105	1,285	9,731	n/a	n/a	89,293
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

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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 190,214	\$ 17,778	\$ 14,490	\$ 7,902	\$ 184,714	\$ 199,518	\$ 191,878	\$ 204,520	\$ -	\$ -
Unreserved	330,382	473,428	835,236	1,869,700	1,850,283	2,101,902	2,173,805	2,305,886	-	-
Nonspendable ²	-	-	-	-	-	-	-	-	201,366	200,626
Restricted ²	-	-	-	-	-	-	-	-	-	-
Committed ²	-	-	-	-	-	-	-	-	-	-
Assigned ²	-	-	-	-	-	-	-	-	178,135	215,396
Unassigned ²	-	-	-	-	-	-	-	-	2,331,213	2,451,984
Total General Fund	<u>520,596</u>	<u>491,206</u>	<u>849,726</u>	<u>1,877,602</u>	<u>2,034,997</u>	<u>2,301,420</u>	<u>2,365,683</u>	<u>2,510,406</u>	<u>2,710,714</u>	<u>2,868,006</u>
All Other Governmental Funds										
Reserved	1,935,799	447,415	519,171	557,164	4,496,827	995,897	1,089,107	497,633	-	-
Unreserved reported in:										
Special Revenue Fund	88,584	1,026,341	1,511,164	1,921,754	2,440,337	2,747,582	2,112,502	2,457,459	-	-
Capital Projects Fund ¹	4,095	(173,829)	(431,537)	25,470	(66,835)	45,238	(57,251)	(52,750)	-	-
Nonspendable ²	-	-	-	-	-	-	-	-	-	-
Restricted ²	-	-	-	-	-	-	-	-	1,510,490	1,646,030
Committed ²	-	-	-	-	-	-	-	-	3,098,047	2,099,534
Assigned ²	-	-	-	-	-	-	-	-	22,344	8,255
Unassigned ²	-	-	-	-	-	-	-	-	(337,391)	(479,396)
Total All Other Governmental Funds	<u>2,028,478</u>	<u>1,299,927</u>	<u>1,598,798</u>	<u>2,504,388</u>	<u>6,870,329</u>	<u>3,788,717</u>	<u>3,144,358</u>	<u>2,902,342</u>	<u>4,293,490</u>	<u>3,274,423</u>
Total Governmental Funds										
Reserved	2,126,013	465,193	533,661	565,066	4,681,541	1,195,415	1,280,985	702,153	-	-
Unreserved, reported in:										
General Fund	330,382	473,428	835,236	1,869,700	1,850,283	2,101,902	2,173,805	2,305,886	-	-
Special Revenue Funds	88,584	1,026,341	1,511,164	1,921,754	2,440,337	2,747,582	2,112,502	2,457,459	-	-
Capital Projects Funds	4,095	(173,829)	(431,537)	25,470	(66,835)	45,238	(57,251)	(52,750)	-	-
Nonspendable ²	-	-	-	-	-	-	-	-	201,366	200,626
Restricted ²	-	-	-	-	-	-	-	-	1,510,490	1,646,030
Committed ²	-	-	-	-	-	-	-	-	3,098,047	2,099,534
Assigned ²	-	-	-	-	-	-	-	-	200,479	223,651
Unassigned ²	-	-	-	-	-	-	-	-	1,993,822	1,972,588
Total Governmental Funds	<u>\$ 2,549,074</u>	<u>\$ 1,791,133</u>	<u>\$ 2,448,524</u>	<u>\$ 4,381,990</u>	<u>\$ 8,905,326</u>	<u>\$ 6,090,137</u>	<u>\$ 5,510,041</u>	<u>\$ 5,412,748</u>	<u>\$ 7,004,204</u>	<u>\$ 6,142,429</u>

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 implemented 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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 3,267,651	\$ 3,544,796	\$ 3,943,805	\$ 4,162,763	\$ 4,734,679	\$ 5,198,227	\$ 4,988,765	\$ 5,368,562	\$ 5,326,435	\$ 5,498,306
Licenses & Permits	171,670	174,515	187,226	169,888	191,586	201,064	215,277	219,374	220,361	230,068
Intergovernmental Revenue	617,415	1,639,453	1,755,996	1,833,413	956,276	965,288	4,138,907	743,632	586,907	2,429,826
Charges for Goods & Services	243,699	236,981	260,005	260,440	358,960	455,395	454,080	495,782	486,226	380,372
Fines & Forfeits	41,809	31,734	31,370	32,263	28,904	40,033	41,480	41,336	38,715	35,544
Public Payments for Improvements	-	53,724	14,775	106,246	639	173,240	-	14,999	59,949	10,408
Investment Earnings	58,721	28,674	44,585	58,241	210,947	274,834	202,694	89,130	88,262	57,589
Rentals	13,174	14,958	11,520	30,919	24,742	14,080	12,670	15,891	18,112	15,207
Special Assessments	147,318	95,012	73,789	113,314	167,061	141,726	168,406	196,310	153,294	157,952
Contributions & Donations	6,982	14,802	16,226	48,189	4,494	3,238	20,275	15,170	840,927	213,255
Miscellaneous	46,584	74,157	298,041	47,667	88,194	79,881	58,194	53,354	59,806	46,394
Total Revenues	4,615,023	5,908,806	6,637,338	6,863,343	6,766,482	7,547,006	10,300,748	7,253,540	7,878,994	9,074,921
Expenditures										
General Government	878,645	903,168	943,019	1,083,423	1,008,509	1,066,024	1,074,365	1,129,960	1,143,773	1,131,980
Public Safety	1,413,092	1,444,275	1,491,879	1,565,366	1,642,693	1,809,125	1,910,230	2,001,762	1,927,998	2,095,628
Public Works	589,463	603,471	736,852	700,058	797,688	1,006,391	857,217	908,703	942,093	889,157
Health and Welfare	320,762	325,725	326,857	349,458	361,284	392,330	399,563	403,645	404,509	418,653
Culture-Recreation	764,315	816,575	855,042	864,365	883,955	968,093	1,018,139	1,018,487	1,007,533	1,031,723
Conservation and Development	219,607	721,067	587,125	295,126	827,730	732,787	708,482	368,202	397,229	498,825
Debt Service										
Principal ¹	201,693	400,626	218,136	230,920	268,763	405,142	499,290	412,156	560,000	226,570
Interest	132,168	137,445	127,801	115,359	129,696	339,970	283,218	262,297	232,991	202,154
Bond Issuance Costs	-	-	-	-	116,342	-	-	-	-	-
Capital Outlay	1,120,113	2,031,529	1,973,160	2,047,732	1,724,974	4,986,263	4,984,357	978,348	405,032	4,378,678
Total Expenditures	5,639,858	7,383,881	7,259,871	7,251,807	7,761,634	11,706,125	11,734,861	7,483,560	7,021,158	10,873,368
Excess of Revenues over (under) Expenditures	(1,024,835)	(1,475,075)	(622,533)	(388,464)	(995,152)	(4,159,119)	(1,434,113)	(230,020)	857,836	(1,798,447)
Other Financing Sources (Uses)										
Issuance of Bonds	163,625	-	604,521	405,755	4,492,254	326,325	-	-	-	-
Discount on Bonds Issued	-	-	(11,500)	-	-	-	-	-	-	-
Sale of Capital Assets	-	-	-	1,041,426	-	-	-	-	-	-
Transfer In	960,294	1,523,601	1,063,195	1,147,553	1,496,554	1,745,905	2,654,412	1,657,913	1,511,547	2,801,359
Transfer Out	(264,516)	(800,000)	(373,004)	(266,216)	(657,132)	(743,104)	(1,792,755)	(820,501)	(587,029)	(1,863,947)
Total Other Financing Sources (Uses)	859,403	723,601	1,283,212	2,328,518	5,331,676	1,329,126	861,657	837,412	924,518	937,412
Net Change in Fund Balances	\$ (165,432)	\$ (751,474)	\$ 660,679	\$ 1,940,054	\$ 4,336,524	\$ (2,829,993)	\$ (572,456)	\$ 607,392	\$ 1,782,354	\$ (861,035)
Change in Inventory	10,496	(6,467)	(3,288)	(6,588)	18,752	14,804	(7,640)	12,642	(3,154)	(740)
Debt Service as a percentage of non- capital expenditures	7.98%	11.18%	7.00%	7.13%	8.53%	11.09%	11.59%	10.37%	11.99%	6.60%

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
2003	\$ 119,463,770	\$ 90,659,814	\$ 210,123,584	6.06	\$ 221,415,789	95%
2004	124,155,095	88,843,240	212,998,335	6.17	238,253,171	89%
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%

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

Fiscal Year		City of Vermillion			Overlapping Rates							Total Direct and Overlapping Rates
		Operating Millage	Debt Service Millage	Total City Millage	Clay County			Vermillion School District				
					Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	
2003	a	6.060	-	6.060	5.670	-	5.670	16.770	0.870	17.640	0.060	29.430
	b	6.060	-	6.060	5.670	-	5.670	10.200	0.870	11.070	0.060	22.860
2004	a	6.170	-	6.170	5.810	-	5.810	16.260	0.860	17.120	0.060	29.160
	b	6.170	-	6.170	5.810	-	5.810	10.100	0.860	10.960	0.060	23.000
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

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

Taxpayer	2012			2003		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuations	Assessed Valuation	Rank	Percentage of Total Assessed Valuations
Walmart Stores, Inc	\$ 6,704,959	1	1.80%	\$ -	-	-
Polaris Industries, Inc.	6,086,623	2	1.63%	4,353,869	1	1.97%
JH Investments	4,529,070	3	1.22%	-	-	-
Hatle Investments	2,916,232	4	0.78%	2,809,050	3	1.27%
MarketPlace Vermillion LLC	2,317,365	5	0.62%	-	-	-
TMBL LLC	1,933,622	6	0.52%	-	-	-
Kirk Hogen	1,968,335	7	0.53%	1,567,650	6	0.71%
East River Properties LLC	1,861,697	8	0.50%	-	-	-
Donner Family Limited Partners	1,908,220	9	0.51%	-	-	-
525 W Cherry St Vermillion SD	1,857,700	10	0.50%	1,169,910	8	0.53%
Laurence and Beth Brady	-	-	-	2,877,150	2	1.30%
Qwest	-	-	-	2,519,487	4	1.14%
Slowey, Steven C	-	-	-	1,641,200	5	0.74%
505 W Main Limited Partnership	-	-	-	1,296,545	7	0.59%
Gregg Peters	-	-	-	1,150,730	9	0.52%
David C. DeRouchey Trustee	-	-	-	1,081,055	10	0.49%
Total Principal Taxpayers	32,083,823		8.61%	20,466,646		9.24%
All Other Taxpayers	340,550,444		91.39%	200,949,143		90.76%
Total Assessed Valuation	<u>\$ 372,634,267</u>		<u>100%</u>	<u>\$ 221,415,789</u>		<u>100%</u>

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	Delinquent Tax Collections	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Outstand. Delinquent Taxes	Percentage of Delinq. Taxes to Tax Levy
2003	\$ 1,144,247	\$ 1,132,537	98.98%	\$ 6,742	\$ 1,139,279	99.57%	\$ 39,349	3.44%
2004	1,180,072	1,173,370	99.43%	1,027	1,174,397	99.52%	35,245	2.99%
2005	1,234,902	1,223,476	99.07%	1,987	1,225,463	99.24%	40,773	3.30%
2006	1,285,714	1,267,410	98.58%	8,006	1,275,416	99.20%	49,807	3.87%
2007	1,376,499	1,358,759	98.71%	7,299	1,366,058	99.24%	27,206	1.98%
2008	1,436,746	1,412,780	98.33%	5,903	1,418,683	98.74%	37,427	2.60%
2009	1,548,344	1,521,174	98.25%	4,680	1,525,854	98.55%	43,787	2.83%
2010	1,607,062	1,583,404	98.53%	15,696	1,599,100	99.50%	37,600	2.34%
2011	1,650,542	1,629,803	98.74%	4,646	1,634,449	99.02%	38,794	2.35%
2012	\$ 1,718,031	\$ 1,690,684	98.41%	\$ -	\$ 1,690,684	98.41%	\$ 58,470	3.40%

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
2003	\$ 349,647	\$ 122,554	35.05%	\$ 227,093
2004	393,282	80,530	20.48%	359,029
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

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			
2003	\$ 2,077,580	\$ 163,625	\$ -	\$ 6,161,810	\$ 131,297	\$ 203,316	\$ 8,737,628	3.39%	868
2004	1,676,954	122,719	-	6,133,044	99,924	284,290	8,316,931	2.95%	834
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%	2,447
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	n/a	n/a

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, 2012

Jurisdiction	Net General Obligation Debt Outstanding	Percentage Applicable To This Governmental Unit ¹	City's Share of Debt
School District	\$ 1,680,000	61.62%	\$ 1,035,203
City of Vermillion direct debt			<u>22,996,009</u>
Total Direct and Overlapping Debt			<u>\$ 24,031,212</u>

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 businesses 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 determining 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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 11,070,789	\$ 12,085,741	\$ 12,314,841	\$ 13,012,361	\$ 15,090,303	\$ 16,161,529	\$ 15,917,253	\$ 17,509,630	\$ 18,657,474	\$ 18,631,713
Total, net debt applicable to limit	6,650,775	7,193,530	8,316,034	9,556,972	8,825,606	8,125,471	7,236,640	6,979,204	5,868,649	4,551,292
Legal Debt Margin	\$ 4,420,014	\$ 4,892,211	\$ 3,998,807	\$ 3,455,389	\$ 6,264,697	\$ 8,036,058	\$ 8,680,613	\$ 10,530,426	\$ 12,788,825	\$ 14,080,421
Total net debt applicable to limit as a percentage of debt limit	60.07%	59.52%	67.53%	73.45%	58.49%	50.28%	45.46%	39.86%	31.45%	24.43%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2012

Total 2012 Taxable Value	\$ 316,739,127
Assessed Value	<u>372,634,267</u>
Debt Limit - 5% of Assessed Value	18,631,713
AMOUNT OF DEBT APPLICABLE TO LIMIT	
Total Bonded Debt and Long-Term Notes Payable	5,467,140
Less: amount set aside for repayment of debt	
TIF Revenue Bonds	(903,951)
Joint Powers Revenue Bonds	(10,305)
Wastewater Revenue Bonds	<u>(1,592)</u>
	(915,848)
DEBT APPLICABLE TO DEBT LIMIT	4,551,292
LEGAL DEBT MARGIN	<u>\$ 14,080,421</u>

Table 14

CITY OF VERMILLION
REVENUE BOND COVERAGE
ELECTRIC ENTERPRISE
LAST TEN FISCAL YEARS¹

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
2003	\$ 3,294,679	\$ 2,252,931	\$ 262,589	\$ 1,304,337	\$ 70,000	\$ 22,034	\$ 92,034	14.17	\$ 1,566,926	17.03
2004	3,540,836	2,500,095	266,257	1,306,998	75,000	18,735	93,735	13.94	1,573,255	16.78
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

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 YEARS¹

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
2003	\$ 1,016,664	\$ 838,573	\$ 94,720	\$ 272,811	\$ 26,630	\$ 36,508	\$ 63,138	4.32	\$ 367,531	5.82
2004	1,052,652	953,217	110,643	210,078	63,489	91,486	154,975	1.36	320,721	2.07
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	143,379	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

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 YEARS¹

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
2003	\$ 806,120	\$ 948,583	\$ 231,064	\$ 88,601	\$ 6,204	\$ 2,149	8,353	10.61	\$ 319,665	38.27
2004	898,561	996,396	232,964	135,129	8,771	13,362	22,133	6.11	368,093	16.63
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

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
GOLF COURSE ENTERPRISE
LAST TEN FISCAL YEARS¹

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
2003	\$ 1,019,718	\$ 704,022	\$ 62,600	\$ 378,296	\$ 170,000	\$ 269,626	\$ 439,626	0.86	\$ 440,896	1.00
2004	1,141,205	735,976	61,873	467,102	4,155,000	177,981	4,332,981	0.11	528,975	0.12
2005	1,361,620	939,204	64,933	487,349	25,000	169,046	194,046	2.51	552,282	2.85
2006	1,075,012	877,881	67,434	264,565	360,000	171,876	531,876	0.50	331,999	0.62
2007	1,108,569	747,385	63,868	425,052	395,000	156,143	551,143	0.77	488,920	0.89
2008	1,102,842	761,423	63,065	404,484	405,000	136,699	541,699	0.75	467,549	0.86
2009	1,163,153	759,146	49,779	453,786	430,000	82,496	512,496	0.89	503,565	0.98
2010	1,141,943	743,668	62,441	460,716	430,000	92,280	522,280	0.88	523,157	1.00
2011	1,185,441	777,221	59,544	467,764	430,000	66,754	496,754	0.94	527,308	1.06
2012	\$ 1,210,561	\$ 802,336	\$ 52,585	\$ 460,810	\$ 445,000	\$ 23,050	\$ 468,050	0.98	\$ 513,395	1.10

¹ GAAP Basis

Table 18

CITY OF VERMILLION
PRINCIPAL EMPLOYERS
DECEMBER 31, 2012

Employer	2012		Percentage of Total City Employees
	# of Employees	Rank	
University of South Dakota	1,112	1	18.90%
Sanford Vermillion Medical Center	250	2	4.25%
Walmart	220	3	3.74%
Vermillion Public Schools	170	4	2.89%
Hy Vee Food Stores	166	5	2.82%
SESDAC	146	6	2.48%
Polaris Industries	130	7	2.21%
Masaba Mining Equipment	115	8	1.95%
City of Vermillion	110	9	1.87%
Total Principal Employers	2,419		41.10%
Other Employers	3,466		58.90%
Total Employers	5,885		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
2003	10,070	257,489,900	25,570	n/a	24.9	1,298	7,917	3.10%
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	10,571	423,347,408	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	10,571	\$ n/a	\$ n/a	n/a	n/a	1,256	10,284	4.00%

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 1

CITY OF VERMILLION
GOVERNMENT-WIDE NET POSITION BY COMPONENT¹
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Net Investment in Capital Assets	\$ 11,867,339	\$ 13,818,734	\$ 15,224,263	\$ 16,197,173	\$ 16,775,209	\$ 17,468,499	\$ 22,167,991	\$ 23,357,651	\$ 23,217,945	\$ 26,379,227
Restricted for:										
BBB	89,623	47,533	24,759	36,499	129,654	154,418	125,799	144,278	175,308	180,503
Capital Projects	-	-	-	-	3,531,936	-	-	-	-	-
Debt Service	866,967	694,016	711,658	1,056,138	1,376,496	1,679,918	1,600,924	940,546	595,352	899,886
Additional 1% Sales Tax	1,125,180	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	106,132	21,397
Stormwater	47,261	127,235	84,162	180,487	272,825	249,860	366,220	490,302	659,022	823,145
Cumulative Reserve	-	-	-	-	158,060	158,060	158,060	158,060	158,060	158,060
Unrestricted	955,153	1,352,583	2,129,784	4,072,094	992,869	5,136,891	4,116,964	4,255,996	5,796,886	4,587,553
Total Governmental Activities										
Net Position	\$ <u>14,951,523</u>	\$ <u>16,040,101</u>	\$ <u>18,174,626</u>	\$ <u>21,542,391</u>	\$ <u>23,237,049</u>	\$ <u>24,847,646</u>	\$ <u>28,535,958</u>	\$ <u>29,346,833</u>	\$ <u>30,708,705</u>	\$ <u>33,049,771</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 12,679,381	\$ 13,144,108	\$ 15,108,493	\$ 16,738,269	\$ 17,189,168	\$ 17,817,417	\$ 19,705,309	\$ 20,882,426	\$ 21,411,403	\$ 22,036,403
Restricted for:										
Debt Service	995,783	419,593	779,022	810,174	838,309	834,790	1,444,260	1,521,831	1,544,613	1,515,809
Landfill Closure Postclosure	158,984	178,829	214,281	224,505	230,238	214,880	210,879	207,915	196,362	186,161
Unrestricted	4,620,319	5,258,568	5,284,511	5,681,029	7,053,543	7,996,485	8,006,051	8,808,530	9,615,384	10,929,279
Total Business-Type Activities										
Net Position	\$ <u>18,454,467</u>	\$ <u>19,001,098</u>	\$ <u>21,386,307</u>	\$ <u>23,453,977</u>	\$ <u>25,311,258</u>	\$ <u>26,863,572</u>	\$ <u>29,366,499</u>	\$ <u>31,420,702</u>	\$ <u>32,767,762</u>	\$ <u>34,667,652</u>
Primary Government										
Net Investment in Capital Assets	\$ 24,546,720	\$ 26,962,842	\$ 30,332,756	\$ 32,935,442	\$ 33,964,377	\$ 35,285,916	\$ 41,873,300	\$ 44,240,077	\$ 44,629,348	\$ 48,415,630
Restricted for:										
BBB	89,623	47,533	24,759	36,499	129,654	154,418	125,799	144,278	175,308	180,503
Capital Projects	-	-	-	-	3,531,936	-	-	-	-	-
Debt Service	1,862,750	1,113,609	1,490,680	1,866,312	2,214,805	2,514,708	3,045,184	2,462,377	2,139,965	2,415,695
Additional 1% Sales Tax	1,125,180	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	106,132	21,397
Stormwater	47,261	127,235	84,162	180,487	272,825	249,860	366,220	490,302	659,022	823,145
Landfill Closure Postclosure	158,984	178,829	214,281	224,505	230,238	214,880	210,879	207,915	196,362	186,161
Cumulative Reserve	-	-	-	-	158,060	158,060	158,060	158,060	158,060	158,060
Unrestricted	5,575,472	6,611,151	7,414,295	9,753,123	8,046,412	13,133,376	12,123,015	13,064,526	15,412,270	15,516,832
Total Primary Government										
Net Position	\$ <u>33,405,990</u>	\$ <u>35,041,199</u>	\$ <u>39,560,933</u>	\$ <u>44,996,368</u>	\$ <u>48,548,307</u>	\$ <u>51,711,218</u>	\$ <u>57,902,457</u>	\$ <u>60,767,535</u>	\$ <u>63,476,467</u>	\$ <u>67,717,423</u>

¹Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net assets are 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.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government	\$ 906,806	\$ 928,314	\$ 978,770	\$ 1,004,096	\$ 1,038,217	\$ 1,097,670	\$ 1,185,168	\$ 1,336,341	\$ 1,324,803	\$ 1,325,411
Public Safety	1,495,636	1,582,090	1,604,653	1,661,678	1,748,482	1,923,413	2,026,733	2,118,547	2,028,921	2,211,445
Public Works	962,223	999,893	1,205,512	1,237,318	1,353,987	1,602,031	1,561,217	1,656,337	1,714,248	1,630,835
Health & Welfare	331,500	338,169	343,780	365,189	374,133	402,620	415,740	412,409	424,263	443,581
Culture & Recreation	869,835	929,704	977,583	978,573	1,006,229	1,171,859	1,203,636	1,177,757	1,161,245	1,146,227
Conservation & Development	219,607	680,161	546,219	254,220	786,823	732,787	708,482	368,202	397,229	498,825
Interest on Long-term debt	140,517	142,663	91,455	134,858	181,374	298,297	301,118	272,722	241,902	202,154
Total Governmental Activities Expenses	<u>4,926,124</u>	<u>5,600,994</u>	<u>5,747,972</u>	<u>5,635,932</u>	<u>6,489,245</u>	<u>7,228,677</u>	<u>7,402,094</u>	<u>7,342,315</u>	<u>7,292,611</u>	<u>7,458,478</u>
Business-Type Activities:										
Electric	2,280,813	2,526,674	2,825,935	2,982,411	3,405,570	3,539,287	4,025,288	4,661,735	4,995,547	5,051,041
Water	876,409	1,015,709	1,010,703	1,057,672	1,171,661	1,264,548	1,336,150	1,342,632	1,389,184	1,435,808
Wastewater	953,118	1,010,170	1,069,647	1,049,072	1,305,808	1,284,315	1,336,169	1,345,153	1,605,314	1,694,154
Liquor	628,154	671,465	755,798	818,302	917,741	1,003,575	1,000,796	1,017,680	1,018,600	1,043,401
Golf	975,027	914,987	1,109,776	1,047,729	902,370	897,527	840,409	834,736	841,741	838,399
Joint Powers Landfill	737,505	743,960	792,584	839,151	927,407	1,220,527	1,022,888	1,288,114	1,273,463	1,242,491
Curbside Recycling	-	-	-	-	-	-	33,407	98,197	93,047	99,467
Total Business-Type Activities Expenses	<u>6,451,026</u>	<u>6,882,965</u>	<u>7,564,443</u>	<u>7,794,337</u>	<u>8,630,557</u>	<u>9,209,779</u>	<u>9,595,107</u>	<u>10,588,247</u>	<u>11,216,896</u>	<u>11,404,761</u>
Total Primary Government Expenses	<u>\$ 11,377,150</u>	<u>\$ 12,483,959</u>	<u>\$ 13,312,415</u>	<u>\$ 13,430,269</u>	<u>\$ 15,119,802</u>	<u>\$ 16,438,456</u>	<u>\$ 16,997,201</u>	<u>\$ 17,930,562</u>	<u>\$ 18,509,507</u>	<u>\$ 18,863,239</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 146,269	\$ 139,638	\$ 137,785	\$ 158,477	\$ 197,706	\$ 291,204	\$ 249,372	\$ 294,330	\$ 260,385	\$ 211,495
Public Safety	29,954	35,747	37,253	35,933	32,973	43,680	43,573	44,364	258,152	262,610
Public Works	7,119	590,077	436,122	939,078	487,046	764,960	402,603	563,566	359,478	378,820
Health & Welfare	197,606	193,907	226,651	191,584	261,861	289,839	344,652	339,053	360,623	321,131
Culture & Recreation	69,909	67,386	59,349	73,217	81,003	67,716	63,524	75,145	79,117	75,728
Operating Grants & Contributions	126,756	-	307,500	-	26,697	257,213	64,553	89,026	71,739	104,314
Capital Grants & Contributions	-	1,208,768	1,791,371	1,513,499	723,410	410,251	3,677,885	223,818	944,239	1,988,284
Total Governmental Activities Program Revenues	<u>577,613</u>	<u>2,235,523</u>	<u>2,996,031</u>	<u>2,911,788</u>	<u>1,810,696</u>	<u>2,124,863</u>	<u>4,846,162</u>	<u>1,629,302</u>	<u>2,333,733</u>	<u>3,342,382</u>
Business-Type Activities:										
Charges for Services:										
Electric	3,386,418	3,595,419	4,073,646	4,282,382	4,669,319	4,900,026	5,262,358	5,884,283	6,077,336	6,187,213
Water	1,041,327	1,098,268	1,253,081	1,449,187	1,556,163	1,497,831	1,514,565	1,506,335	1,588,609	1,772,353
Wastewater	806,124	905,007	1,022,771	1,175,089	1,267,106	1,335,134	1,420,454	1,493,778	1,647,990	1,737,914
Liquor	704,118	767,567	857,975	967,937	1,094,738	1,179,545	1,165,625	1,181,977	1,185,643	1,217,013
Golf	686,104	677,061	929,292	756,419	731,073	669,459	683,709	609,291	624,007	654,510
Joint Powers Landfill	779,472	811,613	882,070	868,051	1,303,408	1,171,794	1,088,488	1,236,897	1,241,842	1,151,985
Curbside Recycling	-	-	-	-	-	-	29,941	111,838	116,759	110,249
Operating Grants & Contributions	5,101	1,065	350	429	4,100	40,625	1,972	93,886	100	100
Capital Grants & Contributions	48,453	11,608	1,270,244	683,679	19,033	279,226	1,198,705	775,438	14,473	118,970
Total Business-Type Activities Program Revenues	<u>7,457,117</u>	<u>7,867,608</u>	<u>10,289,429</u>	<u>10,183,173</u>	<u>10,644,940</u>	<u>11,073,640</u>	<u>12,365,817</u>	<u>12,893,723</u>	<u>12,496,759</u>	<u>12,950,307</u>
Total Primary Government Program Revenues	<u>\$ 8,034,730</u>	<u>\$ 10,103,131</u>	<u>\$ 13,285,460</u>	<u>\$ 13,094,961</u>	<u>\$ 12,455,636</u>	<u>\$ 13,198,503</u>	<u>\$ 17,211,979</u>	<u>\$ 14,523,025</u>	<u>\$ 14,830,492</u>	<u>\$ 16,292,689</u>
Net(Expense)/Revenue ¹										
Governmental Activities	\$ (4,348,511)	(3,365,471)	(2,751,941)	(2,724,144)	(4,678,549)	(5,103,814)	(2,555,932)	(5,713,013)	(4,958,878)	(4,116,096)
Business-Type Activities	1,006,091	984,643	2,724,986	2,388,836	2,014,383	1,863,861	2,770,710	2,305,476	1,279,863	1,545,546
Total Primary Government Net Revenues (Expenses)	<u>\$ (3,342,420)</u>	<u>\$ (2,380,828)</u>	<u>\$ (26,955)</u>	<u>\$ (335,308)</u>	<u>\$ (2,664,166)</u>	<u>\$ (3,239,953)</u>	<u>\$ 214,778</u>	<u>\$ (3,407,537)</u>	<u>\$ (3,679,015)</u>	<u>\$ (2,570,550)</u>

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues										
Governmental Activities:										
Property Taxes	\$ 1,324,306	\$ 1,415,026	\$ 1,446,240	\$ 1,459,641	\$ 1,547,450	\$ 1,620,798	\$ 1,827,924	\$ 1,872,491	\$ 1,893,823	\$ 1,979,186
Sales Taxes	1,774,819	2,091,280	2,436,466	2,636,754	3,273,209	3,513,311	3,108,356	3,422,702	3,331,784	3,407,050
Stormwater	113,209	-	-	-	-	-	-	-	-	-
Unrestricted State/County Shared Revenue	435,909	84,877	64,386	74,564	90,355	93,542	74,396	72,312	70,970	72,704
Unrestricted Investment Earnings	52,917	45,306	71,553	162,096	343,118	370,622	251,231	136,313	125,594	77,802
Miscellaneous Revenue	79,764	82,215	79,236	69,437	79,600	84,002	58,729	53,709	76,419	83,276
Special Assessments	43,091	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	60,054	11,744	87,428	803,280	35,096	9,335	11,951	28,362	72,492	11,274
Transfers	717,440	723,601	701,157	886,137	846,319	1,022,801	911,657	937,999	937,412	931,586
Total Governmental Activities	4,601,509	4,454,049	4,886,466	6,091,909	6,215,147	6,714,411	6,244,244	6,523,888	6,508,494	6,562,878
Business-Type Activities										
Property Taxes	145,335	168,175	187,035	254,823	300,773	373,187	435,805	480,052	505,713	501,007
Unrestricted Investment Earnings	108,449	90,791	137,883	267,403	345,272	295,630	164,057	145,933	249,674	227,946
Miscellaneous Revenue	26,761	26,623	36,462	42,745	43,172	42,437	44,012	60,741	60,988	61,736
Gain(Loss) on sale of capital assets	(158,037)	-	-	-	-	-	-	-	490	30,245
Insurance recovery net of fire loss	-	-	-	-	-	-	-	-	-	608,209
Transfers	(717,440)	(723,601)	(701,157)	(886,137)	(846,319)	(1,022,801)	(911,657)	(937,999)	(937,412)	(931,586)
Total Business-Type Activities	(594,932)	(438,012)	(339,777)	(321,166)	(157,102)	(311,547)	(267,783)	(251,273)	(120,547)	497,557
Total Primary Government	\$ 4,006,577	\$ 4,016,037	\$ 4,546,689	\$ 5,770,743	\$ 6,058,045	\$ 6,402,864	\$ 5,976,461	\$ 6,272,615	\$ 6,387,947	\$ 7,060,435
Change in Net Position										
Governmental Activities	\$ 252,998	\$ 1,088,578	\$ 2,134,525	\$ 3,367,765	\$ 1,536,598	\$ 1,610,597	\$ 3,688,312	\$ 810,875	\$ 1,549,616	\$ 2,446,782
Business-Type Activities	411,159	546,631	2,385,209	2,067,670	1,857,281	1,552,314	2,502,927	2,054,203	1,159,316	2,043,103
Total Primary Government	\$ 664,157	\$ 1,635,209	\$ 4,519,734	\$ 5,435,435	\$ 3,393,879	\$ 3,162,911	\$ 6,191,239	\$ 2,865,078	\$ 2,708,932	\$ 4,489,885

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.

TABLE 3

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
2003	\$ 1,324,306	\$ 876,899	\$ 735,668	\$ 162,252	\$ 63,804	\$ 20,360	\$ 3,183,289
2004	1,415,026	965,767	951,199	174,344	51,577	33,300	3,591,213
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	\$ 6,514	\$ 5,454,920

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 Insurance & Real Estate	Services	Public Adm.	Other	Total
2003	\$ 586	\$ n/a	\$ 1,592	\$ 12,238	\$ 1,242	\$ 53,737	\$ 1,170	\$ 9,032	\$ n/a	\$ 286	\$ 79,883
2004	701	233	1,298	15,117	1,823	59,105	1,285	9,731	n/a	n/a	89,293
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

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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 190,214	\$ 17,778	\$ 14,490	\$ 7,902	\$ 184,714	\$ 199,518	\$ 191,878	\$ 204,520	\$ -	\$ -
Unreserved	330,382	473,428	835,236	1,869,700	1,850,283	2,101,902	2,173,805	2,305,886	-	-
Nonspendable ²	-	-	-	-	-	-	-	-	201,366	200,626
Restricted ²	-	-	-	-	-	-	-	-	-	-
Committed ²	-	-	-	-	-	-	-	-	-	-
Assigned ²	-	-	-	-	-	-	-	-	178,135	215,396
Unassigned ²	-	-	-	-	-	-	-	-	2,331,213	2,451,984
Total General Fund	<u>520,596</u>	<u>491,206</u>	<u>849,726</u>	<u>1,877,602</u>	<u>2,034,997</u>	<u>2,301,420</u>	<u>2,365,683</u>	<u>2,510,406</u>	<u>2,710,714</u>	<u>2,868,006</u>
All Other Governmental Funds										
Reserved	1,935,799	447,415	519,171	557,164	4,496,827	995,897	1,089,107	497,633	-	-
Unreserved reported in:										
Special Revenue Fund	88,584	1,026,341	1,511,164	1,921,754	2,440,337	2,747,582	2,112,502	2,457,459	-	-
Capital Projects Fund ¹	4,095	(173,829)	(431,537)	25,470	(66,835)	45,238	(57,251)	(52,750)	-	-
Nonspendable ²	-	-	-	-	-	-	-	-	-	-
Restricted ²	-	-	-	-	-	-	-	-	1,510,490	1,646,030
Committed ²	-	-	-	-	-	-	-	-	3,098,047	2,099,534
Assigned ²	-	-	-	-	-	-	-	-	22,344	8,255
Unassigned ²	-	-	-	-	-	-	-	-	(337,391)	(479,396)
Total All Other Governmental Funds	<u>2,028,478</u>	<u>1,299,927</u>	<u>1,598,798</u>	<u>2,504,388</u>	<u>6,870,329</u>	<u>3,788,717</u>	<u>3,144,358</u>	<u>2,902,342</u>	<u>4,293,490</u>	<u>3,274,423</u>
Total Governmental Funds										
Reserved	2,126,013	465,193	533,661	565,066	4,681,541	1,195,415	1,280,985	702,153	-	-
Unreserved, reported in:										
General Fund	330,382	473,428	835,236	1,869,700	1,850,283	2,101,902	2,173,805	2,305,886	-	-
Special Revenue Funds	88,584	1,026,341	1,511,164	1,921,754	2,440,337	2,747,582	2,112,502	2,457,459	-	-
Capital Projects Funds	4,095	(173,829)	(431,537)	25,470	(66,835)	45,238	(57,251)	(52,750)	-	-
Nonspendable ²	-	-	-	-	-	-	-	-	201,366	200,626
Restricted ²	-	-	-	-	-	-	-	-	1,510,490	1,646,030
Committed ²	-	-	-	-	-	-	-	-	3,098,047	2,099,534
Assigned ²	-	-	-	-	-	-	-	-	200,479	223,651
Unassigned ²	-	-	-	-	-	-	-	-	1,993,822	1,972,588
Total Governmental Funds	<u>\$ 2,549,074</u>	<u>\$ 1,791,133</u>	<u>\$ 2,448,524</u>	<u>\$ 4,381,990</u>	<u>\$ 8,905,326</u>	<u>\$ 6,090,137</u>	<u>\$ 5,510,041</u>	<u>\$ 5,412,748</u>	<u>\$ 7,004,204</u>	<u>\$ 6,142,429</u>

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 implemented 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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 3,267,651	\$ 3,544,796	\$ 3,943,805	\$ 4,162,763	\$ 4,734,679	\$ 5,198,227	\$ 4,988,765	\$ 5,368,562	\$ 5,326,435	\$ 5,498,306
Licenses & Permits	171,670	174,515	187,226	169,888	191,586	201,064	215,277	219,374	220,361	230,068
Intergovernmental Revenue	617,415	1,639,453	1,755,996	1,833,413	956,276	965,288	4,138,907	743,632	586,907	2,429,826
Charges for Goods & Services	243,699	236,981	260,005	260,440	358,960	455,395	454,080	495,782	486,226	380,372
Fines & Forfeits	41,809	31,734	31,370	32,263	28,904	40,033	41,480	41,336	38,715	35,544
Public Payments for Improvements	-	53,724	14,775	106,246	639	173,240	-	14,999	59,949	10,408
Investment Earnings	58,721	28,674	44,585	58,241	210,947	274,834	202,694	89,130	88,262	57,589
Rentals	13,174	14,958	11,520	30,919	24,742	14,080	12,670	15,891	18,112	15,207
Special Assessments	147,318	95,012	73,789	113,314	167,061	141,726	168,406	196,310	153,294	157,952
Contributions & Donations	6,982	14,802	16,226	48,189	4,494	3,238	20,275	15,170	840,927	213,255
Miscellaneous	46,584	74,157	298,041	47,667	88,194	79,881	58,194	53,354	59,806	46,394
Total Revenues	4,615,023	5,908,806	6,637,338	6,863,343	6,766,482	7,547,006	10,300,748	7,253,540	7,878,994	9,074,921
Expenditures										
General Government	878,645	903,168	943,019	1,083,423	1,008,509	1,066,024	1,074,365	1,129,960	1,143,773	1,131,980
Public Safety	1,413,092	1,444,275	1,491,879	1,565,366	1,642,693	1,809,125	1,910,230	2,001,762	1,927,998	2,095,628
Public Works	589,463	603,471	736,852	700,058	797,688	1,006,391	857,217	908,703	942,093	889,157
Health and Welfare	320,762	325,725	326,857	349,458	361,284	392,330	399,563	403,645	404,509	418,653
Culture-Recreation	764,315	816,575	855,042	864,365	883,955	968,093	1,018,139	1,018,487	1,007,533	1,031,723
Conservation and Development	219,607	721,067	587,125	295,126	827,730	732,787	708,482	368,202	397,229	498,825
Debt Service										
Principal ¹	201,693	400,626	218,136	230,920	268,763	405,142	499,290	412,156	560,000	226,570
Interest	132,168	137,445	127,801	115,359	129,696	339,970	283,218	262,297	232,991	202,154
Bond Issuance Costs	-	-	-	-	116,342	-	-	-	-	-
Capital Outlay	1,120,113	2,031,529	1,973,160	2,047,732	1,724,974	4,986,263	4,984,357	978,348	405,032	4,378,678
Total Expenditures	5,639,858	7,383,881	7,259,871	7,251,807	7,761,634	11,706,125	11,734,861	7,483,560	7,021,158	10,873,368
Excess of Revenues over (under) Expenditures	(1,024,835)	(1,475,075)	(622,533)	(388,464)	(995,152)	(4,159,119)	(1,434,113)	(230,020)	857,836	(1,798,447)
Other Financing Sources (Uses)										
Issuance of Bonds	163,625	-	604,521	405,755	4,492,254	326,325	-	-	-	-
Discount on Bonds Issued	-	-	(11,500)	-	-	-	-	-	-	-
Sale of Capital Assets	-	-	-	1,041,426	-	-	-	-	-	-
Transfer In	960,294	1,523,601	1,063,195	1,147,553	1,496,554	1,745,905	2,654,412	1,657,913	1,511,547	2,801,359
Transfer Out	(264,516)	(800,000)	(373,004)	(266,216)	(657,132)	(743,104)	(1,792,755)	(820,501)	(587,029)	(1,863,947)
Total Other Financing Sources (Uses)	859,403	723,601	1,283,212	2,328,518	5,331,676	1,329,126	861,657	837,412	924,518	937,412
Net Change in Fund Balances	\$ (165,432)	\$ (751,474)	\$ 660,679	\$ 1,940,054	\$ 4,336,524	\$ (2,829,993)	\$ (572,456)	\$ 607,392	\$ 1,782,354	\$ (861,035)
Change in Inventory	10,496	(6,467)	(3,288)	(6,588)	18,752	14,804	(7,640)	12,642	(3,154)	(740)
Debt Service as a percentage of non- capital expenditures	7.98%	11.18%	7.00%	7.13%	8.53%	11.09%	11.59%	10.37%	11.99%	6.60%

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
2003	\$ 119,463,770	\$ 90,659,814	\$ 210,123,584	6.06	\$ 221,415,789	95%
2004	124,155,095	88,843,240	212,998,335	6.17	238,253,171	89%
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%

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

Fiscal Year		City of Vermillion			Overlapping Rates							Total Direct and Overlapping Rates
		Operating Millage	Debt Service Millage	Total City Millage	Clay County			Vermillion School District			Special Districts	
					Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		
2003	a	6.060	-	6.060	5.670	-	5.670	16.770	0.870	17.640	0.060	29.430
	b	6.060	-	6.060	5.670	-	5.670	10.200	0.870	11.070	0.060	22.860
2004	a	6.170	-	6.170	5.810	-	5.810	16.260	0.860	17.120	0.060	29.160
	b	6.170	-	6.170	5.810	-	5.810	10.100	0.860	10.960	0.060	23.000
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

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

Taxpayer	2012			2003		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuations	Assessed Valuation	Rank	Percentage of Total Assessed Valuations
Walmart Stores, Inc	\$ 6,704,959	1	1.80%	\$ -	-	-
Polaris Industries, Inc.	6,086,623	2	1.63%	4,353,869	1	1.97%
JH Investments	4,529,070	3	1.22%	-	-	-
Hatle Investments	2,916,232	4	0.78%	2,809,050	3	1.27%
MarketPlace Vermillion LLC	2,317,365	5	0.62%	-	-	-
TMBL LLC	1,933,622	6	0.52%	-	-	-
Kirk Hogen	1,968,335	7	0.53%	1,567,650	6	0.71%
East River Properties LLC	1,861,697	8	0.50%	-	-	-
Donner Family Limited Partners	1,908,220	9	0.51%	-	-	-
525 W Cherry St Vermillion SD	1,857,700	10	0.50%	1,169,910	8	0.53%
Laurence and Beth Brady	-	-	-	2,877,150	2	1.30%
Qwest	-	-	-	2,519,487	4	1.14%
Slowey, Steven C	-	-	-	1,641,200	5	0.74%
505 W Main Limited Partnership	-	-	-	1,296,545	7	0.59%
Gregg Peters	-	-	-	1,150,730	9	0.52%
David C. DeRouchey Trustee	-	-	-	1,081,055	10	0.49%
Total Principal Taxpayers	32,083,823		8.61%	20,466,646		9.24%
All Other Taxpayers	340,550,444		91.39%	200,949,143		90.76%
Total Assessed Valuation	<u>\$ 372,634,267</u>		<u>100%</u>	<u>\$ 221,415,789</u>		<u>100%</u>

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	Delinquent Tax Collections	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Outstand. Delinquent Taxes	Percentage of Delinq. Taxes to Tax Levy
2003	\$ 1,144,247	\$ 1,132,537	98.98%	\$ 6,742	\$ 1,139,279	99.57%	\$ 39,349	3.44%
2004	1,180,072	1,173,370	99.43%	1,027	1,174,397	99.52%	35,245	2.99%
2005	1,234,902	1,223,476	99.07%	1,987	1,225,463	99.24%	40,773	3.30%
2006	1,285,714	1,267,410	98.58%	8,006	1,275,416	99.20%	49,807	3.87%
2007	1,376,499	1,358,759	98.71%	7,299	1,366,058	99.24%	27,206	1.98%
2008	1,436,746	1,412,780	98.33%	5,903	1,418,683	98.74%	37,427	2.60%
2009	1,548,344	1,521,174	98.25%	4,680	1,525,854	98.55%	43,787	2.83%
2010	1,607,062	1,583,404	98.53%	15,696	1,599,100	99.50%	37,600	2.34%
2011	1,650,542	1,629,803	98.74%	4,646	1,634,449	99.02%	38,794	2.35%
2012	\$ 1,718,031	\$ 1,690,684	98.41%	\$ -	\$ 1,690,684	98.41%	\$ 58,470	3.40%

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
2003	\$ 349,647	\$ 122,554	35.05%	\$ 227,093
2004	393,282	80,530	20.48%	359,029
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

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			
2003	\$ 2,077,580	\$ 163,625	\$ -	\$ 6,161,810	\$ 131,297	\$ 203,316	\$ 8,737,628	3.39%	868
2004	1,676,954	122,719	-	6,133,044	99,924	284,290	8,316,931	2.95%	834
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%	2,447
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	n/a	n/a

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, 2012

Jurisdiction	Net General Obligation Debt Outstanding	Percentage Applicable To This Governmental Unit ¹	City's Share of Debt
School District	\$ 1,680,000	61.62%	\$ 1,035,203
City of Vermillion direct debt			<u>22,996,009</u>
Total Direct and Overlapping Debt			<u>\$ 24,031,212</u>

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 businesses 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 determining 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.

CITY OF VERMILLION
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 11,070,789	\$ 12,085,741	\$ 12,314,841	\$ 13,012,361	\$ 15,090,303	\$ 16,161,529	\$ 15,917,253	\$ 17,509,630	\$ 18,657,474	\$ 18,631,713
Total, net debt applicable to limit	6,650,775	7,193,530	8,316,034	9,556,972	8,825,606	8,125,471	7,236,640	6,979,204	5,868,649	4,551,292
Legal Debt Margin	\$ 4,420,014	\$ 4,892,211	\$ 3,998,807	\$ 3,455,389	\$ 6,264,697	\$ 8,036,058	\$ 8,680,613	\$ 10,530,426	\$ 12,788,825	\$ 14,080,421
Total net debt applicable to limit as a percentage of debt limit	60.07%	59.52%	67.53%	73.45%	58.49%	50.28%	45.46%	39.86%	31.45%	24.43%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2012

Total 2012 Taxable Value	\$ 316,739,127
Assessed Value	<u>372,634,267</u>
Debt Limit - 5% of Assessed Value	18,631,713
AMOUNT OF DEBT APPLICABLE TO LIMIT	
Total Bonded Debt and Long-Term Notes Payable	5,467,140
Less: amount set aside for repayment of debt	
TIF Revenue Bonds	(903,951)
Joint Powers Revenue Bonds	(10,305)
Wastewater Revenue Bonds	<u>(1,592)</u>
	(915,848)
DEBT APPLICABLE TO DEBT LIMIT	4,551,292
LEGAL DEBT MARGIN	<u>\$ 14,080,421</u>

Table 14

CITY OF VERMILLION
REVENUE BOND COVERAGE
ELECTRIC ENTERPRISE
LAST TEN FISCAL YEARS¹

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
2003	\$ 3,294,679	\$ 2,252,931	\$ 262,589	\$ 1,304,337	\$ 70,000	\$ 22,034	\$ 92,034	14.17	\$ 1,566,926	17.03
2004	3,540,836	2,500,095	266,257	1,306,998	75,000	18,735	93,735	13.94	1,573,255	16.78
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

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 YEARS¹

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
2003	\$ 1,016,664	\$ 838,573	\$ 94,720	\$ 272,811	\$ 26,630	\$ 36,508	\$ 63,138	4.32	\$ 367,531	5.82
2004	1,052,652	953,217	110,643	210,078	63,489	91,486	154,975	1.36	320,721	2.07
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

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 YEARS¹

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
2003	\$ 806,120	\$ 948,583	\$ 231,064	\$ 88,601	\$ 6,204	\$ 2,149	\$ 8,353	10.61	\$ 319,665	38.27
2004	898,561	996,396	232,964	135,129	8,771	13,362	22,133	6.11	368,093	16.63
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

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
GOLF COURSE ENTERPRISE
LAST TEN FISCAL YEARS¹

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
2003	\$ 1,019,718	\$ 704,022	\$ 62,600	\$ 378,296	\$ 170,000	\$ 269,626	\$ 439,626	0.86	\$ 440,896	1.00
2004	1,141,205	735,976	61,873	467,102	4,155,000	177,981	4,332,981	0.11	528,975	0.12
2005	1,361,620	939,204	64,933	487,349	25,000	169,046	194,046	2.51	552,282	2.85
2006	1,075,012	877,881	67,434	264,565	360,000	171,876	531,876	0.50	331,999	0.62
2007	1,108,569	747,385	63,868	425,052	395,000	156,143	551,143	0.77	488,920	0.89
2008	1,102,842	761,423	63,065	404,484	405,000	136,699	541,699	0.75	467,549	0.86
2009	1,163,153	759,146	49,779	453,786	430,000	82,496	512,496	0.89	503,565	0.98
2010	1,141,943	743,668	62,441	460,716	430,000	92,280	522,280	0.88	523,157	1.00
2011	1,185,441	777,221	59,544	467,764	430,000	66,754	496,754	0.94	527,308	1.06
2012	\$ 1,210,561	\$ 802,336	\$ 52,585	\$ 460,810	\$ 445,000	\$ 23,050	\$ 468,050	0.98	\$ 513,395	1.10

¹ GAAP Basis

Table 18

CITY OF VERMILLION
PRINCIPAL EMPLOYERS
DECEMBER 31, 2012

Employer	2012		Percentage of Total City Employees
	# of Employees	Rank	
University of South Dakota	1,112	1	18.90%
Sanford Vermillion Medical Center	250	2	4.25%
Walmart	220	3	3.74%
Vermillion Public Schools	170	4	2.89%
Hy Vee Food Stores	166	5	2.82%
SESDAC	146	6	2.48%
Polaris Industries	130	7	2.21%
Masaba Mining Equipment	115	8	1.95%
City of Vermillion	110	9	1.87%
Total Principal Employers	2,419		41.10%
Other Employers	3,466		58.90%
Total Employers	5,885		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
2003	10,070	257,489,900	25,570	n/a	24.9	1,298	7,917	3.10%
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	10,571	423,347,408	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	10,571	\$ n/a	\$ n/a	n/a	n/a	1,256	10,284	4.00%

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General										
Executive	3.59	2.99	2.99	2.82	3.71	3.07	3.63	3.88	3.31	3.01
Finance	5.92	6.30	5.96	6.00	6.02	6.00	6.02	5.94	6.00	6.00
Engineering	4.96	4.75	4.70	4.83	4.64	4.87	4.22	4.71	4.73	4.38
Service Center	2.01	2.24	2.52	2.55	2.57	2.46	2.54	2.56	2.53	2.24
Public Safety										
Police Administration	5.87	6.02	5.45	5.53	5.71	5.10	5.10	5.67	5.26	4.98
Police Patrol	15.82	15.50	14.50	13.92	13.77	15.04	15.57	16.44	15.77	17.40
Communications	7.47	7.56	7.88	7.22	8.83	7.44	7.43	8.01	8.33	8.39
Fire	1.00	1.01	1.00	1.00	1.00	1.01	1.00	1.00	1.00	0.46
Public Works										
Street Department	6.65	6.66	6.45	5.51	5.72	5.94	6.71	6.69	6.48	5.89
Carpentry	1.06	1.06	1.05	1.04	1.07	1.08	1.04	1.05	1.04	1.05
Health & Welfare										
Code Compliance	3.17	3.03	3.00	3.04	3.01	3.02	3.01	2.91	3.25	2.73
Ambulance	3.91	3.72	3.85	4.04	4.13	4.57	3.02	3.06	3.44	3.14
Culture-Recreation										
Pool	4.66	5.37	4.99	4.81	4.61	4.43	5.06	4.65	4.83	4.07
Recreation	4.21	4.03	4.41	3.79	4.27	4.22	4.53	4.01	4.25	3.83
Libraries	8.76	8.36	8.23	8.10	8.08	8.24	8.56	8.84	8.56	8.01
Parks	3.64	3.83	3.89	4.76	4.00	4.56	4.43	4.49	4.30	4.17
Electric	11.49	11.82	11.91	11.27	10.87	10.67	11.15	10.85	10.91	10.61
Water	8.72	9.03	8.62	8.36	8.64	8.48	8.56	8.70	8.35	8.58
Wastewater	7.28	7.46	7.14	7.01	7.67	7.41	7.15	6.98	6.95	6.78
Golf	9.77	10.29	9.74	9.42	9.13	9.71	9.65	9.85	9.32	9.33
Joint Powers	9.06	9.06	9.08	9.20	9.10	9.70	9.95	9.95	9.76	10.00
Curbside Recycling	-	-	-	-	-	-	0.72	1.96	1.95	2.00
Internal Service										
Custodial	0.98	1.72	1.66	1.73	1.81	1.82	2.01	2.16	2.14	2.14
	<u>129.99</u>	<u>131.80</u>	<u>129.00</u>	<u>125.96</u>	<u>128.38</u>	<u>128.84</u>	<u>131.05</u>	<u>134.36</u>	<u>132.46</u>	<u>129.19</u>

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Non Traffic Violations	965	1,026	701	735	905	821	821	747	561	493
Traffic Violations	570	705	599	603	762	936	906	1,219	660	709
Parking Violations	2,801	2,172	2,323	2,341	2,297	2,576	1,839	1,865	1,399	1,275
Fire										
Structure Fires	19	16	13	14	13	12	12	12	14	22
Other Fires & Incidents Calls	81	87	106	79	79	116	104	102	92	123
Ambulance										
Total Calls	553	526	541	518	574	702	771	740	727	795
Total Stand-By	41	42	43	37	28	38	44	45	52	68
Code Compliance										
Rental Housing Inspections	780	456	764	600	912	1,184	970	1,105	1,086	959
Building Permits-Single Family	16	30	36	36	37	30	11	10	9	15
Building Permits-Multiple Family	-	8	6	7	7	9	1	7	4	2
Building Permits-Commercial	3	8	6	6	8	12	13	6	3	3
Value of New Construction	\$ 3,486,180	\$ 6,783,326	\$ 14,331,000	\$ 8,212,480	\$ 19,544,721	\$ 9,839,155	\$ 2,983,296	\$ 4,502,352	\$ 5,786,357	\$ 3,771,388
Municipal Garage										
Service Jobs	282	258	266	260	239	273	243	248	241	234
Repairs	386	349	367	374	369	288	353	376	368	294
Library										
Circulation	98,752	89,875	79,813	78,652	78,196	78,711	77,979	79,168	78,344	75,236
Number of Card Holders	7,910	7,784	7,239	7,772	8,137	7,319	7,634	7,158	4,763	5,357
Swimming Pool										
Swim Lesson Participation	445	442	408	351	389	392	402	427	406	325
Open Swim Hours	38,772	36,770	21,000	18700	18,700	19,125	13,090	12,320	12,320	13,200
Parks & Recreation										
Fall/Winter Participants	4,620	6,714	4,571	4,588	4,204	4,041	3,657	3,009	2,799	2,144
Summer Participants	2,754	2,000	1,947	2,352	1,936	1,889	2,048	2,130	2,034	1,950
Electric										
Total Number Meters	4,166	4,155	4,218	4,277	4,357	4,374	4,414	4,431	4,447	4,474
Total Metered Kilowatts	54,634,466	54,351,153	59,015,023	61,249,026	64,250,866	63,777,094	62,286,446	65,537,825	67,118,551	67,571,917
Summer Peak Demand Kilowatts	13,964	13,995	14,533	16,132	15,424	14,746	14,620	15,619	16,720	17,051
Winter Peak Demand Kilowatts	8,217	9,187	11,587	10,850	11,294	11,496	11,059	11,148	11,240	10,836
Water										
Number of Connections	2,590	2,603	2,669	2,709	2,746	2,847	2,826	2,856	2,875	2,944
Average Daily Consumption	1,115,912	1,091,298	1,061,452	1,102,896	1,199,674	1,070,737	1,017,595	921,929	958,603	1,130,197
Daily Peak Demand	2,212,000	2,317,000	2,102,000	2,231,000	2,549,000	2,387,000	1,647,000	1,385,000	1,864,000	2,249,000
Wastewater										
Number of Connections	2,522	2,559	2,607	2,612	2,683	2,759	2,761	2,763	2,809	2,862
Average Daily Flow	990,000	1,095,000	1,232,000	1,102,000	1,109,000	1,025,000	1,033,000	1,248,000	1,374,000	831,000
Daily Peak Demand	n/a	1,915,000	2,918,000	2,133,000	1,859,000	1,787,000	1,730,000	3,517,000	2,835,000	1,134,000
Joint Powers										
Tonnage in Landfill Trenches	25,979	26,245	25,677	28,912	32,090	36,382	35,420	36,488	34,813	34,187
Tonnage Recycled	927	1,039	934	972	1,163	1,211	1,805	1,085	1,086	1,077
Curbside Recycling										
Tonnage Collected	-	-	-	-	-	-	-	-	136	144
Bluff's Golf Course										
Rounds of Golf	23,476	22,756	22,465	21,188	23,376	21,443	23,012	21,476	20,703	22,799
Liquor Store										
Gross Sales	704,118	767,567	857,976	967,937	1,094,738	1,179,546	1,165,625	1,181,977	1,185,643	1,217,013
Gross Profit %	25.94%	28.63%	27.04%	33.53%	33.37%	31.25%	30.93%	31.17%	30.97%	31.06%
Street Department										
Tons of Sand for Ice	675	572	422	524	1,001	959	630	767	450	350
Truckloads of Snow Hauled	364	620	363	193	595	538	713	1,874	316	226

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	2	2	1	1	1	1	1	1
Engines/Trucks	6	6	6	6	6	6	6	6	6	6
Hydrants			384	385	387	388	392	398	398	397
Ambulance										
Ambulances	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	45.00	45.00	46.00	46.69	46.77	46.94	46.94	46.94	47.39	47.39
Streetlights	1,141	1,165	1,183	1,172	1,187	1,211	1,285	1,243	1,243	1,259
Culture & Recreation										
Parks (acres)	115.00	115.50	115.50	115.50	115.50	115.50	115.50	115.50	115.50	115.50
Parks	6	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	687	694	709	694	677	678	664	661	675	665
Total miles of 3 phase on 13.8 kV Line	46.72	48.14	49.48	49.49	49.71	53.17	47.60	48.53	49.83	49.61
Total Miles of 115kV Transmission Line	-	-	-	-	-	-	-	-	-	21.25
Water										
Water Mains (miles)	57.67	57.96	59.63	61.07	61.21	62.17	63.41	64.01	64.69	64.86
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)	56.57	56.57	57.23	57.85	57.85	57.93	58.15	58.18	58.27	58.36
Stormwater Sewer (miles)	5.11	5.11	6.26	6.26	6.26	6.57	6.81	6.82	6.84	6.84
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
SINGLE AUDIT SECTION**

City of Vermillion
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2012

<u>Grant/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>Direct:</u>		
U.S. Department of Justice Bulletproof Vest Partnership Program	16.607	\$ 1,513
U.S. Department of Justice Public Safety Partnership and Community Policing Grants (ARRA)	16.710	51,419
U.S. Department of Transportation Highway Planning & Construction	20.205	142,765
U.S. Department of Transportation Airport Improvement Program	20.106	420,499
<u>Indirect:</u>		
U.S. Department of Housing & Urban Development South Dakota Department of Tourism and Development Community Development Block Grant/State's Program	14.228	224,850
U.S. Department of Transportation SD Department of Transportation State and Community Highway Safety Program	20.600	12,966
U.S. General Services Administration South Dakota Federal Property Agency Donation of Federal Surplus Property(Note 2)	39.003	112
Total		<u>\$ 854,124</u>

(Continued)

City of Vermillion
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2012

Note 1 - Basis of Presentation - The schedule of expenditures of federal awards includes the federal grant activity of the City of Vermillion and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City of Vermillion.

Note 3 - The City of Vermillion had the following loan balances outstanding from the SD Clean Water State Revolving Fund, CFDA #66.458 and the SD Drinking Water State Revolving Fund, CFDA #66.468 at December 31, 2012.

	Total Amount of Loan <u>Outstanding</u>	Federal Portion of Loan <u>Outstanding</u>
Clean Water Series 2003 (0%)	\$ 183,403	\$ -
Clean Water Series 2005 (23.8%)	2,481,847	590,680
Clean Water Series 2008 (6.7%)	3,872,398	259,451
Clean Water Series 2009 (0%)	230,713	-
Drinking Water Series 2002 (79.72%)	990,769	789,841
Drinking Water Series 2006 (0.9988%)	2,940,279	29,368
	<u>\$ 10,699,409</u>	<u>\$ 1,669,340</u>

CITY OF VERMILLION, SOUTH DAKOTA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

II-A-12 Financial Reporting – (Continued)

Possible Effect – Revenues and expenses may not be reported in the appropriate fiscal period and /or balance sheet amounts may be misstated.

Recommendation - The City should implement procedures to ensure all required adjustments are made.

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

III. Findings and Questioned Costs Relating to Federal Awards

Instances of Non-Compliance:

No Matters were noted.

Significant Deficiency:

No Matters were noted.

IV. Summary Schedule of Prior Audit Findings - There were no prior year audit findings.



21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543
www.williamscpas.com

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
Over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City Vermillion, South Dakota (the City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Vermillion Housing and Redevelopment Commission, which received \$905,998 in federal awards which is not included in the schedule during the year ended December 31, 2012. Our audit, described below, did not include the operations of the Vermillion Housing and Redevelopment Commission because the Commission engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in a material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
May 20, 2013



21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543
www.williamscpas.com

**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 U.S. generally accepted auditing standards 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, 2012 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 20, 2013. We did not audit the financial statements of the Vermillion Housing and Redevelopment Commission which statements reflect total assets of \$139,997 and total revenues of \$921,165 as of and for the year ended June 30, 2012. 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.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies

may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

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
May 20, 2013