

Comprehensive Annual Financial Report



Prepared by THE CITY FINANCE OFFICE-----Michael Carlson, Finance Officer
FISCAL YEAR: January 1, 2013-----December 31, 2013

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, 2013

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**CITY OF VERMILLION
INTRODUCTORY SECTION**



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June 10, 2014

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, 2013.

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, 2013, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Vermillion's financial statements for the year ended December 31, 2013, 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.



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

Profile of the City of Vermillion

The City of Vermillion was founded in 1859, located in the southeastern corner of South Dakota, 6 miles west of I-29 between Sioux Falls, SD and Sioux City, IA. Vermillion is situated atop a bluff of the Vermillion River and also overlooks the mighty, natural Missouri River, which contains the red clay that prompted our county name of Clay County. Vermillion is home to the University of South Dakota with enrollment of 10,235, offering majors in 132 undergraduate programs and 66 graduate programs, and Division I athletics. The 2010 census had the city population increasing 3% over 2000 to 10,571.

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

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

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

services and delivery levels, flexible budgets are used for planning, control and evaluation purposes. All appropriations shall lapse at the close of the fiscal year.

Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons, presented on pages 59-63 as part of the required supplemental information and supplementary information.

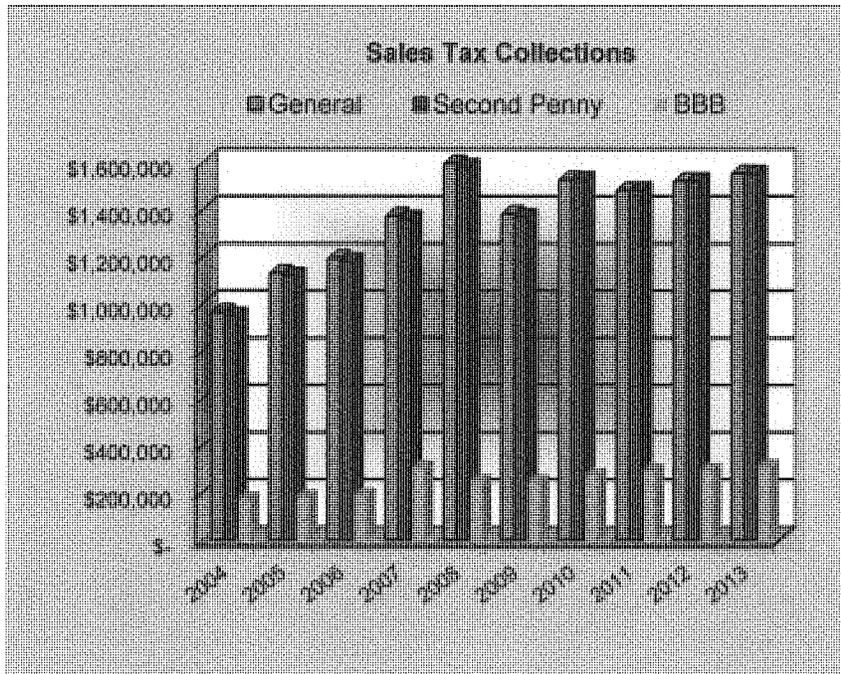
Factor Affecting Financial Condition

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

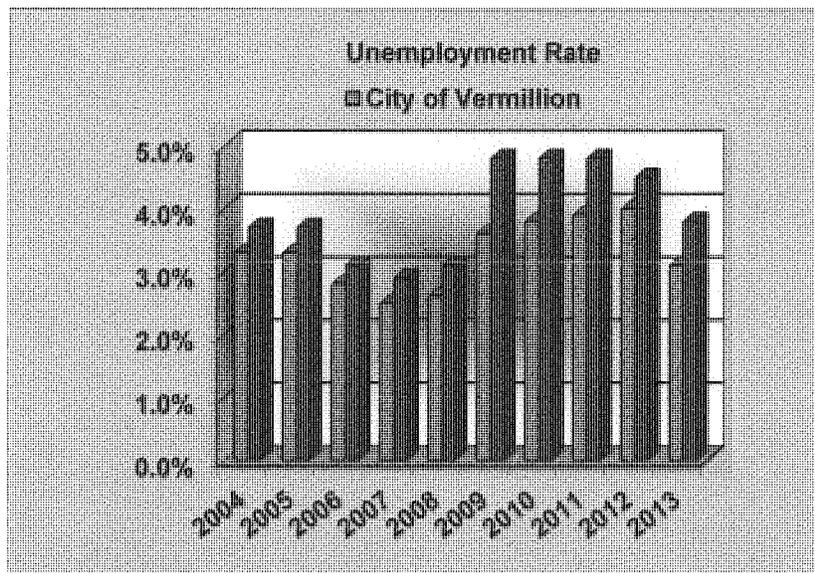
Local economy.

The economy in Vermillion as reflected in the sales tax collections saw an increase in 2013. The total City sales tax revenues increased \$78,020 or 2.33% over 2012. This would include the first cent used for general fund, the second penny sales tax used for capital projects increasing \$63,796 while the BBB sales tax used for advertising and promotion of the City increased \$14,223 or 4.76% over 2012. 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 2014 total City sales tax revenue is up 5.1%, \$45,586 over 2013. The sales tax receipts will be monitored and the budget will be reviewed in August 2014 to determine if adjustments are needed.

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 32,000 square foot technology center is being built by the VCDC to house the new business that is scheduled for completion in May 2014. At the request of the VCDC and following a study and report by the Planning Commission the City created Tax Incremental Financing District Number 5 whereby the incremental property taxes will be granted to the VCDC for debt service on the improvements.



The unemployment rate for the City of Vermillion decreased during 2013 from 4.0% to 3.1% while the state unemployment rate decreased from 4.4% to 3.8%. The unemployment rate for the City of Vermillion saw a high in June 2013 of 5.1% but decreased the rest of the year to 3.1% at year end. The state unemployment rate was as high as 4.7% 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

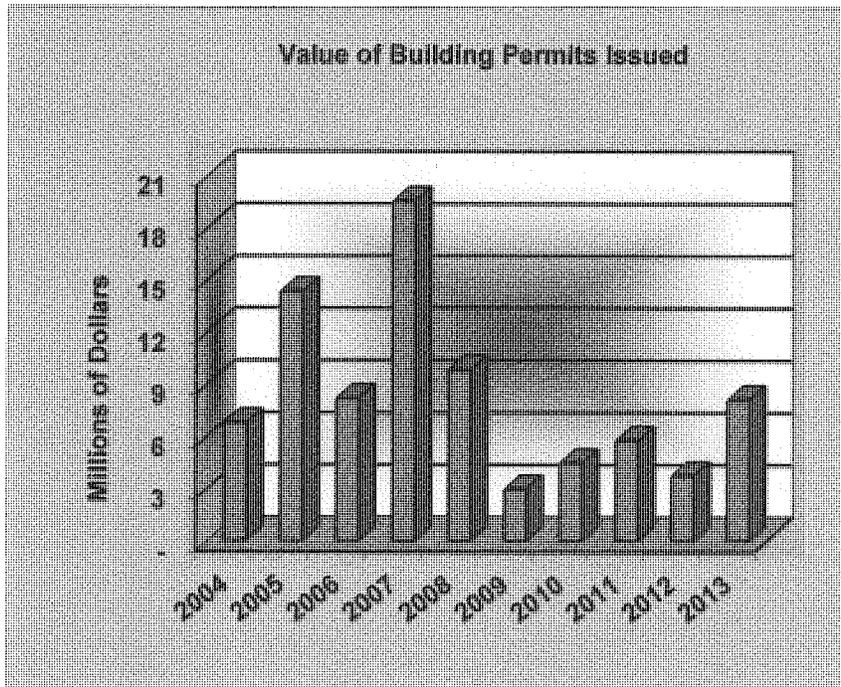
University is the City's largest employer and saw a slight decrease in enrollment of .48% from 10,284 for 2012 to 10,235 for 2013.

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

Sanford Vermillion operates a 25-bed acute care hospital, medical clinic, 66 bed care center and 23 unit senior living complex. The Sanford Vermillion Clinic contracted with the University of South Dakota to provide student health services starting in the fall of 2002. The Sanford Vermillion Clinic, Vermillion Medical Clinic, and Olson Medical Clinic have been instrumental in increasing the availability of medical care in the community. In addition, all clinics are providing outreach programs bringing specialists into the community. In February 2014, Dakota Hospital Foundation and Sanford Health announced that Sanford Health will make a \$12 million investment in Sanford Vermillion's medical facilities over the next five years. The agreement also means Sanford Health will assume responsibility for the infrastructure, including building projects and technology, for Sanford Vermillion.

The 18-hole golf course and residential development project, which was undertaken by the City after significant review by citizen committees, has provided for the orderly growth of the City with all the development being served by City utility services. All developed housing sites have been sold resulting in an increase of over twenty-two million dollars of taxable value. The golf course and housing development were included in a tax incremental financing district and in 2013 the final bond payment was made and the tax incremental district was dissolved. 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 2013 totaled \$8,138,807 up from \$3,771,388 in 2012. The number of single family dwellings constructed totaled nine in 2013, a decrease of six, with two new multi-family units and four commercial permits. It should be noted that construction by the State of South Dakota on the University property are not required to obtain building permits thus these building values are not reported in any of the building permit numbers.



Major initiatives.

Vermillion was named Large Community of the Year by Governor Dennis Daugaard at the Governor’s Economic Development Conference on April 15, 2014. The Governor recognized Vermillion for taking a multi-faceted approach to achieving economic development by focusing on further developing its workforce, business park and housing development.

Construction began in 2013 on a 500,000 gallon water tower. The project is funded by a South Dakota Board of Water and Natural Resources, Drinking Water State Revolving Loan in the amount of \$1,532,000 that includes 10% principal forgiveness as a grant from the State. The bid was awarded on August 20, 2012 for the construction of the water tower for \$1,258,700. The contract provided for substantial completion by August 15, 2014. The existing 100,000 gallon water tower that is over 100 years old will be retired once the new tower is in service.

The City of Vermillion and Vermillion Chamber of Commerce and Development Company (VDCD) commissioned a Talent Attraction Strategy and Workforce Housing Solutions study prepared by Community Housing Laboratory, LLC in October 2012. The major finding of the report was the need to solve the chronic workforce housing problem and implement a long-term talent attraction strategy. Due to the lack of available housing sites the (VDCD) has acquired 50 acres adjoining the city that has been annexed into the city. The development labeled Bliss Pointe will be developed in phases with the first phase will open up over 60 housing sites. The timeline is to have these fully developed housing sites available late summer 2014. The balance of the development will have an additional 70 housing sites when fully developed. To assist the VCDC with the infrastructure development the City created Tax Incremental District Number 6. The City Council approved a TIF bond resolution for \$1,732,000 that will be granted to the VCDC for the costs of the first phase of infrastructure improvements. The bond resolution was approved in 2013 with closing on the bonds in 2014.

The City Council dissolved three tax incremental financing districts during 2013 as the outstanding debt of each district has been repaid. The districts were TIF #1 for the Bluffs Golf Course and housing development, TIF #3 for the Erickson Business Park and TIF #4 for the Brooks Business Park. The taxable value of tax increment created within the three districts totaled over \$31 million that will be available starting in 2014 for the school, county and city.

The equipment replacement fund added the following equipment during 2013; a police vehicle, two mowers, a pickup, a fire truck, a derrick truck and a motor grader totaling \$942,663.

Long-term financial planning.

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

In 2005 the City was awarded a \$750,000 grant with 20% local matching for bike path improvements. The first phase of the bike path extension along the Vermillion River started in 2009 with completion in 2010. The bike path extension along SD Hwy 50 was completed in 2012. The right-of-way was acquired and the plans were completed in 2013 for a bike path along Stanford Street between Cherry Street and SD Hwy 50 with the project awaiting approval from the Department of Transportation before bidding. It is anticipated the project will be bid and constructed in 2014.

The landfill building that housed the solid waste baler and considerable equipment was destroyed by fire on October 22, 2012. Insurance proceeds will provide the majority of the funding 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. The landfill building and baler were bid in 2013 for completion and installation by May 30, 2014. A South Dakota Board of Water and Natural Resources Solid Waste grant in the amount of \$225,000 was received to assist with the building construction costs that are in excess of insurance coverage.

As the existing swimming pool is reaching the end of its useful life, a committee was appointed charged with providing the City Council information as to what type of swimming pool would best fit the community's needs going forward. The city contracted with a pool consultant to work with the committee in developing designs for the new pool. The committee held public meetings to review the project designs to refine the project. The City Council on September 16, 2013 adopted a resolution for capital outlay accumulation designating \$500,000 of the General Fund balance for funding of the pool project. During 2013 the City Council approved a master planning process for Prentis Park that includes the swimming pool. Following public input a master plan was adopted for Prentis Park. The City Council will continue to review the options available to finance this project to move it forward.

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

The 2014 budget included \$649,700 for equipment replacement in the equipment replacement fund, \$150,000 for airport improvement, \$50,000 for fire department equipment, \$67,000 for ambulance department equipment, \$333,000 for street construction and miscellaneous concrete projects, \$112,000 for parks department equipment and \$205,000 for bike path extensions. 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, 2012. This was the seventh consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Sincerely,


Michael D. Carlson
Finance Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

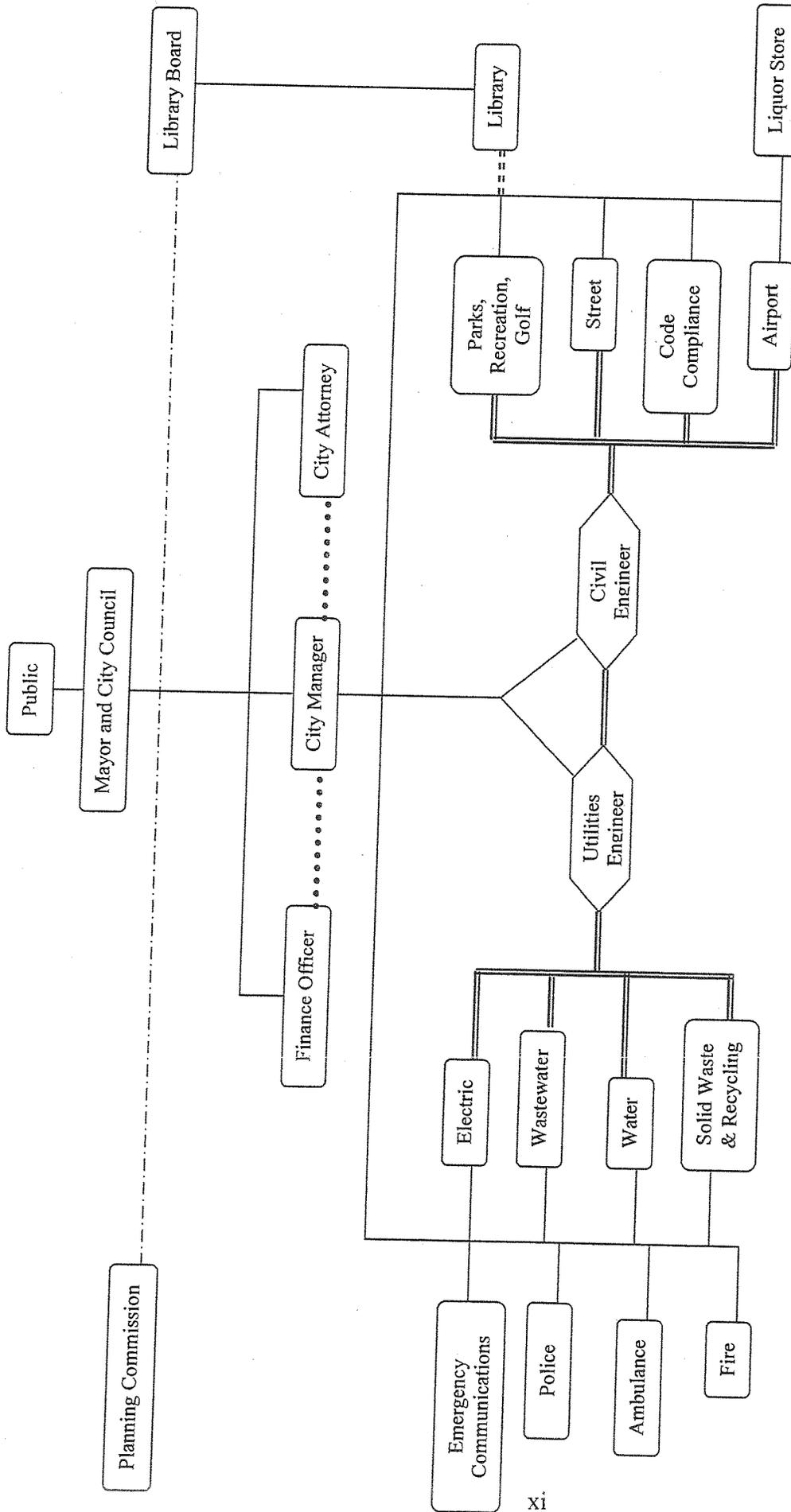
Presented to

**City of Vermillion
South Dakota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO



—	Contractual Responsibilities
- - -	Advisory Responsibilities
====	Cooperation Exercised
====	Collaborative Responsibilities

CITY OF VERMILLION MUNICIPAL OFFICIALS

For the Period January 1, 2013 through December 31, 2013

Mayor

John E. (Jack) Powell

Alderman Central Ward

Kelsey Collier-Wise

John Grayson

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**



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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, 2013, 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 \$60,146 and total revenues of \$810,032 as of and for the year ended June 30, 2013. 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, 2013, 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.

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 5 through 18 and 59 through 63 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

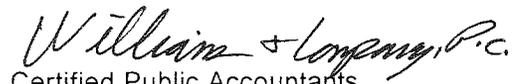
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements, budgetary compliance schedules, and statistical section, are presented for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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2014, 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.


Certified Public Accountants

Le Mars, Iowa
June 10, 2014

Management's Discussion and Analysis
December 31, 2013

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, 2013. 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, as well as the separately issued financial statements of the Vermillion Housing and Redevelopment Commission, a discretely presented component unit of the City.

FINANCIAL HIGHLIGHTS

- The net position of the City increased by \$3,090,657 as a result of the current year's operations. The net position of our governmental activities increased by \$1,196,516 or 3.62% and the net position of our business-type activities also increased by \$1,894,141 or 5.47%.
- Total revenues from all sources decreased in 2013 by \$1,339,459 to \$22,276,486. In 2013, charges for services increased \$33,924, operating grants & contributions increased \$18,871, capital grants & contributions decreased \$1,015,849, property taxes increased \$42,619, sales tax increased \$93,773, other general revenues decreased by \$77,282 and the City had an insurance recovery of \$435,515.
- Total cost of all programs was \$19,185,829 for 2013. This is an increase of \$322,590 or 1.71% over 2012.
- The City's long-term debt/capital leases decreased \$480,835 from 2012 due to repayment of existing bond issues, drawdowns of \$417,412 for the lechate system and cell #5 at the landfill and \$886,560 for the new water tower. The City refunded the previous 2005 State Revolving Fund Loan for the wastewater department with a new bond for \$2,550,000. During 2013, the City retired \$4,534,807 of existing debt. The final bond payment was made on the TIF #1 bonds and TIF #4 bonds were called in 2013.

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.



**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2013**

Management's Discussion and Analysis

Government-Wide Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 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 governments operations and the basic services it provides, and are reported on the modified accrual basis of accounting with focuses on available spendable resources. This allows the reader to evaluate the City's short-term financing requirements.

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

The City maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General fund and Sales tax fund is considered to be major funds. Data for the other eighteen 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 59.

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. These services benefit governmental and business-type functions; as such the results of operations have been allocated and are included within governmental and business-type activities in the government wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the Electric Utility, Water Utility, Wastewater Utility, Liquor Store, Golf course, Joint Powers Landfill operations, all of which are considered to be major funds of the City, and Curbside Recycling which is considered a non-major fund. Conversely, all the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 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 31-56 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 59-63 of this report.

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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 70-77 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, 2013 with comparative data for the fiscal year ended December 31, 2012. Assets exceeded liabilities by \$70,808,080 at the close of the most recent fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
	Current and Other Assets	\$ 7,575,815	\$ 7,981,697	\$ 15,375,758	\$ 14,460,050	\$ 22,951,573
Capital Assets	31,117,743	30,374,723	42,257,704	41,027,877	73,375,447	71,402,600
Total Assets	38,693,558	38,356,420	57,633,462	55,487,927	96,327,020	93,844,347
Total deferred outflows of resources	-	-	-	9,039	-	9,039
Long-term Liabilities Outstanding	3,479,384	3,974,478	18,466,255	18,029,681	21,945,639	22,004,159
Other Liabilities	967,887	1,332,171	2,605,414	2,799,633	3,573,301	4,131,804
Total Liabilities	4,447,271	5,306,649	21,071,669	20,829,314	25,518,940	26,135,963
Net Position:						
Net Investment in capital assets	27,679,603	26,379,227	23,380,670	22,036,403	51,060,273	48,415,630
Restricted	1,948,689	2,091,246	1,288,560	1,701,970	3,237,249	3,793,216
Unrestricted	4,617,995	4,579,298	11,892,563	10,929,279	16,510,558	15,508,577
Total Net Position	\$ 34,246,287	\$ 33,049,771	\$ 36,561,793	\$ 34,667,652	\$ 70,808,080	\$ 67,717,423

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
	Revenues:					
Program Revenues:						
Charges for Services	\$ 1,295,369	\$ 1,023,868	\$ 12,593,660	\$ 12,831,237	\$ 13,889,029	\$ 13,855,105
Operating Grants & Contributions	349,201	330,230	-	100	349,201	330,330
Capital Grants & Contributions	719,788	1,988,284	371,637	118,970	1,091,405	2,107,254
General Revenues:						
Property Taxes	2,024,530	1,979,186	498,282	501,007	2,522,812	2,480,193
Other Taxes	3,500,823	3,407,050	-	-	3,500,823	3,407,050
Other	189,097	245,056	298,604	319,927	487,701	564,983
Total Revenues	8,078,788	8,973,674	13,762,183	13,771,241	21,840,971	22,744,915
Expenses:						
General Government	1,405,594	1,325,411	-	-	1,405,594	1,325,411
Public Safety	2,325,498	2,211,445	-	-	2,325,498	2,211,445
Public Works	1,767,762	1,630,835	-	-	1,767,762	1,630,835
Health & Welfare	491,543	443,581	-	-	491,543	443,581
Culture & Recreation	1,219,328	1,146,227	-	-	1,219,328	1,146,227
Conservation & Development	526,765	498,825	-	-	526,765	498,825
Interest on Long-term Debt	183,194	202,154	-	-	183,194	202,154
Electric	-	-	4,991,778	5,051,041	4,991,778	5,051,041
Water	-	-	1,409,578	1,435,808	1,409,578	1,435,808
Wastewater	-	-	1,789,908	1,694,154	1,789,908	1,694,154
Liquor	-	-	1,017,830	1,043,401	1,017,830	1,043,401
Golf	-	-	786,751	838,399	786,751	838,399
Joint Powers Landfill	-	-	1,174,487	1,242,491	1,174,487	1,242,491
Curbside Recycling	-	-	95,813	99,467	95,813	99,467
Total Expenses	7,919,684	7,458,478	11,266,145	11,404,761	19,185,829	18,863,239
Increase in Net Position before Transfers	159,104	1,515,196	2,496,038	2,366,480	2,655,142	3,881,676
Insurance Recovery	-	-	435,515	608,209	435,515	608,209
Transfers	1,037,412	931,586	(1,037,412)	(931,586)	-	-
Increase in Net Position	1,196,516	2,446,782	1,894,141	2,043,103	3,090,657	4,489,885
Net Position January 1	33,049,771	30,708,705	34,667,652	32,767,762	67,717,423	63,476,467
Prior period adjustment	-	(105,716)	-	(143,213)	-	(248,929)
Adjusted net position-beginning	33,049,771	30,602,989	34,667,652	32,624,549	67,717,423	63,227,538
Net Position December 31	\$ 34,246,287	\$ 33,049,771	\$ 36,561,793	\$ 34,667,652	\$ 70,808,080	\$ 67,717,423

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By far the largest portion of the City's net position (72.1%) reflects its investment in capital assets (e.g. land, building, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position \$3,237,249 (4.5%) represents resources that are subject to external restriction on how they may be used. Restricted net position includes the amounts restricted for debt service of \$1,738,485 (a decrease of \$677,210), Stormwater construction of \$912,911 (an increase of \$89,766), Landfill Closure/Postclosure of \$180,017 (a decrease of \$6,144), Cumulative reserve of \$158,060, Library \$16,141 (a decrease of \$5,256), parks capital \$14,030 (an increase of \$5,775) and other restrictions of \$217,605 (an increase of \$37,102). The remaining balance of unrestricted net position of \$16,510,558 may be used to meet the government's ongoing obligations to citizens and creditors.

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

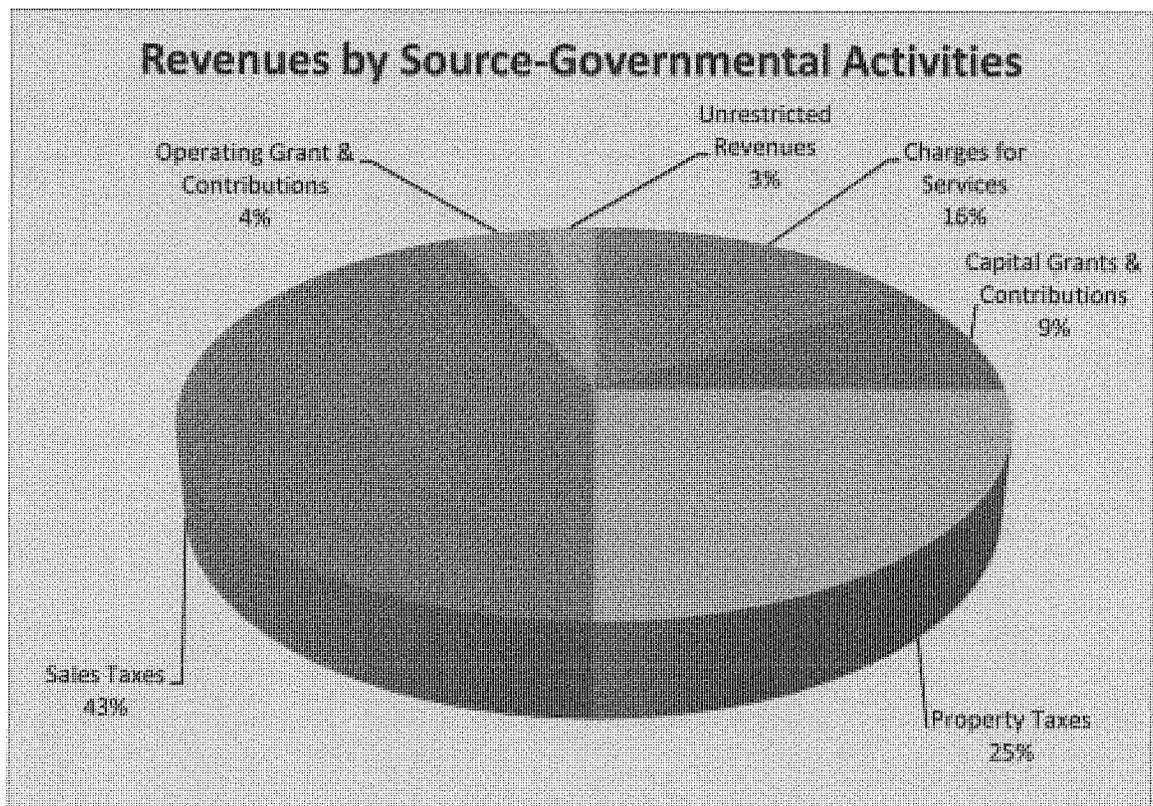
Governmental activities: Governmental activities increased the City's net position by \$1,196,516, thereby accounting for 38.71% of the total growth in the net position of the City Vermillion. Elements of this increase are as follows:

- Charges for goods & services increased \$271,501 in 2013. Public Works increased \$160,161 which is attributable to the increase of county motor vehicle of \$6,890, an increase in county highway and bridge of \$8,977, increase in storm water fees \$4,805, increase in street repairs charges \$5,648 and an increase in special assessment collections of \$133,841. General Government increased \$54,896 with the major factor being an increase in collections for damage to City property of \$38,533 for damage to a City light pole and an increase in the sale of fuel at the airport of \$10,686. Health and Welfare increased \$57,654 with ambulance revenues increasing \$46,284 and building permits increasing \$12,496.
- Operating Grants and contributions increased \$18,971 in 2013. For 2013 culture and recreation operating grants consisted of a work-study grant of \$4,441 and contributions of \$3,500. Public safety operating grants consisted of police vests grant of \$1,362 and the final payments for a COPS grant for one officers wages and benefits of \$33,792. Public works operating grants consist of \$10,000 for a storm drainage study and \$5,000 grant for the airport repairs.
- Capital grants and contributions decreased by \$1,268,516 in 2013. For 2013 capital grants and contributions consist of public safety contributions of a camera and speed radar of \$6,042, public works had contributions of \$161,710 for Commerce Street paving, a grant of \$163,111 for the airport project and \$33,347 for the West Cherry mill and overlay project; health and welfare had a contribution for a new ambulance of \$119,837; culture and recreation received \$221,783 in donations from the Library Foundation for the library renovation project, grants for the bike path project of \$4,972, contributions for improvements to ball fields of \$426 and \$8,540 for the skate park lights.
- Property taxes increased by \$45,344 or 2.22% during the year. This increase is the product of the tax revenue for general purposes that increased \$75,953 and an decrease in the tax revenue for the tax increment district of \$30,609 due to three districts being dissolved during the year. State law limits the property tax increase to the lesser of

Management's Discussion and Analysis

inflation, which for 2013 was 1.29% or 3% plus new property additions less any reduction in valuation.

- Other Taxes increased by \$93,773 or 2.75%. This would include the first penny sales tax used for general fund, the second penny sales tax used for capital projects, and BBB sales tax used for advertising and promotion of the City. The first penny sales tax used for the general fund and the second penny sales tax used for capital projects increased \$39,811 while the BBB sales tax used for advertising and promotion increased by \$13,814. As the South Dakota Department of Revenue collects the sales tax on behalf of the City, information as to the individual area of the increase/decrease is not available.
- Other General Revenues decreased \$55,959 or 22.84%. Contributing to this decrease is a decrease in investment earnings of \$22,913, an increase in other revenue of \$4,776, a decrease in contributions and donations of \$25,682, and a decrease in the sale of assets of \$10,131.



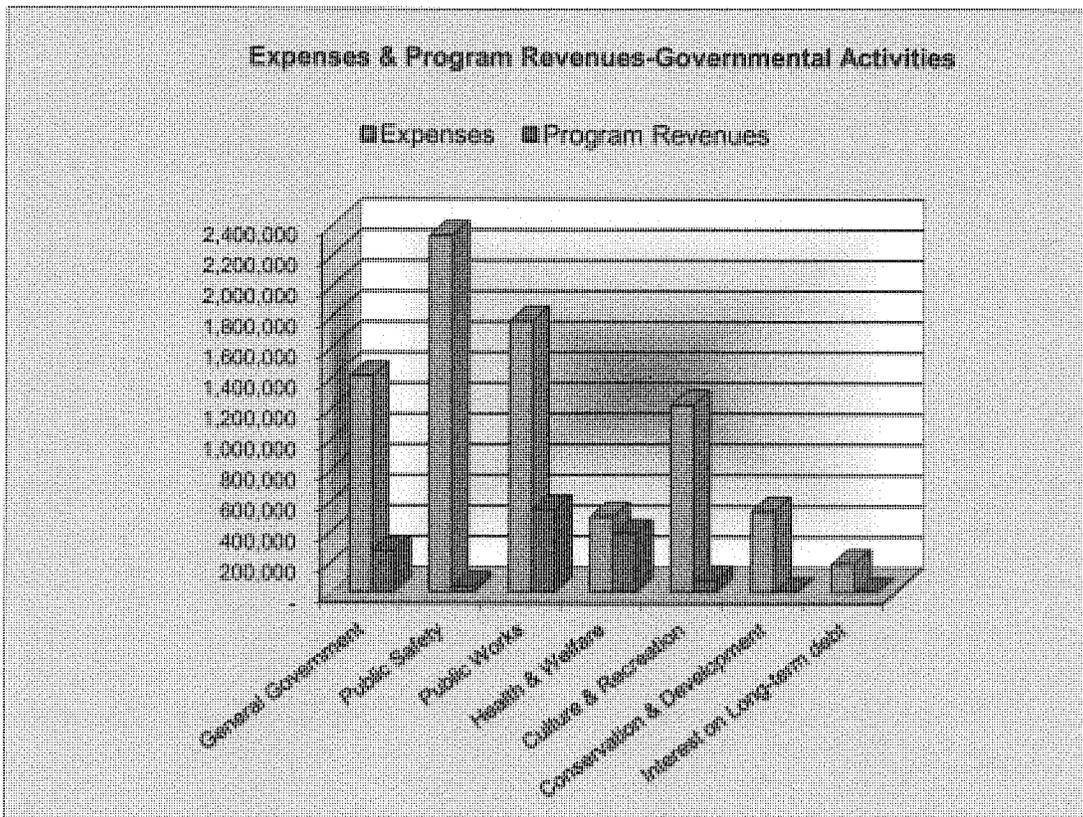
- General government expenses increased in 2013 by \$80,183 or 6.05%. Executive expenses increased \$27,467 with the increase being a combination of increases in wages, insurance costs and operating expenses. Engineering increased \$20,462 with the majority due to the repair of equipment, city hall operating expenses increased \$18,320 due to air handling system maintenance and software upgrades.
- Public Safety expenses increased by \$114,053 or 5.16%. The police administration, patrol and communication wages increased \$25,382. This increase is from positions being filled in 2013 that were vacant during part of the prior year. Fire and rescue wages

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increased \$29,843 due to the position of fire chief being filled in 201 that was vacant part of the prior year.

- Public works expenses increased \$136,927 or 8.40% with \$23,689 being for an increase in fuel purchased for resale at the airport. Snow removal increased \$15,892 due to some major repairs and maintenance to snow removal equipment. Street construction and repairs also increased by \$30,337.
- Health and Welfare expenses increased \$47,962 or 10.81% with \$14,251 due to wages increasing in code enforcement due to not being fully staff in 2012 and an increase in fees being paid for ambulance billing being outsource for the first full year of \$13,762.
- Culture and Recreation expenses increased \$73,101 or 6.38% with \$34,526 being from an increase in operating expenses due to the expansion/renovation of the public library.
- Conservation and development expenses increased \$27,940 from the City's continued support of various programs. The largest one Vermillion NOW! of \$136,710.



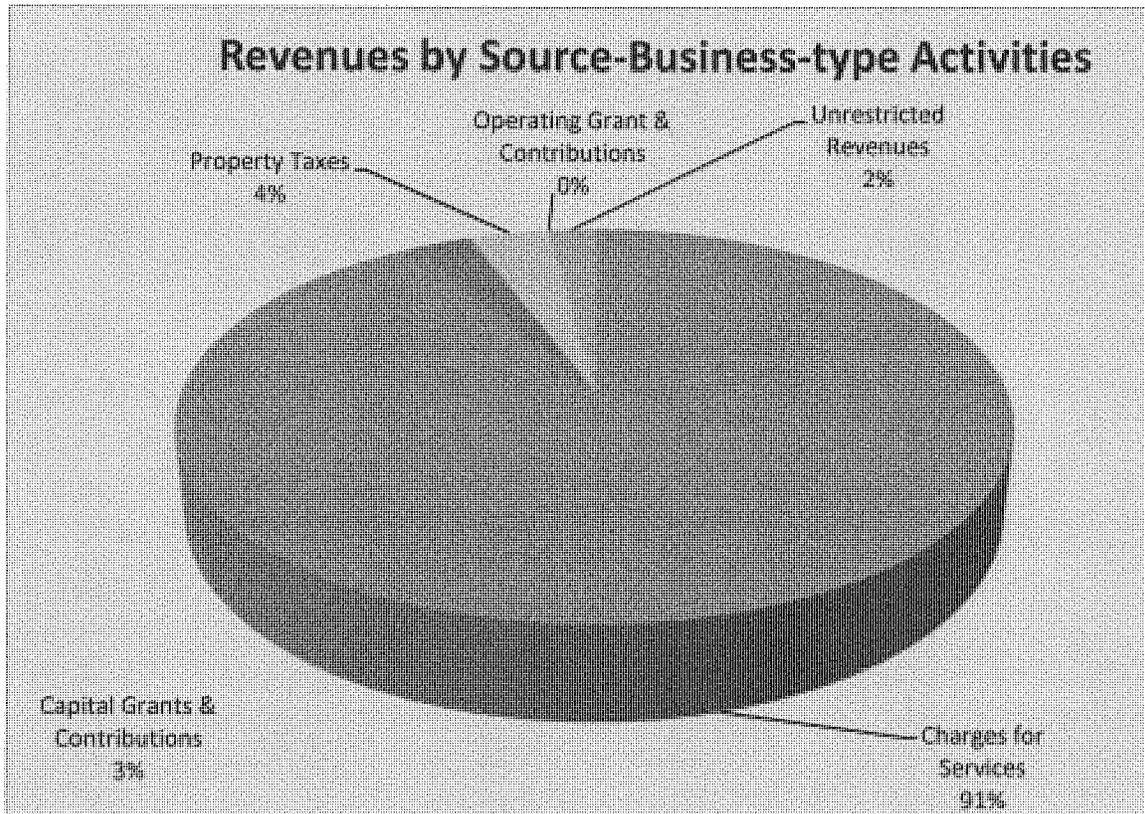
Business-type activities: Business-type activities increased the City of Vermillion's net position by \$1,894,141, accounting for 61.29% of the total growth in the government's net position. Key elements of this increase are as follows:

- Charges for services decreased by 1.83% or \$237,577. The Electric Fund charges for services decreased .91% or \$56,115. Electric kwh sales also decreased 1.14% during 2013, which is attributed to the weather. This was the second year of seasonal electric charges. 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 decreased 4.70% or \$83,260. Water rates

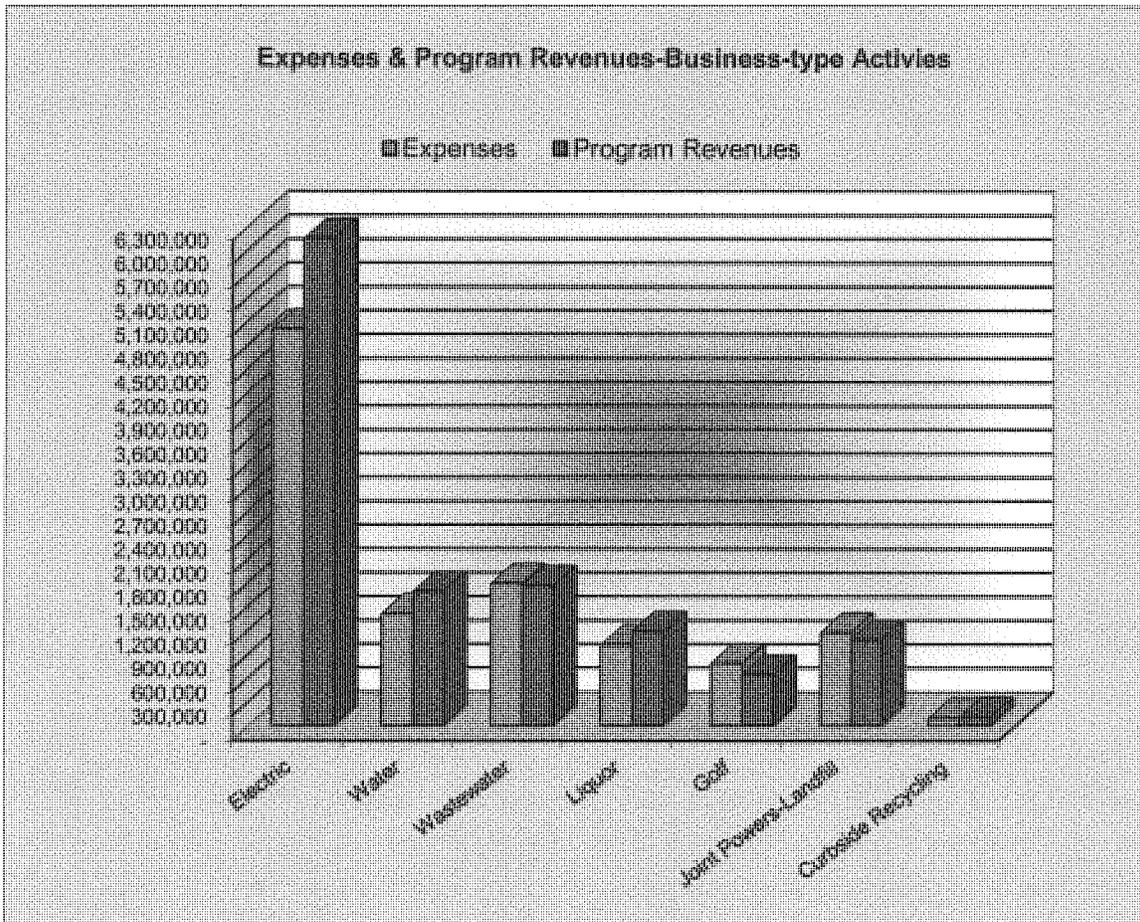
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increased 2% in December 2012 and 2.25% in December of 2013 while sales of water decreased by 4,997,225 cubic feet over 2012 due to a wetter summer and fall. Wastewater Fund rates remained steady in 2013 with an increase in revenues of \$23,725. The Liquor Fund sales decreased \$33,679 over 2012 with the majority being due to the increase in the number of locations selling wine. The Joint Powers-Landfill revenue decreased \$71,715 over 2012. The landfill revenues decreased \$13,448 while the sale of recycling materials revenues portion of the Joint Powers decreased \$58,267 due to decreased market rates for materials being sold. The Golf Fund revenues decreased \$16,073, with green fees decreasing 7%, season pass sales decreasing \$8,798 or 6.5% and cart rentals decreasing \$8,171 or 8.92%. These decreases are attributed to a late spring and a wet summer and fall. A decrease in the Curbside Recycling program of \$460 resulted from a decrease in market values of the items collected.

- Operating grants and contributions decreased \$100 over 2012. There were no operating grants or contributions received in 2013.
- Capital grants and contributions increased \$252,667 in 2013. Construction continued on the new water tower in 2013, a grant of \$64,431 was received in 2013. Construction began on the new balefill building and baler with grants totaling \$227,524. Contributions totaling \$29,682 were received at the golf course for new tee boxes.
- Tax incremental property taxes decreased \$2,725 in 2013. This is attributed to decreased values of properties located in the district.
- An extraordinary item was reported of \$435,515, which is the adjustment in insurance recovery for the fire loss of landfill building, baler and contents during 2013.



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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,534,798, as shown on Exhibit 3, which is an increase of \$392,369 in comparison with the prior year. Approximately 31.29% of this total amount \$2,044,645 constitutes *unassigned fund balance* which is available for spending at the government's discretion. The remainder of fund balance is either 1) *nonspendable* \$203,072, \$45,012 for inventory and \$158,060 in cumulative reserve 2) *restricted* \$1,488,921 consisting of \$203,654 in liquor, lodging and dining, \$909,569 in storm water, \$16,141 library and \$359,557 for debt service 3) *committed* \$2,573,848 with \$2,073,484 in sales tax and \$500,364 for capital projects of which

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\$500,000 is for a future swimming pool project or 4) assigned \$224,312 for parks capital \$14,030 and \$210,282 for the 2014 budget.

The general fund is the chief operating fund of the City of Vermillion. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,077,878, as shown in Exhibit 3, while total fund balance reached \$2,991,232. 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 39% 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 \$120,780 during the current fiscal year, as shown in Exhibit 4. Factors in this increase are as follows:

- An increase in property taxes of \$74,515 or 4.3% and an increase sales tax collection of \$32,088 or 2.1%.
- Intergovernmental revenues decreased \$20,141 due to state and federal grants decreasing by \$40,782 and state and county taxes increased by \$20,641.
- Charges for goods and services increased \$111,370 or 29.5%. The sale of fuel at the airport increased \$10,685 due to the installation of a new jet fuel system being put in at the airport. Ambulance collections increased \$46,282 or 19.3% due to an increase in billing and an increase in billing adjustments. Payments for damage to City property increased \$38,533 due to damage to a light pole.
- Contributions and donations decreased by \$28,669 in 2013 due to defibrillator received by the ambulance department in 2012.
- Expenditures in the General Fund increased \$220,211 or 4.2%. Public Safety increased \$49,656, fire and rescue increased \$47,496 of which the majority is from an increase in personnel service costs due to a vacancy in 2012 that were filled in 2013. Public Works increased \$94,192 with the largest single factor being an increase of \$30,337 in street construction and repairs followed by \$23,689 for the sale of fuel at the airport. Culture and recreation decreased \$7,648 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 decreased \$20,422 with the major decrease being for the VCDC Job Training Grant of \$3,268 in 2013 in comparison to \$24,850 in 2012.

The sales tax fund has a total fund balance \$2,073,484, all of which is committed for capital outlay and debt service. The net decrease in fund balance during the current year is \$25,686. Revenues during this period increased by \$25,787 compared to the prior year. This is due to an increase in sales tax revenue of \$31,708 and a decrease in investment earnings of \$5,921. Expenditures increased during this period by \$108,472, which is largely due to the increase in capital outlay. Transfers out decreased by \$382,116 to \$1,119,446. Of this amount \$339,689 was for support of city hall debt service, \$3,329 the City's matching for airport projects, \$1,095 for bike path construction, \$200,000 to support of debt service at the golf course, \$547,883 to support the library renovation project and \$27,500 for support 911 fund for the purchase of a new communications console. There were no transfers in for 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 positions of the proprietary funds are as follows, Electric \$5,894,717, Water \$1,194,470, Wastewater \$1,146,657, Liquor \$286,482, Golf Course \$1,041,985, Joint Powers-

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Landfill \$2,143,343 and Curbside Recycling \$78,290. The total growth in net position for all funds in the current year was \$1,860,574. 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 2013 and a supplemental budget in December of 2013 to refine the budget numbers adopted a year earlier. The revenue was decreased by \$248,292 (5.09% of the original budget). Expenditures were decreased by \$554,404 (8.84% of the original budget) with public safety decreasing \$612,734. The original and final budgets are reported on Exhibit 8 on page 59.

Capital Assets and Debt Administration

Capital Assets. The City of Vermillion's investment in capital assets for its governmental and business type activities as of December 31, 2013 amount to \$73,375,447 (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 2013 there was \$2,437,526 of additions to the governmental capital assets while the depreciation for the year was \$1,640,756 and \$350,656 of capital assets were disposed. The total increase in the City's investment in capital assets for the current fiscal year was \$1,972,847 or 2.76% (a 2.44%, \$743,020 increase for governmental activities and a 2.99%, \$1,229,827 increase for business-type activities).

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

- The library expansion and renovation project was completed in 2013 totaling \$2,631,764 with \$469,668 expended in 2013.
- The parallel taxiway extension project was completed in 2013 with \$166,439 expended in 2013. The project totaled \$638,139.
- The Bliss Point Development project began in 2013 totaling \$98,038 of construction in progress.
- Construction began on Mickelson Street accounting for \$141,614 of construction in progress. The project should be completed in 2014.
- Construction continued in a new water tower for the City accounting for \$1,146,580 of construction in progress in business activities with completion slated for 2014.
- Construction began at the landfill on the new balefill building, baler and continued on the new lechate system accounting for \$1,548,942 of construction in progress totals

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,564,503	\$ 1,564,503	\$ 2,487,229	\$ 2,457,547	\$ 4,051,732	\$ 4,022,050
Building & Structure	14,812,333	11,824,070	21,671,937	22,135,748	36,484,270	33,959,818
Improvements other buildir	-	-	13,296,256	13,494,660	13,296,256	13,494,660
Furniture & Equipment	4,001,680	3,139,948	1,974,062	2,076,125	5,975,742	5,216,073
Infrastructure & books	10,409,435	9,594,396	-	-	10,409,435	9,594,396
Construction in Progress	329,792	4,251,806	2,828,220	863,797	3,158,012	5,115,603
Total	\$ 31,117,743	\$ 30,374,723	\$ 42,257,704	\$ 41,027,877	\$ 73,375,447	\$ 71,402,600

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Additional information on the City of Vermillion's capital assets can be found in Note 4 on pages 44-47 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 \$22,315,174. Total note and bonded debt outstanding totaled \$18,667,718 with the remainder being capital leases of \$3,647,456.

The City's total outstanding debt decreased by \$480,835 or 2.11% during the current fiscal year. The City retired \$4,534,807 of outstanding debt with \$2,481,847 of this amount due to the City refunding the 2005 wastewater SRF loan and replacing it with a \$2,550,000 loan which will reduce the total debt payments over the next fourteen years by \$16,847. Two SRF drawdowns began in 2013 one for the new lechate system and cell #5 at the landfill for \$417,412 and the other for the new water tower for \$886,560.

Additional information on the City's long-term debt can be found in Note 5 on pages 47-51 of this report.

City of Vermillion's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue Bonds	\$ -	\$ 355,000	\$ 18,216,709	\$ 18,200,435	\$ 18,216,709	\$ 18,555,435
Notes Payable	-	-	451,009	570,408	451,009	570,408
Capital Lease	3,438,140	3,640,496	209,316	229,670	3,647,456	3,870,166
Total	\$ 3,438,140	\$ 3,995,496	\$ 18,877,034	\$ 19,000,513	\$ 22,315,174	\$ 22,996,009

Economic Factors and Next Year's Budgets and Rates

During the current fiscal year, the fund balance in the general fund increased by \$120,780 to \$2,991,232. The final budget for 2013 had projected the fund balance to decrease by \$186,051. The City has appropriated \$210,282 of the general fund, fund balance for spending in the 2014 fiscal year.

Utility rates were increased for water and wastewater in April 2013 with the application for the SRF loan for the water tower. Electric rates were adjusted to seasonal rates with higher rates in the summer and lower in the winter.

The storm water drainage fee was increased for 2013 by 4%.

Request for Information

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



**CITY OF VERMILLION
BASIC FINANCIAL STATEMENTS**

CITY OF VERMILLION
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing & Redevelopment
ASSETS				
Cash & cash equivalents	\$ 211,108	\$ 998,917	\$ 1,210,025	\$ 14,201
Investments	5,835,000	9,015,000	14,850,000	-
Receivables (net, where applicable, of allowance for uncollectibles)				
Taxes receivables	74,217	-	74,217	-
Accounts receivable	162,062	926,911	1,088,973	4,392
Unbilled accounts receivable	-	409,667	409,667	-
Special assessments receivable	207,134	6,729	213,863	-
Interest receivable	23,822	29,469	53,291	-
Due from insurance company	-	508,368	508,368	-
Due from other governments	516,731	155,499	672,230	-
Internal balances	(403,234)	403,234	-	-
Inventories	45,012	1,313,418	1,358,430	-
Prepaid expenses	76,198	65,607	141,805	2,001
Deposits	158,699	-	158,699	-
Restricted assets:				
Cash	58,053	951,919	1,009,972	39,552
Investments	609,557	580,160	1,189,717	-
Interest receivable	1,456	10,860	12,316	-
Capital assets:				
Land and construction in progress	1,894,295	5,315,449	7,209,744	-
Other capital assets, net of depreciation	29,223,448	36,942,255	66,165,703	-
Total capital assets	<u>31,117,743</u>	<u>42,257,704</u>	<u>73,375,447</u>	<u>-</u>
Total assets	<u>38,693,558</u>	<u>57,633,462</u>	<u>96,327,020</u>	<u>60,146</u>
LIABILITIES				
Accounts payable	\$ 565,822	\$ 1,491,304	\$ 2,057,126	\$ 2,633
Customer deposits	-	78,761	78,761	-
Accrued interest payable	6,189	33,223	39,412	-
Grant revenue collected in advance	14,812	1,977	16,789	3,385
Noncurrent liabilities:				
Due within one year:				
Bonds payable	-	727,007	727,007	-
Notes payable	-	122,271	122,271	-
Capital lease	207,355	-	207,355	-
Accrued leave payable	173,709	150,871	324,580	2,133
Due in more than one year:				
Bonds payable	-	17,489,702	17,489,702	-
Notes payable	-	328,738	328,738	-
Capital lease	3,230,785	209,316	3,440,101	-
Closure - postclosure liability	-	222,586	222,586	-
Accrued leave payable	248,599	215,913	464,512	3,579
Total liabilities	<u>4,447,271</u>	<u>21,071,669</u>	<u>25,518,940</u>	<u>11,730</u>
NET POSITION				
Net investment in capital assets	27,679,603	23,380,670	51,060,273	-
Restricted for:				
BBB tax	217,605	-	217,605	-
Debt service	629,942	1,108,543	1,738,485	-
Stormwater	912,911	-	912,911	-
Parks Capital	14,030	-	14,030	-
Library	16,141	-	16,141	-
Landfill closure postclosure	-	180,017	180,017	-
Cumulative reserve-SDPAA	158,060	-	158,060	-
Other purposes	-	-	-	39,552
Unrestricted	4,617,995	11,892,563	16,510,558	8,864
Total Net Position	<u>\$ 34,246,287</u>	<u>\$ 36,561,793</u>	<u>\$ 70,808,080</u>	<u>\$ 48,416</u>



CITY OF VERMILLION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

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			
					Governmental Activities	Business-Type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 1,405,594	\$ 266,391	\$ -	\$ -	\$ (1,139,203)	\$ -	\$ (1,139,203)	\$ -
Public safety	2,325,498	36,873	322,991	6,042	(1,959,592)	-	(1,959,592)	-
Public works	1,767,762	538,981	15,000	358,168	(855,613)	-	(855,613)	-
Health & welfare	491,543	378,785	-	119,837	7,079	-	7,079	-
Culture & recreation	1,219,328	74,339	7,941	235,721	(901,327)	-	(901,327)	-
Conservation & development	526,765	-	3,269	-	(523,496)	-	(523,496)	-
Interest on long-term debt	183,194	-	-	-	(183,194)	-	(183,194)	-
Total governmental activities	<u>7,919,684</u>	<u>1,295,369</u>	<u>349,201</u>	<u>719,768</u>	<u>(5,555,346)</u>	<u>-</u>	<u>(5,555,346)</u>	<u>-</u>
Business-type activities:								
Electric	4,991,778	6,131,098	-	-	-	1,139,320	1,139,320	-
Water	1,409,578	1,689,093	-	64,431	-	343,946	343,946	-
Wastewater	1,789,908	1,761,639	-	-	-	(28,269)	(28,269)	-
Liquor	1,017,830	1,183,334	-	-	-	165,504	165,504	-
Golf	786,751	638,437	-	29,682	-	(118,632)	(118,632)	-
Joint powers landfill	1,174,487	1,080,270	-	277,524	-	183,307	183,307	-
Curbside recycling	95,813	109,789	-	-	-	13,976	13,976	-
Total business-type activities	<u>11,266,145</u>	<u>12,593,660</u>	<u>-</u>	<u>371,637</u>	<u>-</u>	<u>1,699,152</u>	<u>1,699,152</u>	<u>-</u>
Total primary government	<u>\$ 19,185,829</u>	<u>\$ 13,889,029</u>	<u>\$ 349,201</u>	<u>\$ 1,091,405</u>	<u>\$ (5,555,346)</u>	<u>\$ 1,699,152</u>	<u>\$ (3,856,194)</u>	<u>\$ -</u>
Component Unit								
Housing & redevelopment	895,220	811	809,201	-	-	-	-	(85,208)
Total component unit	<u>\$ 895,220</u>	<u>\$ 811</u>	<u>\$ 809,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (85,208)</u>
General revenues:								
Taxes:								
Property taxes - levied for general purposes					1,800,455	-	1,800,455	-
Property taxes - levied for debt service					224,075	498,282	722,357	-
Sales taxes					3,173,885	-	3,173,885	-
Sales taxes for special revenues					326,938	-	326,938	-
Unrestricted state/county shared revenue					77,480	-	77,480	-
Unrestricted investment earnings					54,889	187,143	242,032	20
Miscellaneous revenue					55,585	81,414	136,999	-
Gain on sale of capital assets					1,143	30,047	31,190	-
Insurance recovery net of fire loss					-	435,515	435,515	-
Transfers					1,037,412	(1,037,412)	-	-
Total general revenues & transfers					<u>6,751,862</u>	<u>194,989</u>	<u>6,946,851</u>	<u>20</u>
Change in net position					1,196,516	1,894,141	3,090,657	(85,188)
Net position - beginning					33,049,771	34,667,652	67,717,423	133,604
Net position - ending					<u>\$ 34,246,287</u>	<u>\$ 36,561,793</u>	<u>\$ 70,808,080</u>	<u>\$ 48,416</u>

See Accompanying Notes to Financial Statements

CITY OF VERMILLION
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2013

	General	Sales Tax	Other Governmental Funds	2013 Total
ASSETS				
Cash and cash equivalents	\$ 24,697	\$ 9,032	\$ 56,774	\$ 90,503
Investments	2,525,000	1,935,000	1,065,000	5,525,000
Receivables (net, where applicable, of allowance for uncollectibles)				
Property taxes: delinquent	74,217	-	-	74,217
Accounts receivable	146,758	43	12,778	159,579
Special assessment receivable	-	-	207,134	207,134
Interest receivable	6,261	3,138	13,099	22,498
Due from other governments	234,001	143,534	139,196	516,731
Due from other funds	-	22,000	-	22,000
Inventory of supplies	34,638	-	-	34,638
Inventory of stores purchased for resale	10,374	-	-	10,374
Deposits	158,699	-	-	158,699
Restricted assets:				
Cash and cash equivalents	-	-	58,053	58,053
Investments	-	-	609,557	609,557
Interest receivable	-	-	1,456	1,456
Total assets	<u>3,214,645</u>	<u>2,112,747</u>	<u>2,163,047</u>	<u>7,490,439</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	181,664	3,174	117,322	302,160
Due to other funds	-	-	167,225	167,225
Grant revenue collected in advance	2,500	-	12,312	14,812
Advance from other funds	-	-	183,183	183,183
Total liabilities	<u>184,164</u>	<u>3,174</u>	<u>480,042</u>	<u>667,380</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-sales tax and interest	39,249	36,089	17,487	92,825
Unavailable revenue-special assessments and interest	-	-	195,436	195,436
Total deferred inflows of resources	<u>39,249</u>	<u>36,089</u>	<u>212,923</u>	<u>288,261</u>
Fund balances:				
Nonspendable:				
Inventory	45,012	-	-	45,012
Cumulative Reserve-SDPAA	158,060	-	-	158,060
Restricted:				
BBB Purposes	-	-	203,654	203,654
Stormwater	-	-	909,569	909,569
Parks Capital	-	-	14,030	14,030
Library	-	-	16,141	16,141
Debt Service Funds	-	-	440,501	440,501
Committed				
Sales Tax Purposes	-	2,073,484	-	2,073,484
Capital Projects	500,000	-	364	500,364
Assigned:				
Next Year's Budget	210,282	-	-	210,282
Unassigned	2,077,878	-	(114,177)	1,963,701
Total fund balances	<u>2,991,232</u>	<u>2,073,484</u>	<u>1,470,082</u>	<u>6,534,798</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,214,645</u>	<u>\$ 2,112,747</u>	<u>\$ 2,163,047</u>	<u>\$ 7,490,439</u>

See Accompanying Notes to Financial Statements

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

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

Total fund balance - governmental Funds (page 24)		\$ 6,534,798
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		28,027,808
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.		
	Leases payable (3,438,140)	
	Accrued leave payable <u>(414,438)</u>	(3,852,578)
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.		288,261
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		76,198
Accrued interest expense from the balance sheet that require current financial resources from governmental activities.		(6,189)
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>3,177,989</u>
Total net position - governmental activities (page 21)		<u><u>\$ 34,246,287</u></u>

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

	General	Sales Tax	Other Governmental Funds	2013 Total
Revenue:				
Taxes:				
General property taxes	\$ 1,796,230	\$ -	\$ 223,651	\$ 2,019,881
General sales & use taxes	1,554,765	1,553,805	312,984	3,421,554
Stormwater fees	-	-	180,390	180,390
Penalties & interest on				
delinquent taxes	4,225	-	424	4,649
Licenses & permits	234,552	-	-	234,552
Intergovernmental revenue	398,015	-	491,768	889,783
Charges for goods & services	488,021	-	3,671	491,692
Fines & forfeits	34,042	-	2,686	36,728
Public payments for improvements	-	-	77,420	77,420
Investment earnings	12,768	13,316	11,563	37,647
Rentals	15,082	-	-	15,082
Special assessments	43	-	109,501	109,544
Contributions & donations				
from private sources	540	-	241,249	241,789
Other	41,417	-	2,987	44,404
Total revenue	<u>4,579,700</u>	<u>1,567,121</u>	<u>1,658,294</u>	<u>7,805,115</u>
Expenditures:				
Current:				
General government	1,194,801	-	-	1,194,801
Public safety	1,695,899	23,045	481,115	2,200,059
Public works	896,599	56,726	48,906	1,002,231
Health and welfare	467,589	499	-	468,088
Culture-recreation	992,917	-	12,260	1,005,177
Conservation and development	45,876	204,710	276,179	526,765
Debt service:				
Principal	2,356	-	555,000	557,356
Interest	-	-	184,811	184,811
Capital outlay:				
General government	4,917	-	-	4,917
Public safety	7,092	29,186	74,560	110,838
Public works	-	93,520	369,248	462,768
Health and welfare	1,070	11,398	-	12,468
Culture-recreation	82,420	54,277	485,628	622,325
Total expenditures	<u>5,391,536</u>	<u>473,361</u>	<u>2,487,707</u>	<u>8,352,604</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(811,836)</u>	<u>1,093,760</u>	<u>(829,413)</u>	<u>(547,489)</u>
Other financing sources (uses):				
Transfers in	1,200,453	-	1,227,245	2,427,698
Transfers out	(267,837)	(1,119,446)	(103,003)	(1,490,286)
Total other financing sources (uses)	<u>932,616</u>	<u>(1,119,446)</u>	<u>1,124,242</u>	<u>937,412</u>
Net change in fund balances	120,780	(25,686)	294,829	389,923
Fund balance - beginning	2,868,006	2,099,170	1,175,253	6,142,429
Change in inventory	2,446	-	-	2,446
Fund balance - ending	<u>\$ 2,991,232</u>	<u>\$ 2,073,484</u>	<u>\$ 1,470,082</u>	<u>\$ 6,534,798</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, 2013

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

Net change in fund balances - total governmental funds (page 26)	\$ 389,923
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.	2,446
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:	
Expenditures for capital assets	\$ 1,213,316
Contribution & Donations of Capital Assets	161,710
Depreciation expense	<u>(1,316,676)</u>
	58,350
Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net position on the statement of activities.	(25,198)
The repayment of the principal of long term debt consumes the current financial resources of governmental funds, however, has no effect on net position. This is the amount of repayment of long term debt.	557,356
Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied.	(24,782)
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.	(55,319)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	13,341
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.	4,179
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.	1,617
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.	274,603
Change in net position of governmental activities (page 23)	<u>\$ 1,196,516</u>

See Accompanying Notes to Financial Statements

CITY OF VERMILLION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Business-Type Activities-Enterprise Funds							Totals	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling		
ASSETS									
Current assets:									
Cash	\$ 111,235	\$ 62,247	\$ 7,028	\$ 75,499	\$ 57,182	\$ 615,431	\$ 70,295	\$ 998,917	\$ 120,605
Investments	4,535,000	1,015,000	940,000	125,000	1,000,000	1,400,000	-	9,015,000	310,000
Receivables (net of allowance for uncollectibles of \$44,811)									
Accounts	538,887	155,419	158,598	126	4,916	59,001	9,964	926,911	2,483
Unbilled	265,270	63,479	76,521	-	-	-	4,397	409,667	-
Special assessments	-	4,353	2,376	-	-	-	-	6,729	-
Interest	18,627	3,985	2,802	142	1,652	2,261	-	29,469	1,324
Due from other governments	-	14,654	-	-	-	140,845	-	155,499	-
Due from insurance company	-	-	-	-	-	508,368	-	508,368	-
Inventory of supplies	701,768	193,249	34,776	-	10,100	130,950	-	1,070,843	-
Inventory of stores purchased for resale	-	-	-	198,327	44,248	-	-	242,575	-
Prepaid expenses	32,108	8,878	11,036	6,420	2,565	4,030	570	65,607	-
Due from other funds	68,819	-	101,203	-	-	-	-	170,022	-
Total current assets	6,271,714	1,521,264	1,334,340	405,514	1,120,663	2,860,886	85,226	13,599,607	434,412
Noncurrent assets:									
Advance to other funds	188,314	-	-	-	-	-	-	188,314	-
Restricted assets:									
Bonds payable:									
Current									
Cash	47,548	171,317	320,146	-	-	10,305	-	549,316	-
Investments	580,160	-	-	-	-	-	-	580,160	-
Interest receivable	10,860	-	-	-	-	-	-	10,860	-
Landfill- closure & postclosure	-	-	-	-	-	402,603	-	402,603	-
Cash	-	-	-	-	-	-	-	-	-
Total noncurrent assets	826,882	171,317	320,146	-	-	412,908	-	1,731,253	-
Capital assets									
Land & improvements	1,311	100,663	96,429	-	2,230,834	57,992	-	2,487,229	-
Buildings	5,735,513	8,350,220	14,197,390	6,410	969,288	740,114	-	29,998,935	-
Improvements other than buildings	12,065,785	3,444,320	3,808,988	-	-	1,767,649	-	21,086,742	-
Furniture & equipment	555,649	152,903	2,522,682	58,589	621,575	1,537,013	54,434	5,502,845	5,449,626
Construction in progress	47,751	1,152,120	15,169	-	43,973	1,569,207	-	2,828,220	-
Less: accumulated depreciation	(5,084,146)	(3,551,577)	(7,617,691)	(41,660)	(869,527)	(2,448,647)	(33,019)	(19,646,267)	(2,359,691)
Total capital assets(net depreciation)	13,321,863	9,648,649	13,022,967	23,339	2,996,143	3,223,328	21,415	42,257,704	3,089,935
Total noncurrent assets	14,148,745	9,819,966	13,343,113	23,339	2,996,143	3,636,236	21,415	43,988,957	3,089,935
Total assets	\$ 20,420,459	\$ 11,341,230	\$ 14,677,453	\$ 428,853	\$ 4,116,806	\$ 6,497,122	\$ 106,641	\$ 57,588,564	\$ 3,524,347
LIABILITIES									
Current liabilities:									
Accounts payable	\$ 365,305	\$ 216,821	\$ 116,377	\$ 119,032	\$ 12,523	\$ 659,933	\$ 1,313	\$ 1,491,304	\$ 263,662
Customer deposits	52,174	26,587	-	-	-	-	-	78,761	-
Accrued interest payable	31,296	-	497	-	-	1,380	50	33,223	-
Due to other funds	-	1,816	981	-	22,000	-	-	24,797	-
Bonds payable - current	195,000	207,148	324,859	-	-	-	-	727,007	-
Notes payable - current	-	-	-	-	-	114,419	7,852	122,271	-
Revenue collected in advance	-	-	-	-	305	-	1,672	1,977	-
Accrued leave payable	47,935	32,182	27,983	-	18,037	23,130	1,604	150,871	3,237
Total current liabilities	691,710	484,554	470,697	119,032	52,865	798,862	12,491	2,630,211	266,899
Noncurrent liabilities:									
Revenue bonds	6,460,000	4,375,496	6,236,794	-	-	417,412	-	17,489,702	-
Notes payable	-	-	-	-	-	312,435	18,303	328,738	-
Capital lease payable	-	-	-	-	-	209,316	-	209,316	-
Closure-postclosure liability	-	-	-	-	-	222,586	-	222,586	-
Accrued leave payable	68,601	46,056	40,046	-	25,813	33,100	2,297	215,913	4,633
Advance from other funds	-	3,332	1,799	-	-	-	-	5,131	-
Total noncurrent liabilities	6,528,601	4,424,884	6,278,639	-	25,813	1,194,849	18,600	18,471,386	4,633
Total liabilities	7,220,311	4,909,438	6,749,336	119,032	78,678	1,993,711	31,091	21,101,597	271,532
NET POSITION									
Net investment in capital assets	6,666,863	5,066,005	6,461,314	23,339	2,996,143	2,169,746	(2,740)	23,380,670	3,089,935
Restricted for:									
Restricted for debt service	607,272	171,317	319,649	-	-	10,305	-	1,108,543	-
Restricted for landfill closure & postclosure	-	-	-	-	-	180,017	-	180,017	-
Unrestricted	5,926,013	1,194,470	1,147,154	286,482	1,041,985	2,143,343	78,290	11,817,737	162,880
Total net position	\$ 13,200,148	\$ 6,431,792	\$ 7,928,117	\$ 309,821	\$ 4,038,128	\$ 4,503,411	\$ 75,550	\$ 36,486,967	\$ 3,252,815
Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities								74,826	
Net Position of Business-type Activities								\$ 36,561,793	

See Accompanying Notes to Financial Statements

CITY OF VERMILLION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	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	\$ 5,319,800	\$ 1,396,147	\$ 1,427,149	\$ 1,183,334	\$ 638,437	\$ 853,215	\$ 109,569	\$ 10,927,651	\$ 509,090
Surcharge as security for debt	734,806	263,339	322,606	-	-	-	-	1,320,751	-
Miscellaneous	76,492	29,607	11,884	-	-	227,055	220	345,258	-
Total operating revenue	<u>6,131,098</u>	<u>1,689,093</u>	<u>1,761,639</u>	<u>1,183,334</u>	<u>638,437</u>	<u>1,080,270</u>	<u>109,789</u>	<u>12,593,660</u>	<u>509,090</u>
Operating expenses:									
Personal services	829,333	534,765	439,590	-	356,360	468,466	80,285	2,708,799	80,855
Other current expense	272,057	117,720	517,235	217,878	224,613	398,396	7,459	1,755,358	19,389
Materials (cost of goods sold)	2,979,560	395,589	-	796,281	147,532	7,324	-	4,326,286	-
Depreciation/amortization	537,629	257,677	597,771	3,671	55,444	280,576	7,337	1,740,105	324,080
Total operating expenses	<u>4,618,579</u>	<u>1,305,751</u>	<u>1,554,596</u>	<u>1,017,830</u>	<u>783,949</u>	<u>1,154,762</u>	<u>95,081</u>	<u>10,530,548</u>	<u>424,324</u>
Operating income (loss)	<u>1,512,519</u>	<u>383,342</u>	<u>207,043</u>	<u>165,504</u>	<u>(145,512)</u>	<u>(74,492)</u>	<u>14,708</u>	<u>2,063,112</u>	<u>84,766</u>
Nonoperating revenue (expense):									
Interest earned	169,143	5,050	4,709	1,184	2,880	4,177	-	187,143	2,424
Rental revenue	-	9,720	-	-	71,694	-	-	81,414	-
Incremental property taxes	-	-	-	-	498,282	-	-	498,282	-
Interest expense and fiscal charges	(385,533)	(106,079)	(241,919)	-	(9,938)	(19,716)	(732)	(763,917)	-
Insurance recovery net fire loss	-	-	-	-	-	435,515	-	435,515	-
Gain(loss) on discarded equipment	(3,787)	(642)	(758)	-	(80)	30,047	-	24,800	1,143
Total nonoperating revenue (expense)	<u>(220,177)</u>	<u>(91,951)</u>	<u>(237,968)</u>	<u>1,184</u>	<u>562,858</u>	<u>450,023</u>	<u>(732)</u>	<u>463,237</u>	<u>3,567</u>
Income (loss) before contributions and transfers	1,292,342	291,391	(30,925)	166,688	417,346	375,531	13,976	2,526,349	88,333
Capital contributions & grants	-	64,431	-	-	29,682	277,524	-	371,637	119,837
Transfer in	9,000	-	-	-	200,000	-	-	209,000	100,000
Transfer out	(984,950)	(38,583)	(28,679)	(194,200)	-	-	-	(1,246,412)	-
Change in net position	<u>316,392</u>	<u>317,239</u>	<u>(59,604)</u>	<u>(27,512)</u>	<u>647,028</u>	<u>653,055</u>	<u>13,976</u>	<u>1,860,574</u>	<u>308,170</u>
Total net position - beginning	<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>
Total net position - ending	<u>\$ 13,200,148</u>	<u>\$ 6,431,792</u>	<u>\$ 7,928,117</u>	<u>\$ 309,821</u>	<u>\$ 4,038,128</u>	<u>\$ 4,503,411</u>	<u>\$ 75,550</u>		<u>\$ 3,252,815</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities								33,567	
Change in Net Position of Business-type Activities (page 23).								\$ 1,894,141	

See Accompanying Notes to Financial Statements

CITY OF VERMILLION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	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	\$ 5,674,367	\$ 1,646,062	\$ 1,741,662	\$ 1,183,317	\$ 706,009	\$ 1,132,285	\$ 109,241	\$ 12,192,943	\$ -
Cash received from interfund services provided	383,896	36,451	11,600	-	-	-	-	431,947	508,942
Cash paid for personal services	(839,150)	(528,257)	(432,537)	-	(352,806)	(474,584)	(81,565)	(2,708,899)	(79,205)
Cash paid for interfund services	(877)	(79,086)	(102,491)	(6,946)	(23,289)	(7,559)	-	(220,228)	-
Cash paid to suppliers	(3,376,544)	(421,864)	(340,898)	(1,018,726)	(370,064)	(488,027)	(7,473)	(6,023,596)	(19,744)
Net cash (used) provided by operating activities	1,841,692	653,326	877,336	157,645	(40,150)	162,115	20,203	3,672,167	409,993
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(455,540)	(1,000,400)	(70,211)	(900)	(56,466)	(1,053,908)	-	(2,637,425)	(580,644)
Grants	-	98,506	-	-	-	155,181	-	253,687	-
Insurance proceeds net of expenses	-	-	-	-	-	1,168,036	-	1,168,036	-
Proceeds from sale of assets	-	-	-	-	-	44,577	-	44,577	29,695
Proceeds from sale of bonds	-	886,560	2,550,000	-	-	417,412	-	3,853,972	-
Principal paid on bonds and capital leases	(190,000)	(234,964)	(2,756,708)	-	(655,000)	(132,093)	(7,660)	(3,976,425)	-
Interest paid on bonds and capital leases	(385,850)	(106,079)	(241,857)	-	(8,689)	(19,380)	(748)	(762,703)	-
Net cash provided by (used for) capital and related financing activities	(1,031,390)	(356,377)	(518,876)	(900)	(720,155)	579,825	(8,408)	(2,056,281)	(550,949)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES									
Incremental property taxes	-	-	-	-	498,583	-	-	498,583	-
Due from other funds	329,371	100,203	(55,705)	-	-	-	-	373,869	-
Advances to Other Funds	16,525	(50)	(899)	-	-	-	-	15,576	-
Transfer in	9,000	-	-	-	200,000	-	-	209,000	-
Transfer (out)	(984,950)	(38,583)	(28,679)	(194,200)	-	-	-	(1,246,412)	-
Net cash provided by (used for) non-capital financing activities	(630,054)	61,570	(85,283)	(194,200)	698,583	-	-	(149,384)	-
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest on investments	171,339	4,538	4,377	1,375	2,391	3,246	-	187,266	2,242
Purchase of investments	(260,026)	(315,000)	(15,000)	-	(600,000)	(350,000)	-	(1,540,026)	-
Sale of investments	-	-	-	-	-	-	-	-	220,000
Net cash provided by (used for) investing activities	(88,687)	(310,462)	(10,623)	1,375	(597,609)	(346,754)	-	(1,352,760)	222,242
Net increase (decrease) in cash and cash equivalents	91,561	48,057	262,554	(36,080)	(659,331)	395,186	11,795	113,742	81,286
Cash and cash equivalents beginning of year	67,222	185,507	64,620	111,579	716,513	633,153	58,500	1,837,094	39,319
Cash and cash equivalents end of year	\$ 158,783	\$ 233,564	\$ 327,174	\$ 75,499	\$ 57,182	\$ 1,028,339	\$ 70,295	\$ 1,950,836	\$ 120,605
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES									
Operating income (loss)	\$ 1,512,519	\$ 383,342	\$ 207,043	\$ 165,504	\$ (145,512)	\$ (74,492)	\$ 14,708	\$ 2,063,112	\$ 84,766
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:									
Depreciation	537,629	257,677	597,771	3,671	55,444	280,576	7,337	1,740,105	324,080
Rental revenue	-	9,720	-	-	71,694	-	-	81,414	-
(Increase) decrease in assets and increase (decrease) in liabilities:									
Accounts receivable	(72,404)	(16,584)	(8,377)	(17)	(3,175)	52,218	(548)	(48,887)	(148)
Due from other governments	-	-	-	-	-	(203)	-	(203)	-
Inventory	(86,557)	(9,201)	(2,708)	(17,579)	(2,315)	(80,267)	-	(208,627)	-
Prepaid expenses	(4,512)	(755)	(193)	(450)	(84)	1,170	46	(4,778)	-
Accounts payable	(34,735)	22,335	76,747	6,516	(18,809)	(14,046)	(60)	37,948	(355)
Revenue collected in advance	-	-	-	-	(947)	-	-	(947)	-
Leave liability	(9,817)	6,508	7,053	-	3,554	(6,118)	(1,280)	(100)	1,650
Closure liability	-	-	-	-	-	13,277	-	13,277	-
Customer deposits	(431)	284	-	-	-	-	-	(147)	-
Net cash provided by operating activities	\$ 1,841,692	\$ 653,326	\$ 877,336	\$ 157,645	\$ (40,150)	\$ 162,115	\$ 20,203	\$ 3,672,167	\$ 409,993
Noncash investing, capital and financing activities:									
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ 29,682	\$ -	\$ -	\$ 29,682	\$ -
Exchange of payables for capital assets	-	141,848	-	-	-	617,032	-	758,880	-
Gain(loss) on disposal of capital assets not affecting operating income	(3,787)	(642)	(758)	-	(60)	-	-	(5,247)	1,143
Total noncash investing, capital and financing activities	\$ (3,787)	\$ 141,206	\$ (758)	\$ -	\$ 29,622	\$ 617,032	\$ -	\$ 783,315	\$ 1,143
Reconciliation of cash and cash equivalents:									
Unrestricted	\$ 111,235	\$ 62,247	\$ 7,028	\$ 75,499	\$ 57,182	\$ 615,431	\$ 70,295	\$ 998,917	\$ 120,605
Restricted	47,548	171,317	320,146	-	-	412,908	-	951,919	-
Total reconciliation of cash & cash equivalents	\$ 158,783	\$ 233,564	\$ 327,174	\$ 75,499	\$ 57,182	\$ 1,028,339	\$ 70,295	\$ 1,950,836	\$ 120,605

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2013**

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. These services benefit governmental and business-type functions; as such the results of operations have been allocated and are included within governmental and business-type

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

activities in the government wide financial statements.

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue Fund:

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

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.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City is 30 days. The revenues which are accrued at December 31, 2013 are property taxes, special assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

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

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

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

D. Interfund Eliminations and Reclassifications:

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

Government-wide Financial Statements:

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

- a. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
- b. In order to minimize the doubling-up effect of internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Funds so that expenses are reported only by the function to which they relate.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

State statutes authorize the City to invest in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts that exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish revocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less 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, 2013 consist of bank deposits that are covered by Federal depository insurance or for the accounts that exceed deposit insurance eligible collateral or revocable standby letter of credit as required by SDCL 4-6A-3 were maintained to insure there would be no loss of public funds. Deposits also consist of nonnegotiable certificate of deposits with a carrying value of \$15,100,000. The City's bank deposits, per banks, at December 31, 2013 were \$16,500,734 and \$53,753 in deposits of the Vermillion Housing and Redevelopment Commission for total bank deposits of \$16,554,487.

Investment

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

The City also participates in the South Dakota Public Funds Investment Trust (SDFIT). The SDFIT was established under SDCL 1-24 and is an external investment pool created for South Dakota local government investing. A nine-member board regulates it with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one-dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. The investment in SDFIT is unrated. The City's SDFIT balance at December 31, 2013 was \$1,276,568.

**City of Vermillion
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Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Interest Rate Risk

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

Credit Risk

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

Custodial Risk – Deposits

In the case of deposits this is the risk that 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.

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	\$ 308,053
City Hall Debt Service Fund	External Parties	359,557
Electric Fund	Bond Covenants	627,708
Water Fund	Bond Covenants	171,317
Wastewater Fund	Bond Covenants	320,146
Joint Powers-Landfill Fund	Bond Covenants	10,305
Joint Powers-Landfill Fund	State Agency	402,603
Total Restricted Cash and Investments		<u>\$ 2,199,689</u>

**City of Vermillion
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Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Restricted Investments	Carrying Amount	Credit Rating 12/31/2013
U.S Treasury Note	\$ 354,787	AAA
Restricted Investments	\$ 354,787	

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, 2013, 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 \$74,826 is included in the internal balances of the governmental funds and business-type funds on the Statement of Net Position. This represents the adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds as shown in the Statement of Net Position-Proprietary Funds.

The composition of short-term interfund balances as of December 31, 2013 is as follows:

	Short-term Interfund Receivables	Short-term Interfund Payables
Special Revenue Funds:		
Sales Tax	\$ 22,000	\$ -
911 Fund	-	57,830
Enterprise Funds:		
Electric	68,819	-
Water	-	1,816
Wastewater	101,203	981
Golf Course	-	22,000
Capital Projects Funds:		
Special Assessments	-	14,534
Airport	-	9,954
Bike Path	-	18,885
Debt Service Funds:		
Special Assessments	-	66,022
	\$ 192,022	\$ 192,022

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Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

The composition of Long-term advances as of December 31, 2013, is as follows:

	Advance to	Advance (from)
Enterprise Funds:		
Electric	\$ 188,314	\$ -
Water	-	3,332
Wastewater	-	1,799
Debt Service Funds:		
Special Assessments	-	183,183
	<u>\$ 188,314</u>	<u>\$ 188,314</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, Water Fund and Wastewater Fund. The current portion of the bonds is shown as short-term interfund receivable/payable while those amounts due and payable after one year are recorded as advances.

H. Inventory and Prepaid Items

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

Payments made to vendors for services that will benefit periods beyond December 31, 2013 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.

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Cash Flows

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

K. Interfund Transactions

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

L. Capital Assets

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

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

Interest costs for capital asset construction within enterprise funds are capitalized. However, all other interest costs are recorded in the debt service fund. Interest costs incurred during 2013 were \$962,510 of which \$13,782 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.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

N. Long-Term Obligations

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

O. Equity Classifications

Government-wide Financial Statements:

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

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition construction or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints places on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments: of (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

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

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.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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 with 30 days after December 31, 2013.

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

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Notes to Financial Statements

Note 2 – Property Tax (Continued)

The combined tax rate to finance municipal services including principal and interest on long-term debt for the year ended December 31, 2013 was \$6.06 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	\$ 33,914
Uncollectibles related to ambulance charges	31,694
Uncollectibles related to mobile home fees	244
Uncollectibles related to miscellaneous fees	5,488
Uncollectibles related to electric charges	20,775
Uncollectibles related to water charges	6,890
Uncollectibles related to wastewater charges	12,695
Uncollectibles related to golf course charges	3,730
Uncollectibles related to curbside recycling charges	721
	<u>\$ 116,151</u>

Amounts due from other governments include \$553,993 from the State of South Dakota, \$88,289 due from Clay County, \$18,502 due from the City of Yankton, and \$11,446 due from the Federal Government. The City also has \$508,368 due from insurance for a fire that occurred at the landfill in 2012. Information on this event can be found on page 55 of this report.

Note 4 – Capital Assets

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

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 1,221,441	\$ -	\$ -	\$ 1,221,441
Infrastructure Land	343,062	-	-	343,062
Construction in Progress	4,251,806	286,988	(4,209,002)	329,792
Total capital assets, not being depreciated	<u>5,816,309</u>	<u>286,988</u>	<u>(4,209,002)</u>	<u>1,894,295</u>
Capital Assets, being depreciated				
Buildings	15,464,535	3,461,124	-	18,925,659
Furniture & Equipment	7,179,457	1,399,781	(293,042)	8,286,196
Books	1,849,009	80,722	(57,614)	1,872,117
Infrastructure	17,430,680	1,417,913	-	18,848,593
Total capital assets, being depreciated	<u>41,923,681</u>	<u>6,359,540</u>	<u>(350,656)</u>	<u>47,932,565</u>
Less: Accumulated Depreciation for:				
Buildings	(3,640,465)	(472,861)	-	(4,113,326)
Furniture & Equipment	(4,039,509)	(501,714)	256,707	(4,284,516)
Books	(828,733)	(37,211)	40,199	(825,745)
Infrastructure	(8,856,560)	(628,970)	-	(9,485,530)
Total Accumulated Depreciation	<u>(17,365,267)</u>	<u>(1,640,756)</u>	<u>296,906</u>	<u>(18,709,117)</u>
Total Capital Assets, being depreciated, net	<u>24,558,414</u>	<u>4,718,784</u>	<u>(53,750)</u>	<u>29,223,448</u>
Governmental activities capital assets, net	<u>\$ 30,374,723</u>	<u>\$ 5,005,772</u>	<u>\$ (4,262,752)</u>	<u>\$ 31,117,743</u>

**City of Vermillion
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Notes to Financial Statements

Note 4 – Capital Assets (Continued)

The following commitments are included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2013
Public Works- Bliss Point	\$ 2,111,810	\$ 98,039
Public Works- Mickelson	209,276	140,579
Public Works- West Cherry	43,541	33,347
Culture & Recreation:		
Swimming Pool	24,800	20,021
Bike Path	243,771	36,771
	<u>\$ 2,633,198</u>	<u>\$ 328,757</u>

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Business-Type Activities:				
Capital Assets, not being depreciated				
Land and Improvements	\$ 2,457,547	\$ 29,682	\$ -	\$ 2,487,229
Construction in Progress	863,797	2,217,639	(253,216)	2,828,220
Total capital assets, not being depreciated	<u>3,321,344</u>	<u>2,247,321</u>	<u>(253,216)</u>	<u>5,315,449</u>
Capital Assets, being depreciated				
Buildings	29,683,630	321,652	(6,347)	29,998,935
Improvements Other than Buildings	20,750,694	365,579	(29,531)	21,086,742
Furniture & Equipment	5,371,246	264,553	(132,954)	5,502,845
Total capital assets, being depreciated	<u>55,805,570</u>	<u>951,784</u>	<u>(168,832)</u>	<u>56,588,522</u>
Less: Accumulated Depreciation for:				
Buildings	(7,547,882)	(779,501)	384	(8,326,999)
Improvements Other than Buildings	(7,256,034)	(610,858)	76,406	(7,790,486)
Furniture & Equipment	(3,295,121)	(349,746)	116,085	(3,528,782)
Total Accumulated Depreciation	<u>(18,099,037)</u>	<u>(1,740,105)</u>	<u>192,875</u>	<u>(19,646,267)</u>
Total Capital Assets, being depreciated, net	<u>\$ 37,706,533</u>	<u>\$ (788,321)</u>	<u>\$ 24,043</u>	<u>\$ 36,942,255</u>
Business-type activities capital assets, net	<u>\$ 41,027,877</u>	<u>\$ 1,459,000</u>	<u>\$ (229,173)</u>	<u>\$ 42,257,704</u>

City of Vermillion
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Notes to Financial Statements

Note 4 – Capital Assets (Continued)

The following commitments are included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2013
Golf Course Housing Sites	\$ 252,804	\$ 43,973
Electric Replay Upgrade	75,600	46,251
Water Dept - Water Tower & Hydrants	1,420,000	1,118,703
Wastewater Dept - Boiler/Heat Exchanger	31,500	8,380
Joint Powers Lechate Project, Cell 5, Baler and Building	3,313,497	1,383,494
	<u>\$ 5,093,401</u>	<u>\$ 2,600,801</u>

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

Governmental Activities:	
General Government	\$ 201,594
Public Safety	119,754
Public Works	793,537
Health & Welfare	23,100
Culture & Recreation	178,691
Total depreciation expense	
- Governmental Activities	1,316,676
- Internal Service Funds	324,080
	<u>\$ 1,640,756</u>
Business-Type Activities:	
Electric	\$ 537,629
Water	257,677
Wastewater	597,771
Liquor	3,671
Golf Course	55,444
Joint Powers Landfill	280,576
Curbside Recycling	7,337
Total depreciation expense	
- Business-Type Activities	<u>\$ 1,740,105</u>

**City of Vermillion
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Notes to Financial Statements

Note 4 – Capital Assets (Continued)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Component Unit:				
Capital Assets, being depreciated				
Furniture & Equipment	\$ 3,628	\$ -	\$ -	\$ 3,628
Total capital assets being depreciated	<u>3,628</u>	<u>-</u>	<u>-</u>	<u>3,628</u>
Less:				
Accumulated Depreciation	<u>(3,501)</u>	<u>(127)</u>	<u>-</u>	<u>(3,628)</u>
Total Capital Assets, being depreciated, net	<u>\$ 127</u>	<u>(127)</u>	<u>-</u>	<u>\$ -</u>

Reconciliation of Net Investment in Capital Assets:

	<u>Governmental</u>	<u>Business-Type</u>
Land and Improvements	\$ 1,564,503	\$ 2,487,229
Construction in Progress	329,792	2,828,220
Capital Assets (Net of Accumulated Depreciation)	29,223,448	36,942,255
Less:		
Revenue Bonds	-	(18,216,709)
Notes Payable	-	(451,009)
Capital Leases	<u>(3,438,140)</u>	<u>(209,316)</u>
Net Investment in Capital Assets	<u>\$ 27,679,603</u>	<u>\$ 23,380,670</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.

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Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

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, 2013 is as follows:

Purpose	Interest Rate	Outstanding Amounts
Solid Waste Management-2006-204	2.50%	\$ 123,977
Solid Waste Management-2008-402	2.50%	24,155
Solid Waste Management-2010-402	2.25%	118,105
Solid Waste Management-2010-203	2.25%	184,772
		\$ 451,009

Annual debt service requirements to maturity are as follows:

Year Ending December 31	Business-Type Activities	
	Principal	Interest
2014	122,271	9,791
2015	125,214	6,849
2016	63,888	4,237
2017	56,894	2,823
2018	26,966	1,711
2019-2020	55,776	1,577
Total	\$ 451,009	\$ 26,988

Revenue Bonds

During 2013, the City prepaid two Tax Increment Revenue Bonds with current year tax collections and existing reserves. The first being the 2005 TIF #4 bond for \$355,000 and the second the 2009 TIF #1 bond for \$656,026.

On January 17, 2013, the City refunded the State Revolving Fund loan, Wastewater System Revenue Bond, Series 2005 in the amount of \$2,481,847 by issuing Wastewater Refunding Bond Series 2013 in the amount of \$2,550,000. The refunding will reduce the total debt payments over the next fourteen (14) years by \$146,034 and obtain an economic gain of \$146,034. The 2013 refunding bond has a variable rate from .5%-2.45%. Repayment started July 1, 2013.

On May 15, 2013, the City entered into a \$1,532,000 loan with the South Dakota Conservancy District of State Revolving Fund Loan (SRF) funds for construction of a new water tower. The loan is for 2.25% for twenty (20) years with repayment to start on April 1, 2014. To date the City has drawn down \$886,560, with the remaining \$645,440 to be drawn down in 2014.

On June 28, 2013, the City entered into a loan with the South Dakota Conservancy District for \$1,639,000 of State Revolving Fund Loan (SRF) for improvements at the solid waste landfill facility. The loan is for 3.0% for twenty (20) years with repayment to start in May of 2015. To date the City has drawn down \$417,412, with the remaining \$1,221,588 to be drawn down in 2014.

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Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

A detail of revenue bonds outstanding follows:

Purpose	Interest Rate	Amounts
Business-Type Activities:		
Electric Revenue Bond, Series 2009 A & B	2.0%-6.25%	6,655,000
Wastewater System Revenue Bond, Series 2003 (SRF)	3.50%	170,550
Wastewater System Revenue Bond, Series 2008 (SRF)	3.25%	3,705,214
Wastewater System Revenue Bond, Series 2009 (SRF)	2.50%	220,889
Wastewater System Revenue Refunding Bond, Series 2013 (SRF)	.5%-2.45%	2,465,000
Joint Powers Revenue Bond 2013 (SRF)	3.00%	417,412
Water Utility Bond, Series 2002 (SRF)	3.50%	919,493
Water Utility Bond, Series 2006 (SRF)	2.50%	2,776,591
Water Utility Bond, Series 2013 (SRF)	2.25%	886,560
		\$ 18,216,709

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Enterprise	
	Principal	Interest
2014	727,007	586,811
2015	874,394	663,016
2016	894,309	639,465
2017	914,679	613,252
2018	945,519	585,785
2019-2023	5,147,682	2,452,882
2024-2028	4,794,108	1,546,671
2029-2033	2,652,962	763,859
2034-2036	1,266,049	155,905
Total	\$ 18,216,709	\$ 8,007,646

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

**City of Vermillion
Comprehensive Annual Financial Report
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Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

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 \$1,908.

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 \$71,825.

A detail of capital leases outstanding follows:

Purpose	Interest Rate	Outstanding Amounts
City Hall - First National Bank	3.8%-4.40%	3,435,000
Engineering - Cannon Financial Services	0.00%	3,140
Joint Powers - Kinetic Leasing	3.25%	209,316
		\$ 3,647,456

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, 2013.

Year Ending December 31	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2014	\$ 207,355	\$ 144,934	\$ -	\$ -	\$ 352,289
2015	215,785	137,041	21,016	6,803	380,645
2016	220,000	128,710	21,699	6,120	376,529
2017	230,000	120,020	22,404	5,415	377,839
2018	240,000	110,820	23,132	4,686	378,638
2019-2023	1,360,000	393,720	121,065	3,935	1,878,720
2024-2026	965,000	86,020	-	-	1,051,020
Minimum Lease Payments					4,795,680
Less:					
Amount Representing Interest Present Value of Minimum Lease Payments					(1,148,224)
					\$ 3,647,456

Closure/Postclosure Liability

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

**City of Vermillion
Comprehensive Annual Financial Report
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Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

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

The \$222,586 reported as landfill closure and post closure care liability at December 31, 2013, to represents the cumulative amount reported to date based on the use of 14 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,318,315 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. The City expects to close the landfill in the year 2076. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The City reports the closure and postclosure care funds as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on 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:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue Bonds Payable	\$ 355,000	\$ -	\$ 355,000	\$ -	\$ -
Capital Leases	3,640,496	-	202,356	3,438,140	207,355
Compensated Absences	365,339	422,308	365,339	422,308	173,709
Governmental Activities Long-Term Liabilities	<u>\$ 4,360,835</u>	<u>\$ 422,308</u>	<u>\$ 922,695</u>	<u>\$ 3,860,448</u>	<u>\$ 381,064</u>
Business-Type Activities:					
Revenue Bonds Payable	\$ 18,200,435	\$ 3,853,972	\$ 3,837,698	\$ 18,216,709	\$ 727,007
Notes Payable	570,408	-	119,399	451,009	122,271
Capital Leases	229,670	-	20,354	209,316	-
Closure/Postclosure Liability	209,309	13,277	-	222,586	-
Compensated Absences	366,884	366,784	366,884	366,784	150,871
Business-Type Activities Long-Term Liabilities	<u>\$ 19,576,706</u>	<u>\$ 4,234,033</u>	<u>\$ 4,344,335</u>	<u>\$ 19,466,404</u>	<u>\$ 1,000,149</u>

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

Note 6 – Leases

The City has the following operating leases:

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

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2013**

Notes to Financial Statements

Note 6 – Leases (Continued)

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
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
2014	\$ 5,190

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

Year	Amount
2014	\$ 23,191
2015	23,191
2016	23,191
2017	23,191
2018	23,190

Note 7 – Conduit Debt

In previous years, the municipality has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the municipality, the State of South Dakota, nor any other political subdivision of the state, is obligated in any manner for the repayment of their conduit debt issues. Accordingly, the bond is not reported as liabilities in the accompanying financial statements. As of December 31, 2013, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$270,000.

Note 8 – Deficit Fund Equity

As of December 31, 2013, the following funds had deficit fund equity in the amount of:

Capital Projects Funds:	
Bliss Point	\$ 98,039
Special Assessments Projects	16,138

These deficits will be eliminated with an advance from the electric fund in 2014 and the sale of TIF #6 bonds in 2014.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2013**

Notes to Financial Statements

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	Nonmajor Governmental Funds	Electric	Golf		
General	\$ -	\$ 267,837	\$ -	\$ -	\$ -	\$ 267,837
Sales Tax	27,500	891,946	-	200,000	-	1,119,446
Electric	884,950	-	-	-	100,000	984,950
Water	29,583	-	9,000	-	-	38,583
Wastewater	28,679	-	-	-	-	28,679
Liquor	194,200	-	-	-	-	194,200
Nonmajor						
Governmental Funds	35,541	67,462	-	-	-	103,003
Total Transfers In	\$ 1,200,453	\$ 1,227,245	\$ 9,000	\$ 200,000	\$ 100,000	\$ 2,736,698

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10 – Risk Management

The municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2013, 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

**City of Vermillion
Comprehensive Annual Financial Report
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Notes to Financial Statements

Note 10 – Risk Management (Continued)

for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. The municipality carries \$5,000 deductible for the officials liability coverage; \$3,000 deductible for law enforcement liability coverage; zero deductible for general liability; \$1,000 deductible for buildings, contents, miscellaneous property and EDP hardware; automobile liability with \$100 deductible for comprehensive and \$500 for collision and liquor liability coverage.

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

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

As of December 31, 2013, 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 \$12,385 for the payment of future unemployment benefits. During the current year ended December 31, 2013 the City paid no unemployment benefit. No material claims are anticipated in the next fiscal year.

**City of Vermillion
Comprehensive Annual Financial Report
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Notes to Financial Statements

Note 10 – Risk Management (Continued)

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

Note 11 – Retirement Plan

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

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2013, 2012, and 2011 was \$310,158, \$300,174, and \$285,664, 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 revised projected insurance recovery for the fire loss is \$2,440,230. During 2013, additional adjustments were made to insurance recovery values that resulted in additional adjustments for 2013. The carrying value of the building, contents and equipment is \$1,344,599 and the fire related expenses covered by insurance for 2012 and 2013 are \$38,081 and \$9,880 respectively. The insurance recovery in excess of carrying value and fire related expenses results in a gain of \$1,043,724 of which \$608,209 was reported in 2012 with the balance of \$435,515 reported in 2013. During 2013, bids were awarded and construction has started on the replacement of the building, baler and conveyor that are anticipated to be placed in service in mid 2014. The loaders have been replaced along with some of the tools and equipment with the balance anticipated after the building is completed.

Note 13 – Commitments

The Vermillion Chamber of Commerce and Development Company in 2009 conducted a capital campaign titled Vermillion NOW! 1 with a goal to raise \$1.5 million over five years for economic development in the community. The City Council pledged to match private sector commitments at

**City of Vermillion
Comprehensive Annual Financial Report
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Notes to Financial Statements

Note 13 – Commitments (Continued)

the rate of fifty cents per dollar raised until August 1, 2009 with a maximum contribution over a five-year period of \$450,000. Vermillion NOW! 1 exceeded its goal with commitments of over \$1.6 million. During 2009, the city paid \$20,000 of this pledge, \$30,000 in 2010, \$38,713 in 2011, \$65,947 in 2012 and \$166,710 in 2013 and has budgeted \$90,340 in the 2014 budget.

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

In December 2008, the University of South Dakota and the City of Vermillion entered into a Memorandum of Understanding whereby the University will construct a wellness facility and the city will contribute \$340,000. The contributions will be from the second penny sales tax fund of \$68,000 per year for five years starting in the fourth quarter of 2010. Payments have been made in 2010, 2011, 2012 and 2013 and the final payment was included in the 2014 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 14 – 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, 2013, the City estimates that no material liabilities will result from such audits.

Note 15 – Subsequent Events

On December 19, 2013 the City closed on the Tax Increment Revenue Bonds (TIF District #6), Series 2013 in the amount of \$1,732,000. The bonds are drawdown bonds with the limitation of drawing the entire amount in one draw on or before July 1, 2014. The drawdown was made on May 15, 2014.

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 BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance
	Original	Final		Amended Budget Favorable (Unfavorable)
Revenue:				
Taxes:				
General property taxes	\$ 1,796,820	\$ 1,775,350	\$ 1,796,230	\$ 20,880
General sales & use taxes	1,566,500	1,568,000	1,554,765	(13,235)
Penalties & interest on delinquent taxes	4,000	4,000	4,225	225
Licenses & permits	235,200	237,650	234,552	(3,098)
Intergovernmental revenue	664,676	385,415	398,015	12,600
Charges for goods & services	467,165	528,840	488,021	(40,819)
Fines & forfeits	41,050	41,050	34,042	(7,008)
Special assessments	100	114	43	(71)
Investment earnings	15,500	15,500	12,768	(2,732)
Rentals	15,100	15,100	15,082	(18)
Contributions & donations from private sources	2,500	2,500	540	(1,960)
Other	67,600	54,400	41,417	(12,983)
Total revenue	<u>4,876,211</u>	<u>4,627,919</u>	<u>4,579,700</u>	<u>(48,219)</u>
Expenditures:				
General government:				
Executive	513,814	526,337	499,227	27,110
Financial administration	160,578	164,268	162,723	1,545
Other	520,593	569,603	537,768	31,835
Total general government	<u>1,194,985</u>	<u>1,260,208</u>	<u>1,199,718</u>	<u>60,490</u>
Public safety:				
Police	2,206,069	1,570,032	1,496,293	73,739
Fire	185,881	208,384	203,111	5,273
Other protection	3,100	3,900	3,587	313
Total public safety	<u>2,395,050</u>	<u>1,782,316</u>	<u>1,702,991</u>	<u>79,325</u>
Public works:				
Highways & streets	791,212	779,672	706,562	73,110
Sanitation	107,307	106,894	104,280	2,614
Airport	67,660	84,860	85,757	(897)
Total public works	<u>966,179</u>	<u>971,426</u>	<u>896,599</u>	<u>74,827</u>
Health and welfare:				
Health	192,392	191,442	184,378	7,064
Ambulance	297,146	303,320	284,281	19,039
Total health and welfare	<u>489,538</u>	<u>494,762</u>	<u>468,659</u>	<u>26,103</u>
Culture-recreation:				
Recreation	273,657	244,915	214,643	30,272
Parks	290,901	283,664	266,526	17,138
Libraries	552,696	564,769	551,854	12,915
Armory	56,958	57,750	42,314	15,436
Total culture-recreation	<u>1,174,212</u>	<u>1,151,098</u>	<u>1,075,337</u>	<u>75,761</u>
Conservation and development:	51,000	56,750	45,876	10,874
Total expenditures	<u>6,270,964</u>	<u>5,716,560</u>	<u>5,389,180</u>	<u>327,380</u>
Debt Service				
Principal	2,355	2,355	2,356	(1)
Other financing sources (uses):				
Operating transfers in	1,181,712	1,185,281	1,200,453	(15,172)
Operating Transfers Out	-	(280,336)	(267,837)	12,499
Total other financing sources (uses)	<u>1,181,712</u>	<u>904,945</u>	<u>932,616</u>	<u>(2,673)</u>
Net change in fund balances	(213,041)	(186,051)	120,780	306,831
Fund balance - beginning	2,868,006	2,868,006	2,868,006	-
Change in inventory	-	-	2,446	2,446
Fund balance - ending	<u>\$ 2,654,965</u>	<u>\$ 2,681,955</u>	<u>\$ 2,991,232</u>	<u>\$ 309,277</u>

CITY OF VERMILLION
MAJOR SPECIAL REVENUE FUNDS
SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
REVENUES				
Taxes:				
General sales & use taxes	\$ 1,565,500	\$ 1,567,700	\$ 1,553,805	\$ (13,895)
Intergovernmental Revenue				
State Grant	50,000	-	-	-
Miscellaneous revenue:				
Interest earned	19,000	13,400	13,316	(84)
Total revenue	<u>1,634,500</u>	<u>1,581,100</u>	<u>1,567,121</u>	<u>(13,979)</u>
EXPENDITURES				
Current:				
Public safety	44,500	60,800	52,231	8,569
Public works	381,000	233,700	150,246	83,454
Health and welfare	12,000	12,000	11,897	103
Conservation & development	118,000	213,000	204,710	8,290
Culture-recreation	226,500	89,500	54,277	35,223
Total expenditures	<u>782,000</u>	<u>609,000</u>	<u>473,361</u>	<u>135,639</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	27,945	-	-	-
Transfers out	(1,045,231)	(1,196,782)	(1,119,446)	77,336
Total other financing sources (uses)	<u>(1,017,286)</u>	<u>(1,196,782)</u>	<u>(1,119,446)</u>	<u>77,336</u>
Net change in fund balance	(164,786)	(224,682)	(25,686)	198,996
Fund balance - beginning	2,099,170	2,099,170	2,099,170	-
Fund balance - ending	<u>\$ 1,934,384</u>	<u>\$ 1,874,488</u>	<u>\$ 2,073,484</u>	<u>\$ 198,996</u>



CITY OF VERMILLION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY REPORTING
 DECEMBER 31, 2013

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget of the general fund, the special revenue funds, and the capital projects fund is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budget. In September and December 2013, 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 2012. The following supplemental budgets were adopted by the governing board during the year.

General Fund

Expenditures:

General Government	\$ 65,223
Public Safety	(612,734)
Public Works	5,247
Health and Welfare	5,224
Culture-Recreation	(23,114)
Conservation & Development	5,750
Transfers Out	280,336

Special Revenue Fund

Sales Tax Fund

Expenditures:

Public Safety	\$ 16,300
Public Works	(147,300)
Economic Development	95,000
Culture-Recreation	(137,000)
Transfers Out	(151,551)

CITY OF VERMILLION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY REPORTING
DECEMBER 31, 2013

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. 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:

Non-Major Funds:

Special Assessment Project Funds - This fund is used to account for receipt and disbursements of monies used for the construction of capital improvements, which are to be assessed to property owners. The projects are financed by the sale of special assessment bonds reported as a transfer in from the debt service fund and payments received from the property owners. The deficit fund balance is for the portion of sidewalk improvements completed in 2013.

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. Engineering and easement acquisition for bike path

extension long the east side of HWY 19 between Cherry and HWY 50 was completed in 2013 and the project is anticipated to be bid and constructed in 2014.

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

Bliss Pointe - This fund is used to account for the receipts and disbursements of monies for the infrastructure improvements in the first phase of the Bliss Pointe residential development. The Tax Incremental Bond was authorized during 2013 with the final closing in May of 2014 with the bond proceeds to be granted to the VCDC for development expenses along with Stormwater Funds and oversized water main costs from the Water Fund.

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

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 construction portion of the project was completed spring of 2013 with continued expenditures for the furniture and fixtures.

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

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

Non-Major Funds:

Special Assessment Bonds - This fund accounts for the accumulation of monies for payment of special assessment bonds. The collection of the special assessments levied against the properties benefiting from the improvements from 2001 through 2013 is recorded in this fund. As the special assessment bonds were purchased by the electric utility the current portion of the inter fund loan is reported as "Due to other funds" and the long term portion is reported as "Advance from other funds". The principal payment for the inter fund loan reduces the liability and the interest is reported as a fund expenditure. The transfer out is the 8% fiscal fee for engineering services transferred to the general fund. A bond was issued during 2013 for the Stanford Street improvement assessments.

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 balance of the advance was repaid during 2013 and the City Council by resolution dissolved the TIF District.

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. Based upon a larger than projected investment in property within the district the funds were available to call the bond in 2013 and following final payment the City Council by resolution dissolved the TIF District.

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, 2013

	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	\$ 13,566	\$ -	\$ 9,006	\$ 17,697	\$ 16,141	\$ 56,410	\$ -	\$ 364
Investments	175,000	-	890,000	-	-	1,065,000	-	-
Receivables (net, where applicable, of allowance for uncollectibles)								
Accounts receivable	-	-	10,208	-	-	10,208	-	-
Special assessment receivable	-	-	-	-	-	-	-	-
Interest receivable	621	-	3,342	-	-	3,963	-	-
Due from other governments	29,245	69,057	355	-	-	98,657	-	-
Restricted assets:								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
Total assets	<u>\$ 218,432</u>	<u>\$ 69,057</u>	<u>\$ 912,911</u>	<u>\$ 17,697</u>	<u>\$ 16,141</u>	<u>\$ 1,234,238</u>	<u>\$ -</u>	<u>\$ 364</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 827	\$ 11,227	\$ -	\$ 940	\$ -	\$ 12,994	\$ 1,604	\$ -
Due to other funds	-	57,830	-	-	-	57,830	14,534	-
Revenue collected in advance	-	-	-	2,727	-	2,727	-	-
Advance from other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>827</u>	<u>69,057</u>	<u>-</u>	<u>3,667</u>	<u>-</u>	<u>73,551</u>	<u>16,138</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-sales tax and interest	13,951	-	3,342	-	-	17,293	-	-
Unavailable revenue-special assessments and interest	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>13,951</u>	<u>-</u>	<u>3,342</u>	<u>-</u>	<u>-</u>	<u>17,293</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Restricted	203,654	-	909,569	14,030	16,141	1,143,394	-	-
Committed	-	-	-	-	-	-	-	364
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(16,138)	-
Total fund balances	<u>203,654</u>	<u>-</u>	<u>909,569</u>	<u>14,030</u>	<u>16,141</u>	<u>1,143,394</u>	<u>(16,138)</u>	<u>364</u>
Total liabilities and fund balances	<u>\$ 218,432</u>	<u>\$ 69,057</u>	<u>\$ 912,911</u>	<u>\$ 17,697</u>	<u>\$ 16,141</u>	<u>\$ 1,234,238</u>	<u>\$ -</u>	<u>\$ 364</u>

Capital Project Funds						Debt Service Funds					Total Nonmajor Governmental Funds
Bike Path	Airport	Bliss Point	Mill Overlay	Library Renovation	Total	Special Assessment Bonds	TIF District No. 3 Bonds	TIF District No. 4 Bonds	City Hall Bonds	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 364	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,774
-	-	-	-	-	-	-	-	-	-	-	1,065,000
-	-	-	-	2,570	2,570	-	-	-	-	-	12,778
-	-	-	-	-	-	207,134	-	-	-	207,134	207,134
-	-	-	-	-	-	9,136	-	-	-	9,136	13,099
28,470	12,069	-	-	-	40,539	-	-	-	-	-	139,196
-	-	-	-	-	-	58,053	-	-	-	58,053	58,053
-	-	-	-	-	-	250,000	-	-	359,557	609,557	609,557
-	-	-	-	-	-	1,262	-	-	194	1,456	1,456
<u>28,470</u>	<u>12,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,570</u>	<u>\$ 43,473</u>	<u>\$ 525,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,751</u>	<u>\$ 885,336</u>	<u>\$ 2,163,047</u>
\$ -	\$ 2,115	\$ 98,039	\$ -	\$ 2,570	\$ 104,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,322
18,885	9,954	-	-	-	43,373	66,022	-	-	-	66,022	167,225
9,585	-	-	-	-	9,585	-	-	-	-	-	12,312
-	-	-	-	-	-	183,183	-	-	-	183,183	183,183
<u>28,470</u>	<u>12,069</u>	<u>98,039</u>	<u>-</u>	<u>2,570</u>	<u>157,286</u>	<u>249,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,205</u>	<u>480,042</u>
-	-	-	-	-	-	-	-	-	194	194	17,487
-	-	-	-	-	-	195,436	-	-	-	195,436	195,436
-	-	-	-	-	-	195,436	-	-	194	195,630	212,923
-	-	-	-	-	-	80,944	-	-	359,557	440,501	1,583,895
-	-	-	-	-	364	-	-	-	-	-	364
-	-	(98,039)	-	-	(114,177)	-	-	-	-	-	(114,177)
-	-	(98,039)	-	-	(113,813)	80,944	-	-	359,557	440,501	1,470,082
<u>28,470</u>	<u>12,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,570</u>	<u>\$ 43,473</u>	<u>\$ 525,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,751</u>	<u>\$ 885,336</u>	<u>\$ 2,163,047</u>

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

	Special Revenue Funds					Capital Project Funds			
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Total	Special Assessment Projects	Streetscape	Bike Path
REVENUES									
Taxes:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General sales & use	312,984	-	-	-	-	312,984	-	-	-
Stormwater fees	-	-	180,390	-	-	180,390	-	-	-
Penalties & interest	-	-	424	-	-	424	-	-	-
Intergovernmental:									
Federal grant	-	-	-	-	-	-	-	-	4,972
State grant	-	-	-	-	-	-	-	-	-
County shared revenue	-	287,338	-	-	3,000	290,338	-	-	-
Charges for goods & services									
Culture & recreation	-	-	-	3,671	-	3,671	-	-	-
Fines & forfeits:									
Library	-	-	-	-	2,686	2,686	-	-	-
Miscellaneous:									
Public payments for improvements	-	-	-	-	-	-	77,420	-	-
Interest earned	226	-	1,697	13	16	1,952	-	-	-
Contributions & donations from private sources	-	500	10,000	8,966	6,313	25,779	-	-	-
Special assessments (principal & interest)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	2,987	2,987	-	-	-
Total revenue	313,210	287,838	192,511	12,650	15,002	821,211	77,420	-	4,972
EXPENDITURES									
Current									
Public safety	-	481,115	-	-	-	481,115	-	-	-
Public works	-	-	32,869	-	-	32,869	16,037	-	-
Culture-recreation	-	-	-	4,667	7,593	12,260	-	-	-
Conservation & development	276,179	-	-	-	-	276,179	-	-	-
Capital outlay:									
Public safety	-	74,560	-	-	-	74,560	-	-	-
Public works	-	-	71,422	-	-	71,422	-	-	-
Culture & recreation	-	-	-	2,208	7,665	9,873	-	-	6,067
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest & fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	276,179	555,675	104,291	6,875	15,258	958,278	16,037	-	6,067
Excess (deficiency) of revenues over (under) expenditures	37,031	(267,837)	88,220	5,775	(256)	(137,067)	61,383	-	(1,095)
OTHER FINANCING SOURCES(USES)									
Transfer in	-	267,837	-	-	-	267,837	62,462	-	1,095
Transfer out	-	-	-	-	(5,000)	(5,000)	(20,369)	-	-
Total other financing sources(uses)	-	267,837	-	-	(5,000)	262,837	42,093	-	1,095
Net change in fund balances	37,031	-	88,220	5,775	(5,256)	125,770	103,476	-	-
Fund balances - beginning	166,623	-	821,349	8,255	21,397	1,017,624	(119,614)	364	-
Fund balances - ending	\$ 203,654	\$ -	\$ 909,569	\$ 14,030	\$ 16,141	\$ 1,143,394	\$ (16,138)	\$ 364	\$ -

Capital Project Funds					Debt Service Funds					Total Nonmajor Funds
Airport	Bliss Point	Mill Overlay	Library Renovation	Total	Special Assessment Bonds	TIF District No. 3 Bonds	TIF District No. 4 Bonds	City Hall Bonds	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,791	\$ 105,860	\$ -	\$ 223,651	\$ 223,651
-	-	-	-	-	-	-	-	-	-	312,984
-	-	-	-	-	-	-	-	-	-	180,390
-	-	-	-	-	-	-	-	-	-	424
149,796	-	-	-	154,768	-	-	-	-	-	154,768
13,315	-	33,347	-	46,662	-	-	-	-	-	46,662
-	-	-	-	-	-	-	-	-	-	290,338
-	-	-	-	-	-	-	-	-	-	3,671
-	-	-	-	-	-	-	-	-	-	2,686
-	-	-	-	77,420	-	-	-	-	-	77,420
-	-	-	-	-	301	143	91	9,076	9,611	11,563
-	-	-	215,470	215,470	-	-	-	-	-	241,249
-	-	-	-	-	109,501	-	-	-	109,501	109,501
-	-	-	-	-	-	-	-	-	-	2,987
<u>163,111</u>	<u>-</u>	<u>33,347</u>	<u>215,470</u>	<u>494,320</u>	<u>109,802</u>	<u>117,934</u>	<u>105,951</u>	<u>9,076</u>	<u>342,763</u>	<u>1,658,294</u>
-	-	-	-	-	-	-	-	-	-	481,115
-	-	-	-	16,037	-	-	-	-	-	48,906
-	-	-	-	-	-	-	-	-	-	12,260
-	-	-	-	-	-	-	-	-	-	276,179
-	-	-	-	-	-	-	-	-	-	74,560
166,440	98,039	33,347	-	297,826	-	-	-	-	-	369,248
-	-	-	469,688	475,755	-	-	-	-	-	485,628
-	-	-	-	-	-	-	355,000	200,000	555,000	555,000
-	-	-	-	-	13,623	-	16,554	154,634	184,811	184,811
<u>166,440</u>	<u>98,039</u>	<u>33,347</u>	<u>469,688</u>	<u>789,618</u>	<u>13,623</u>	<u>-</u>	<u>371,554</u>	<u>354,634</u>	<u>739,811</u>	<u>2,487,707</u>
<u>(3,329)</u>	<u>(98,039)</u>	<u>-</u>	<u>(254,218)</u>	<u>(295,298)</u>	<u>96,179</u>	<u>117,934</u>	<u>(265,603)</u>	<u>(345,558)</u>	<u>(397,048)</u>	<u>(829,413)</u>
3,329	-	-	552,833	619,719	-	-	-	339,689	339,689	1,227,245
-	-	-	-	(20,369)	(62,462)	(9,540)	(5,632)	-	(77,634)	(103,003)
<u>3,329</u>	<u>-</u>	<u>-</u>	<u>552,833</u>	<u>599,350</u>	<u>(62,462)</u>	<u>(9,540)</u>	<u>(5,632)</u>	<u>339,689</u>	<u>262,055</u>	<u>1,124,242</u>
-	(98,039)	-	298,615	304,052	33,717	108,394	(271,235)	(5,869)	(134,993)	294,829
-	-	-	(298,615)	(417,865)	47,227	(108,394)	271,235	365,426	575,494	1,175,253
<u>\$ -</u>	<u>\$ (98,039)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (113,813)</u>	<u>\$ 80,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,557</u>	<u>\$ 440,501</u>	<u>\$ 1,470,082</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, 2013

	Liquor, Lodging, Dining Tax			911		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes:						
General sales & use	\$ 313,600	\$ 312,984	\$ (616)	\$ -	\$ -	-
Stormwater fees	-	-	-	-	-	-
Penalties & interest	-	-	-	-	-	-
Intergovernmental :						
County shared revenue	-	-	-	299,835	287,338	(12,497)
Charges for goods & services						
Culture & recreation	-	-	-	-	-	-
Fines & forfeits:						
Library	-	-	-	-	-	-
Miscellaneous:						
Grants	-	-	-	-	-	-
Interest earned	500	226	(274)	-	-	-
Contributions & donations from private sources	-	-	-	500	500	-
Other	-	-	-	-	-	-
Total revenue	<u>314,100</u>	<u>313,210</u>	<u>(890)</u>	<u>300,335</u>	<u>287,838</u>	<u>(12,497)</u>
EXPENDITURES						
Current						
Public safety	-	-	-	580,671	555,675	24,996
Public works	-	-	-	-	-	-
Culture-recreation	-	-	-	-	-	-
Conservation & development	314,100	276,179	37,921	-	-	-
Total expenditures	<u>314,100</u>	<u>276,179</u>	<u>37,921</u>	<u>580,671</u>	<u>555,675</u>	<u>24,996</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>37,031</u>	<u>37,031</u>	<u>(280,336)</u>	<u>(267,837)</u>	<u>12,499</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	280,336	267,837	(12,499)
Operating Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,336</u>	<u>267,837</u>	<u>(12,499)</u>
Net change in fund balances	<u>-</u>	<u>37,031</u>	<u>37,031</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		166,623			-	
Fund balances - ending		<u>\$ 203,654</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
178,600	180,390	1,790	-	-	-	-	-	-
275	424	149	-	-	-	-	-	-
-	-	-	-	-	-	3,000	3,000	-
-	-	-	3,000	3,671	671	-	-	-
-	-	-	-	-	-	3,100	2,686	(414)
10,000	10,000	-	-	-	-	-	-	-
1,700	1,697	(3)	20	13	(7)	100	16	(84)
-	-	-	8,650	8,966	316	5,000	6,313	1,313
-	-	-	-	-	-	2,300	2,987	687
<u>190,575</u>	<u>192,511</u>	<u>1,936</u>	<u>11,670</u>	<u>12,650</u>	<u>980</u>	<u>13,500</u>	<u>15,002</u>	<u>1,502</u>
-	-	-	-	-	-	-	-	-
192,000	104,291	87,709	-	-	-	-	-	-
-	-	-	17,000	6,875	10,125	14,000	15,258	(1,258)
<u>192,000</u>	<u>104,291</u>	<u>87,709</u>	<u>17,000</u>	<u>6,875</u>	<u>10,125</u>	<u>14,000</u>	<u>15,258</u>	<u>(1,258)</u>
<u>(1,425)</u>	<u>88,220</u>	<u>89,645</u>	<u>(5,330)</u>	<u>5,775</u>	<u>11,105</u>	<u>(500)</u>	<u>(256)</u>	<u>244</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(5,000)	(5,000)	-
-	-	-	-	-	-	(5,000)	(5,000)	-
<u>(1,425)</u>	<u>88,220</u>	<u>89,645</u>	<u>(5,330)</u>	<u>5,775</u>	<u>11,105</u>	<u>(5,500)</u>	<u>(5,256)</u>	<u>244</u>
	<u>821,349</u>			<u>8,255</u>			<u>21,397</u>	
\$	<u><u>909,569</u></u>		\$	<u><u>14,030</u></u>		\$	<u><u>16,141</u></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, 2013

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,400	\$ 4,972	\$ (20,428)
State grant	-	-	-	-	-	-	-	-	-
Miscellaneous:									
Public payments for improvements	18,950	77,420	58,470	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Contributions and donations from private sources	-	-	-	-	-	-	-	-	-
Total revenue	<u>18,950</u>	<u>77,420</u>	<u>58,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,400</u>	<u>4,972</u>	<u>(20,428)</u>
EXPENDITURES									
Current									
Public works	110,000	16,037	93,963	-	-	-	-	-	-
Culture & recreation	-	-	-	364	-	364	75,000	6,067	68,933
Total expenditures	<u>110,000</u>	<u>16,037</u>	<u>93,963</u>	<u>364</u>	<u>-</u>	<u>364</u>	<u>75,000</u>	<u>6,067</u>	<u>68,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(91,050)</u>	<u>61,383</u>	<u>152,433</u>	<u>(364)</u>	<u>-</u>	<u>364</u>	<u>(49,600)</u>	<u>(1,095)</u>	<u>48,505</u>
OTHER FINANCING SOURCES(USES)									
Transfer in	131,000	62,462	(68,538)	-	-	-	49,600	1,095	(48,505)
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-
Transfer out	<u>(20,369)</u>	<u>(20,369)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources(uses)	<u>110,631</u>	<u>42,093</u>	<u>(68,538)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,600</u>	<u>1,095</u>	<u>(48,505)</u>
Net change in fund balances	<u>19,581</u>	<u>103,476</u>	<u>83,895</u>	<u>(364)</u>	<u>-</u>	<u>364</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		<u>(119,614)</u>			<u>364</u>				
Fund balances - ending		\$ <u>(16,138)</u>		\$ <u>364</u>			\$ <u>-</u>		

Airport			Bliss Point			Mill Overlay			Library Renovation		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ 164,250	\$ 149,796	\$ (14,454)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,125	13,315	4,190	-	-	-	24,000	33,347	9,347	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
<u>173,375</u>	<u>163,111</u>	<u>(10,264)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,000</u>	<u>33,347</u>	<u>9,347</u>	<u>223,330</u>	<u>215,470</u>	<u>(7,860)</u>
182,500	166,440	16,060	1,378,565	98,039	1,280,526	24,000	33,347	(9,347)	-	-	-
<u>182,500</u>	<u>166,440</u>	<u>16,060</u>	<u>1,378,565</u>	<u>98,039</u>	<u>1,280,526</u>	<u>24,000</u>	<u>33,347</u>	<u>(9,347)</u>	<u>477,615</u>	<u>469,688</u>	<u>7,927</u>
(9,125)	(3,329)	5,796	(1,378,565)	(98,039)	1,280,526	-	-	-	(254,285)	(254,218)	67
9,125	3,329	(5,796)	16,000	-	(16,000)	-	-	-	552,900	552,833	(67)
-	-	-	1,732,000	-	-	-	-	-	-	-	-
<u>9,125</u>	<u>3,329</u>	<u>(5,796)</u>	<u>1,748,000</u>	<u>-</u>	<u>(16,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>552,900</u>	<u>552,833</u>	<u>(67)</u>
-	-	-	369,435	(98,039)	1,264,526	-	-	-	298,615	298,615	-
-	-	-	-	-	-	-	-	-	-	(298,615)	-
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(98,039)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</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 for the equipment used by the department.

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

CITY OF VERMILLION
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2013

	<u>Copier- Fax- Postage</u>	<u>Unemployment Insurance</u>	<u>Equipment Replacement</u>	<u>Custodial Services</u>	<u>Totals</u>
ASSETS:					
Current assets:					
Cash	\$ 14,762	\$ 288	\$ 96,857	\$ 8,698	\$ 120,605
Investments	-	12,000	298,000	-	310,000
Accounts receivable	2,483	-	-	-	2,483
Interest receivable	-	97	1,227	-	1,324
Total current assets	<u>17,245</u>	<u>12,385</u>	<u>396,084</u>	<u>8,698</u>	<u>434,412</u>
Capital assets:					
Machinery & equipment	12,797	-	5,434,513	2,316	5,449,626
less accumulated depreciation	<u>(12,797)</u>	<u>-</u>	<u>(2,345,614)</u>	<u>(1,280)</u>	<u>(2,359,691)</u>
Total capital assets	<u>-</u>	<u>-</u>	<u>3,088,899</u>	<u>1,036</u>	<u>3,089,935</u>
Total assets	<u>17,245</u>	<u>12,385</u>	<u>3,484,983</u>	<u>9,734</u>	<u>3,524,347</u>
LIABILITIES					
Current liabilities:					
Accounts payable	378	-	262,019	1,265	263,662
Accrued leave payable	-	-	-	3,237	3,237
Total current liabilities	<u>378</u>	<u>-</u>	<u>262,019</u>	<u>4,502</u>	<u>266,899</u>
Noncurrent liabilities:					
Accrued leave payable	-	-	-	4,633	4,633
Total non current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,633</u>	<u>4,633</u>
Total liabilities	<u>378</u>	<u>-</u>	<u>262,019</u>	<u>9,135</u>	<u>271,532</u>
NET POSITION					
Net investment in capital assets	-	-	3,088,899	1,036	3,089,935
Unrestricted	16,867	12,385	134,065	(437)	162,880
Total net position	<u>\$ 16,867</u>	<u>\$ 12,385</u>	<u>\$ 3,222,964</u>	<u>\$ 599</u>	<u>\$ 3,252,815</u>

CITY OF VERMILLION
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

	Copier- Fax- Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
Operating Revenues:					
Charges for goods and services	\$ 18,122	\$ -	\$ 407,948	\$ 83,020	\$ 509,090
Total operating revenue	<u>18,122</u>	<u>-</u>	<u>407,948</u>	<u>83,020</u>	<u>509,090</u>
Operating expenses:					
Personnel services	-	-	-	80,855	80,855
Other current expenses	17,120	-	-	2,269	19,389
Depreciation	1,600	-	322,301	179	324,080
Total operating expenses	<u>18,720</u>	<u>-</u>	<u>322,301</u>	<u>83,303</u>	<u>424,324</u>
operating income(loss)	<u>(598)</u>	<u>-</u>	<u>85,647</u>	<u>(283)</u>	<u>84,766</u>
Nonoperating revenue:					
Interest earned	-	66	2,358	-	2,424
Gain on disposition of assets	-	-	1,143	-	1,143
Total nonoperating revenue	<u>-</u>	<u>66</u>	<u>3,501</u>	<u>-</u>	<u>3,567</u>
Income(loss) before contributions and transfers	<u>(598)</u>	<u>66</u>	<u>89,148</u>	<u>(283)</u>	<u>88,333</u>
Capital Contributions and grants	-	-	119,837	-	119,837
Transfer in	-	-	100,000	-	100,000
Change in net position	<u>(598)</u>	<u>66</u>	<u>308,985</u>	<u>(283)</u>	<u>308,170</u>
Net position - beginning	17,465	12,319	2,913,979	882	2,944,645
Net position - ending	<u>\$ 16,867</u>	<u>\$ 12,385</u>	<u>\$ 3,222,964</u>	<u>\$ 599</u>	<u>\$ 3,252,815</u>

CITY OF VERMILLION
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Copier- Fax- Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 17,974	\$ -	\$ 407,948	\$ 83,020	\$ 508,942
Cash paid for personal services	-	-	-	(79,205)	(79,205)
Cash paid to suppliers	(17,422)	(435)	-	(1,887)	(19,744)
Net cash provided (used for) operating activities	<u>552</u>	<u>(435)</u>	<u>407,948</u>	<u>1,928</u>	<u>409,993</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	-	-	(580,644)	-	(580,644)
Proceeds from sale of assets	-	-	29,695	-	29,695
Net cash (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(550,949)</u>	<u>-</u>	<u>(550,949)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	-	-	2,242	-	2,242
Purchase and sale of investments	-	-	220,000	-	220,000
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>222,242</u>	<u>-</u>	<u>222,242</u>
Net increase (decrease) in cash and cash equivalents	552	(435)	79,241	1,928	81,286
Cash and cash equivalents beginning of year	<u>14,210</u>	<u>723</u>	<u>17,616</u>	<u>6,770</u>	<u>39,319</u>
Cash and cash equivalents end of year	<u>\$ 14,762</u>	<u>\$ 288</u>	<u>\$ 96,857</u>	<u>\$ 8,698</u>	<u>\$ 120,605</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (598)	\$ -	\$ 85,647	\$ (283)	\$ 84,766
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:					
Depreciation	1,600	-	322,301	179	324,080
(Increase) decrease in assets and increase (decrease) in liabilities:					
Accounts receivable	(148)	-	-	-	(148)
Accounts payable	(302)	(435)	-	382	(355)
Accrued leave payable	-	-	-	1,650	1,650
Net cash provided by (used for) operating activities	<u>\$ 552</u>	<u>\$ (435)</u>	<u>\$ 407,948</u>	<u>\$ 1,928</u>	<u>\$ 409,993</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	85-90
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	91-95
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	96-102
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	103-104
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	105-107
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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 27,679,603
Restricted for:										
BBB	47,533	24,759	36,499	129,654	154,418	125,799	144,278	175,308	180,503	217,605
Capital Projects	-	-	-	3,531,936	-	-	-	-	-	-
Debt Service	694,016	711,658	1,056,138	1,378,496	1,679,918	1,600,924	940,546	595,352	899,886	629,942
Parks Capital	-	-	-	-	-	-	-	-	-	14,030
Library	-	-	-	-	-	-	-	106,132	21,397	16,141
Stormwater	127,235	84,162	180,487	272,825	249,860	366,220	490,302	659,022	823,145	912,911
Cumulative Reserve	-	-	-	158,060	158,060	158,060	158,060	158,060	158,060	158,060
Unrestricted	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	4,617,995
Total Governmental Activities	\$ 16,040,101	\$ 18,174,626	\$ 21,542,391	\$ 23,237,049	\$ 24,847,646	\$ 28,535,958	\$ 29,346,833	\$ 30,708,705	\$ 33,049,771	\$ 34,246,287
Business-Type Activities										
Net Investment in Capital Assets	\$ 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	\$ 23,380,670
Restricted for:										
Debt Service	419,593	779,022	810,174	838,309	834,790	1,444,260	1,521,831	1,544,613	1,515,809	1,108,543
Landfill Closure Postclosure	178,829	214,281	224,505	214,880	214,880	210,879	207,915	196,362	186,161	180,017
Unrestricted	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	11,892,563
Total Business-Type Activities	\$ 19,001,098	\$ 21,386,307	\$ 23,453,977	\$ 25,311,258	\$ 26,863,572	\$ 29,566,499	\$ 31,420,702	\$ 32,767,762	\$ 34,667,662	\$ 36,561,793
Primary Government										
Net Investment in Capital Assets	\$ 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	\$ 51,060,273
Restricted for:										
BBB	47,533	24,759	36,499	129,654	154,418	125,799	144,278	175,308	180,503	217,605
Capital Projects	-	-	-	3,531,936	-	-	-	-	-	-
Debt Service	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	1,738,485
Parks Capital	-	-	-	-	-	-	-	-	-	14,030
Library	-	-	-	-	-	-	-	106,132	21,397	16,141
Stormwater	127,235	84,162	180,487	272,825	249,860	366,220	490,302	659,022	823,145	912,911
Landfill Closure Postclosure	178,829	214,281	224,505	230,238	214,880	210,879	207,915	196,362	186,161	180,017
Cumulative Reserve	-	-	-	158,060	158,060	158,060	158,060	158,060	158,060	158,060
Unrestricted	6,811,151	7,414,295	9,753,123	8,046,412	13,133,376	12,123,015	13,064,526	15,412,270	15,516,832	16,510,558
Total Primary Government	\$ 35,041,199	\$ 39,560,933	\$ 44,996,368	\$ 48,548,307	\$ 51,711,218	\$ 57,902,457	\$ 60,767,535	\$ 63,476,467	\$ 67,717,423	\$ 70,808,080

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

TABLE 2

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General Government	\$ 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	\$ 1,405,594
Public Safety	1,582,090	1,604,653	1,661,678	1,748,482	1,923,413	2,026,733	2,118,547	2,028,821	2,211,445	2,325,498
Public Works	989,893	1,205,512	1,237,318	1,353,987	1,602,031	1,561,217	1,696,337	1,714,248	1,630,835	1,767,762
Health & Welfare	338,169	343,780	365,189	374,133	402,620	415,740	412,409	424,263	443,581	491,543
Culture & Recreation	929,704	977,583	978,573	1,006,229	1,171,859	1,203,636	1,177,245	1,161,245	1,146,227	1,219,328
Conservation & Development	680,161	546,219	254,220	786,823	732,787	708,482	368,202	397,229	498,825	526,765
Interest on Long-term debt	142,663	91,455	134,858	181,374	298,297	301,118	272,722	241,902	202,154	183,194
Total Governmental Activities Expenses	5,600,994	5,747,972	5,635,932	6,489,245	7,228,677	7,402,094	7,342,315	7,292,611	7,458,478	7,919,684
Business-Type Activities:										
Electric	2,526,674	2,825,995	2,982,411	3,405,570	3,539,287	4,025,288	4,661,735	4,995,547	5,051,041	4,991,778
Water	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	1,409,578
Wastewater	1,010,170	1,069,647	1,049,072	1,305,608	1,284,315	1,336,169	1,345,153	1,694,154	1,694,154	1,789,908
Liquor	671,465	755,798	818,302	917,741	1,003,575	1,000,796	1,017,680	1,018,600	1,043,401	1,017,830
Golf	914,987	1,108,776	1,047,729	902,370	897,527	840,409	834,736	841,741	838,399	786,751
Joint Powers Landfill	743,960	792,584	839,151	927,407	1,220,527	1,022,888	1,298,114	1,273,463	1,242,491	1,174,487
Curbside Recycling	-	-	-	-	-	33,407	98,197	93,047	99,467	95,813
Total Business-Type Activities Expenses	6,882,965	7,564,443	7,794,337	8,630,557	9,209,779	9,595,107	10,588,247	11,216,896	11,404,761	11,266,145
Total Primary Government Expenses	12,483,959	13,312,415	13,430,269	15,119,802	16,438,456	16,997,201	17,930,562	18,509,507	18,863,239	19,185,829
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 139,638	\$ 137,785	\$ 158,477	\$ 197,706	\$ 291,204	\$ 249,372	\$ 294,330	\$ 260,385	\$ 211,495	\$ 266,391
Public Safety	35,747	37,253	35,933	32,973	43,660	43,573	44,364	258,152	262,610	36,873
Public Works	590,077	436,122	939,078	487,046	764,960	402,603	563,566	359,478	378,820	538,981
Health & Welfare	193,907	226,651	191,584	261,861	289,839	344,652	339,053	360,623	321,131	378,785
Culture & Recreation	67,386	59,349	73,217	81,003	67,716	63,524	75,145	79,117	75,728	74,339
Operating Grants & Contributions	-	307,500	-	26,697	257,213	64,553	89,026	71,739	104,314	349,201
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	719,768
Total Governmental Activities Program Revenues	2,235,523	2,996,031	2,911,788	1,810,696	2,124,863	4,846,162	1,629,302	2,333,733	3,342,382	2,364,338
Business-Type Activities:										
Charges for Services:										
Electric	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	6,131,098
Water	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	1,689,093
Wastewater	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	1,761,639
Liquor	767,567	857,975	967,937	1,094,738	1,179,545	1,165,625	1,181,977	1,185,643	1,217,013	1,183,334
Golf	677,061	929,292	756,419	731,073	669,459	683,709	609,291	624,007	654,510	638,437
Joint Powers Landfill	811,613	882,070	868,051	1,303,408	1,171,794	1,088,488	1,236,697	1,241,842	1,151,985	1,080,270
Curbside Recycling	-	-	-	-	-	29,941	111,838	116,759	110,249	109,789
Operating Grants & Contributions	1,065	350	429	4,100	40,625	93,886	93,886	100	100	-
Capital Grants & Contributions	11,608	1,270,244	683,679	19,033	279,226	1,198,705	775,438	14,473	118,970	371,637
Total Business-Type Activities Program Revenues	7,867,608	10,289,429	10,183,173	10,644,940	11,073,640	12,365,817	12,893,723	12,496,759	12,950,307	12,965,297
Total Primary Government Program Revenues	10,103,131	13,285,460	13,094,961	12,455,636	13,198,503	17,211,979	14,523,025	14,830,492	16,292,689	15,329,635
Net(Expense)/Revenue¹	(3,365,471)	(2,751,941)	(2,724,144)	(4,678,549)	(5,103,814)	(2,555,992)	(5,713,013)	(4,958,878)	(4,116,096)	(5,555,346)
Governmental Activities	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	1,699,152
Business-Type Activities	(2,380,828)	(26,955)	(335,308)	(2,664,166)	(3,239,953)	(214,778)	(3,407,537)	(3,679,015)	(2,570,550)	(3,856,194)
Total Primary Government Net Revenues (Expenses)	\$ (2,380,828)	\$ (26,955)	\$ (335,308)	\$ (2,664,166)	\$ (3,239,953)	\$ (214,778)	\$ (3,407,537)	\$ (3,679,015)	\$ (2,570,550)	\$ (3,856,194)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues										
Governmental Activities:										
Property Taxes	\$ 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	\$ 2,024,530
Sales Taxes	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	3,500,823
Unrestricted State/County Shared Revenue	84,877	64,386	74,564	90,355	93,542	74,396	72,312	70,970	72,704	77,480
Unrestricted Investment Earnings	45,306	71,553	162,096	343,118	370,622	251,231	136,313	125,594	77,802	54,889
Miscellaneous Revenue	82,215	79,236	69,437	79,600	84,002	58,729	53,709	76,419	83,276	55,585
Gain on sale of capital assets	11,744	87,428	803,280	35,096	9,335	11,951	28,362	72,492	11,274	1,143
Transfers	723,501	701,157	886,137	846,319	1,022,801	911,657	937,999	937,412	931,586	1,037,412
Total Governmental Activities	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	6,751,862
Business-Type Activities										
Property Taxes	168,175	187,035	254,823	300,773	373,187	435,805	480,052	505,713	501,007	498,282
Unrestricted Investment Earnings	90,791	137,883	267,403	345,272	285,630	164,057	145,933	249,674	227,946	187,143
Miscellaneous Revenue	26,623	36,462	42,745	43,172	42,437	44,012	60,741	60,988	61,736	81,414
Gain(Loss) on sale of capital assets	-	-	-	-	42,437	-	-	490	30,245	30,047
Insurance recovery net of fire loss	-	-	-	-	-	-	-	-	608,209	435,515
Transfers	(723,601)	(701,157)	(886,137)	(846,319)	(1,022,801)	(911,657)	(937,999)	(937,412)	(931,586)	(1,037,412)
Total Business-Type Activities	(438,012)	(339,777)	(321,166)	(157,102)	(311,547)	(287,783)	(251,273)	(120,547)	497,557	194,989
Total Primary Government	\$ 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	\$ 6,946,851
Change in Net Position										
Governmental Activities	\$ 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	\$ 1,196,516
Business-Type Activities	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	1,894,141
Total Primary Government	\$ 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	\$ 3,090,657

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
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	13,534	5,461,940
2013	2,024,530	1,587,753	1,586,756	326,314	68,315	9,165	5,602,833

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

Fiscal Year	Agriculture Forestry & Fishing	Construction	Manufacturing	Sanitary Services	Electric, Gas & Communications	Wholesale Trade	Retail Trade	Finance Insurance & Real Estate	Services	Public Adm.	Other	Total
2004	\$ 701	\$ 233	\$ 1,298	\$ 15,117	\$ 1,823	\$ 59,105	\$ 1,285	\$ 9,731	\$ n/a	\$ 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	n/a	89,321
2006	683	415	2,918	12,539	1,208	72,264	1,242	10,234	n/a	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	n/a	119,806
2008	798	297	4,092	13,815	1,759	86,498	1,289	11,523	n/a	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	9	169,718
2010	1,048	1,887	3,404	21,126	9,940	115,964	1,660	20,455	13	84	84	175,681
2011	824	2,716	4,286	19,001	6,884	121,996	1,553	19,579	18	374	374	177,231
2012	689	5,536	4,935	18,610	6,370	124,460	2,012	20,563	n/a	n/a	588	183,763
2013	1,401	5,185	3,757	19,413	6,835	126,517	2,364	21,689	n/a	n/a	67	187,228

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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 17,778	\$ 14,490	\$ 7,902	\$ 184,714	\$ 199,518	\$ 191,878	\$ 204,520	\$ -	\$ -	\$ -
Unreserved	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	203,072
Committed ²	-	-	-	-	-	-	-	-	-	500,000
Assigned ²	-	-	-	-	-	-	-	178,135	215,396	210,282
Unassigned ²	-	-	-	-	-	-	-	2,331,213	2,451,984	2,077,878
Total General Fund	491,206	849,726	1,877,602	2,034,997	2,301,420	2,365,683	2,510,406	2,710,714	2,868,006	2,991,232
All Other Governmental Funds										
Reserved	447,415	519,171	557,164	4,496,827	995,897	1,089,107	497,633	-	-	-
Unreserved reported in:										
Special Revenue Fund	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	(173,829)	(431,537)	25,470	(66,835)	45,238	(57,251)	(52,750)	-	-	-
Nonspendable ²	-	-	-	-	-	-	-	-	-	-
Restricted ²	-	-	-	-	-	-	-	1,510,490	1,646,030	1,488,921
Committed ²	-	-	-	-	-	-	-	3,098,047	2,099,534	2,073,848
Assigned ²	-	-	-	-	-	-	-	22,344	8,255	14,030
Unassigned ²	-	-	-	-	-	-	-	(337,391)	(479,396)	(33,233)
Total All Other Governmental Funds	1,299,927	1,598,798	2,504,388	6,870,329	3,788,717	3,144,358	2,902,342	4,293,490	3,274,423	3,543,566
Total Governmental Funds	465,193	533,661	565,066	4,681,541	1,195,415	1,280,985	702,153	-	-	-
Reserved	473,428	835,236	1,869,700	1,850,283	2,101,902	2,173,805	2,305,886	-	-	-
Unreserved, reported in:										
General Fund	1,026,341	1,511,164	1,921,754	2,440,337	2,747,582	2,112,502	2,457,459	-	-	-
Special Revenue Funds	(173,829)	(431,537)	25,470	(66,835)	45,238	(57,251)	(52,750)	-	-	-
Capital Projects Funds	-	-	-	-	-	-	-	201,366	200,626	203,072
Nonspendable ²	-	-	-	-	-	-	-	1,510,490	1,646,030	1,488,921
Restricted ²	-	-	-	-	-	-	-	3,098,047	2,099,534	2,573,848
Committed ²	-	-	-	-	-	-	-	200,479	223,651	224,312
Assigned ²	-	-	-	-	-	-	-	1,993,822	1,972,588	2,044,645
Unassigned ²	-	-	-	-	-	-	-	7,004,204	6,142,429	6,534,798
Total Governmental Funds	\$ 1,791,133	\$ 2,448,524	\$ 4,381,990	\$ 8,905,326	\$ 6,090,137	\$ 5,510,041	\$ 5,412,748	\$ 7,004,204	\$ 6,142,429	\$ 6,534,798

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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Revenues											
Taxes	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	5,626,474	
Licenses & Permits	174,515	187,226	169,888	191,586	201,064	215,277	219,374	220,361	230,068	234,552	
Intergovernmental Revenue	1,639,453	1,755,996	1,833,413	956,276	965,288	4,138,907	743,632	586,907	2,429,826	889,783	
Charges for Goods & Services	236,981	260,005	280,440	358,960	455,395	454,080	486,226	486,226	380,372	491,692	
Fines & Forfeits	31,734	31,370	32,263	28,904	40,033	41,480	41,336	38,715	35,544	36,728	
Public Payments for Improvements	53,724	14,775	106,246	639	173,240	14,999	14,999	59,949	10,408	77,420	
Investment Earnings	28,674	44,585	58,241	210,947	274,834	202,694	89,130	88,262	37,647	37,647	
Rentals	14,958	11,520	30,919	24,742	14,080	12,670	15,891	18,112	15,207	15,082	
Special Assessments	95,012	73,789	113,314	167,061	141,726	168,406	196,310	153,294	157,952	109,544	
Contributions & Donations	14,802	16,226	48,189	4,494	3,238	20,275	15,170	840,927	213,255	241,789	
Miscellaneous	74,157	298,041	47,667	88,194	79,881	58,194	53,354	59,806	46,394	44,404	
Total Revenues	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	7,805,115	
Expenditures											
General Government	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	1,194,801	
Public Safety	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	2,200,059	
Public Works	603,471	736,852	700,058	797,688	1,006,391	857,217	908,703	942,093	889,157	1,002,231	
Health and Welfare	325,725	326,857	349,458	361,284	392,330	399,563	403,645	404,509	418,653	468,088	
Culture-Recreation	816,575	855,042	864,365	883,955	968,093	1,018,139	1,018,487	1,007,533	1,031,723	1,005,177	
Conservation and Development	721,067	587,125	295,126	827,730	732,787	708,482	368,202	397,229	498,825	526,765	
Debt Service											
Principal ¹	400,626	218,136	230,920	268,763	405,142	499,290	412,156	560,000	226,570	557,356	
Interest	137,445	127,801	115,359	129,696	339,970	283,218	262,297	232,991	202,154	184,811	
Bond Issuance Costs	-	-	-	116,342	-	-	-	-	-	-	-
Capital Outlay	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	1,213,316	
Total Expenditures	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	8,352,604	
Excess of Revenues over (under) Expenditures	(1,475,075)	(622,533)	(388,464)	(995,152)	(4,159,119)	(1,434,113)	(230,020)	857,836	(1,798,447)	(547,489)	
Other Financing Sources (Uses)											
Issuance of Bonds	-	604,521	405,755	4,492,254	326,325	-	-	-	-	-	
Discount on Bonds Issued	-	(11,500)	-	-	-	-	-	-	-	-	
Sale of Capital Assets	-	-	1,041,426	-	-	-	-	-	-	-	
Transfer In	1,523,601	1,063,195	1,147,553	1,496,554	1,745,905	2,654,412	1,657,913	1,511,547	2,801,359	2,427,698	
Transfer Out	(800,000)	(373,004)	(266,216)	(657,132)	(743,104)	(1,792,755)	(820,501)	(587,029)	(1,863,947)	(1,490,286)	
Total Other Financing Sources (Uses)	723,601	1,283,212	2,328,518	5,331,676	1,329,126	861,657	837,412	924,518	937,412	937,412	
Net Change in Fund Balances	(751,474)	660,679	1,940,054	4,336,524	(2,829,993)	(572,456)	607,392	1,782,354	(861,035)	389,923	
Change in Inventory	(6,467)	(3,288)	(6,586)	18,752	14,804	(7,640)	12,642	(3,154)	(740)	2,446	
Debt Service as a percentage of non-capital expenditures	11.18%	7.00%	7.13%	8.53%	11.09%	11.59%	10.37%	11.99%	6.60%	10.40%	

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
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%
2013	\$ 187,196,370	\$ 153,558,478	\$ 340,754,848	6.06	\$ 400,888,056	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				Clay County				Vermillion School District				Total Direct and Overlapping Rates						
	Operating Millage	Service Millage	Total City Millage	Debt	Operating Millage	Service Millage	Total County Millage	Debt	Operating Millage	Service Millage	Total School Millage	Special Districts							
														2004 a	2004 b	2005 a	2005 b	2006 a	2006 b
2004	6.170	-	6.170	-	5.810	-	5.810	-	16.260	0.860	17.120	0.060	29.160						
	6.170	-	6.170	-	5.810	-	5.810	-	10.100	0.860	10.960	0.060	23.000						
2005	6.240	-	6.240	-	5.780	-	5.780	-	19.930	0.820	20.750	0.060	32.830						
	6.240	-	6.240	-	5.780	-	5.780	-	11.810	0.820	12.630	0.060	24.710						
2006	6.060	-	6.060	-	5.610	-	5.610	-	17.230	0.750	17.980	0.050	29.700						
	6.060	-	6.060	-	5.610	-	5.610	-	10.510	0.750	11.260	0.050	22.980						
2007	5.970	-	5.970	-	5.530	-	5.530	-	16.070	0.680	16.750	0.050	28.300						
	5.970	-	5.970	-	5.530	-	5.530	-	10.020	0.680	10.700	0.050	22.250						
2008	6.060	-	6.060	-	5.350	-	5.350	-	16.870	0.640	17.510	0.050	28.970						
	6.060	-	6.060	-	5.350	-	5.350	-	10.390	0.640	11.030	0.050	22.490						
2009	6.380	-	6.380	-	5.470	-	5.470	-	16.637	0.572	17.209	0.044	29.103						
	6.380	-	6.380	-	5.470	-	5.470	-	10.284	0.572	10.856	0.044	22.750						
2010	6.185	-	6.185	-	5.366	-	5.366	-	16.335	0.565	16.900	0.044	28.495						
	6.185	-	6.185	-	5.366	-	5.366	-	10.142	0.565	10.707	0.044	22.302						
2011	6.016	-	6.016	-	5.193	-	5.193	-	16.552	0.542	17.094	0.042	28.345						
	6.016	-	6.016	-	5.193	-	5.193	-	10.275	0.542	10.817	0.042	22.068						
2012	6.290	-	6.290	-	5.214	-	5.214	-	16.698	0.544	17.242	0.041	28.787						
	6.290	-	6.290	-	5.214	-	5.214	-	10.343	0.544	10.887	0.041	22.432						
2013	6.064	-	6.064	-	4.872	-	4.872	-	16.636	0.474	17.110	0.039	28.085						
	6.064	-	6.064	-	4.872	-	4.872	-	10.355	0.474	10.829	0.039	21.804						

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	2013			2004		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuations	Assessed Valuation	Rank	Percentage of Total Assessed Valuations
Walmart Stores, Inc	\$ 6,748,669	1	1.68%	\$ -	-	-
Polaris Industries, Inc.	6,196,457	2	1.55%	4,537,849	1	1.90%
JH Investments	4,863,302	3	1.21%	-	-	-
Hatle Investments	2,742,594	4	0.68%	2,809,050	3	1.18%
MarketPlace Vermillion LLC	2,203,316	5	0.55%	-	-	-
TMBL LLC	1,940,392	6	0.48%	-	-	-
Donner Family Limited Partners	1,910,693	7	0.48%	-	-	-
ARC LLC	1,862,044	8	0.46%	1,443,875	8	0.61%
East River Properties LLC	1,766,206	9	0.44%	-	-	-
Radha Inc	1,774,065	10	0.44%	-	-	-
Kirk Hogen	-	-	-	1,638,106	7	0.69%
Harlow & Lynne Hatle Trust	-	-	-	1,799,150	6	0.76%
William Wood	-	-	-	1,239,590	9	0.52%
Laurence and Beth Brady	-	-	-	3,748,502	2	1.57%
Qwest	-	-	-	2,169,264	4	0.91%
505 W Main Limited Partnership	-	-	-	1,216,370	10	0.51%
David C. DeRouchey Trustee	-	-	-	1,988,865	5	0.83%
Total Principal Taxpayers	32,007,738		7.98%	22,590,621		9.48%
All Other Taxpayers	368,880,318		92.02%	215,662,550		90.52%
Total Assessed Valuation	<u>\$ 400,888,056</u>		<u>100%</u>	<u>\$ 238,253,171</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	Subsequent Years Tax Collections	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Outstand. Delinquent Taxes	Percentage of Delinq. Taxes to Tax Levy
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%	7,066	1,419,846	98.82%	37,427	2.60%
2009	1,548,344	1,521,174	98.25%	5,691	1,526,865	98.61%	43,787	2.83%
2010	1,607,062	1,583,404	98.53%	17,166	1,600,570	99.60%	37,600	2.34%
2011	1,650,542	1,629,803	98.74%	7,925	1,637,728	99.22%	38,794	2.35%
2012	1,718,031	1,690,684	98.41%	7,598	1,698,282	98.85%	58,470	3.40%
2013	\$ 1,792,285	\$ 1,762,017	98.31%	\$ -	\$ 1,762,017	98.31%	\$ 74,217	4.14%

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
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
2013	\$ 333,516	\$ 85,739	25.71%	\$ 247,777

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			
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	4.83%	2,175
2013	\$ -	\$ -	\$ 3,438,140	\$ 18,216,709	\$ 451,009	\$ 209,316	\$ 22,315,174	n/a	2,111

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, 2013

Jurisdiction	Net General Obligation Debt Outstanding	Percentage Applicable To This Governmental Unit ¹	City's Share of Debt
School District	\$ 1,455,000	59.84%	\$ 870,725
City of Vermillion direct debt			<u>3,438,140</u>
Total Direct and Overlapping Debt			<u>\$ 4,308,865</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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 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	\$ 20,044,403
Total, net debt applicable to limit	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	5,254,396
Legal Debt Margin	\$ 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	\$ 14,790,007
Total net debt applicable to limit as a percentage of debt limit	59.52%	67.53%	73.45%	58.49%	50.28%	45.46%	39.86%	31.45%	24.43%	26.21%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2013

Total 2013 Taxable Value	\$ 340,754,848
Assessed Value	<u>400,888,056</u>
Debt Limit - 5% of Assessed Value	20,044,403
AMOUNT OF DEBT APPLICABLE TO LIMIT	5,530,913
Total Bonded Debt and Long-Term Notes Payable	
Less: amount set aside for repayment of debt	
Joint Powers Revenue Bonds	(10,305)
Wastewater Revenue Bonds	<u>(266,212)</u>
DEBT APPLICABLE TO DEBT LIMIT	(276,517)
LEGAL DEBT MARGIN	<u>\$ 5,254,396</u>
	<u>14,790,007</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
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	5,158,478	4,004,115	311,894	1,466,257	-	-	-	n/a	1,778,151	n/a
2010	517,889	-	-	517,889	-	391,211	391,211	1.32	517,889	1.32
2011	738,404	-	-	738,404	185,000	384,797	569,797	1.30	738,404	1.30
2012	743,301	-	-	743,301	190,000	382,485	572,485	1.30	743,301	1.30
2013	\$ 734,806	\$ -	\$ -	\$ 734,806	\$ 195,000	\$ 385,533	\$ 580,533	1.27	\$ 734,806	1.27

¹ GAAP Basis² General Obligation Bonds were paid off in 2009³ 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
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
2013 ²	1,396,147	1,305,751	257,677	348,073	71,275	33,748	105,023	3.31	605,750	5.77
2013 ³	\$ 263,339	\$ -	\$ -	\$ 263,339	\$ 163,689	\$ 71,981	\$ 235,670	1.12	\$ 263,339	1.12

¹ GAAP Basis² Bond obligations not covered with surcharge pledge³ 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
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
2013 ²	1,427,149	1,554,596	597,771	470,324	107,677	57,988	165,665	2.84	1,068,095	6.45
2013 ³	\$ 322,606	\$ -	\$ -	\$ 322,606	\$ 167,184	\$ 123,829	\$ 291,013	1.11	\$ 322,606	1.11

¹ GAAP Basis² Bond obligations not covered with surcharge pledge³ 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
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
2013 ²	\$ 1,211,293	\$ 783,949	\$ 55,444	\$ 482,788	\$ 655,000	\$ 8,188	\$ 663,188	0.73	\$ 538,232	0.81

¹ GAAP Basis² Final payment made in 2013.

Table 18

CITY OF VERMILLION
PRINCIPAL EMPLOYERS
DECEMBER 31, 2013

Employer	2013		Percentage of Total City Employees
	# of Employees	Rank	
University of South Dakota	1,304	1	22.96%
Sanford Vermillion Medical Center	240	2	4.23%
Walmart	180	3	3.17%
Hy Vee Food Stores	174	4	3.06%
Vermillion Public Schools	160	5	2.82%
Polaris Industries	150	6	2.64%
SESDAC	140	7	2.46%
Masaba Mining Equipment	110	8	1.94%
City of Vermillion	110	9	1.94%
Total Principal Employers	2,568		45.21%
Other Employers	3,112		54.79%
Total Employers	5,680		100%

¹ Comparative data for nine years ago not currently available.

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

TABLE 19

CITY OF VERMILLION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

Calendar Year	Population ¹	Total Personal Income	Per Capita Personal Income ²	Educational Attainment Bachelor's Degree or Higher ¹	Median Age ¹	Public School Enrollment ³	University of South Dakota Enrollment ⁴	Unemployment Rate ¹
2004	9,975	281,863,575	28,257	n/a	25.1	1,305	8,120	3.30%
2005	10,218	296,792,028	29,046	n/a	25.4	1,327	8,641	3.30%
2006	9,862	301,481,340	30,570	n/a	n/a	1,318	8,746	2.80%
2007	9,975	333,145,050	33,398	n/a	n/a	1,282	9,243	2.50%
2008	10,495	408,087,580	38,884	n/a	n/a	1,288	9,291	2.60%
2009	10,417	422,117,674	40,522	2,358	n/a	1,275	9,617	3.60%
2010	10,571	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	\$ 475,652,716	\$ 44,996	n/a	n/a	1,256	10,284	4.00%
2013	10,571	\$ n/a	\$ n/a	n/a	n/a	1,210	10,235	3.10%

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General										
Executive	2.99	2.99	2.82	3.71	3.07	3.63	3.88	3.31	3.01	3.00
Finance	6.30	5.96	6.00	6.02	6.00	6.02	5.94	6.00	6.00	6.00
Engineering	4.75	4.70	4.83	4.64	4.87	4.22	4.71	4.73	4.38	4.30
Service Center	2.24	2.52	2.55	2.57	2.46	2.54	2.56	2.53	2.24	2.25
Public Safety										
Police Administration	6.02	5.45	5.53	5.71	5.10	5.10	5.67	5.26	4.98	4.86
Police Patrol	15.50	14.50	13.92	13.77	15.04	15.57	16.44	15.77	17.40	15.70
Communications	7.56	7.88	7.22	8.83	7.44	7.43	8.01	8.33	8.39	7.81
Fire	1.01	1.00	1.00	1.00	1.01	1.00	1.00	1.00	0.46	1.00
Public Works										
Street Department	6.66	6.45	5.51	5.72	5.94	6.71	6.69	6.48	5.89	6.33
Carpentry	1.06	1.05	1.04	1.07	1.08	1.04	1.05	1.04	1.05	1.04
Health & Welfare										
Code Compliance	3.03	3.00	3.04	3.01	3.02	3.01	2.91	3.25	2.73	3.04
Ambulance	3.72	3.85	4.04	4.13	4.57	3.02	3.06	3.44	3.14	3.15
Culture-Recreation										
Pool	5.37	4.99	4.81	4.61	4.43	5.06	4.65	4.83	4.07	4.01
Recreation	4.03	4.41	3.79	4.27	4.22	4.53	4.01	4.25	3.83	3.62
Libraries	8.36	8.23	8.10	8.08	8.24	8.56	8.84	8.56	8.01	7.87
Parks	3.83	3.89	4.76	4.00	4.56	4.43	4.49	4.30	4.17	4.29
Electric	11.82	11.91	11.27	10.87	10.67	11.15	10.85	10.91	10.61	10.73
Water	9.03	8.62	8.36	8.64	8.48	8.56	8.70	8.35	8.58	8.46
Wastewater	7.46	7.14	7.01	7.67	7.41	7.15	6.98	6.95	6.78	6.91
Golf	10.29	9.74	9.42	9.13	9.71	9.65	9.85	9.32	9.33	9.35
Joint Powers	9.06	9.08	9.20	9.10	9.70	9.95	9.95	9.76	10.00	9.81
Curbside Recycling	-	-	-	-	-	0.72	1.96	1.95	2.00	1.91
Internal Service										
Custodial	1.72	1.66	1.73	1.81	1.82	2.01	2.16	2.14	2.14	2.32
	<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>	<u>127.76</u>

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

Table 21

CITY OF VERMILION
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Non-Traffic Violations	1,026	701	735	905	821	821	747	561	493	338
Traffic Violations	705	599	603	762	906	906	1,219	660	709	689
Parking Violations	2,172	2,323	2,341	2,297	2,576	1,839	1,865	1,399	1,275	1,328
Fire										
Structure Fires	16	13	14	13	12	12	12	14	22	15
Other Fires & Incidents Calls	87	106	79	79	116	104	102	92	123	145
Ambulance										
Total Calls	526	541	518	574	702	771	740	727	795	712
Total Stand-By	42	43	37	28	38	44	45	52	68	95
Code Compliance										
Rental Housing Inspections	456	764	600	912	1,184	970	1,105	1,086	959	1,215
Building Permits-Single Family	30	36	36	37	30	11	10	9	15	9
Building Permits-Multiple Family	8	6	7	9	9	1	7	4	2	2
Building Permits-Commercial	8	6	6	8	12	13	6	3	3	4
Value of New Construction	\$ 6,783,326	\$ 14,331,000	\$ 8,212,480	\$ 19,544,721	\$ 9,839,155	\$ 2,983,296	\$ 4,502,352	\$ 5,786,357	\$ 3,771,368	\$ 8,138,807
Municipal Garage										
Service Jobs	258	266	260	239	273	243	248	241	234	204
Repairs	349	367	374	369	288	353	376	368	294	291
Library										
Circulation	89,875	79,813	78,652	78,196	78,711	77,979	79,168	78,344	75,236	73,460
Number of Card Holders	7,784	7,239	7,772	8,137	7,319	7,634	7,158	4,763	5,357	6,056
Swimming Pool										
Swim Lesson Participation	442	408	351	389	392	402	427	406	325	325
Open Swim Hours	36,770	21,000	18,700	18,700	19,125	13,090	12,320	12,320	13,200	13,200
Parks & Recreation										
Fall/Writer Participants	6,714	4,571	4,588	4,204	4,041	3,657	3,009	2,799	2,144	1,489
Summer Participants	2,000	1,947	2,352	1,936	1,889	2,048	2,130	2,034	1,950	1,985
Electric										
Total Number Meters	4,155	4,218	4,277	4,357	4,374	4,414	4,431	4,447	4,474	4,491
Total Metered Kilowatts	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	66,800,569
Summer Peak Demand Kilowatts	13,995	14,533	16,132	15,424	14,746	14,620	15,619	16,720	17,051	16,562
Winter Peak Demand Kilowatts	9,187	11,587	10,850	11,294	11,496	11,059	11,148	11,240	10,836	11,218
Water										
Number of Connections	2,603	2,669	2,709	2,746	2,847	2,826	2,856	2,875	2,944	2,967
Average Daily Consumption	1,091,298	1,061,452	1,102,896	1,199,674	1,070,737	1,017,585	921,929	958,603	1,130,197	1,005,093
Daily Peak Demand	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	2,071,000
Wastewater										
Number of Connections	2,559	2,607	2,612	2,683	2,759	2,761	2,763	2,809	2,862	2,917
Average Daily Flow	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	832,000
Daily Peak Demand	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	1,082,000
Joint Powers										
Tonnage in Landfill Trenches	26,245	25,677	28,912	32,090	36,382	35,420	36,488	34,813	34,187	34,494
Tonnage Recycled	1,039	934	972	1,163	1,211	1,805	1,085	1,086	1,077	1,035
Curbside Recycling										
Tonnage Collected	-	-	-	-	-	-	-	-	-	-
Bluff's Golf Course										
Rounds of Golf	22,756	22,465	21,188	23,376	21,443	23,012	21,476	20,703	22,799	19,808
Liquor Store										
Gross Sales	767,567	857,976	967,937	1,084,738	1,179,546	1,165,625	1,161,977	1,185,643	1,217,013	1,183,334
Gross Profit %	28.63%	27.04%	33.53%	33.37%	31.25%	30.93%	31.17%	30.97%	31.06%	30.86%
Street Department										
Tons of Sand for Ice	572	422	524	1,001	959	630	767	450	350	368
Truckloads of Snow Hauled	620	363	193	595	538	713	1,874	316	226	169

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	2	2	2	2	2	2
Engines/Trucks	6	6	6	6	6	6	6	6	6	6
Hydrants	384	384	385	387	388	392	398	398	397	401
Ambulance										
Ambulances	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	45.00	46.00	46.69	46.77	46.94	46.94	46.94	47.39	47.39	47.39
Streetlights	1,165	1,163	1,172	1,187	1,211	1,285	1,243	1,243	1,259	1,281
Culture & Recreation										
Parks (acres)	115.50	115.50	115.50	115.50	115.50	115.50	115.50	115.50	115.50	115.50
Parks	7	7	7	7	7	7	7	7	7	7
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Softball Diamonds	2	2	2	2	2	2	2	2	2	2
Baseball Diamonds	3	3	3	3	3	3	3	3	3	3
Golf Courses	1	1	1	1	1	1	1	1	1	1
Electric										
Total Transformers on 13.8 kV Line	694	709	694	677	678	664	661	675	665	669
Total miles of 3 phase on 13.8 kV Line	48.14	49.48	49.49	49.71	53.17	47.60	48.53	49.83	49.61	49.82
Total Miles of 115kV Transmission Line	-	-	-	-	-	-	-	-	21.25	21.97
Water										
Water Mains (miles)	57.96	59.63	61.07	61.21	62.17	63.41	64.01	64.69	64.86	64.94
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	57.23	57.85	57.85	57.93	58.15	58.18	58.27	58.36	58.36
Stormwater Sewer (miles)	5.11	6.26	6.26	6.26	6.57	6.81	6.82	6.84	6.84	6.89
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
COMPLIANCE SECTION**

CITY OF VERMILLION, SOUTH DAKOTA

Schedule of Findings

For the Year Ended December 31, 2013

I. Summary of the Independent Auditor's Results

- A. Unmodified opinions were issued on the financial statements.
- B. A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- C. The audit did not disclose any noncompliance which is material to the financial statements.

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

Instances of Non-Compliance:

No Matters were noted.

Significant Deficiency:

II-A-13 Financial Reporting

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

Cause – Due to the limited number of employees, the City does not have sufficient controls in place to ensure that all adjustments are made.

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



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF VERMILLION, SOUTH DAKOTA as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2014. Our report includes a reference to other auditors who audited the financial statements of Vermillion Housing and Redevelopment Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting:

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

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 as II-A-13 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

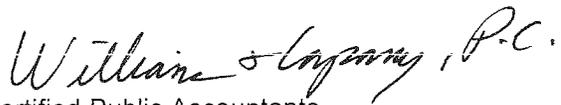
The City of Vermillion's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Vermillion's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express 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.


Certified Public Accountants

Le Mars, Iowa
June 10, 2014