

Comprehensive Annual Financial Report



Prepared by THE CITY FINANCE OFFICE-----Michael Carlson, Finance Officer
FISCAL YEAR: January 1, 2019----December 31, 2019

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, 2019

TABLE OF CONTENTS

	Page
<u>INTRODUCTORY SECTION</u>	
Finance Officer's Letter of Transmittal	i-x
Certificate of Achievement for Excellence in Financial Reporting	xi
Organization Chart	xii
Municipal Officials	xiii
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-17
Basic Financial Statements	
Government-wide Financial Statements	
Exhibit 1 Statement of Net Position	18
Exhibit 2 Statement of Activities	19
Fund Financial Statements	
Governmental Funds Financial Statements	
Exhibit 3 Balance Sheet	20
Exhibit 3A Reconciliation of the Balance sheet to the Statement of Net Position	21
Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances	22

TABLE OF CONTENTS
(continued)

	Page
Exhibit 4A Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	23
Proprietary Funds Financial Statements	
Exhibit 5 Statement of Net Position	24
Exhibit 6 Statement of Revenues, Expenses and Changes in Net Position	25
Exhibit 7 Statement of Cash Flows	26
Notes to Financial Statements	
Note 1 Summary of Significant Accounting Policies	27-38
Note 2 Property Tax	39
Note 3 Receivables	39
Note 4 Capital Assets	40-42
Note 5 Long-Term Debt	43-48
Note 6 Leases	48-49
Note 7 Deficit Fund Equity	49
Note 8 Transfers	49
Note 9 Restricted Net Position	50
Note 10 Risk Management	50-51
Note 11 Pension Plan	52-55
Note 12 Tax Abatements	55
Note 13 Economic Development Agreements	56
Note 14 Commitments	56

TABLE OF CONTENTS
(continued)

	Page
Note 15	Violations of Finance- Related Legal Requirements 56
Note 16	Contingency 57
Note 17	Reclassification Adjustment 57
Required Supplementary Information	
Exhibit 8	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund 58
Exhibit 9	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Sales Tax Special Revenue Fund 59
Exhibit 10	Notes to Required Supplementary Information – Budgetary Reporting 60-62
Exhibit 11	Schedule of the City’s Proportionate Share of Net Pension Asset 63
Exhibit 12	Schedule of the City’s Contributions 64-65
Other Supplementary Information	
Governmental Non-Major Funds Combining Statements	
Exhibit A-1	Balance Sheet 66-67
Exhibit A-2	Statement of Revenues, Expenditures and Changes in Fund Balances 68-69
Exhibit A-3	Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Nonmajor Special Revenue Funds 70-71
Exhibit A-4	Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Capital Projects Funds 72-73
Internal Service Non-Major Funds Combining Statements	
Exhibit B-1	Statement of Net Position 74
Exhibit B-2	Statement of Revenues, Expenses and Changes in Net Position 75
Exhibit B-3	Statement of Cash Flows 76

TABLE OF CONTENTS
(continued)

<u>STATISTICAL INFORMATION SECTION</u>		Page
Table 1	Net Position by Component	77
Table 2	Changes in Net Position	78-79
Table 3	Governmental Activities Tax Revenues by Source	80
Table 4	Fund Balances of Governmental Funds	81
Table 5	Changes in Fund Balances of Governmental Funds	82
Table 6	Assessed and Taxable Value of Taxable Property	83
Table 7	Property Tax Rates – Direct and Overlapping Governments	84
Table 8	Principal Taxpayers	85
Table 9	Property Tax Levies and Collections	86
Table 10	Special Assessments Billings and Collections	87
Table 11	Ratios of Outstanding Debt by Type	88
Table 12	Computation of Direct and Overlapping Debt	89
Table 13	Legal Debt Margin Information	90
Table 14	Revenue Bond Coverage - Electric	91
Table 15	Revenue Bond Coverage - Water	92
Table 16	Revenue Bond Coverage - Wastewater	93
Table 17	Revenue Bond Coverage – Golf Course	94
Table 18	Principal Employers	95
Table 19	Demographic and Economic Statistics	96
Table 20	Full-time Equivalent City Government Employees by Function	97

TABLE OF CONTENTS

(continued)

	Page
Table 21 Operating Indicators by Function	98
Table 22 Capital Asset Statistics by Function	99

COMPLIANCE SECTION

Independent Auditors' 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	100-101
Schedule of Findings For the Year Ended December 31, 2019	102



THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VERMILLION
INTRODUCTORY SECTION**



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

August 12, 2020

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, 2019.

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 accountants 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, 2019, 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 auditors 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, 2019, are fairly presented in conformity with GAAP. The independent auditors' 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 9,920 offering majors in 202 undergraduate programs and 78 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.

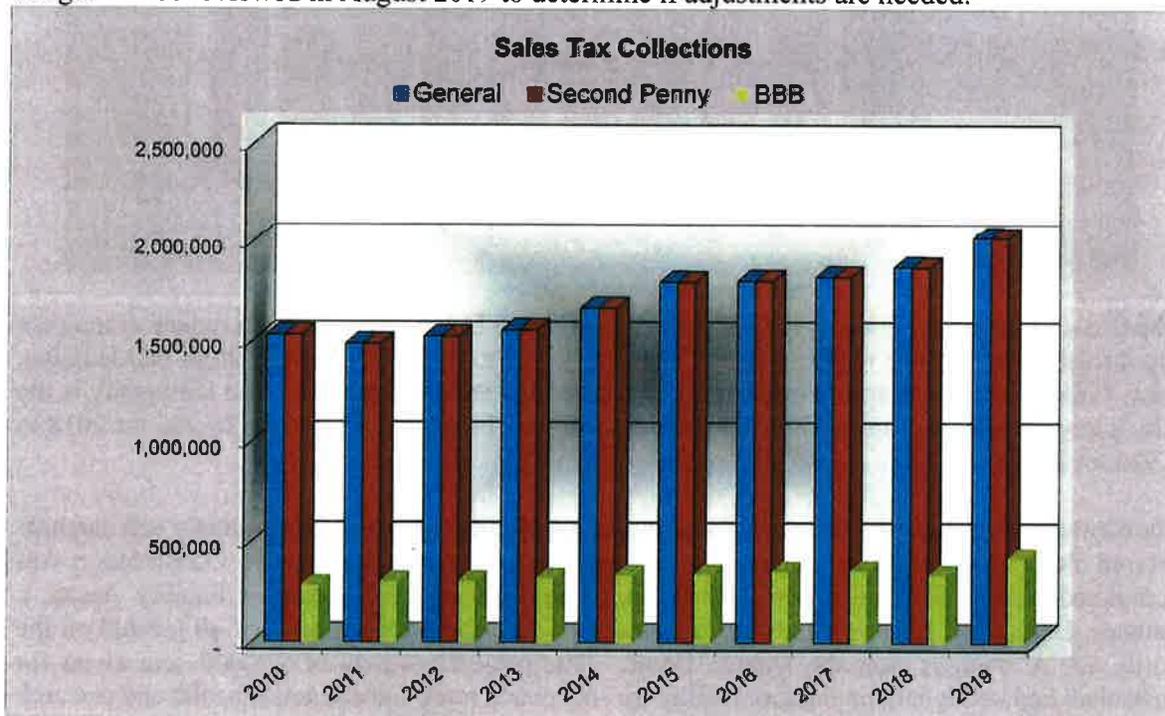
Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons, presented on pages 58-62 as part of the required supplemental information and supplementary information.

Factor Affecting Financial Condition

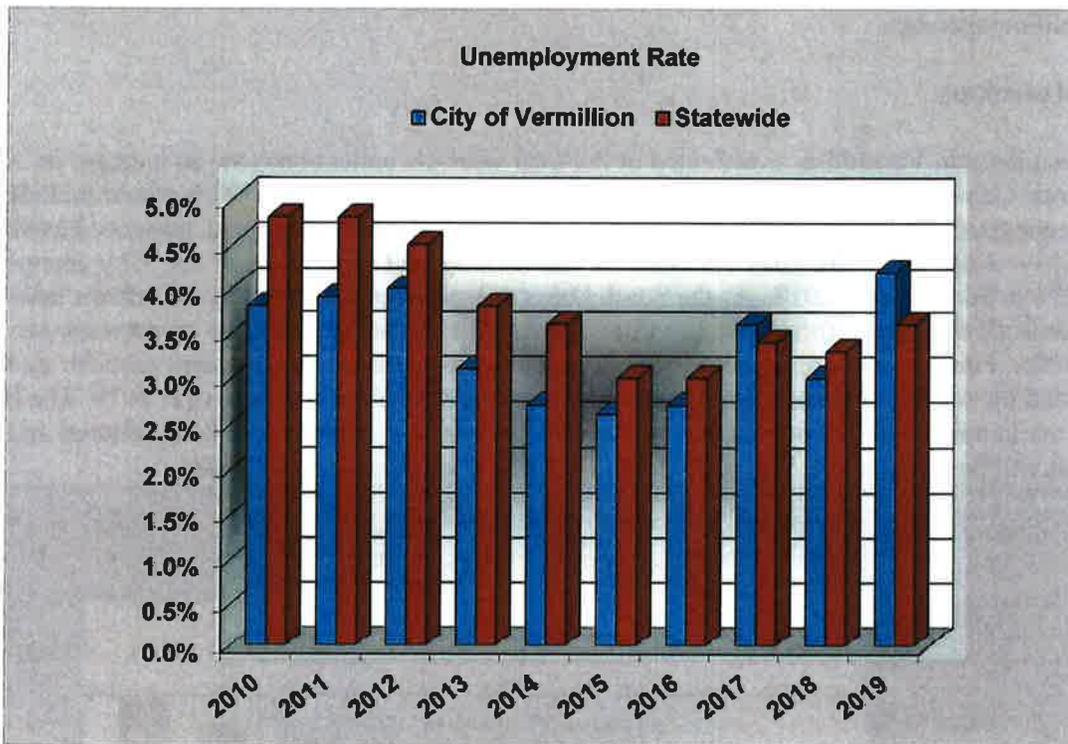
The information presented in the financial statements is perhaps best understood when it is considered for a broader perspective of the specific environment within which the City of Vermillion operates.

Local economy.

The economy in Vermillion as reflected in the total sales tax collections saw an increase in 2019. The total City sales tax revenues increased \$390,517 or 9.61% over 2018. This would include the first cent used for general fund, the second cent sales tax used for capital projects increasing \$304,239 while the BBB sales tax used for advertising and promotion of the City increasing \$86,278 or 26.04% over 2018. 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 or decrease are not available. For the first three months of 2020 sales tax revenue for the first cent used for general fund and the second cent used for capital projects is down \$44,256 or 4.24% over 2019. The BBB sales tax is down \$18,742 or 17.23% over 2019. The sales tax receipts will be monitored and the budget will be reviewed in August 2019 to determine if adjustments are needed.



The unemployment rate for the City of Vermillion increased comparing December 2018 at 3.0% to December 2019 at 4.2% as well as the state unemployment rate had a slight increase comparing December 2018 at 3.3% to December 2019 at 3.5%. The unemployment rate for the City of Vermillion saw a low in February 2019 of 2.7% and increased during the year to a high in December 2019 of 4.2%. The state unemployment rate high was 3.6% early in the year decreased to 3.0% in September and October and ended the year at 3.5%. Low unemployment is good for continued economic growth within our community and surrounding areas. However, it does pose a challenge for new or expanding businesses to find a large enough pool of qualified candidates for open positions.



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 School of Medicine, Law, College of Fine Arts and internationally accredited Business School. The University is the City's largest employer and saw a slight decrease in enrollment of 1.45% from 10,066 for 2018 to 9,920 for 2019.

The University moved to Division I for all athletics in 2008 increasing the athletic scholarships offered along with additional fundraising to support programs at that level. Construction was completed during 2016 on a \$66 million Sports Performance Enhancement Facility Arena, a Science, Health and Research Lab and an Outdoor Track and Soccer Complex all located on the north side of campus near the Dakota Dome. The project consists of a 6,000 seat arena for basketball and volleyball, on outdoor facility for soccer and track and a science, health and research laboratory. Construction was completed in 2019 on an outside complex where the football team

can practice on synthetic turf. Renovation of the west side of the Dakota Dome began in the 2019 at an estimated cost of \$26 million. The project consists of permanent west side seating, locker rooms, offices and updates to infrastructure including lighting, sound system, HVAC, plumbing and restrooms. The project is scheduled to be completed in the fall of 2020. There are a number of other projects in the planning and design phase on the university campus.

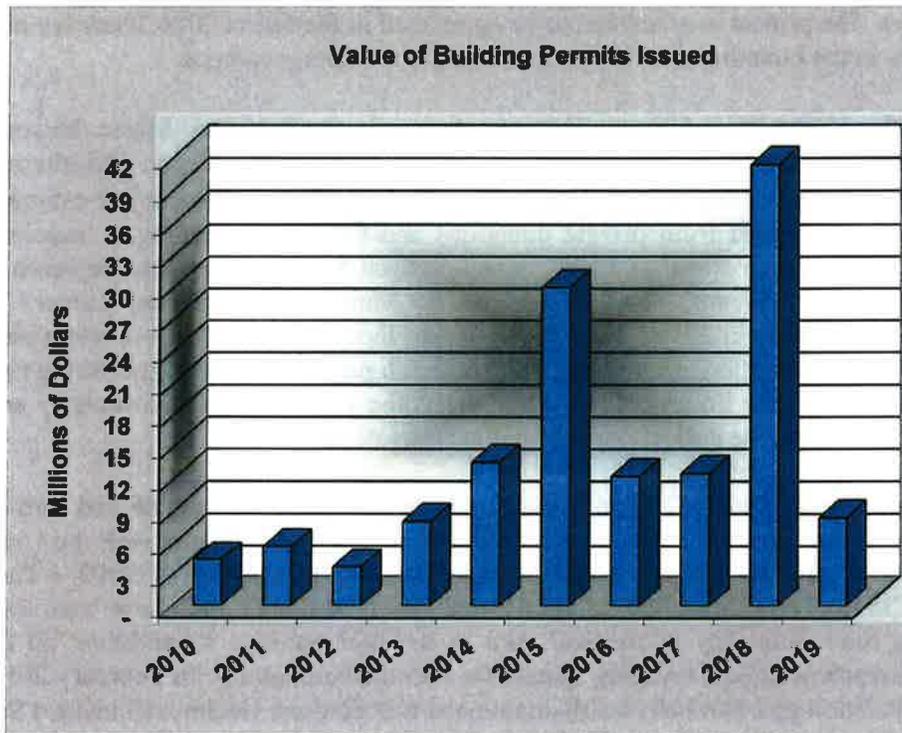
Housed on the University of South Dakota campus is the National Music Museum, which announced expansion plans in March 2018. A 16,000 square foot addition will house increased exhibit space, new performance hall, classroom, labs and offices. The project estimated cost is \$9.5 million to be funded from private donations and University funding is anticipated to be completed in 2021. The Vermillion City Council pledged \$100,000 per year for seven years as a commitment to the museum. The National Music Museum Preservation Center, a separate building, was completed in 2019. The 22,000 square foot facility will also contain photography and lab space so that curation, conservation and research projects can continue during the museum building expansion. The Preservation Center meets the museum-standard security and climate controls and will house the collections during the renovation.

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 \$14 million investment in Sanford Vermillion's medical facilities. A maintenance facility was constructed in late 2014 and the first phase consisting of emergency room entrance and other facility services was completed in early 2016 followed by the removal of the old building and construction of a 17,300 square foot addition that was completed in 2017. This facility increases patient access to services, has a larger lab area with added patient conveniences, redesigned the radiology department and an on-site MRI. The design also doubles the area for physical therapy and rehabilitation services all while keeping privacy and comfort for patients as priorities.

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

The value of building permits issued in 2019 totaled \$8,490,844 down from \$41,235,246 in 2018. The number of single family dwellings constructed totaled fourteen in 2019, an increase of four over 2018. Through May 27, 2020 the value of building permits issued is \$17,130,232 that include eight single family dwellings, a 40 unit apartment complex with office, a 4 unit apartment and one retail store. 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.

The City of Vermillion and Vermillion Chamber of Commerce and Development Company (VDCD) commissioned a Talent Attraction Strategy and Workforce Housing Solutions study prepared by Community Housing Laboratory, LLC in October 2012. The major finding of the report was the need to solve the chronic workforce housing problem and implement a long-term talent attraction strategy. Due to the lack of available housing sites the (VCDC) has acquired 50 acres adjoining the city that has been annexed into the city. The development labeled Bliss Pointe will be developed in phases with the first phase completed in late 2014 with over 70 housing sites available. The balance of the development will have an additional 70 housing sites when fully developed. To assist the VCDC with the infrastructure development the City created Tax Incremental District Number 6 and sold a TIF bond for \$1,732,000. From 2015 through 2019 there were forty-nine residential building permits and one commercial permit issued in the Bliss Pointe development. In 2019 ten residential building permits were issued in the Bliss Pointe development and so far in 2020 seven more residential building permits have been issued. The Bliss Pointe Park was dedicated in late 2016 funded from a private donation of over \$70,000 to be used for parks equipment.

The Talent Attraction Strategy and Workforce Housing Solutions study prepared by Community Housing Laboratory, LLC in October 2012 also recommended the creation of an Integrated Community Advancement Program (ICAP) committee. This committee is to progressively elevate and integrates the community's civic program efforts. The ICAP group polled community members to determine community needs. One need was for welcome signs for the community with the ICAP group developing, funding and installing three welcome signs. The group next took on the feasibility of a community center for the city. The group presented its final report on the Community Center Feasibility Study in January 2019. The executive summary from the report found that the City of Vermillion can support a community center of approximately 48,000 square feet, at a construction cost of approximately \$7.5 million. The location was not determined, pending further investigation of actual acquisition cost. The facility should offer a large flat floor space for multiple athletic and event uses, along with several classroom-size flexible rooms and support space.

The City Council adopted an ordinance creating a Business Improvement District (BID) #1 which enacting a general \$2.00 occupancy tax on all hotel, motel and lodging establishment rooms within the municipal limits to be effective June 1, 2014. The Business Improvement Board adopted a plan that recommends addressing the described needs through visitor facilities, events, attractions and activities which benefit the City and the hotels, motels, and lodging establishments located in the district. During 2019, the occupancy tax generated \$58,506 and expended \$57,336 to the Vermillion Area Chamber of Commerce and Development Company (VCDC) for promotion of the community. The BID Board approved the 2019 budget with 85% of the occupancy tax collected being expended to the VCDC for advertising and promotion until the reserve balance reaches \$30,000 then 98% of the occupancy tax collected being expended to the VCDC.

A downtown streetscape plan was developed in 2016 with input from downtown business and property owners. Due to the cost, time was spent reviewing funding options and in April 2018 the City Council established the boundaries for Business Improvement District #2 (BID#2) and established the BID#2 Board. The BID#2 Board reviewed funding options and in December 2019 recommended and the City Council adopted an ordinance established the district and provided that funding for the project was 82% by the City and 18% from BID#2 property owners from a ten-year special assessment imposed on the properties within the district. In April 2020 following recommendation of BID#2 board the City Council entered into a professional services agreement for the downtown project including developing cost estimates, develop construction documents and manage the bidding process.

The Vermillion Public School District in November, 2019 approved bids for an addition to the high school building at an estimated cost of \$2.3 million that will house the administration offices and alternative school classrooms. The construction began in April 2020 with estimated completion in December 2020.

The equipment replacement fund added the following equipment during 2019; police SUV, six pickups, golf course mower, parks mower, two utility vehicles, dump box trailer, compactor, and a boring machine totaling \$525,759.

The Clay County Commission created the Courthouse, Jail, and Law Enforcement Facility Planning Committee to review the study report completed in 2018 by Klein McCathy Architects to include exploring the options for meeting the identified facility needs and providing recommendations to the County Commission. As the City and County share space in the Law Enforcement Facility as this project moves forward there will need to be some shared use agreements between the Clay County and the City as to costs and operations. At present it is anticipated a final recommendation is anticipated in late 2020 or early 2021.

The Vermillion Chamber of Commerce and Development Company (VCDC) in December 2019 announced that Nutrien Ag Solutions would construct an agricultural retail facility in the Heikes Business park. The agricultural retail facility will include a 29,900 square-foot dry fertilizer building, a 28,950 square-foot ag product warehouse building, a 3,400 square-foot office building, a 1-million-gallon bulk liquid fertilizer tank, and associated site work. The Nutrien Ag Solutions investment is estimated at over \$15 million for buildings and site improvements. In April 2020 the City, Nutrien Ag Solutions and the VCDC entered into a development program reinvestment agreement whereby the City would reimburse one cent of the two cent city sales tax paid by Nutrien Ag Solutions on construction building materials until September 30, 2021 with a maximum reimbursement of \$100,000.

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 completed in 2010. The bike path extension along SD Hwy 50 was completed in 2012. The bike path along Stanford Street between Cherry Street and SD Hwy 50 was completed by the Department of Transportation in late 2014. The South Dakota Department of Transportation has oversight on projects using the grant funds with the projects put on hold due to flooding in 2019 but in April 2020 permission was received to move forward with preliminary plan preparation, survey and acquisition of easements for relocation of bike path damaged by flooding. There is about \$85,000 of grant funds remaining and there is \$240,410 of second penny sales tax funds budgeted for bike path improvements in the 2020 budget to move this project forward to completion in 2021.

As the electric load continues to increase and to maintain a redundant system of substation transformers engineering and design of another substation located in the northeast section of the city was completed in 2018. The total project cost was \$4,168,377. The project was funded with a surcharge revenue bond issued in January 2017 face of \$3,895,000 at a premium of \$99,120 that after costs provided \$3.9 million for the project with the balance coming from electric fund reserves. The project consisted of 1.75 miles of looped 115-kV transmission line to feed the substation, substation transformer, related switch gear and controls.

The replacement of the Prentis Street wastewater lift station and related sewer main was bid in March 2017. The project consists of installing a new lift station and replacing approximately 2,400

feet of downstream sewer main was completed in 2018. The project will be funded by a \$515,000 Community Development Block Grant and a State Revolving Loan of \$751,900. The State Revolving Loan is for 20 years at 3% interest.

Anderson Street from Clark Street south to Main Street was reconstructed during 2019. The street portion of the project cost \$442,701 that was funded by State Transportation Improvement funds transferred to the capital project fund from the general fund and the storm sewer improvements in the amount of \$5,205 were funded by the Stormwater Fee fund.

In 2019 the electric department completed the street light conversion project to convert all the street lights to LED fixtures. The lights will use less electricity and require less maintenance.

As the existing swimming pool was reaching the end of its useful life, a committee was appointed and in charge with providing the City Council information as to what type of swimming pool would best fit the community's needs going forward. The City Council approved a funding package for the Prentis Park improvements consisting of General Fund Reserves, Second Penny Sales Tax Reserves, grants and donations and a General Obligation Bond of \$3 million. The General Obligation Bond was approved by over 75% of the voters at the November 2014 election. The City Council in an effort to reduce the impact of the bond repayment on the budget adopted an ordinance that imposed a 5% markup on the wholesale purchase price of malt beverages. Following adoption of the ordinance an initiated petition was received to repeal the markup ordinance. A special election was held on June 30, 2015 at which time the initiated measure failed 37% to 63%. In February, 2016 the City issued general obligation bond in the amount of \$3,005,000 at a premium of \$90,132 for a portion of the funding for the Prentis Park Improvements. Also in February, 2016 the City approved contracts for pool construction which began in May 2016 with the pool opening June 3, 2017 for the first season. The new pool had record attendance with over 40,000 admitted for the 2017 season with attendance down in 2018 to over 33,000 and in 2019 was 34,987. The final contract retainage of \$370,056 was expended to the pool consultant in 2019. The Prentis Park parking lot to serve the pool and baseball field as well as the construction of the new basketball court were completed in early 2018. During 2018 additional sidewalk improvements in the area of the pool, basketball courts and baseball field were completed. During 2019 sidewalk was extended along the north side of Prentis Park at a cost of \$35,320.

The 5% malt beverage markup was implemented after passing the referendum on July 1, 2015 with revenues in 2015 of \$63,079 in six months, \$116,455 in 2016, \$123,294 in 2017, \$129,042 in 2018, \$136,200 in 2019 pledged to debt service on the general obligation bond for the Prentis Park improvements.

The 2020 budget included \$738,500 for equipment replacement in the equipment replacement fund, \$740,000 for airport taxiway engineering/construction, \$75,100 for parks equipment, \$92,000 library materials, \$40,000 for sidewalks in Prentis Park, \$155,000 for street chip seal, \$84,600 for Police Department equipment replacement, \$135,000 for storm water system improvements, \$85,000 for Fire Department equipment replacement, \$36,000 for Ambulance Department equipment replacement, \$323,000 for bike path improvements and \$240,000 for down

town street scape project engineering. The City will continue to provide the same quality services to the citizens during the next budget year.

COVID-19 Response

In response to the outbreak of COVID-19 the City Council adopted an emergency ordinance on March 30, 2020 that placed restrictions on public gathering places and entertainment venues such as bars, restaurants, movie theaters, video lottery casino operations, and similar places of public accommodation as well as nail and hair salons, barber shops, health clubs, and spas where individuals are in close contact. These restrictions were removed on May 4, 2020 to comply with the Governor's Executive order 2020-20 but included conditions to comply with CDC guidelines. The public schools went to home schooling in March for the balance of the public school year and the University of South Dakota converted to online classes in March for the balance of the spring semester. The city will continue to monitor the economic impact on the revenues such as sales tax, utility sales, property tax collections, golf course and other revenues caused in response to the virus. The City Manager has requested all department to review their 2020 budget items and postpone items that can wait until the impact on individual fund revenues can be identified. With the adoption of the 2020-2024 Capital Improvement Plan in May 2020 there were projects identified that can be postponed. As budget process for 2021 starts in June and will also include updated projections of the economic impact of COVID-19 on the 2020 budget.

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, 2018. This was the thirteenth 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

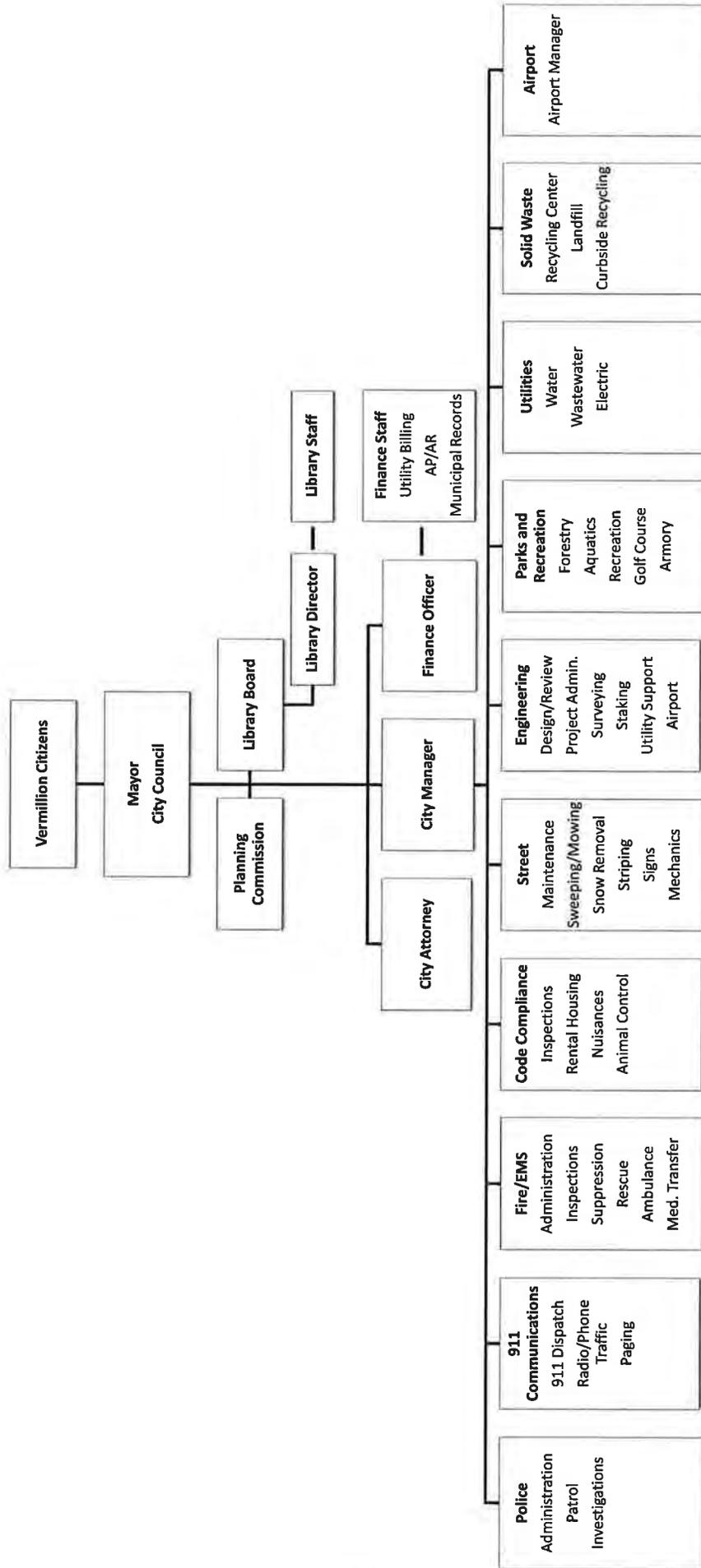
**City of Vermillion
South Dakota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO



CITY OF VERMILLION MUNICIPAL OFFICIALS

For the Period January 1, 2019 through December 31, 2019

Mayor

John E. (Jack) Powell

Alderman Central Ward

Kelsey Collier-Wise

Katherine Price

Alderman Northeast Ward

Tom Sorensen

Julia Hellwege

Alderman Northwest Ward

Brian Humphrey

J. Howard Willson

Alderman Southeast Ward

Steve Ward

Rich Holland

City Manager

John Prescott



THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VERMILLION
FINANCIAL SECTION**



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

INDEPENDENT AUDITORS' 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 \$136,643 and total revenues of \$1,236,746 as of and for the year ended June 30, 2019. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Vermillion Housing and Redevelopment Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors'

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Vermillion, South Dakota as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability (asset), and schedule of the City's contributions to the South Dakota Retirement System on pages 4 through 17 and 58 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining 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 basic 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 auditing standards generally accepted in the United States of America. 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 August 12, 2020, 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 solely 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 effectiveness of the City of Vermillion's 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.

Willson & Company P.C.

Certified Public Accountants

Le Mars, Iowa
August 12, 2020

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Management's Discussion and Analysis

This discussion and analysis presents an overview of the financial activities and financial position for the City of Vermillion (the "City") for the year ended December 31, 2019. Please read and consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-x 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

Government-Wide Statements

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows at December 31, 2019 by \$88,138,407 (net position). Of this amount, \$21,730,125 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The net position of the City increased by \$2,087,912 as a result of the current year's operations. The net position of our governmental activities increased by \$550,121 or 1.32% and the net position of our business-type activities also increased by \$1,537,791 or 3.46%.
- Total revenues from all sources decreased in 2019 by \$73,485 to \$26,485,003. In 2019, charges for services decreased \$150,307 operating grants & contributions increased \$23,422, capital grants & contributions decreased \$327,445, property taxes increased \$196,426, sales tax increased \$268,739, other general revenues increased by \$132,375 and a decrease of \$216,695, as there was no special item recorded in the current year.
- Total cost of all programs was \$24,397,091 for 2019. This is an increase of \$887,897 or 3.78% over 2018.
- The City's long-term debt/capital leases decreased \$3,940,809 from 2018 due to repayment of existing bond issues, and issuance of \$3,380,951 electric utility refunding bonds along with a contribution from the electric utility funds of \$2 million to refund the \$5,625,000 of electric Revenue Bonds, Series 2009B. The refunding reduced the total debt service payments over the next seventeen years by \$1,815,803 for a net present value savings of \$1,022,210.

Fund Financial Statements

- At December 31, 2019, the City's governmental funds reported combined ending fund balances of \$11,032,102, an increase of \$1,100,093 in comparison to the prior year. Of this balance \$2,105,952 is unassigned fund balance, \$421,811 is assigned fund balance, \$5,108,620 is committed fund balance, \$3,091,292 is restricted fund balance and \$304,427 is nonspendable fund balance.
- The City's seven enterprise funds ended the year with net position of \$45,651,124, an increase of \$1,486,315 in comparison to the prior year. Net cash flows for operations were \$5,762,053 while net cash used by capital and financing activities was \$6,421,982.
- For the year ended December 31, 2019, the assigned general fund balance was \$421,811 and the unassigned general fund balance was \$2,345,762, an increase of \$11,948 in comparison to the prior year. Combined, these fund balances represent 41.10 percent of the final 2019 General Fund expenditures.

Management's Discussion and Analysis

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 and 3) notes to the financial statements provide additional information essential to understanding the government-wide and fund statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four 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 distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include, public safety, public works, health and welfare, economic development and culture and recreation. The business-type activities of the City include the Electric, Water, Sewer, Liquor Store, Golf Course, Solid Waste System, and Curbside Recycling.

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

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

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

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Management's Discussion and Analysis

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. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General fund and Sales tax fund are considered to be major funds. Data for the other fifteen 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 58.

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

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report activities that charge for services provided to outside customers. The Enterprise funds are presented as business-type activities in the government-wide statements. The City uses enterprise funds to account for its electric utility, water utility, wastewater utility, liquor store, golf course operations, Joint Powers landfill operations and curbside recycling program. 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 operations, Joint Powers Landfill operations, all of which are considered to be major funds of the City, and Curbside Recycling program 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

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Management's Discussion and Analysis

combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-57 on this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the general fund and sales tax fund schedule of revenues, expenditures, and changes in fund balance budget and actual, the schedule of the City's proportionate share of the net pension asset and the schedule of the City's contributions to the South Dakota Retirement System. Required supplementary information can be found on pages 58-64 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on 65-75 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, 2019 with comparative data for the fiscal year ended December 31, 2018. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$88,138,407 at the close of the most recent fiscal year.

	City of Vermillion Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 12,395,145	\$ 11,646,723	\$ 16,247,833	\$ 17,691,549	\$ 28,642,978	\$ 29,338,272
Capital Assets	36,419,251	36,949,461	47,433,493	47,534,934	83,852,744	84,484,395
Total Assets	<u>48,814,396</u>	<u>48,596,184</u>	<u>63,681,326</u>	<u>65,226,483</u>	<u>112,495,722</u>	<u>113,822,667</u>
Deferred outflow s of resources	<u>884,911</u>	<u>1,360,649</u>	<u>532,076</u>	<u>818,047</u>	<u>1,416,987</u>	<u>2,178,696</u>
Long-term Liabilities Outstanding	5,965,071	6,518,818	15,640,945	19,719,915	21,606,016	26,238,733
Other Liabilities	1,136,640	1,478,679	2,367,873	1,708,651	3,504,513	3,187,330
Total Liabilities	<u>7,101,711</u>	<u>7,997,497</u>	<u>18,008,818</u>	<u>21,428,566</u>	<u>25,110,529</u>	<u>29,426,063</u>
Deferred inflow s of Resources	<u>423,609</u>	<u>335,470</u>	<u>240,164</u>	<u>189,335</u>	<u>663,773</u>	<u>524,805</u>
Net Position						
Net Investment in Capital Assets	30,161,008	29,784,908	30,996,755	27,790,213	61,157,763	57,575,121
Restricted	3,280,288	3,451,467	1,970,231	2,428,417	5,250,519	5,879,884
Unrestricted	8,732,691	8,387,491	12,997,434	14,207,999	21,730,125	22,595,490
Total Net Position	<u>\$ 42,173,987</u>	<u>\$ 41,623,866</u>	<u>\$ 45,964,420</u>	<u>\$ 44,426,629</u>	<u>\$ 88,138,407</u>	<u>\$ 86,050,495</u>

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Management's Discussion and Analysis

	City of Vermillion Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,576,197	\$ 1,670,161	\$ 15,869,165	\$ 15,925,508	\$ 17,445,362	\$ 17,595,669
Operating Grants & Contributions	399,900	397,074	23,639	3,043	423,539	400,117
Capital Grants & Contributions	511,243	585,008	10,955	264,635	522,198	849,643
General Revenues:						
Property Taxes	2,659,569	2,463,143	-	-	2,659,569	2,463,143
Other Taxes	4,450,403	4,181,664	-	-	4,450,403	4,181,664
Special Item SDPAA	-	112,237	-	104,458	-	216,695
Other	520,602	470,033	463,330	381,524	983,932	851,557
Total Revenues	10,117,914	9,879,320	16,367,089	16,679,168	26,485,003	26,558,488
Expenses:						
General Government	1,544,343	1,483,819	-	-	1,544,343	1,483,819
Public Safety	3,358,843	3,136,600	-	-	3,358,843	3,136,600
Public Works	2,189,685	2,093,258	-	-	2,189,685	2,093,258
Health & Welfare	798,856	697,117	-	-	798,856	697,117
Culture & Recreation	1,991,308	1,976,590	-	-	1,991,308	1,976,590
Conservation & Development	642,591	637,238	-	-	642,591	637,238
Interest on Long-term Debt	179,579	192,464	-	-	179,579	192,464
Electric	-	-	5,856,369	5,841,559	5,856,369	5,841,559
Water	-	-	1,681,370	1,731,838	1,681,370	1,731,838
Wastewater	-	-	1,974,471	1,843,525	1,974,471	1,843,525
Liquor	-	-	1,374,329	1,364,693	1,374,329	1,364,693
Golf	-	-	953,299	846,875	953,299	846,875
Joint Powers Landfill	-	-	1,712,861	1,547,072	1,712,861	1,547,072
Curbside Recycling	-	-	139,187	116,546	139,187	116,546
Total Expenses	10,705,205	10,217,086	13,691,886	13,292,108	24,397,091	23,509,194
Increase(Decrease) in Net Position						
Before Transfers	(587,291)	(337,766)	2,675,203	3,387,060	2,087,912	3,049,294
Transfers	1,137,412	1,137,412	(1,137,412)	(1,137,412)	-	-
Increase in Net Position	550,121	799,646	1,537,791	2,249,648	2,087,912	3,049,294
Net Position January 1	41,623,866	40,824,220	44,426,629	42,176,981	86,050,495	83,001,201
Net Position December 31	\$ 42,173,987	\$ 41,623,866	\$ 45,964,420	\$ 44,426,629	\$ 88,138,407	\$ 86,050,495

By far the largest portion of the City's net position (69.39%) reflects its investment in capital assets (e.g. land, building, machinery and equipment) less any related outstanding debt that used to acquire those assets. 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.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Management's Discussion and Analysis

An additional portion of the City's net position \$5,250,519 (5.96%) represents resources that are subject to external restriction on how they may be used. Restricted net position includes the amounts restricted for debt service of \$2,052,029 (a decrease of \$120,418), Stormwater construction of \$1,452,180 (an increase of \$235,105), Landfill Closure/Postclosure of \$77,235 (a decrease of \$7,356), Cumulative reserve of \$436,043 (an increase of \$61,288), Library \$63,653 (an increase of \$6,872), parks capital \$36,758 (an increase of \$5,801), business improvement district of \$30,000 (unchanged), SDRS Pension Purposes \$783,782 (a decrease of \$876,692) and BBB sales tax \$318,839 (an increase of \$66,035). The remaining balance of unrestricted net position of \$21,730,125 may be used to meet the government's ongoing obligations to citizens and creditors.

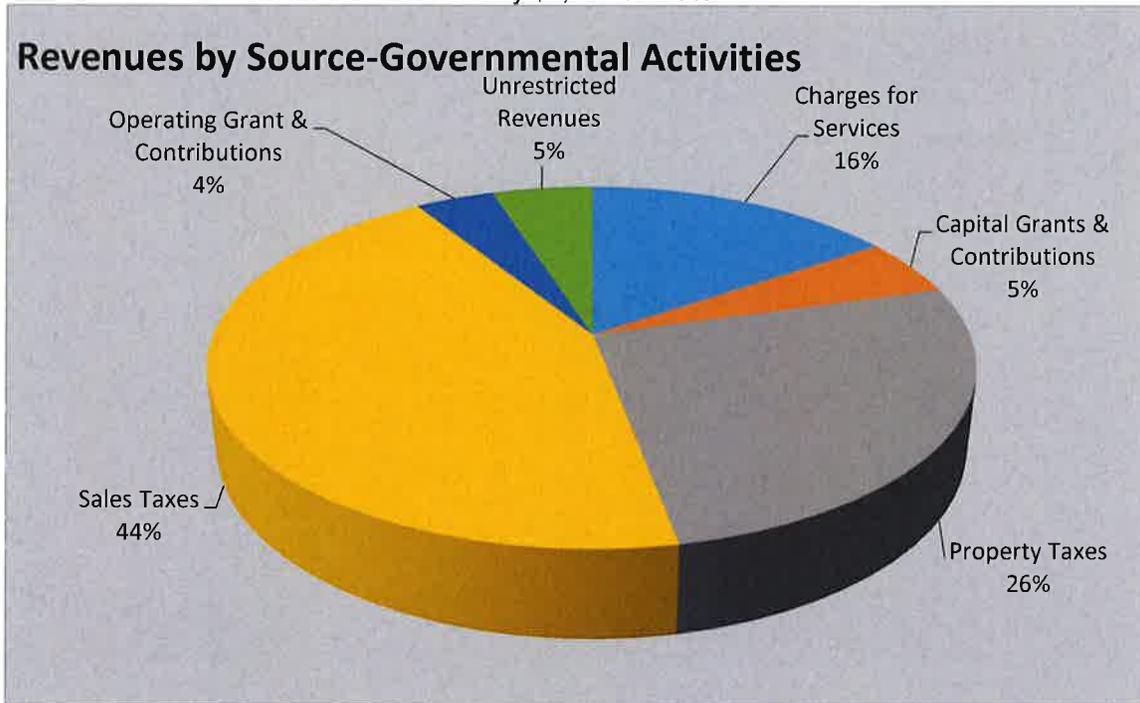
At the end of the current fiscal year, the City of Vermillion is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities: Governmental activities increased the City's net position by \$550,121, thereby accounting for 26.35% of the total growth in the net position of the City Vermillion. Elements of this increase are as follows:

- Charges for goods & services decreased \$93,964 in 2019. This change is made up of general government decrease \$4,779 of which the major factor is a decrease in the cable TV franchise fee of \$2,658. Public Safety increased \$5,582, which is made up of an increase storm drainage fee of \$11,608 and a decrease court fines & costs of \$3,737. Public Works increased \$6,705, which is attributable to an increases in state highway and bridge and county motor vehicle fees of \$4,755, a decrease in airport fuel sales of \$3,428 and an increase in street cut fees of \$5,266. Health and Welfare decreased \$93,842 attributed to decreased ambulance revenues of \$27,480 and decreased building permit sales of \$66,362. Culture & Recreation decreased \$7,630 attributed to the swimming pool admissions and concession revenues up \$4,980 and recreation fees/parks capital fees decreasing \$12,950.
- Operating Grants and contributions increased \$2,826 in 2019. For 2019, general government decreased \$227 attributed to a decrease in bank franchise fees, public safety operating grants increased \$13,626, which is attributed to a one time operating grants and increase in contribution for Clay County for E911 of \$9,799, public works had no operating grants in 2018 and 2019, health and welfare operating grants decreased in EMS grants for 2019 and culture and recreation decreased \$18,297 made up of library grants of \$17,801, parks & recreation grants of \$22,433 and \$4,547 for mosquito control and Conservation and Development 2019 grant of \$8,111 for SD Housing Development Authority as a pass through for mobile home improvements.
- Capital grants and contributions decreased by \$73,765 in 2019. For 2019 capital grants and contributions consist of public safety fire department protective clothing of \$86,667 and attorney general's office donation of a car for \$3,000, public works consisted of \$358,187 state transportation improvement funds, \$38,744 for airport improvements, public payments for special assessment improvements of \$13,247 and Culture & Recreation Friends of Library capital grants \$11,398.
- Property taxes increased by \$196,426 or 7.97% during the year. This increase is from growth or new property added to the tax rolls plus increase allowed by the State as the limit on property tax increase of 2.1 percent for 2019 and tax deed proceeds of \$18,729.
- Other State taxes increased by \$268,739 which includes first penny sales tax, special revenue sales tax, and alcohol revision. The first penny sales taxes increased by \$170,544 or 4.5%. This would include sales tax used for general fund and the second penny sales tax used for capital projects. As the South Dakota Department of Revenue collects the sales tax on behalf of the City, information as to the individual area of the

Management's Discussion and Analysis

increase/decrease is not available. Special revenues sales taxes increased \$93,461 or 28.7% compared to a decrease of \$31,041 in 2018. The Department of Revenue reported there was an error in collection during 2018 that was corrected in 2019. This special sales tax is referred to as BBB sales tax used for advertising and promotion of the City. The Alcohol Revision taxes increased by \$4,734 or 7.3%.



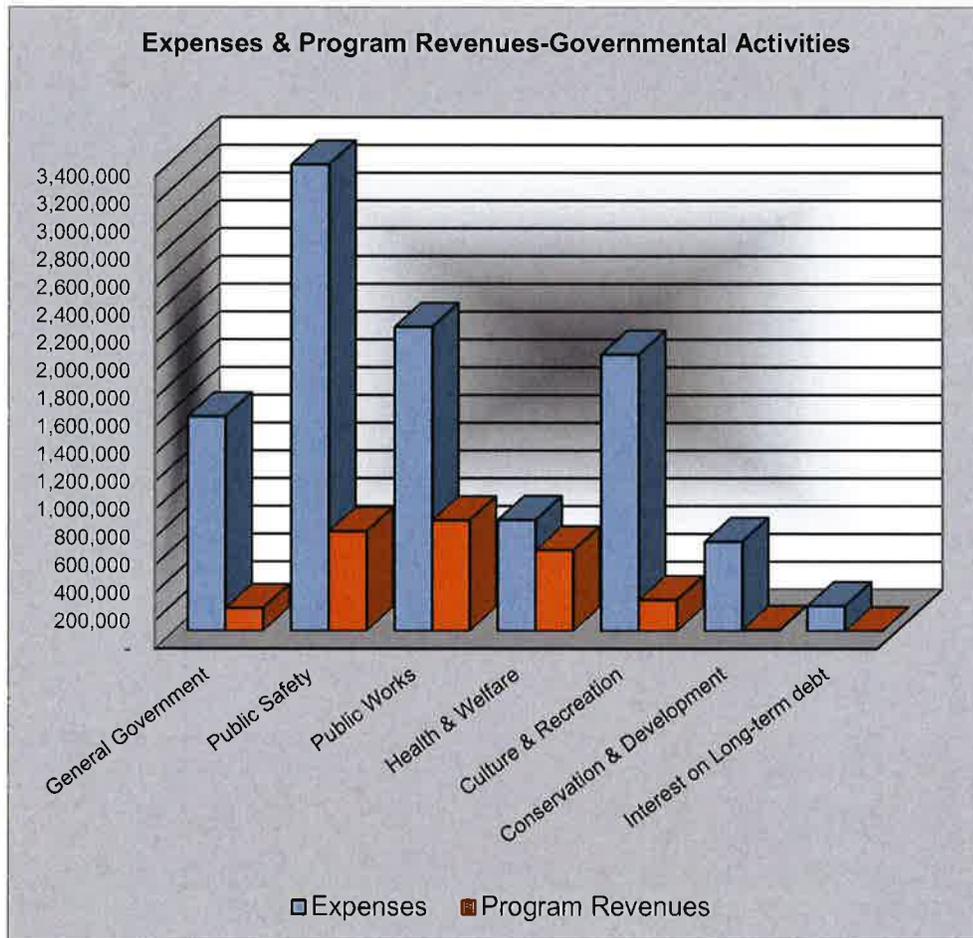
- General Government expenses increased by \$60,524 or 4.08%. The net effect of the pension adjustment increased expenses \$37,242 in 2019 over 2018. General government wages and benefits were up over \$21,000 as all positions were filled during 2019. Insurance expensed decreased by over \$15,000 due to increase in SD Public Assurance Alliance increased reserves. Municipal garage operating expenses were up over \$15,000 for sewer line repairs in the building. Total general government depreciation decreased \$8,780 in 2019 compared to 2018.
- Public Safety expenses increased by \$222,243 or 7.09%. The net effect of the pension adjustment increased expenses \$117,744 in 2019 over 2018. The police administration wages increased over \$42,000 for the addition of another detective in 2019 while police patrol wages decreased over \$14,000 as an officer was deployed to active duty for most of the year. Police patrol expenses increased over \$9,000 for uniforms and supplies. Fire department vehicle equipment rental increased over \$35,000 due to projected higher equipment replacement costs. The E911 fund wages increased over \$13,000 while equipment repairs decreased over \$6,000. Total Public Safety depreciation increased over \$33,000 in 2019 from equipment additions.
- Public works expenses increased \$96,427 or 4.61%. The net effect of the pension adjustment increased expenses \$19,823 in 2019 over 2018. Street department wages increased over \$8,900 attributed to employee turnover while operating expenses decreased over \$5,000 the majority attributed to electricity saving from converting street lights to LED. Snow removal wages were down over \$15,000 with equipment repairs and supplies down over \$17,000 due to less snow. Sanitation decreased over \$11,000 due to turnover of employees during the year while equipment repairs were up over \$4,000 as the street sweeper ages. Operating expenses increased for the hike/bike transportation study

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Management's Discussion and Analysis

in 2019 of over \$24,000, storm water repairs were up over 21,000 and miscellaneous concrete repairs were up over \$51,000. Total public works depreciation was up over \$25,000 in 2019 from equipment additions.

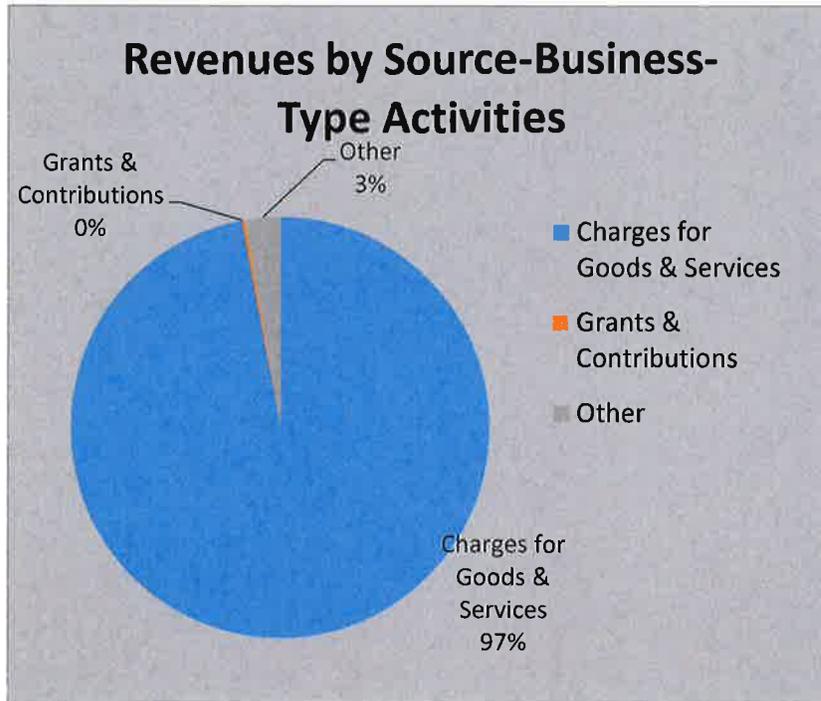
- Health and Welfare expenses increased \$101,739 or 14.59%. The net effect of the pension adjustment increased expenses \$29,588 in 2019 over 2018. Ambulance department wages increased over \$62,000 due to a full year of paramedics while ambulance repairs and maintenance increased over \$5,000 for the year compared to 2018.
- Culture and Recreation expenses increased \$14,718 or .74%. The net effect of the pension adjustment increased expenses \$29,781 in 2019 over 2018. Recreation wages were up over \$24,000 due to increase in minimum wage and increased programs, Parks wages were down over \$11,000 due to an employee on active duty and increased mosquito control wages up due to more fogging. Parks operating expenses were up over \$16,000 due to fence repairs and park improvements. Library wages up over \$22,000 as full staffed and increase in minimum wage while operating expense down over \$74,000 the majority was for roof repair in 2018.
- Conservation and Development expenses increased \$5,353 or .84%. The City continued to support numerous organizations but during 2019 with a small decrease in funding from General Fund, increase in second penny for new funding obligation, BBB Sales tax decreased as one-time extra funding expenditure made in 2018, BID #1 expenditures increased over \$6,000 and TIF #5 grant funds increased over \$16,000.



Management's Discussion and Analysis

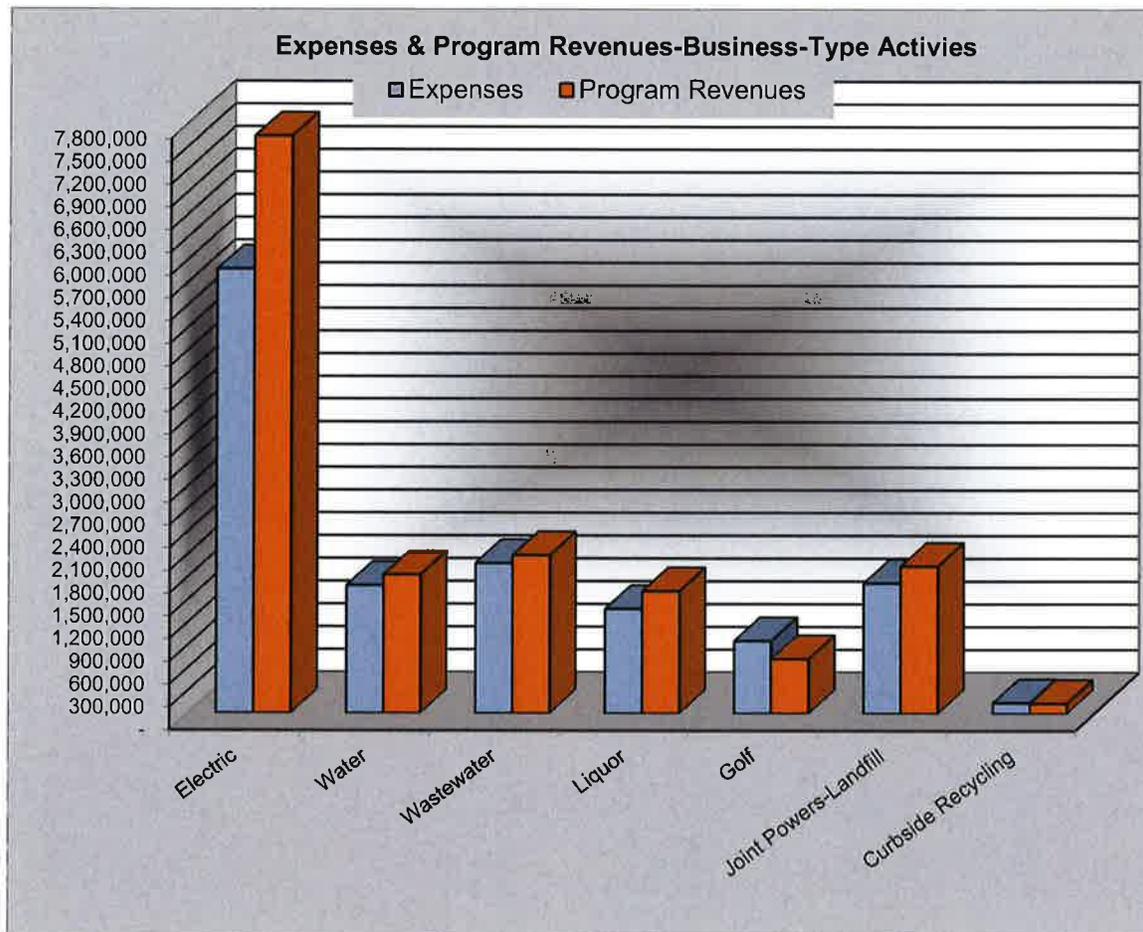
Business-type activities: Business-type activities increased the City of Vermillion's net position by \$1,537,791, accounting for 73.65% of the total growth in the government's net position. Key elements of this increase are as follows:

- Charges for services decreased by .35% or \$56,343. The Electric Fund charges for services decreased 2.52% or \$196,653. Electric kwh sales decreased .61% during 2019, which is attributed to warmer winter and cooler early summer weather. The electric utility received reimbursements from the Southwest Power Pool through Missouri River Energy Services for transmission assets that decreased by \$181,670 due to initial filing expenses that were recovered in 2018. Electric service fees decreased in 2019 by over \$27,000 due to large apartment construction projects in 2018. This was the seventh year of seasonal electric charges. Water Fund charges for services decreased 1.80% or \$33,383. Water sales decreased \$19,040 or 1.04% over 2018 attributed to wet spring weather. Wastewater Fund revenues increased by \$56,019 or 2.77%. The Liquor Fund sales increased .64% or \$10,274 over 2018. The Joint Powers-Landfill revenue increased \$46,798 or 2.51% over 2018. The landfill revenues increased \$79,948 from an increase in volume of materials received, with contaminated soil revenues decreasing over \$59,000 and the revenue from sale of clay was up over \$41,000. The sale of recycling materials revenues portion of the Joint Powers decreased \$33,150 due to a decrease in market price of materials being sold. The Golf Fund revenues increased \$57,115 or 8.81% that is attributed to increased play compared to 2018. The Curbside Recycling Fund revenues increased by in the Curbside Recycling program revenues increased by \$3,487 or 2.77% from increase in residential units and increased volume of materials.
- Operating grants and contributions and capital grants and contributions decreased \$233,084 in 2018. During 2019, a grant of \$23,639 was received from the SD Department of Environment and Natural Resources to assist with waste tire disposal and a donation was received for the purchase of golf maintenance vehicles of \$10,955.



**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Management's Discussion and Analysis



Business-type expenses increased \$399,778 or 3.01% over 2018. The largest change was in personal services that increased \$291,548 in 2019 over 2018. The net effect of the pension adjustment increased business-type personal expenses by \$328,100 for 2019. The balance of the increase in personal services is due position were unfilled for part of the year in 2019 in electric. Other current expenses decreased \$41,822 over 2018. The cost of goods sold increased \$32,275 and depreciation increased \$87,872 over 2018. Interest expense decreased \$14,535 and bond issuance costs increased \$78,016 over 2018.

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.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Management's Discussion and Analysis

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,032,102, as shown on Exhibit 3, which is an increase of \$1,100,093 in comparison with the prior year. Approximately 19.09% of this total amount or \$2,105,952 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is either 1) *nonspendable* \$304,427, \$95,956 for inventory and \$208,471 in cumulative reserve 2) *restricted* \$3,091,292 consisting of \$309,981 in Bed, Board & Booze sales tax, \$1,422,968 in storm water fees, \$63,653 for library, \$550,644 for Surface Transportation Program, \$36,758 for parks capital, \$30,000 for Business Improvement District and \$677,288 for debt service 3) *committed* \$5,108,620 in sales tax or 4) assigned \$421,811 for the 2020 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 \$2,345,762, as shown in Exhibit 3, while total fund balance increased to \$3,622,644. 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 34.84% of total general fund expenditures, while total fund balance represents 53.80% of the same amount.

The fund balance of the City's general fund increased \$49,299 during the current fiscal year, as shown in Exhibit 4. Factors in this increase are as follows:

- Total general fund revenue increased \$161,031 for 2019.
- Property tax increases are restricted by the State to the lower of the CPI or 3% and for 2018 the CPI was 2.1% thus the increase in property taxes of \$102,914 attributed to the tax on new property and the 2.1% increase within the city outside the TIF districts.
- Sales tax revenue increased \$152,489 for 2019.
- Intergovernmental Revenues decreased \$10,006 in 2019, there was a decrease of over \$21,000 in federal grants through state with the ambulance department receiving a grant in 2018, an increase of over \$4,700 in liquor tax reversion from the state, and increase in county motor vehicle fees of over \$3,000.
- Charges for goods and services decreased \$23,966 made up of decreased ambulance revenues of over \$22,000.
- Expenditures in the General Fund increased \$118,976 or 1.80%. General Government current expenditures increased \$38,687 and capital expenditures decreased \$30,297. General government wages increased over \$21,000 as all positions will filled for the year, an increase in insurance costs for general government buildings and equipment of over \$5,000, and municipal garage operating expenses were up over \$15,000 for sewer line repairs. Public Safety current expenditures increased \$57,670 and capital expenditures decreased \$31,530. Police Administration wages and benefits increased over \$42,000 for the addition of a detective in 2019 while patrol wages and benefits decreased over \$14,000 as an officer was deployed to active duty for part of the year. Police patrol expenses increased over \$9,000 for uniforms and supplies. Fire department vehicle equipment rental increased over \$35,000 due to projected higher equipment replacement costs. Public Works current expenditures decreased \$21,259 with a decrease of \$33,080 in snow removal expenses, airport expenses increased \$6,521 due to hanger taxi lane engineering expenses, and sweeping and mowing decreased 8,074 in wages due to a retirement in 2018 and a 2019 new hire. Health and Welfare current expenditures increased \$52,453 of which \$50,540 was adding a full time administrative assistant during the year for the ambulance department and code enforcement had an increase in operating expenses. Culture-Recreation current expenditures increased \$48,700 with recreation expenditures increasing \$36,388 the majority being added part time position due to a full time vacant in 2019 due to military call up and increased operating expenses, the swimming pool expenditures decreased \$4,449 of which 5,511 was for wages for shortened days the pool

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Management's Discussion and Analysis

was open due to rainy weather and increase in operating expenses, mosquito control expenses increased \$8,041 due to hiring two part time workers, and library expenditures were up \$19,744 for increased wages and book purchases. Conservation and Development expenditures decreased \$5,696 with the majority being a decrease in the VCDC reinvestment program of \$12,000, an increase to the food pantry of 2,500, a decrease of 5,000 for the Vermillion Area Dance Organization, and an increase of 8,110 for the SDHDA mobile home improvement grant.

- The general fund transferred out funds of, \$442,701 of State Transportation Improvement Program funds to capital project funds, \$ 295,821 to 911 Fund and \$136,195 of malt beverage markup to the General Obligation debt service fund compared to total transfers out of \$1,471,757 in 2018.

The sales tax fund has a total fund balance \$5,108,620, all of which is committed for capital outlay and debt service. The net increase in fund balance during the current year is \$426,781. Revenues during this period increased by \$265,297 compared to the prior year. This is due to an increase in sales tax revenue of \$151,750, an increase in investment earnings of \$43,880 and an increase in grants and contributions of \$69,667 due to a Fire FEMA Grant. Expenditures increased during this period by \$308,924, which is largely due to an increase in capital outlay. Transfers out increased by \$244,632 to \$811,042. The major item of the increase was in 2019, \$369,901 was transferred to the Prentis Park Pool capital projects compared to \$139,111 in 2018. This was the major construction on the pool which was completed in 2017 with sidewalks and construction retainage paid in 2018 and architectural design retainage paid in 2019.

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 \$7,256,279, Water \$1,150,337, Wastewater \$1,439,870, Liquor \$336,075, Golf Course \$558,983, Joint Powers-Landfill \$1,822,555 and Curbside Recycling \$90,039. The total growth in net position for all funds in the current year was \$1,486,315. 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 2019 and a supplemental budget in December 2019 to refine the budget amounts adopted a year earlier. The budgeted revenues were increased by \$129,885 (2.02% of the original budget). Budgeted expenditures were decreased by \$91,850 (1.28% of the original budget) and budgeted transfers net increased \$74,412. The original and final budgets are reported on Exhibit 8 on page 58.

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, 2019 amount to \$83,852,744 (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 2019 there was \$1,855,239 of additions to the governmental capital assets while the depreciation for the year was \$2,339,462 and \$566,860 of capital assets were disposed.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Management's Discussion and Analysis

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

- The paving of Anderson Street started in 2018 was completed during 2019 at a total cost of \$414,266 funded from the State Surface Transportation funds.
- The airport hangar taxi lane reconstruction started in 2019 and reported as construction in process at a total cost of \$40,783 funded with Federal, State grants and second penny sales tax funds.
- Improvements were made in the public parks with Prentis park starting construction on a bathroom which was put into construction in process for \$4,086. The Cotton Park bathroom was also renovated and completed in 2019 for a total cost of \$104,372.
- Improvements to the water storage reservoir started in 2019. The total project cost is contracted for \$389,057 with \$350,811 reported in construction in progress at year end. The project is funded from water fund reserves.
- Construction began on the wastewater digester improvement project during 2018 and finished in 2019 with the total project cost of \$1,104,540. The project is funded from wastewater fund reserves.
- Engineering for remodeling project for the Joint Power's Recycling Center started in 2019. The total project is estimated at \$686,650 with \$45,013 reported in construction in progress at year end.
- The equipment replacement fund added a number of pieces of equipment during the year totaling \$525,759.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,632,815	\$ 1,632,815	\$ 2,590,173	\$ 2,590,173	\$ 4,222,988	\$ 4,222,988
Building & Structure	19,026,596	19,466,258	24,040,217	23,550,277	43,066,813	43,016,535
Improvements other buildings	-	-	18,667,936	19,394,706	18,667,936	19,394,706
Furniture & Equipment	4,604,022	4,555,738	1,693,870	1,581,157	6,297,892	6,136,895
Infrastructure & books	11,100,415	11,265,557	-	-	11,100,415	11,265,557
Construction in Progress	55,403	29,093	441,297	418,621	496,700	447,714
Total	\$ 36,419,251	\$ 36,949,461	\$ 47,433,493	\$ 47,534,934	\$ 83,852,744	\$ 84,484,395

Additional information on the City of Vermillion's capital assets can be found in Note 4 on pages 40-42 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 \$22,556,392. Total note and bonded debt outstanding totaled \$20,421,392 with the remainder being capital leases of \$2,135,000.

The City's total outstanding debt decreased by \$3,940,809 or 14.87% during the 2019 fiscal year. During 2019 the City called \$5,625,000 of electric utility bonds and issued \$3,380,951 electric utility refunding bonds along with a contribution from the electric utility funds of \$2 million. The refunding reduced the total debt service payments over the next seventeen years by \$1,815,803 for a new present value savings of \$1,022,210. The balance of the decrease was principal payments during the year.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Management's Discussion and Analysis

State statute limits the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City is \$24,723,164 for the 2019 fiscal year. With outstanding General Obligation Debt applicable to this limit of \$8,796,879, the city is at 36% of the maximum debt capacity.

City of Vermillion's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation & Revenue Bonds	\$ 4,119,100	\$ 4,363,204	\$ 16,157,736	\$ 19,524,347	\$ 20,276,836	\$ 23,887,551
Notes Payable	-	-	144,556	194,650	144,556	194,650
Capital Lease	2,135,000	2,415,000	-	-	2,135,000	2,415,000
Total	\$ 6,254,100	\$ 6,778,204	\$ 16,302,292	\$ 19,718,997	\$ 22,556,392	\$ 26,497,201

Additional information on the City's long-term debt can be found in Note 5 on pages 43-48 of this report.

Economic Factors and Next Year's Budgets and Rates

During the current fiscal year, the fund balance in the general fund increased by \$49,299 to \$3,622,644. The final budget for 2019 had projected the fund balance to decrease by \$311,031. The City has appropriated \$421,811 of the general fund, fund balance for spending in the 2020 fiscal year.

Utility rates were increased for electric in December 2016 to pass along increased purchase of power costs. Water rates were increased in January 2017 and wastewater rates were adjusted in April 2017. The storm water drainage fee was increased for 2019 by 3.75%. Landfill rates were adjusted in July 2019.

The City is well aware that recent events surrounding COVID-19 pandemic in 2020 will impact certain components of the local and regional economy. The extent of the financial impact of the pandemic will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City's operations and finances.

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, 2019

EXHIBIT 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing & Redevelopment
ASSETS				
Cash & cash equivalents	\$ 349,740	\$ 1,062,219	\$ 1,411,959	\$ 69,569
Certificates of Deposits	10,375,000	9,475,000	19,850,000	-
Receivables (net, where applicable, of allowance for uncollectibles)				
Taxes receivables	34,329	-	34,329	-
Accounts receivable	228,050	966,845	1,194,895	-
Unbilled accounts receivable	-	438,411	438,411	-
Special assessments receivable	26,372	-	26,372	-
Interest receivable	172,128	173,805	345,933	-
Due from other governments	623,918	62,045	685,963	-
Internal balances	(544,320)	544,320	-	-
Inventories	95,956	1,341,659	1,437,615	-
Net Pension Assets	19,459	11,109	30,568	-
Prepaid expenses	92,114	91,591	183,705	2,634
Deposits SDPAA	208,471	227,572	436,043	-
Restricted assets:				
Cash	134,021	1,853,257	1,987,278	64,440
Certificates of Deposits	300,000	-	300,000	-
Investments	273,879	-	273,879	-
Interest receivable	6,028	-	6,028	-
Capital assets:				
Land and construction in progress	1,688,218	3,031,470	4,719,688	-
Other capital assets, net of depreciation	34,731,033	44,402,023	79,133,056	-
Total capital assets	<u>36,419,251</u>	<u>47,433,493</u>	<u>83,852,744</u>	<u>-</u>
Total assets	<u>48,814,396</u>	<u>63,681,326</u>	<u>112,495,722</u>	<u>136,643</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	<u>884,911</u>	<u>532,076</u>	<u>1,416,987</u>	<u>-</u>
LIABILITIES				
Accounts payable	303,585	849,046	1,152,631	5,418
Customer deposits	-	83,225	83,225	-
Accrued interest payable	10,212	24,735	34,947	-
Revenue collected in advance	11,772	3,500	15,272	3,190
Noncurrent liabilities:				
Due within one year:				
Bonds payable	291,386	1,204,173	1,495,559	-
Notes payable	-	51,169	51,169	-
Capital lease	285,000	-	285,000	-
Accrued leave payable	234,685	152,025	386,710	2,265
Due in more than one year:				
Bonds payable with premium	3,827,714	14,953,563	18,781,277	-
Notes payable	-	93,387	93,387	-
Capital lease	1,850,000	-	1,850,000	-
Closure - postclosure liability	-	393,955	393,955	-
Accrued leave payable	287,357	200,040	487,397	2,522
Total liabilities	<u>7,101,711</u>	<u>18,008,818</u>	<u>25,110,529</u>	<u>13,395</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	<u>423,609</u>	<u>240,164</u>	<u>663,773</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	30,161,008	30,996,755	61,157,763	-
Restricted for:				
BBB tax	318,839	-	318,839	-
Debt service	689,626	1,362,403	2,052,029	-
Stormwater	1,452,180	-	1,452,180	-
Parks Capital	36,758	-	36,758	-
Library	63,653	-	63,653	-
Business Improvement District	30,000	-	30,000	-
Landfill closure postclosure	-	77,235	77,235	-
Cumulative reserve-SDPAA	208,471	227,572	436,043	-
SDRS Pension Purposes	480,761	303,021	783,782	-
Other purposes	-	-	-	64,440
Unrestricted	<u>8,732,691</u>	<u>12,997,434</u>	<u>21,730,125</u>	<u>58,808</u>
Total Net Position	<u>\$ 42,173,987</u>	<u>\$ 45,964,420</u>	<u>\$ 88,138,407</u>	<u>\$ 123,248</u>

See Accompanying Notes to Financial Statements

CITY OF VERMILLION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

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	\$ 1,544,343	\$ 145,404	\$ 17,949	\$ -	\$ (1,380,990)	\$ -	\$ (1,380,990)	\$ -
Public safety	3,358,843	299,906	327,059	89,667	(2,642,211)	-	(2,642,211)	-
Public works	2,189,685	385,793	-	410,178	(1,393,714)	-	(1,393,714)	-
Health & welfare	798,856	578,609	2,000	-	(218,247)	-	(218,247)	-
Culture & recreation	1,991,308	166,485	44,781	11,398	(1,768,644)	-	(1,768,644)	-
Conservation & development	642,591	-	8,111	-	(634,480)	-	(634,480)	-
Interest on long-term debt	179,579	-	-	-	(179,579)	-	(179,579)	-
Total governmental activities	10,705,205	1,576,197	399,900	511,243	(8,217,865)	-	(8,217,865)	-
Business-type activities:								
Electric	5,856,369	7,615,970	-	-	-	1,759,601	1,759,601	-
Water	1,681,370	1,823,410	-	-	-	142,040	142,040	-
Wastewater	1,974,471	2,078,229	-	-	-	103,758	103,758	-
Liquor	1,374,329	1,606,911	-	-	-	232,582	232,582	-
Golf	953,299	705,074	-	10,955	-	(237,270)	(237,270)	-
Joint powers landfill	1,712,861	1,910,098	23,639	-	-	220,876	220,876	-
Curbside recycling	139,187	129,473	-	-	-	(9,714)	(9,714)	-
Total business-type activities	13,691,886	15,869,165	23,639	10,955	-	2,211,873	2,211,873	-
Total primary government	\$ 24,397,091	\$ 17,445,362	\$ 423,539	\$ 522,198	\$ (8,217,865)	\$ 2,211,873	\$ (6,005,992)	\$ -
Component Unit								
Housing & redevelopment	1,176,092	469	1,235,902	-	-	-	-	60,279
Total component unit	\$ 1,176,092	\$ 469	\$ 1,235,902	\$ -	\$ -	\$ -	\$ -	\$ 60,279
General revenues:								
Taxes:								
Property taxes - levied for general purposes					2,659,569	-	2,659,569	-
Sales taxes					3,961,932	-	3,961,932	-
Sales taxes for special revenues					419,115	-	419,115	-
Other State taxes					69,356	-	69,356	-
Unrestricted investment earnings					223,814	404,312	628,126	375
Miscellaneous revenue					282,703	59,018	341,721	-
Gain on sale of capital assets					14,085	-	14,085	-
Transfers					1,137,412	(1,137,412)	-	-
Total general revenues & transfers					8,767,986	(674,082)	8,093,904	375
Change in net position					550,121	1,537,791	2,087,912	60,654
Net position - beginning					41,623,866	44,426,629	86,050,495	62,594
Net position - ending					\$ 42,173,987	\$ 45,964,420	\$ 88,138,407	\$ 123,248



THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF VERMILLION
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2019

	General	Sales Tax	Other Governmental Funds	2019 Total
ASSETS				
Cash and cash equivalents	\$ 150	\$ 65,487	\$ 225,711	\$ 291,348
Certificates of Deposit	3,100,000	4,737,500	1,625,000	9,462,500
Receivables (net, where applicable, of allowance for uncollectibles)				
Property taxes: delinquent	34,329	-	-	34,329
Accounts receivable	216,926	-	7,740	224,666
Special assessment receivable	-	-	26,372	26,372
Interest receivable	56,438	71,307	30,303	158,048
Due from other governments	277,199	200,778	145,941	623,918
Inventory of supplies	69,601	-	-	69,601
Inventory of stores purchased for resale	26,355	-	-	26,355
Deposits - SDPAA	208,471	-	-	208,471
Advance to other funds	-	163,175	-	163,175
Restricted assets:				
Cash and cash equivalents	-	-	134,021	134,021
Certificates of Deposit	-	-	300,000	300,000
Investments	-	-	273,879	273,879
Interest receivable	-	-	6,028	6,028
Total assets	<u>3,989,469</u>	<u>5,238,247</u>	<u>2,774,995</u>	<u>12,002,711</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	217,860	37,078	44,417	299,355
Due to other funds	34,664	-	168,986	203,650
Revenue collected in advance	2,187	-	9,585	11,772
Advance from other funds	-	-	190,549	190,549
Total liabilities	<u>254,711</u>	<u>37,078</u>	<u>413,537</u>	<u>705,326</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-sales tax	21,347	21,242	6,037	48,626
Unavailable revenue- interest	56,438	71,307	33,515	161,260
Unavailable revenue-delinquent property tax and interest	34,329	-	-	34,329
Unavailable revenue-delinquent stormwater fees	-	-	4,546	4,546
Unavailable revenue-special assessments	-	-	16,522	16,522
Total deferred inflows of resources	<u>112,114</u>	<u>92,549</u>	<u>60,620</u>	<u>265,283</u>
Fund balances:				
Nonspendable:				
Inventory	95,956	-	-	95,956
Cumulative Reserve-SDPAA	208,471	-	-	208,471
Restricted:				
Surface Transportation Program	550,644	-	-	550,644
BBB Purposes	-	-	309,981	309,981
Stormwater	-	-	1,422,968	1,422,968
Parks Capital	-	-	36,758	36,758
Library	-	-	63,653	63,653
Business Improvement District	-	-	30,000	30,000
Debt Service Funds	-	-	677,288	677,288
Committed				
Sales Tax Purposes	-	5,108,620	-	5,108,620
Assigned:				
Next Year's Budget	421,811	-	-	421,811
Unassigned	2,345,762	-	(239,810)	2,105,952
Total fund balances	<u>3,622,644</u>	<u>5,108,620</u>	<u>2,300,838</u>	<u>11,032,102</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,989,469</u>	<u>\$ 5,238,247</u>	<u>\$ 2,774,995</u>	<u>\$ 12,002,711</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, 2019

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

Total fund balance - governmental Funds (page 20) \$ 11,032,102

Capital assets used in governmental activities are not
 financial resources and therefore are not reported in
 the funds. 32,934,591

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

	Bonds payable	\$ (4,060,131)	
	Capital Lease	(2,135,000)	
	Accrued leave payable	<u>(515,773)</u>	(6,710,904)

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 inflows in the funds. 265,283

Prepaid expenses are reported in the governmental
 activities but are not reported in the funds as they do not
 provide current economic resources. 92,114

Accrued interest expense from the balance sheet and amortization
 that require current financial resources from governmental
 activities. (10,212)

Bond premiums are reported in the governmental activities but are not
 reported in the funds as they do not provide current economic resources (58,969)

Net Pension Asset reported in governmental activities is not
 an available financial resource and therefore is not reported in the funds. 19,329

Pension related deferred outflows are components of net pension
 asset and therefore are not reported in the funds. 874,432

Pension related deferred inflows are components of net pension
 asset and therefore are not reported in the funds. (420,952)

Internal service funds are used by management to charge the costs
 of activities, such as insurance, to individual funds. The assets,
 deferred outflows of resources, liabilities, and deferred inflows of
 resources are included in the Statement of Net Position as follows:

	Total Governmental and Business-Type Activities:	4,470,469	
	Business-Type Activities:	<u>(313,296)</u>	
			<u>4,157,173</u>

Total net position - governmental activities (page 18) \$ 42,173,987

CITY OF VERMILLION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Sales Tax	Other Governmental Funds	2019 Total
Revenue:				
Taxes:				
General property taxes	\$ 2,401,335	\$ -	\$ 250,975	\$ 2,652,310
General sales & use taxes	2,020,237	2,017,986	417,582	4,455,805
Business Improvement District Fees	-	-	58,506	58,506
Stormwater fees	-	-	251,188	251,188
Penalties & interest on delinquent taxes	4,260	-	950	5,210
Licenses & permits	239,969	-	-	239,969
Intergovernmental revenue	783,904	86,667	359,267	1,229,838
Charges for goods & services	723,171	-	50	723,221
Fines & forfeits	42,647	-	3,787	46,434
Investment earnings	44,216	70,599	42,526	157,341
Rentals	21,300	-	-	21,300
Special assessments	205	-	27,471	27,676
Contributions & donations from private sources	27,556	-	22,433	49,989
Other	196,740	-	6,157	202,897
Total revenue	<u>6,505,540</u>	<u>2,175,252</u>	<u>1,440,892</u>	<u>10,121,684</u>
Expenditures:				
Current:				
General government	1,282,675	-	-	1,282,675
Public safety	2,234,313	43,212	591,979	2,869,504
Public works	941,949	231,187	62,641	1,235,777
Health and welfare	706,356	12,627	-	718,983
Culture-recreation	1,372,044	239	14,112	1,386,395
Conservation and development	53,946	100,000	488,645	642,591
Debt service:				
Principal	-	-	516,568	516,568
Interest	-	-	187,488	187,488
Capital outlay:				
General government	2,196	-	-	2,196
Public safety	12,815	152,001	20,365	185,181
Public works	1,280	-	577,143	578,423
Health and welfare	-	18,371	-	18,371
Culture-recreation	125,520	379,792	36,997	542,309
Total expenditures	<u>6,733,094</u>	<u>937,429</u>	<u>2,495,938</u>	<u>10,166,461</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(227,554)</u>	<u>1,237,823</u>	<u>(1,055,046)</u>	<u>(44,777)</u>
Other financing sources (uses):				
Transfers in	1,138,582	-	1,680,229	2,818,811
Transfers out	(874,717)	(811,042)	(1,170)	(1,686,929)
Total other financing sources (uses)	<u>263,865</u>	<u>(811,042)</u>	<u>1,679,059</u>	<u>1,131,882</u>
Net change in fund balances	36,311	426,781	624,013	1,087,105
Fund balance - beginning	3,573,345	4,681,839	1,676,825	9,932,009
Change in Inventory	12,988	-	-	12,988
Fund balance - ending	<u>\$ 3,622,644</u>	<u>\$ 5,108,620</u>	<u>\$ 2,300,838</u>	<u>\$ 11,032,102</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, 2019

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

Net change in fund balances - total governmental funds (page 22)	\$ 1,087,105
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.	12,988
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. Depreciation expense exceeded capital outlays in the current year as follows:	
Expenditures for capital assets	\$ 1,329,480
Depreciation expense	<u>(1,896,943)</u> (567,463)
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 in the statement of activities.	(10,567)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however, has any effect on net position. This is the amount of repayment of long term debt.	516,568
Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied.	(14,429)
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.	(50,737)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	(25,060)
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.	19,549
Accrued interest expense and amortization of bond premium 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.	7,909
Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.	(542,581)
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 and business-type activities.	
Total Governmental and Business-Type Activities:	\$ 168,315
Business-Type Activities:	<u>(51,476)</u>
	116,839
Change in net position of governmental activities (page 19)	<u><u>\$ 550,121</u></u>

CITY OF VERMILLION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Business-Type Activities-Enterprise Funds							Totals	Governmental and Business-Type Activities Internal Service Funds
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling		
ASSETS									
Current assets:									
Cash	\$ 481,610	\$ 115,868	\$ 109,104	\$ 48,386	\$ 11,071	\$ 287,066	\$ 29,114	\$ 1,062,219	\$ 58,392
Certificates of Deposit	5,300,000	825,000	1,150,000	150,000	550,000	1,450,000	50,000	9,475,000	912,500
Receivables (net of allowance for uncollectibles)									
Accounts	589,036	134,932	153,149	19	5,394	73,092	11,223	966,845	3,384
Unbilled	274,953	68,038	90,342	-	-	-	5,078	438,411	-
Interest	95,509	13,352	20,656	2,731	12,860	27,127	1,570	173,805	14,080
Due from other governments	-	-	-	-	-	62,045	-	62,045	-
Inventory of supplies	784,496	155,753	58,979	-	14,850	19,031	-	1,033,109	-
Inventory of stores purchased for resale	-	-	-	267,949	40,601	-	-	308,550	-
Prepaid expenses	43,361	12,990	12,687	11,520	2,749	7,716	568	91,591	-
Deposits - SDPAA	95,406	40,551	36,192	21,628	9,201	23,459	1,135	227,572	-
Due from other funds	203,650	-	-	-	-	-	-	203,650	-
Total current assets	7,848,021	1,366,484	1,631,109	502,233	646,726	1,949,536	98,688	14,042,797	988,356
Noncurrent assets:									
Advance to other funds	27,374	-	-	-	-	-	-	27,374	-
Restricted assets:									
Bonds payable:									
- Cash	688,904	134,536	540,479	-	-	17,972	176	1,382,067	-
Landfill- closure & postclosure									
- Cash	-	-	-	-	-	471,190	-	471,190	-
Net Pension Assets	3,816	2,142	1,759	-	1,072	1,938	382	11,109	130
Total noncurrent assets	720,094	136,678	542,238	-	1,072	491,100	558	1,891,740	130
Capital assets									
Land & improvements	23,811	100,663	176,873	-	2,230,834	57,992	-	2,590,173	-
Buildings	5,949,090	10,011,065	16,309,288	-	1,002,798	4,127,863	-	37,400,104	-
Improvements other than buildings	19,127,370	4,677,946	4,679,915	-	-	3,146,895	-	31,632,126	-
Furniture & equipment	337,264	193,387	2,393,388	91,543	654,103	2,489,378	49,493	6,208,556	6,434,991
Construction in progress	1,500	350,811	-	-	43,973	45,013	-	441,297	-
Less: accumulated depreciation	(8,454,068)	(5,366,736)	(11,079,727)	(50,580)	(1,140,520)	(4,718,918)	(28,214)	(30,838,763)	(2,950,331)
Total capital assets (net depreciation)	16,984,967	9,967,136	12,479,737	40,963	2,791,188	5,148,223	21,279	47,433,493	3,484,660
Total noncurrent assets	17,705,061	10,103,814	13,021,975	40,963	2,792,260	5,639,323	21,837	49,325,233	3,484,790
Total assets	25,553,082	11,470,298	14,653,084	543,196	3,438,986	7,588,859	120,525	63,368,030	4,473,146
DEFERRED OUTFLOWS OF RESOURCES:									
Pension Related Deferred Outflows	177,599	104,027	80,447	-	56,154	95,386	18,463	532,076	10,479
LIABILITIES									
Current liabilities:									
Accounts payable	336,417	220,553	98,774	114,530	30,187	46,903	1,682	849,046	4,230
Customer deposits	55,483	27,742	-	-	-	-	-	83,225	-
Accrued interest payable	16,504	-	2,984	-	-	5,235	12	24,735	-
Bonds payable - current	480,000	258,507	395,607	-	-	70,059	-	1,204,173	-
Notes payable - current	-	-	-	-	-	49,190	1,979	51,169	-
Revenue collected in advance	-	-	-	-	3,500	-	-	3,500	-
Accrued leave payable	56,917	26,662	24,300	-	19,369	27,188	2,589	152,025	2,707
Total current liabilities	945,321	533,464	521,665	114,530	53,056	193,575	6,262	2,367,873	6,937
Noncurrent liabilities:									
Revenue bonds	6,279,267	2,856,824	4,554,154	-	-	1,263,318	-	14,953,563	-
Notes payable	-	-	-	-	-	88,263	5,124	93,387	-
Closure-postclosure liability	-	-	-	-	-	393,955	-	393,955	-
Accrued leave payable	74,893	35,084	31,974	-	25,486	29,196	3,407	200,040	3,562
Total noncurrent liabilities	6,354,160	2,891,908	4,586,128	-	25,486	1,774,732	8,531	15,640,945	3,562
Total liabilities	7,299,481	3,425,372	5,107,793	114,530	78,542	1,968,307	14,793	18,008,818	10,499
DEFERRED INFLOWS OF RESOURCES:									
Pension Related Deferred Inflows	79,064	44,928	39,295	-	25,243	42,839	8,795	240,164	2,657
NET POSITION									
Net investment in capital assets	10,225,700	6,717,360	7,529,975	40,963	2,791,188	3,677,393	14,176	30,996,755	3,484,660
Restricted for:									
Restricted for debt service	672,400	134,536	537,495	-	-	17,972	-	1,362,403	-
Restricted for SDPAA Cumulative Reserve	95,406	40,551	36,192	21,628	9,201	23,459	1,135	227,572	-
Restricted for landfill closure & postclosure	-	-	-	-	-	77,235	-	77,235	-
Restricted for SDRS Pension Purposes	102,351	61,241	42,911	-	31,983	54,485	10,050	303,021	7,952
Unrestricted	7,256,279	1,150,337	1,439,870	366,075	558,983	1,822,555	90,039	12,684,138	977,857
Total net position	\$ 18,352,136	\$ 8,104,025	\$ 9,586,443	\$ 428,666	\$ 3,391,355	\$ 5,673,099	\$ 115,400	\$ 45,651,124	\$ 4,470,469
Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities								313,296	
Net Position of Business-type Activities								\$ 45,964,420	

CITY OF VERMILLION
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities-Enterprise Funds							Governmental and Business-Type Activities Internal Service Funds	
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling		Totals
Operating revenue:									
Charges for goods and services	\$ 5,652,835	\$ 1,524,155	\$ 1,714,486	\$ 1,606,911	\$ 704,574	\$ 1,830,161	\$ 118,030	\$ 13,151,152	\$ 676,179
Surcharge as security for debt	1,063,302	279,083	353,860	-	-	-	-	1,696,245	-
Miscellaneous	899,833	20,172	9,883	-	500	79,937	11,443	1,021,768	-
Total operating revenue	7,615,970	1,823,410	2,078,229	1,606,911	705,074	1,910,098	129,473	15,869,165	676,179
Operating expenses:									
Personal services	1,015,562	644,329	525,516	-	449,944	621,434	125,315	3,382,100	44,809
Other current expense	374,656	325,290	666,067	265,678	292,052	591,838	10,928	2,526,509	55,541
Materials (cost of goods sold)	3,210,767	279,492	-	1,096,457	175,175	-	-	4,761,891	-
Depreciation/amortization	750,616	337,667	643,284	8,737	47,814	453,872	3,425	2,245,415	442,519
Total operating expenses	5,351,601	1,586,778	1,834,867	1,370,872	964,985	1,667,144	139,668	12,915,915	542,869
Operating income (loss)	2,264,369	236,632	243,362	236,039	(259,911)	242,954	(10,195)	2,953,250	133,310
Nonoperating revenue (expense):									
Interest earned	277,128	22,513	41,867	2,710	12,412	46,719	963	404,312	18,634
Rental revenue	-	3,949	-	-	55,069	-	-	59,018	-
Intergovernmental Revenue	-	-	-	-	-	23,639	-	23,639	-
Interest expense and fiscal charges	(448,766)	(85,536)	(151,600)	-	-	(44,535)	(167)	(730,604)	-
Bond Issuance Costs	(78,016)	-	-	-	-	-	-	(78,016)	-
Gain(loss) on discarded equipment	(412)	(13,610)	(348)	(3,457)	-	(1,000)	-	(18,827)	10,841
Total nonoperating revenue (expense)	(250,066)	(72,684)	(110,081)	(747)	67,481	24,823	796	(340,478)	29,475
Income (Loss) before contributions, and transfers	2,014,303	163,948	133,281	235,292	(192,430)	267,777	(9,399)	2,612,772	162,785
Capital contributions									
Transfer in	9,000	-	-	-	10,955	-	-	10,955	-
Transfer out	(884,950)	(38,583)	(28,679)	(194,200)	-	-	-	(1,146,412)	5,530
Change In net position	1,138,353	125,365	104,602	41,092	(181,475)	267,777	(9,399)	1,486,315	168,315
Total net position - beginning	17,213,783	7,978,660	9,481,841	387,574	3,572,830	5,405,322	124,799	4,302,154	
Total net position - ending	\$ 18,352,136	\$ 8,104,025	\$ 9,586,443	\$ 428,666	\$ 3,391,355	\$ 5,673,099	\$ 115,400	\$ 4,470,469	
Adjustment to reflect the consolidation of Internal service fund activities related to enterprise activities								51,476	
Change in Net Position of Business-type Activities (page 19).								\$ 1,537,791	

CITY OF VERMILLION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities-Enterprise Funds								Governmental and Business-Type Activities Internal Service Funds	
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major			Totals
							Curbside	Recycling		
CASH FLOWS FROM OPERATING ACTIVITIES										
Cash received from customers	\$ 7,250,009	\$ 1,797,334	\$ 2,079,085	\$ 1,606,892	\$ 755,964	\$ 1,916,089	\$ 129,914	\$ 15,535,287	\$ 676,039	
Cash received from interfund services provided	406,092	35,818	14,146	-	-	-	-	456,056	-	
Cash paid for personal services	(901,151)	(574,399)	(474,512)	-	(413,949)	(568,179)	(113,504)	(3,045,694)	(38,576)	
Cash paid for interfund services	(1,232)	(94,350)	(121,836)	(7,742)	(27,130)	(6,929)	-	(259,219)	-	
Cash paid to suppliers	<u>(3,561,556)</u>	<u>(500,242)</u>	<u>(542,829)</u>	<u>(1,336,282)</u>	<u>(415,652)</u>	<u>(556,946)</u>	<u>(10,870)</u>	<u>(6,924,377)</u>	<u>(56,314)</u>	
Net cash provided by (used for) operating activities	3,192,162	664,161	954,054	262,868	(100,767)	784,035	5,540	5,762,053	581,149	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Acquisition and construction of capital assets	(486,472)	(393,265)	(881,041)	(3,810)	(15,126)	(379,166)	-	(2,158,880)	(527,811)	
Proceeds from sale of assets	319	-	-	-	-	4,000	-	4,319	26,883	
Proceeds from sale of bonds	3,380,951	-	-	-	-	-	-	3,380,951	-	
Bond Issuance Costs	(78,016)	-	-	-	-	-	-	(78,016)	-	
Principal paid on bonds and capital leases	(5,895,000)	(336,608)	(436,452)	-	-	(116,148)	(1,941)	(6,786,149)	-	
Interest paid on bonds and capital leases	<u>(481,967)</u>	<u>(85,536)</u>	<u>(171,658)</u>	<u>-</u>	<u>-</u>	<u>(44,876)</u>	<u>(170)</u>	<u>(784,207)</u>	<u>-</u>	
Net cash (used for) capital and related financing activities	(3,560,185)	(815,409)	(1,489,151)	(3,810)	(15,126)	(536,190)	(2,111)	(6,421,982)	(500,928)	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES										
Due from other funds	41,137	-	-	-	-	-	-	41,137	-	
Advances to Other Funds	6,988	-	-	-	-	-	-	6,988	-	
Intergovernmental Revenue	-	-	-	-	-	23,639	-	23,639	-	
Transfer in	9,000	-	-	-	-	-	-	9,000	5,530	
Transfer (out)	<u>(884,950)</u>	<u>(38,583)</u>	<u>(28,679)</u>	<u>(194,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,146,412)</u>	<u>-</u>	
Net cash provided by (used for) non-capital financing activities	(827,825)	(38,583)	(28,679)	(194,200)	-	23,639	-	(1,065,648)	5,530	
CASH FLOWS FROM INVESTING ACTIVITIES										
Interest on investments	267,251	22,099	43,440	-	4,870	32,248	8	369,916	13,660	
Purchase of investments	-	-	-	(125,000)	-	(225,000)	-	(350,000)	(75,000)	
Sale of investments	<u>1,499,894</u>	<u>200,000</u>	<u>600,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,324,894</u>	<u>-</u>	
Net cash provided by (used for) investing activities	1,767,145	222,099	643,440	(125,000)	29,870	(192,752)	8	2,344,810	(61,340)	
Net increase (decrease) in cash and cash equivalents	571,297	32,268	79,664	(60,142)	(86,023)	78,732	3,437	619,233	24,411	
Cash and cash equivalents beginning of year	579,217	218,136	569,519	108,528	97,094	697,496	25,853	2,296,243	33,981	
Cash and cash equivalents end of year	<u>\$ 1,150,514</u>	<u>\$ 250,404</u>	<u>\$ 649,583</u>	<u>\$ 48,386</u>	<u>\$ 11,071</u>	<u>\$ 776,228</u>	<u>\$ 29,290</u>	<u>\$ 2,915,476</u>	<u>\$ 58,392</u>	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES										
Operating income (loss)	\$ 2,264,369	\$ 236,632	\$ 243,362	\$ 236,039	\$ (259,911)	\$ 242,954	\$ (10,195)	\$ 2,953,250	\$ 133,310	
Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities:										
Depreciation	750,616	337,667	643,284	8,737	47,814	453,872	3,425	2,245,415	442,519	
Rental revenue	-	3,949	-	-	55,069	-	-	59,018	-	
Accounts receivable	58,960	7,889	15,002	(19)	(4,179)	17,430	441	95,524	(140)	
Due from other governments	-	-	-	-	-	(11,439)	-	(11,439)	-	
Inventory	22,016	34,902	6,460	9,708	4,209	29,375	-	106,670	-	
Prepaid expenses	(5,940)	(2,414)	(806)	(906)	(355)	(3,152)	(87)	(13,660)	-	
SDPAA Deposits	(19,237)	(3,568)	(5,312)	(3,773)	(1,150)	(9,440)	(113)	(42,593)	-	
Net Pension Asset	(2,979)	(1,629)	(1,389)	-	(862)	(1,536)	(305)	(8,700)	(101)	
Deferred Outflows of Resources	102,981	63,232	43,479	-	23,196	45,141	7,942	285,971	5,626	
Deferred Inflows of Resources	12,645	4,322	9,514	-	9,386	12,267	2,695	50,829	486	
Accounts payable	11,161	(18,730)	1,060	13,082	21,741	(14,303)	258	14,269	(773)	
Leave liability	1,764	4,005	(600)	-	4,275	(2,617)	1,479	8,306	222	
Closure liability	-	-	-	-	-	25,483	-	25,483	-	
Customer deposits	<u>(4,194)</u>	<u>(2,096)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,290)</u>	<u>-</u>	
Net cash provided by (used for) operating activities	<u>\$ 3,192,162</u>	<u>\$ 664,161</u>	<u>\$ 954,054</u>	<u>\$ 262,868</u>	<u>\$ (100,767)</u>	<u>\$ 784,035</u>	<u>\$ 5,540</u>	<u>\$ 5,762,053</u>	<u>\$ 581,149</u>	
Noncash investing, capital and financing activities:										
Capital Contributions	\$ -	\$ -	\$ -	\$ -	\$ 10,955	\$ -	\$ -	\$ 10,955	\$ -	
Exchange of payables for capital assets	-	134,445	52,604	-	-	-	-	187,049	-	
Gain (loss) on disposal of capital assets not affecting operating income	(412)	(13,610)	(348)	-	-	-	-	(14,370)	10,841	
Total noncash investing, capital and financing activities	<u>\$ (412)</u>	<u>\$ 120,835</u>	<u>\$ 52,256</u>	<u>\$ -</u>	<u>\$ 10,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,634</u>	<u>\$ 10,841</u>	
Reconciliation of cash and cash equivalents:										
Unrestricted	\$ 461,610	\$ 115,868	\$ 109,104	\$ 48,386	\$ 11,071	\$ 287,066	\$ 29,114	\$ 1,062,219	\$ 58,392	
Restricted	<u>688,904</u>	<u>134,536</u>	<u>540,479</u>	<u>-</u>	<u>-</u>	<u>489,162</u>	<u>176</u>	<u>1,853,257</u>	<u>-</u>	
Total reconciliation of cash & cash equivalents	<u>\$ 1,150,514</u>	<u>\$ 250,404</u>	<u>\$ 649,583</u>	<u>\$ 48,386</u>	<u>\$ 11,071</u>	<u>\$ 776,228</u>	<u>\$ 29,290</u>	<u>\$ 2,915,476</u>	<u>\$ 58,392</u>	

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. The commission operates on a fiscal year, therefore financial statements presented herein are reported for the year ended June 30th, 2019. 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 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.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Government-wide and fund financial statements

Government-wide Financial Statements:

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

In the government-wide Statement of Net Position, the governmental, business-type and component unit activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts-net investment 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 safety, public works, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 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.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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 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.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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 government’s electric distribution operation.

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

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

Liquor Fund – This fund accounts for the operation of the City 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, and fifteen townhouse units.

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.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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).

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, 2019 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. Interfund services provide and used are not eliminated in the process of consolidation.

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:

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

- 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.

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, 2019 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 \$20,150,000. The City's bank deposits, per banks, at December 31, 2019 were \$21,216,838 and \$134,009 in deposits of the Vermillion Housing and Redevelopment Commission for total bank deposits of \$21,350,847.

Investment

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

The City also participates in the South Dakota Public Funds Investment Trust (SDFIT). The SDFIT was established under SDCL 1-24 and is an external investment pool created for South Dakota local government investing. A nine-member board regulates it with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one-dollar per share by adjusting the rate of return on a daily basis. The (GCR) measures its investment at amortized cost. The weighted average maturity of the SDFIT Pool does not exceed the 60 day max requirement of GASB 79.

Earnings are credited to each account on a monthly basis. There we no limitations or restrictions on withdrawals for the SDFIT investments. The investment in SDFIT is unrated. The City's SDFIT balance at December 31, 2019 was \$2,321,549.

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 credit risk that an issuer or other counterparty at an investment will not fulfill its obligations. As outlined above in state statute SDCL 4-5-6 and city policy limit, which complies with state statute, the type of investments allowed to reduce the amount of credit risk to the portfolio.

Custodial Risk – Deposits

In the case of deposits this is the risk that is the event of a bank failure, the City's deposits may not be returned. State law SDCL 4-6A-3 requires depositories to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA.

Custodial Risk – Investment

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

Assignment of Investment Income

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Restricted Cash and Investments

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

Fund	Restricted By	Amount
Special Assessment Bonds Fund	Bond Covenants	\$ 352,421
Prentis Park Improvements Debt Service	Bond Covenants	69,581
City Hall Debt Service Fund	External Parties	278,261
TIF District No. 6 Fund	Bond Covenants	7,637
Electric Fund	Bond Covenants	688,904
Water Fund	Bond Covenants	134,536
Wastewater Fund	Bond Covenants	540,479
Joint Powers-Landfill Fund	Bond Covenants	17,972
Joint Powers-Landfill Fund	State Agency	471,190
Curbside Recycling	State Agency	176
Total Restricted Cash and Investments		<u>\$ 2,561,157</u>

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

Restricted Investments	Amount
U.S. Treasury Note	<u>\$ 273,879</u>

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.

The City uses fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the U.S. Treasury Note of \$273,879 was determined using the last reported sales price at current exchange rates (Level 1 inputs).

The City had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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, 2019, 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.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

An additional \$313,296 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, 2019 is as follows:

	Short-term Interfund Receivables	Short-term Interfund Payables
General Fund	\$ -	\$ 34,664
Special Revenue Funds:		
911 Fund	-	70,730
Enterprise Funds:		
Electric	203,650	-
Capital Projects Funds:		
Airport	-	10,508
Special Assessment	-	80,181
Debt Service Funds:		
Special Assessments	-	7,567
	<u>\$ 203,650</u>	<u>\$ 203,650</u>

The composition of long-term advances as of December 31, 2019, is as follows:

	Advance to	Advance (from)
<u>Enterprise</u>		
Electric	\$ 27,374	\$ -
<u>Debt Service</u>		
TIF District No. 6	-	163,175
Special Assessment	-	27,374
<u>Special Revenue</u>		
Sales Tax	<u>163,175</u>	<u>-</u>
	<u>\$ 190,549</u>	<u>\$ 190,549</u>

The advances consist of Special Assessment Bonds which were purchased by the Electric Enterprise Fund and are payable from the Special Assessment Debt Service Fund. The advance between the Sales Tax Fund and TIF District No. 6 is to cover current debt service payments on the related debt. Repayment on the advance will be made as TIF revenues become available.

H. Inventory and Prepaid Items

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Payments made to vendors for services that will benefit periods beyond December 31, 2019 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.

Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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 five sources: sales tax, special assessments, interest income, property taxes, and stormwater fees. Deferred inflows of resources in the statement of Net Position consist of pension related revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Cash Flows

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

K. Interfund Transactions

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

L. Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Assets with an initial individual cost of \$500 or more are considered capital assets. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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 1,700 hours. Upon termination, employees with five years or more of service are entitled to receive compensation for their accrued sick leave balance on the basis of their current rate of pay times one-third of their sick leave balance. Compensation may not exceed one third of 720 hours for 5 to 10 years of service, and one-third of 760 hours for more than 10 years of service.

Vested or accumulated vacation and sick leave including related employee benefits that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. Amounts of vested or accumulated vacation and sick leave including related employee benefits that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. Vested or accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The accrued leave payable has been computed based on rates of pay in effect of December 31, 2019. The accrued leave payable attributable to the governmental activities will be paid primarily by the General Fund.

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. Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

P. Equity Classifications

Government-wide Financial Statements:

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Q. 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.

R. 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 established (modifies or rescinds) fund balance commitments by passage of an ordinance. 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.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

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, 2019.

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
Judgment Fund (Upon Judgment Being Made)	\$10

The combined tax rate to finance municipal services including principal and interest on long-term debt for the year ended December 31, 2019 was \$6.102 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	\$ 26,099
Uncollectibles related to ambulance charges	81,213
Uncollectibles related to mobile home fees	245
Uncollectibles related to miscellaneous fees	85
Uncollectibles related to electric charges	24,573
Uncollectibles related to water charges	7,956
Uncollectibles related to wastewater charges	5,021
Uncollectibles related to golf course charges	6,615
Uncollectibles related to curbside recycling charges	902
	<u>\$ 152,709</u>

Amounts due from other governments include \$500,043 from the State of South Dakota, \$102,403 due from Clay County, \$62,045 due from the City of Yankton, and \$21,472 due from the Federal Government.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 4 – Capital Assets

A summary of the changes in the capital assets for the year ended December 31, 2019, is as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 1,231,441	-	-	\$ 1,231,441
Infrastructure Land	401,374	-	-	401,374
Construction in Progress	29,093	945,659	(919,349)	55,403
Total capital assets, not being depreciated	<u>1,661,908</u>	<u>945,659</u>	<u>(919,349)</u>	<u>1,688,218</u>
Capital Assets, being depreciated				
Buildings	26,417,085	377,725	(2,102)	26,792,708
Furniture & Equipment	9,822,540	816,599	(462,912)	10,176,227
Books	1,745,135	92,981	(20,185)	1,817,931
Infrastructure	23,178,339	541,624	(81,661)	23,638,302
Total capital assets, being depreciated	<u>61,163,099</u>	<u>1,828,929</u>	<u>(566,860)</u>	<u>62,425,168</u>
Less: Accumulated Depreciation for:				
Buildings	(6,950,827)	(817,176)	1,891	(7,766,112)
Furniture & Equipment	(5,266,802)	(724,483)	419,080	(5,572,205)
Books	(584,128)	(34,411)	18,241	(600,298)
Infrastructure	(13,073,789)	(763,392)	81,661	(13,755,520)
Total Accumulated Depreciation	<u>(25,875,546)</u>	<u>(2,339,462)</u>	<u>520,873</u>	<u>(27,694,135)</u>
Total Capital Assets, being depreciated, net	<u>35,287,553</u>	<u>(510,533)</u>	<u>(45,987)</u>	<u>34,731,033</u>
Governmental activities capital assets, net	<u>\$ 36,949,461</u>	<u>\$ 435,126</u>	<u>\$ (965,336)</u>	<u>\$ 36,419,251</u>

The following commitments are included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2019
Culture & Recreation:		
Prentis Park Bathroom	\$ 41,088	\$ 4,086
Airport	792,459	40,783
Bike Path	87,000	10,534
	<u>\$ 920,547</u>	<u>\$ 55,403</u>

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 4 – Capital Assets (Continued)

	Balance January 1, 2019	Additions	Deletions	Reclassify	Balance December 31, 2019
Business-Type Activities:					
Capital Assets, not being depreciated					
Land and Improvements	\$ 2,590,173	\$ -	\$ -	\$ -	\$ 2,590,173
Construction in Progress	418,621	1,786,311	(1,763,635)	-	441,297
Total capital assets, not being depreciated	3,008,794	1,786,311	(1,763,635)	-	3,031,470
Capital Assets, being depreciated					
Buildings	36,290,848	1,115,740	(6,484)	-	37,400,104
Improvements Other than Buildings	31,077,947	647,895	(93,716)	-	31,632,126
Furniture & Equipment	6,037,048	400,380	(228,872)	-	6,208,556
Total capital assets, being depreciated	73,405,843	2,164,015	(329,072)	-	75,240,786
Less: Accumulated Depreciation for:					
Buildings	(12,740,571)	(987,429)	4,687	363,426	(13,359,887)
Improvements Other than Buildings	(11,683,241)	(988,994)	78,727	(370,682)	(12,964,190)
Furniture & Equipment	(4,455,891)	(268,992)	202,941	7,256	(4,514,686)
Total Accumulated Depreciation	(28,879,703)	(2,245,415)	286,355	-	(30,838,763)
Total Capital Assets, being depreciated, net	44,526,140	(81,400)	(42,717)	-	44,402,023
Business-type activities capital assets, net	\$ 47,534,934	\$ 1,704,911	\$ (1,806,352)	\$ -	\$ 47,433,493

The following commitments are included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2019
Golf Course Housing Sites	\$ 252,804	\$ 43,973
Water	389,057	350,811
Electric	1,500	1,500
Joint Powers	686,650	45,013
	\$ 1,330,011	\$ 441,297

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 4 – Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 194,325
Public Safety	200,575
Public Works	959,330
Health & Welfare	20,416
Culture & Recreation	<u>522,297</u>
Total depreciation expense	
- Governmental Activities	1,896,943
- Internal Service Funds	<u>442,519</u>
	<u>\$ 2,339,462</u>
Business-Type Activities:	
Electric	\$ 750,616
Water	337,667
Wastewater	643,284
Liquor	8,737
Golf Course	47,814
Joint Powers Landfill	453,872
Curbside Recycling	<u>3,425</u>
Total depreciation expense	
- Business-Type Activities	<u>\$ 2,245,415</u>

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

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

Reconciliation of Net Investment in Capital Assets:

	Governmental	Business-Type
Land and Improvements	\$ 1,632,815	\$ 2,590,173
Construction in Progress	55,403	441,297
Capital Assets (Net of Accumulated Depreciation)	34,731,033	44,402,023
Less:		
Retainage Payable	(4,143)	(134,446)
General Obligation Bond	(2,538,969)	-
Revenue Bonds	(1,580,131)	(16,157,736)
Notes Payable	-	(144,556)
Capital Leases	<u>(2,135,000)</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 30,161,008</u>	<u>\$ 30,996,755</u>

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 5 – Long-Term Debt

Notes Payable—Direct Borrowing

The City currently has three notes payable outstanding. The first 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. The contract includes a provision that in an event of default, all or a portion of the outstanding balance may become immediately due.

The second was entered into in 2017 with the Solid Waste Management Program for purchase of Landfill Dozer in the amount of \$150,000. The rate on this loan is 2.00%; repayment began on June 1, 2018 and matures December 1, 2024. The contract includes a provision that in an event of default, all or a portion of the outstanding balance may become immediately due.

The third was entered in 2018 with the Solid Waste Management Program for purchase of a Curbside Recycling Trailer in the amount of \$10,000. The rate on this loan is 2.00%, repayment began on June 1, 2018 and matures June 1, 2023. The contract includes a provision that in an event of default, all or a portion of the outstanding balance may become immediately due.

Notes Payable- Direct Borrowing outstanding at December 31, 2019 is as follows:

Purpose	Interest	Outstanding
	Rate	Amounts
Solid Waste Management-2010-203	2.25%	\$ 28,200
Solid Waste Management-2017-401	2.00%	109,253
Solid Waste Management-2018-401	2.00%	7,103
		<u>\$ 144,556</u>

Annual debt service requirements to maturity are as follows:

Year Ending December 31	Business-Type Activities	
	Principal	Interest
2020	\$ 51,169	\$ 2,690
2021	23,431	1,751
2022	23,902	1,280
2023	23,327	800
2024	<u>22,727</u>	<u>342</u>
Total	<u>\$ 144,556</u>	<u>\$ 6,863</u>

Revenue Bonds

SRF Loans—(Direct Borrowing)

On August 19, 2002 the City entered into a loan agreement with the South Dakota Conservancy District for \$1,510,000 of State Revolving Fund loan (SRF) for Phase II of the water treatment facility improvements, The loan is for 3.5% for twenty (20) years and repayment started in July 2004. The contract includes a provision that in an event of default, all or a portion of the outstanding balance may become immediately due.

On April 24, 2003 the City entered into a loan agreement with the South Dakota Conservancy District for \$456,000 of State Revolving Fund Loan (SRF) for the Princeton Street Lift Station Improvements. The loan is for 3.5% for twenty (20) years, repayment started in July 2004. The contract includes a provision that in an event of default, all or a portion of the outstanding balance may become immediately due.

On January, 2006 the City entered into a loan agreement with the South Dakota conservancy District for \$3,772,500 of State Revolving Fund Loan (SRF) for Phase III of the water treatment facility improvements. The loan is for 2.50% for twenty (20) years, repayment started in January 2008. The contract includes a provision that in an event of default, all or a portion of the outstanding balance may become immediately due.

Notes to Financial Statements

Note 5 – Long-Term Debt (Continued)

On September 30, 2008 The City entered into a loan with the South Dakota Conservancy District for \$4,851,000 of State Revolving Fund Loan (SRF) for Phase II of the Wastewater facility improvements. The loan is for 3.25% for twenty (20) years with repayment started July 2010. The contract includes a provision that in an event of default, all or a portion of the outstanding balance may become immediately due.

On September 2, 2009 the City entered into a loan with the South Dakota Conservancy District for \$499,000 of State Revolving Fund Loan (SRF) for upgrades to the wastewater collection system, consisting of the cured in place lining of existing sewer mains and pipe bursting replacement of existing sewer mains. The District will forgive the repayment 50% of the principal amount of the loan as a grant by the American Recovery and Reinvestments Act of 2009. The loan is for 2.50% for twenty (20) years with repayment started June 2010. The contract includes a provision that in an event of default, all or a portion of the outstanding balance may become immediately due.

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 started in April 2014. The contract includes a provision that in an event of default, all or a portion of the outstanding balance may become immediately due.

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 started in May of 2015. The contract includes a provision that in an event of default, all or a portion of the outstanding balance may become immediately due.

On December 6, 2016, the city issued up to \$812,000 loan with the South Dakota Conservancy District of State Revolving Fund Loan (SRF) funds to replace the Prentis Street sanitary sewer lift station and related sewer mains. Drawdown on the loan totaled \$751,900. The loan is for 3.0% for twenty (20) years with repayment started April 1, 2019. The contract includes a provision that in an event of default, all or a portion of the outstanding balance may become immediately due. 1.45% to 3.00% and mature in December 1, 2028. The Municipality refunded the debt to reduce its total debt service payments over the next seventeen years by \$1,815,803 and to obtain an economic gain of \$1,022,210. The contract includes a provision that in an event of default, the beneficiaries may take whatever action at law may appear necessary or appropriate to enforce performance and observance of any agreement or covenant

Revenue Bond Payable

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 fourteen (14) years by \$146,034 and obtain an economic gain of \$146,034. The 2013 refunding bond has a variable rate from 1.55%-2.45% for fourteen (14) years with repayment started in July 2013. The contract includes a provision that in an event of default, all or a portion of the outstanding balance may become immediately due.

On January 26, 2017, the City issued a \$3,895,000 Electric Surcharge Bond at a premium of \$99,121 with the proceeds to be used for the NE Substation construction and related transmission line. The interest rate on the bond varies from 1.85% to 4% with final payment due December, 2036. The repayment began June 2017. The contract includes a provision that in an event of default, the beneficiaries may take whatever action at law may appear necessary or appropriate to enforce performance and observance of any agreement or covenant.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 5 – Long-Term Debt (Continued)

On September 12, 2019 the Municipality issued \$3,315,000 in Electric Revenue Refunding Bonds at a premium of \$65,951, to refund the Taxable Electric Revenue Bonds, Series 2009B with the principal outstanding of \$5,625,000 and interest rates ranging from 5.6% to 6.25%. The refunding included a contribution of \$2,000,000 from electric utility funds. The original bond proceeds were used for electric utility facilities consisting of the construction of approximately twenty (20) miles of 115kV electric transmission line, the expansion of the Western Area Power Administration Spirit Mound 115kV substation bus work, modification of the City of Vermillion substation 115kV buswork, and related improvements. A surcharge fee was established on the electric sales to repay the bonds with the first payment paid in June 2010. The refunding bonds interest rate ranges from 1.45% to 3.00% and mature in December 1, 2028. The Municipality refunded the debt to reduce its total debt service payments over the next seventeen years by \$1,815,803 and to obtain an economic gain of \$1,022,210. The contract includes a provision that in an event of default, the beneficiaries may take whatever action at law may appear necessary or appropriate to enforce performance and observance of any agreement or covenant.

TIF Bonds—(Direct Borrowing)

On December 19, 2013, the City issued a new TIF Incremental Revenue Bond in the amount of \$1,732,000 for the development of Tax Incremental District Number Six – Bliss Pointe Development. The bonds have an interest rate of 3.5% that adjusts every 5 years to the 20 year Treasury note plus 50 basis points but may not be adjusted greater than 1% per adjustment nor above 5.5%. The interest rate adjusted December 15, 2018 to 3.53%. All tax increment payments received will be used to pay down the debt as it becomes available to the City. The bond provides for principal payments to be made semiannually when there is excess tax investment to interest due. \$111,568 of principal was retired in 2019. In the event of default, the bond shall be special and limited obligation of the city and only Tax Increments shall be used to pay the principal and interest on the bond.

General Obligation Bonds

On March 29, 2016, the City issued \$3,005,000 general obligation bonds at a premium of \$90,132 with the proceeds to be used for capital improvements in Prentis Park for a new pool and other park improvements. The interest rate on the bonds varies from 1% to 3.5% with final payment due December 31, 2035. The City Council has pledged to use funds from the malt beverage markup and second penny sales tax for the repayment instead of property taxes. Repayment started in December 2016.

A detail of bonds outstanding follows:

TIF Incremental Revenue Bonds	3.53%	6/15/2025	\$	1,580,131
General Obligation Bonds, Series 2016	1.00%-3.50%	12/1/2035		2,538,969
			\$	<u>4,119,100</u>
Business-Type Activities:				
Electric Revenue Bond, Series 2019	1.45%-2.16%	12/1/2028	\$	3,497,674
Electric Surcharge Bond, 2016	1.85%- 4.00%	12/1/2036		3,261,593
Wastewater System Revenue Bond, Series 2003 (SRF)	3.50%	9/1/2024		83,272
Wastewater System Revenue Bond, Series 2008 (SRF)	3.25%	9/1/2030		2,580,062
Wastewater System Revenue Bond, Series 2009 (SRF)	2.50%	1/1/2030		155,364
Wastewater System Revenue Refunding Bond, Series 2013	1.55%-2.45%	7/1/2026		1,400,000
Wastewater System Revenue Bond, Series 2017 (SRF)	3.00%	2/15/2039		731,064
Joint Powers Revenue Bond 2013 (SRF)	3.00%	2/15/2035		1,333,377
Water Utility Bond, Series 2002 (SRF)	3.50%	4/1/2024		435,511
Water Utility Bond, Series 2006 (SRF)	2.50%	1/1/2028		1,703,974
Water Utility Bond, Series 2013 (SRF)	2.25%	10/1/2033		975,845
Total Business-Type Activities			\$	<u>16,157,736</u>

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 5 – Long-Term Debt (Continued)

Bond debt service requirements to maturity are as follows:

Year Ending December 31:	Government			
	Bond		Notes from Direct Borrowing and Direct Placements	
	Principal	Interest	Principal	Interest
2020	\$ 130,000	\$ 67,255	\$ 161,386	\$ 54,367
2021	135,000	64,655	205,617	48,283
2022	135,000	61,955	252,916	40,611
2023	135,000	59,930	264,883	31,579
2024	140,000	57,905	277,307	22,120
2025-2029	750,000	239,515	418,022	14,473
2030-2034	865,000	120,975	-	-
2035-2038	190,000	6,650	-	-
Total	\$ 2,480,000	\$ 678,840	\$ 1,580,131	\$ 211,433

Year Ending December 31:	Enterprise			
	Bond		Notes from Direct Borrowing and Direct Placements	
	Principal	Interest	Principal	Interest
2020	\$ 665,000	\$ 213,574	\$ 539,173	\$ 186,683
2021	675,000	209,559	698,747	217,973
2022	695,000	200,823	719,580	188,725
2023	710,000	182,440	741,049	167,256
2024	735,000	163,200	732,139	145,134
2025-2029	2,880,000	539,415	3,070,838	437,623
2030-2034	1,140,000	244,200	1,270,493	111,769
2035-2038	520,000	31,400	226,450	13,926
Total	\$ 8,020,000	\$ 1,784,610	\$ 7,998,469	\$ 1,469,088

The Governmental General Obligation Bonds, Electric Revenue Refunding Bond, and Electric Surcharge Bonds are shown net of unamortized premium \$58,969, \$61,593, and \$77,674 respectively on the Statement of Net Position.

Capital Lease

The following is the City's outstanding capital lease:

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. On December 2, 2015 the city issued \$2,695,000 of crossover refunding certificates of participation in a lease-purchase series 2007. The series 2007 certificates of participation in a lease purchase was refunded December 15, 2016. The Series 2015 Certificate in participation in lease-purchase with interest rates varies between 1.45% and 2.80% with final payment due December 15, 2026. As a result of the refunding, the City reduced its debt service payments over the remaining life of the certificates by \$127,122 and obtained an economic gain of \$111,073. The corporate Lessor/Trustee changed from the First National Bank in Sioux Falls to

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

U.S. Bank Corporate Trust in the first quarter of 2019. Sales tax funds have been pledged to make the lease payments over the term of the lease.

A detail of capital lease outstanding follows:

<u>Purpose</u>	<u>Outstanding Amounts</u>
Building	\$ 5,153,749
Less: Accumulated Depreciation	(1,639,829)
	<u>\$ 3,513,920</u>

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, 2019.

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 285,000	\$ 50,330	\$ 335,330
2021	290,000	45,200	335,200
2022	300,000	39,400	339,400
2023	305,000	32,800	337,800
2024	315,000	25,480	340,480
2025-2026	640,000	26,548	666,548
Totals	<u>2,135,000</u>	<u>219,758</u>	
Minimum Lease Payments			2,354,758
Less:			
Amount Representing Interest			<u>(219,758)</u>
Present Value			
of Minimum Lease Payments			<u>\$ 2,135,000</u>

Closure/Postclosure Liability

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

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

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

The \$393,955 reported as landfill closure and post closure care liability at December 31, 2019, represents the cumulative amount reported to date based on the use of 22.73 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,339,370 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2019. 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 earnings 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.

The Municipality is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post closure care. The City is in compliance with these requirements; and, these are reported as restricted assets on the statement of net position.

Changes in Long-Term Liabilities are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Direct Borrowings and Direct Placements	\$ 1,691,699	\$ -	\$ 111,568	\$ 1,580,131	\$ 161,386
Financing (Capital Acquisition) Leases	2,415,000	-	280,000	2,135,000	285,000
General Obligation Unaccreted Bond Premium	2,605,000	-	125,000	2,480,000	130,000
Compensated Absences	66,505	-	7,536	58,969	-
	471,083	256,586	205,627	522,042	234,685
Governmental Activities Long-Term Liabilities	\$ 7,249,287	\$ 256,586	\$ 729,731	\$ 6,776,142	\$ 811,071
Business-Type Activities:					
Revenue Bond Payable	\$ 10,785,000	\$ 3,315,000	\$ 6,080,000	\$ 8,020,000	\$ 665,000
Unaccreted Bond Premium	84,823	65,951	11,507	139,267	-
Direct Borrowings and Direct Placements	8,849,174	-	706,149	8,143,025	590,342
Closure/Postclosure Liability	368,472	25,483	-	393,955	-
Compensated Absences	343,759	151,558	143,252	352,065	152,025
Business-Type Activities Long-Term Liabilities	\$ 20,431,228	\$ 3,557,992	\$ 6,940,908	\$ 17,048,312	\$ 1,407,367

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. The General Obligation bond will be repaid by general fund malt beverage markup and second penny sales tax.

Note 6 – Leases

The City has the following operating leases:

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

The liquor store building is leased with the current lease expiring in December 2024. The following is the amount of current lease payments:

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 6 – Leases (Continued)

Year	Amount
2020	\$ 11,250
2021	11,250
2022	11,250
2023	11,250
2024	11,250

The Bluff's golf course entered into a lease with Yamaha Golf & Utility to lease 40 gold cars with GPS screens, and beverage carts for 5 years beginning June 2019 and ending May 2024. The following is the amount of the current lease payments:

Year	Amount
2020	\$ 39,736
2021	39,736
2022	39,736
2023	39,736
2024	6,623

Note 7 – Deficit Fund Equity

As of December 31, 2019, the following funds had deficit fund equity in the amount of:

Debt Service Funds:	
TIF District No. 6 Bonds	\$ 155,538
Capital Projects Funds:	
Special Assessment	84,272

The deficit in TIF District No. 6 bond fund will continue until TIF revenues are sufficient to cover the deficit. The second penny sales tax fund will advance the funds needed and will be repaid following the payment of the TIF bonds.

The deficit in Capital Projects- Special Assessment will be replenished with transfers in from the Debt Service Special Assessment Fund.

Note 8 – Transfers

The following is a summary of transfers between funds:

	Governmental Fund Types		Business-Fund Type		Total Transfers Out
	General	Nonmajor Governmental Funds	Electric	Internal Service	
General	\$ -	\$ 874,717	\$ -	\$ -	\$ 874,717
Sales Tax	-	805,512	-	5,530	811,042
Electric	884,950	-	-	-	884,950
Water	29,583	-	9,000	-	38,583
Wastewater	28,679	-	-	-	28,679
Liquor	194,200	-	-	-	194,200
Nonmajor Governmental Funds	1,170	-	-	-	1,170
Total Transfers In	<u>\$ 1,38,582</u>	<u>\$ 1,680,229</u>	<u>\$ 9,000</u>	<u>\$ 5,530</u>	<u>\$ 2,833,341</u>

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.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 9 – Restricted Net Position

Restricted Net Position for the year ended December 31, 2019 was as follows:

Major Purposes:	
BBB Sales - Enabling Legislation	\$ 318,839
Debt Service – External Creditors	2,052,029
Stormwater – Enabling Legislation	1,452,180
Library – Enabling Legislation	63,653
Business Improvement District – Enabling Legislation	30,000
Total Major Purposes	\$ 3,916,701
Other Purposes:	
Parks Capital	\$ 36,758
Landfill closure postclosure	77,235
Cumulative reserve - SDPAA	436,043
SDRS Pension	783,782
Total Other Purposes	1,333,818
Total Restricted Net Position	\$ 5,250,519

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, 2019, 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:

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 a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for: general liability, property, inland marine, automobile liability, official's liability, law enforcement liability, boiler and liquor liability coverage.

Effective January 1, 2018, the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

Notes to Financial Statements

Note 10 – Risk Management (Continued)

<u>Years</u>	<u>Percentage</u>
1	55%
2	50%
3	40%
4	35%
5	30%
6+	20%

All refunds shall be paid to the withdrawing Member over a five-year term.

The amount available for refund to the Municipality is considered a deposit for financial reporting purposes.

As of December 31, 2019, the Municipality’s balance available to be refunded per the SDPAA was \$436,043, which was an increase of \$61,288 from the previous year. The change in the amount available for refund was reported as an decrease in the insurance expenditure/expenses.

The Municipality carries a \$ 5,000 deductibles for the officials liability; \$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 deductible for auto collision and liquor liability coverage.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

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 \$12,870 for the payment of future unemployment benefits. During the current year ended December 31, 2019, the City paid no unemployment benefits. No material claims are anticipated in the next fiscal year.

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

Notes to Financial Statements

Note 11 – Pension Plan

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS 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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who were retire after age 65 with three years of contributory service and entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 11 – Pension Plan (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution.

The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2019, 2018, and 2017, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2019 \$	375,992
2018 \$	363,515
2017 \$	343,297

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2019, SDRS is 100.09% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2019 and reported by the Municipality as of December 31, 2019 are as follows:

Proportionate share of total pension liability	\$35,947,846
Less Proportionate share of new position restricted for pension benefits	<u>\$35,978,414</u>
Proportionate share of net pension asset	<u>(\$30,568)</u>

At December 31, 2019, the Municipality reported an asset of \$30,568 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019 and the total pension asset used to calculate the net pension asset was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the Municipality's proportion was 0.2884550%, which is an increase of 0.0062358% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Municipality recognized pension expense of \$1,075,895. At December 31, 2019 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow s of Resrouces</u>	<u>Deferred Inflow s of Resources</u>
Difference between expected and actual experience.	\$ 119,908	\$ 13,836
Changes in assumption.	1,055,750	432,806
Net Difference between projected and actual earnings on pension plan investments.	-	176,098
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	42,126	41,033
Municipality contributions subsequent to the measurement date.	199,203	-
TOTAL	\$ <u>1,416,987</u>	\$ <u>663,773</u>

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2019**

Notes to Financial Statements

Note 11 – Pension Plan (Continued)

\$199,203 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended	
December 31:	
2020	\$ 675,521
2021	(103,278)
2022	(74,445)
2023	56,213
Total	\$ <u>554,011</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of pension plan investment expense
Future Colas	1.88%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 projected generationally with Scale MP-2016, while white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Notes to Financial Statements

Note 11 – Pension Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	2.0%	0.9%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the Municipality’s proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality’s proportionate Share of the net pension liability (asset)	\$ 5,073,745	\$ (30,568)	\$ (4,189,661)

Pension Plan Fiduciary Net Position:

Detailed information about the plan’s fiduciary net position is available in the separately issued SDRS financial report.

Note 12 - Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in South Dakota Codified Law chapter 11-9. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers as an economic development grant. No other commitments were made by the City as part of these agreements.

For the year ended December 31, 2019, the City abated \$18,071 of property tax under the urban renewal and economic development projects.

Notes to Financial Statements

Note 13 – Economic Development Agreements

The City has entered into a development agreement for an economic development project. The agreement required the City to rebate portions of the incremental property tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial project by the developer. The total to be paid by the City under the agreements is not to exceed \$1,475,677 principal with interest at a rate not to exceed 3.36 percent. The January 1, 2019 balance on this agreement was principal of \$1,475,677 plus accrued interest of \$100,864. During the year ended December 31, 2019, the City rebated \$73,198 of incremental property tax to the developer, which was all applied to interest which was accrued during the year of \$56,700 and \$16,498. The outstanding balance on the agreement at December 31, 2019 was principal of \$1,475,677 plus accrued interest of \$84,367.

Note 14 – Commitments

The agreements are not obligations of the City and, due to their nature, are not recorded as a liability in the City's financial statements.

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

The Vermillion Chamber of Commerce and Development Company in 2013 started a second capital campaign titled Vermillion NOW! 2 with a goal to raise \$1.6 million over five years for economic development in the community. The City Council in November 2013 pledged \$500,000 to the capital campaign with payments of \$50,000 made in 2015, 2016, 2017, \$78,707 in 2018, and \$50,000 in 2019.

The Vermillion Change of Commerce and Development Company in 2019 started the third capital campaign title Vermillion NOW! 3 with a goal of \$1,725,000 and has pledges of \$2,014,552 on November 3, 2019. The City Council pledged \$550,000 to the capital campaign with payment to start in 2020.

In 2018, the City pledged \$100,000 per year for seven years to the National Music Museum for renovations. The first \$100,000 payment was made in 2019.

On June 3rd 2019, the City Council adopted a resolution to pledge \$1 million of Second Penny funds for a downtown streetscape infrastructure improvement project.

Note 15 – Violations of Finance-Related Legal Requirements

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

		Year End 12/31/2019
Special Revenue Fund		
TIF 5	\$	308
General Fund		
Recreation	\$	1,493

We will continue to review monthly expenditures to budget reports and make supplemental appropriations as time is available at year end.

Notes to Financial Statements

Note 16 – 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, 2019, the City estimates that no material liabilities will result from such audits.

Note 17 – Subsequent Event

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the City of Vermillion, may be adversely impacted. The extent of the financial impact of COVID-19 pandemic will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City's operations and finances.

REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

In accordance with the Governmental Accounting Standards Statements No. 25, No. 27, No. 34, and No. 68 and the following information is a required part of the general purpose financial statements.

CITY OF VERMILLION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Amended Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Taxes:				
General Property Taxes	\$ 2,389,500	\$ 2,389,700	\$ 2,401,335	\$ 11,635
General Sales & Use Taxes	1,929,000	1,980,800	2,020,237	39,437
Penalties & Interest on Delinquent Taxes	6,000	6,000	4,280	(1,740)
Licenses & Permits:	261,450	256,225	239,969	(16,256)
Intergovernmental Revenue:	753,370	780,460	783,904	3,444
Charges for Goods & Services:	779,200	780,700	723,171	(57,529)
Fines & Forfeits:	49,850	49,850	42,647	(7,203)
Special Assessments	100	165	205	40
Investment Earnings	43,500	48,975	44,218	(4,759)
Rentals	21,000	21,000	21,300	300
Contributions & Donations from Private Sources	15,000	52,100	27,556	(24,544)
Other	187,100	198,980	196,740	(2,240)
Total Revenue	<u>6,435,070</u>	<u>6,564,955</u>	<u>6,505,540</u>	<u>(59,415)</u>
Expenditures:				
Current:				
General Government:				
Executive	559,942	570,371	534,637	35,734
Financial Administration	188,513	189,976	182,100	7,876
Other	621,806	616,852	565,938	50,714
Total General Government	<u>1,370,361</u>	<u>1,377,999</u>	<u>1,282,675</u>	<u>94,324</u>
Public Safety:				
Police	2,078,858	1,988,270	1,874,655	111,615
Fire	360,882	361,541	358,458	3,083
Other Protection	2,200	2,200	1,200	1,000
Total Public Safety	<u>2,441,540</u>	<u>2,350,011</u>	<u>2,234,313</u>	<u>115,698</u>
Public Works:				
Highways & Streets	814,765	795,726	740,372	55,354
Sanitation	123,575	129,549	122,437	7,112
Airport	89,765	95,765	79,140	16,625
Total Public Works	<u>1,028,105</u>	<u>1,021,040</u>	<u>941,949</u>	<u>79,091</u>
Health and Welfare:				
Health	250,301	251,225	236,181	15,044
Ambulance	530,188	480,954	470,175	10,779
Total Health and Welfare	<u>780,489</u>	<u>732,179</u>	<u>706,356</u>	<u>25,823</u>
Culture-Recreation:				
Recreation	447,215	477,906	472,973	4,933
Parks	373,036	362,519	336,723	25,796
Libraries	653,788	647,037	510,870	136,167
Armory	49,978	51,971	51,478	493
Total Culture-Recreation	<u>1,524,017</u>	<u>1,539,433</u>	<u>1,372,044</u>	<u>167,389</u>
Conservation and Development:	59,000	92,000	53,946	38,054
Total Current Expenditures	<u>7,203,512</u>	<u>7,111,662</u>	<u>6,591,283</u>	<u>520,379</u>
Capital Outlay:				
Executive	-	-	1,009	(1,009)
Financial Administration	-	-	187	(187)
Other	-	-	1,000	(1,000)
Police	-	-	12,815	(12,815)
Highways & Streets	-	-	1,280	(1,280)
Parks	-	-	5,831	(5,831)
Recreation	-	-	6,426	(6,426)
Libraries	-	-	113,263	(113,263)
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>141,811</u>	<u>(141,811)</u>
Total Expenditures	<u>7,203,512</u>	<u>7,111,662</u>	<u>6,733,094</u>	<u>378,568</u>
Other Financing Sources (Uses):				
Operating Transfers In	1,239,712	1,139,482	1,138,582	(880)
Operating Transfers Out	(1,078,448)	(903,786)	(874,717)	29,069
Total Other Financing Sources (Uses)	<u>161,264</u>	<u>235,696</u>	<u>263,865</u>	<u>28,189</u>
Net Change in Fund Balances	<u>(607,178)</u>	<u>(311,031)</u>	<u>36,311</u>	<u>347,342</u>
Fund Balance -beginning	3,573,345	3,573,345	3,573,345	-
Change in Inventory	-	-	12,988	12,988
Fund Balance - ending	<u>\$ 2,966,167</u>	<u>\$ 3,262,314</u>	<u>\$ 3,622,644</u>	<u>\$ 360,330</u>

CITY OF VERMILLION
MAJOR SPECIAL REVENUE FUNDS
SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes:				
General sales & use taxes	\$ 1,928,000	\$ 1,978,000	\$ 2,017,986	\$ 39,986
Intergovernmental Revenue				
Federal Grant	-	86,667	86,667	-
Miscellaneous revenue:				
Interest earned	50,000	71,000	70,599	(401)
Total revenue	<u>1,978,000</u>	<u>2,135,667</u>	<u>2,175,252</u>	<u>39,585</u>
EXPENDITURES				
Current:				
Public safety	126,100	207,100	43,212	163,888
Public works	253,200	243,000	231,187	11,813
Health and welfare	31,000	31,000	12,627	18,373
Culture-recreation	249,500	465,890	239	465,651
Conservation & development	50,000	150,000	100,000	50,000
Total current exp	<u>709,800</u>	<u>1,096,990</u>	<u>387,265</u>	<u>709,725</u>
Capital Outlay:				
Public safety	-	-	152,001	(152,001)
Health and welfare	-	-	18,371	(18,371)
Culture-recreation	-	-	379,792	(379,792)
Total capital outlay	<u>-</u>	<u>-</u>	<u>550,164</u>	<u>(550,164)</u>
Total expenditures	<u>709,800</u>	<u>1,096,990</u>	<u>937,429</u>	<u>159,561</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,176,071)	(915,595)	(811,042)	104,553
Total other financing sources (uses)	<u>(1,176,071)</u>	<u>(915,595)</u>	<u>(811,042)</u>	<u>104,553</u>
Net change in fund balance	92,129	123,082	426,781	303,699
Fund balance - beginning	4,681,839	4,681,839	4,681,839	-
Fund balance - ending	<u>\$ 4,773,968</u>	<u>\$ 4,804,921</u>	<u>\$ 5,108,620</u>	<u>\$ 303,699</u>

CITY OF VERMILLION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY
REPORTING
DECEMBER 31, 2019

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 2019, 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 2018. The following supplemental budgets were adopted by the governing board during the year.

CITY OF VERMILLION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY
 REPORTING
 DECEMBER 31, 2019

General Fund

Expenditures:

General Government	\$	6,638
Public Safety		(91,529)
Public Works		(7,065)
Health and Welfare		(48,310)
Culture-Recreation		15,416
Conservation & Development		33,000
Transfers Out		(174,662)

Special Revenue Fund

Sales Tax Fund

Expenditures:

Public Safety	\$	81,000
Public Works		(10,200)
Culture-Recreation		216,390
Conservation & Development		100,000
Transfers Out		(260,476)

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

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

CITY OF VERMILLION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY
REPORTING
DECEMBER 31, 2019

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
 SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 SOUTH DAKOTA RETIREMENT SYSTEM

Last 6 Fiscal Years *
 (Dollar amounts in thousands)

	2014	2015	2016	2017	2018	2019
Municipality's proportion of the net pension liability (asset)	0.3009167%	0.3017811%	0.2876335%	0.2853439%	0.2822192%	0.2884550%
Municipality's proportionate share of net pension liability (asset)	\$ (2,168)	\$ (1,280)	\$ 972	\$ (26)	\$ (7)	\$ (30)
Municipality's covered payroll	\$ 4,915	\$ 5,130	\$ 5,109	\$ 5,390	\$ 5,428	\$ 5,648
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-44.11%	-24.95%	19.03%	-0.48%	-0.13%	-0.53%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%	96.9%	100.1%	100.02%	100.09%

Notes to the Schedule:

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is June 30.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the City will present information for those years for which information is available. Data reported is measured as of the calendar year end.

CITY OF VERMILLION
 SCHEDULE OF THE CITY CONTRIBUTIONS
 South Dakota Retirement System
 Last 10 Fiscal Years
 (Dollar amounts in thousands)

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 376	\$ 364	\$ 343	\$ 330	\$ 333
Contributions in relation to the contractually required contribution	<u>(376)</u>	<u>(364)</u>	<u>(343)</u>	<u>(330)</u>	<u>(333)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Municipality's covered payroll	\$ 5,766	\$ 5,584	\$ 5,299	\$ 5,129	\$ 5,191
Contributions as a percentage of covered payroll	6.52%	6.52%	6.47%	6.43%	6.41%
	2014	2013	2012	2011	2010
Contractually required contribution	\$ 326	\$ 310	\$ 300	\$ 286	\$ 290
Contributions in relation to the contractually required contribution	<u>(326)</u>	<u>(310)</u>	<u>(300)</u>	<u>(286)</u>	<u>(290)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Municipality's covered payroll	\$ 5,060	\$ 4,831	\$ 4,699	\$ 4,482	\$ 4,527
Contributions as a percentage of covered payroll	6.44%	6.42%	6.38%	6.38%	6.41%

Note to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years.
 Data reported as of the measurement date.

CITY OF VERMILLION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS

Changes of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2018 and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions decreased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.



THIS PAGE INTENTIONALLY LEFT BLANK

**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 Fund:

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 Clay County contribution, fines, donations, copier fees and interest received by the library and is expended at the direction of the Library Board.

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

TIF District No. 5 - This fund accounts for the tax increment on TIF District No. 5 that per the TIF plan and agreement with the Vermillion Chamber of Commerce and Development Company are reimbursed to the Vermillion Chamber of Commerce and Development Company as a grant.

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 and for projects funded by the State

Transportation Improvement Program (STIP) funds. 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 sidewalk project was completed in 2017 but the project was not assessed until 2018. During 2018 the Jefferson Street reconstruction was completed that was funded from STIP funds transferred from General Fund and engineering began on Anderson Street reconstruction planned for 2019.

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. The engineering department is working with the Department of Transportation on options for the trail along the Vermillion River.

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.

Prentis Park Improvements – This fund is used to account for the donations, transfers in and bond proceeds used for improvements to Prentis Park. The improvements planned are swimming pool, basketball courts, sidewalks and parking lot. The swimming pool portion of the project was completed in May 2017 and opened in June for the summer. Bids for the basketball court and parking lot portions of the project were approved in the fall of 2017 and construction started on both in 2017 with completion set for early 2018. During 2018 the first phase of sidewalk extensions were completed.

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 2015 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.

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. Refunding Certificates of Participation in a Lease-Purchase Agreement in the amount of \$2,695,000 were issued on December 30, 2015 as an advance crossover refunding for the original certificates that were retired on December 15, 2017.

TIF District No. 6 Bonds – This fund accounts for the accumulation of monies for payment of the tax incremental financing bonds principal and interest. The tax incremental financing bonds were authorized in 2013 with final closing in 2014. Bond payments start in 2014 with the second penny sales tax fund advancing funds until the tax increment can fully fund the repayment. Tax collections in 2018 provided for interest and principal payment to reduce the bond outstanding.

Prentis Park Improvements – This fund accounts for the accumulation of monies for payment of the general obligation bonds issued for improvements to Prentis Park. The bonds were issued in February 2016 with funding sources from transfer from general fund of malt beverage markup fee and second penny sales tax. If these amounts are not sufficient the difference will be certified to the county for funding from property taxes.



THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF VERMILLION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019

	Special Revenue Funds							Total
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Business Improvement District	TIF District No. 5	
ASSETS								
Cash and cash equivalents	\$ 28,452	\$ -	\$ 47,227	\$ 36,758	\$ 63,653	\$ 40,036	\$ -	\$ 216,126
Certificates of Deposit	250,000	-	1,375,000	-	-	-	-	1,625,000
Receivables (net, where applicable, of allowance for uncollectibles)								
Accounts receivable	-	-	4,546	-	-	3,194	-	7,740
Special assessment receivable	-	-	-	-	-	-	-	-
Interest receivable	2,821	-	24,666	-	-	-	-	27,487
Due from other governments	37,566	85,398	793	-	-	-	-	123,757
Restricted assets:								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Certificates of Deposit	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
Total assets	<u>318,839</u>	<u>85,398</u>	<u>1,452,232</u>	<u>36,758</u>	<u>63,653</u>	<u>43,230</u>	<u>-</u>	<u>2,000,110</u>
LIABILITIES, DEFEERED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Accounts payable	-	14,668	52	-	-	13,230	-	27,950
Due to other funds	-	70,730	-	-	-	-	-	70,730
Revenue collected in advance	-	-	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>85,398</u>	<u>52</u>	<u>-</u>	<u>-</u>	<u>13,230</u>	<u>-</u>	<u>98,680</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-sales tax	6,037	-	-	-	-	-	-	6,037
Unavailable revenue- interest	2,821	-	24,666	-	-	-	-	27,487
Unavailable revenue- stormwater fee	-	-	4,546	-	-	-	-	4,546
Unavailable revenue-special assessments and interest	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>8,858</u>	<u>-</u>	<u>29,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,070</u>
FUND BALANCES:								
Restricted	309,981	-	1,422,968	36,758	63,653	30,000	-	1,863,360
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>309,981</u>	<u>-</u>	<u>1,422,968</u>	<u>36,758</u>	<u>63,653</u>	<u>30,000</u>	<u>-</u>	<u>1,863,360</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 318,839</u>	<u>\$ 85,398</u>	<u>\$ 1,452,232</u>	<u>\$ 36,758</u>	<u>\$ 63,653</u>	<u>\$ 43,230</u>	<u>\$ -</u>	<u>\$ 2,000,110</u>

Capital Project Funds					Debt Service Funds					Total
Special Assessment Projects	Bike Path	Airport	Prentis Park	Total	Special Assessment Bonds	City Hall Bonds	TIF District No. 6 Bonds	Prentis Park Improvements	Total	Nonmajor Governmental Funds
\$ -	\$ 9,585	\$ -	\$ -	\$ 9,585	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,711
-	-	-	-	-	-	-	-	-	-	1,625,000
-	-	-	-	-	-	-	-	-	-	7,740
-	-	-	-	-	26,372	-	-	-	26,372	26,372
-	-	-	-	-	2,816	-	-	-	2,816	30,303
-	-	22,184	-	22,184	-	-	-	-	-	145,941
-	-	-	-	-	52,421	4,382	7,637	69,581	134,021	134,021
-	-	-	-	-	300,000	-	-	-	300,000	300,000
-	-	-	-	-	-	273,879	-	-	273,879	273,879
-	-	-	-	-	5,552	476	-	-	6,028	6,028
-	9,585	22,184	-	31,769	387,161	278,737	7,637	69,581	743,116	2,774,995
4,091	-	11,676	-	15,767	-	-	-	700	700	44,417
80,181	-	10,508	-	90,689	7,567	-	-	-	7,567	168,986
-	9,585	-	-	9,585	-	-	-	-	-	9,585
-	-	-	-	-	27,374	-	163,175	-	190,549	190,549
84,272	9,585	22,184	-	116,041	34,941	-	163,175	700	198,816	413,537
-	-	-	-	-	-	-	-	-	-	6,037
-	-	-	-	-	5,552	476	-	-	6,028	33,515
-	-	-	-	-	-	-	-	-	-	4,546
-	-	-	-	-	16,522	-	-	-	16,522	16,522
-	-	-	-	-	22,074	476	-	-	22,550	60,620
-	-	-	-	-	330,146	278,261	-	68,881	677,288	2,540,648
(84,272)	-	-	-	(84,272)	-	-	(155,538)	-	(155,538)	(239,810)
(84,272)	-	-	-	(84,272)	330,146	278,261	(155,538)	68,881	521,750	2,300,838
\$ -	\$ 9,585	\$ 22,184	\$ -	\$ 31,769	\$ 387,161	\$ 278,737	\$ 7,637	\$ 69,581	\$ 743,116	\$ 2,774,995

CITY OF VERMILLION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue Funds							Total
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Business Improvement District	TIF District No. 5	
REVENUES								
Taxes:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,890	\$ 72,890
General sales & use	417,582	-	-	-	-	-	-	417,582
Stormwater fees	-	-	251,188	-	-	-	-	251,188
Business Improvement Dist. Fees	-	-	-	-	-	58,506	-	58,506
Penalties & interest	-	-	642	-	-	-	308	950
Intergovernmental:								
Federal grant	-	-	-	-	-	-	-	-
State grant	-	-	-	-	-	-	-	-
County shared revenue	-	316,523	-	-	4,000	-	-	320,523
Charges for goods & services								
Culture & recreation	-	-	-	50	-	-	-	50
Fines & forfeits:								
Library	-	-	-	-	3,787	-	-	3,787
Miscellaneous:								
Public payments for improvements	-	-	-	-	-	-	-	-
Interest earned	3,863	-	21,095	10	88	-	-	25,056
Contributions & donations from private sources	-	-	-	13,500	8,933	-	-	22,433
Special assessments (principal & interest)	-	-	-	-	-	-	-	-
Other	-	-	-	-	6,157	-	-	6,157
Total revenue	421,445	316,523	272,925	13,560	22,965	58,506	73,198	1,179,122
EXPENDITURES								
Current								
Public safety	-	591,979	-	-	-	-	-	591,979
Public works	-	-	43,013	-	-	-	-	43,013
Culture-recreation	-	-	-	-	10,286	-	-	10,286
Conservation & development	358,111	-	-	-	-	57,336	73,198	488,645
Capital outlay:								
Public safety	-	20,365	-	-	-	-	-	20,365
Public works	-	-	5,205	-	-	-	-	5,205
Culture & recreation	-	-	-	7,759	5,807	-	-	13,566
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest & fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	358,111	612,344	48,218	7,759	16,093	57,336	73,198	1,173,059
Excess (deficiency) of revenues over (under) expenditures	63,334	(295,821)	224,707	5,801	6,872	1,170	-	6,063
OTHER FINANCING SOURCES(USES)								
Transfer in	-	295,821	-	-	-	-	-	295,821
Transfer out	-	-	-	-	-	(1,170)	-	(1,170)
Total other financing sources(uses)	-	295,821	-	-	-	(1,170)	-	294,651
Net change in fund balances	63,334	-	224,707	5,801	6,872	-	-	300,714
Fund balances - beginning	246,647	-	1,198,261	30,957	56,781	30,000	-	1,562,646
Fund balances - ending	\$ 309,981	\$ -	\$ 1,422,968	\$ 36,758	\$ 63,653	\$ 30,000	\$ -	\$ 1,863,360

Capital Project Funds					Debt Service Funds					Total Nonmajor Funds
Special Assessment Projects	Bike Path	Airport	Prentis Park	Total	Special Assessment Bonds	City Hall Bonds	TIF District No. 6 Bonds	Prentis Park Improvements	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,085	\$ -	\$ 178,085	\$ 250,975
-	-	-	-	-	-	-	-	-	-	417,582
-	-	-	-	-	-	-	-	-	-	251,188
-	-	-	-	-	-	-	-	-	-	58,506
-	-	-	-	-	-	-	-	-	-	950
-	-	36,705	-	36,705	-	-	-	-	-	36,705
-	-	2,039	-	2,039	-	-	-	-	-	2,039
-	-	-	-	-	-	-	-	-	-	320,523
-	-	-	-	-	-	-	-	-	-	50
-	-	-	-	-	-	-	-	-	-	3,787
929	-	-	-	929	-	-	-	-	-	929
-	-	-	-	-	3,880	13,527	63	-	17,470	42,526
-	-	-	-	-	-	-	-	-	-	22,433
-	-	-	-	-	26,542	-	-	-	26,542	26,542
-	-	-	-	-	-	-	-	-	-	6,157
<u>929</u>	<u>-</u>	<u>38,744</u>	<u>-</u>	<u>39,673</u>	<u>30,422</u>	<u>13,527</u>	<u>178,148</u>	<u>-</u>	<u>222,097</u>	<u>1,440,892</u>
-	-	-	-	-	-	-	-	-	-	591,979
19,628	-	-	-	19,628	-	-	-	-	-	62,641
-	-	-	3,826	3,826	-	-	-	-	-	14,112
-	-	-	-	-	-	-	-	-	-	488,645
-	-	-	-	-	-	-	-	-	-	20,365
531,155	-	40,783	-	571,938	-	-	-	-	-	577,143
-	-	-	23,431	23,431	-	-	-	-	-	36,997
-	-	-	-	-	-	280,000	111,568	125,000	516,568	516,568
-	-	-	-	-	1,280	56,810	58,943	70,455	187,488	187,488
<u>550,783</u>	<u>-</u>	<u>40,783</u>	<u>27,257</u>	<u>618,823</u>	<u>1,280</u>	<u>336,810</u>	<u>170,511</u>	<u>195,455</u>	<u>704,056</u>	<u>2,495,938</u>
<u>(549,854)</u>	<u>-</u>	<u>(2,039)</u>	<u>(27,257)</u>	<u>(579,150)</u>	<u>29,142</u>	<u>(323,283)</u>	<u>7,637</u>	<u>(195,455)</u>	<u>(481,959)</u>	<u>(1,055,046)</u>
465,582	-	2,039	369,901	837,522	-	331,084	-	215,802	546,886	1,680,229
-	-	-	-	-	-	-	-	-	-	(1,170)
<u>465,582</u>	<u>-</u>	<u>2,039</u>	<u>369,901</u>	<u>837,522</u>	<u>-</u>	<u>331,084</u>	<u>-</u>	<u>215,802</u>	<u>546,886</u>	<u>1,679,059</u>
(84,272)	-	-	342,644	258,372	29,142	7,801	7,637	20,347	64,927	624,013
-	-	-	(342,644)	(342,644)	301,004	270,460	(163,175)	48,534	456,823	1,876,825
<u>\$ (84,272)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (84,272)</u>	<u>\$ 330,146</u>	<u>\$ 278,261</u>	<u>\$ (155,538)</u>	<u>\$ 68,881</u>	<u>\$ 521,750</u>	<u>\$ 2,300,838</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, 2019

	Liquor, Lodging, Dining Tax			911			Stormwater Fee		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES									
Taxes:									
General sales & use	\$ 377,700	\$ 417,582	\$ 39,882	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-	-	-	-
Stormwater fees	-	-	-	-	-	-	243,800	251,188	7,388
Penalties & interest	-	-	-	-	-	-	500	642	142
Intergovernmental:									
County shared revenue	-	-	-	318,786	316,523	(2,263)	-	-	-
Charges for goods & services									
Culture & recreation	-	-	-	-	-	-	-	-	-
Fines & forfeits:									
Library	-	-	-	-	-	-	-	-	-
Miscellaneous:									
Interest earned	3,900	3,863	(37)	-	-	-	20,180	21,095	915
Contributions & donations from private sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenue	<u>381,600</u>	<u>421,445</u>	<u>39,845</u>	<u>318,786</u>	<u>316,523</u>	<u>(2,263)</u>	<u>264,480</u>	<u>272,925</u>	<u>8,445</u>
EXPENDITURES									
Current									
Public safety	-	-	-	621,572	612,344	9,228	-	-	-
Public works	-	-	-	-	-	-	182,000	48,218	133,782
Culture-recreation	-	-	-	-	-	-	-	-	-
Conservation & development	363,500	358,111	5,389	-	-	-	-	-	-
Total expenditures	<u>363,500</u>	<u>358,111</u>	<u>5,389</u>	<u>621,572</u>	<u>612,344</u>	<u>9,228</u>	<u>182,000</u>	<u>48,218</u>	<u>133,782</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,100</u>	<u>63,334</u>	<u>45,234</u>	<u>(302,786)</u>	<u>(295,821)</u>	<u>6,965</u>	<u>82,480</u>	<u>224,707</u>	<u>142,227</u>
OTHER FINANCING SOURCES (USES)									
Operating Transfers In	-	-	-	302,786	295,821	(6,965)	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	<u>302,786</u>	<u>295,821</u>	<u>(6,965)</u>	-	-	-
Net change in fund balances	\$ <u>18,100</u>	\$ <u>63,334</u>	\$ <u>45,234</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>82,480</u>	\$ <u>224,707</u>	\$ <u>142,227</u>
Fund balances - beginning		<u>246,647</u>						<u>1,198,261</u>	
Fund balances - ending		\$ <u>309,981</u>		\$ <u>-</u>			\$ <u>-</u>	\$ <u>1,422,968</u>	

Parks Capital			Library			Business Improvement District			TIF 5		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,890	\$ 73,198	\$ 308.00
-	-	-	-	-	-	65,000	58,506	(6,494)	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	4,000	4,000	-	-	-	-	-	-	-
4,000	50	(3,950)	-	-	-	-	-	-	-	-	-
-	-	-	3,000	3,787	787	-	-	-	-	-	-
10	10	-	50	88	38	-	-	-	-	-	-
4,000	13,500	9,500	9,500	8,933	(567)	-	-	-	-	-	-
-	-	-	6,500	6,157	(343)	-	-	-	-	-	-
<u>8,010</u>	<u>13,560</u>	<u>5,550</u>	<u>23,050</u>	<u>22,965</u>	<u>(85)</u>	<u>65,000</u>	<u>58,506</u>	<u>(6,494)</u>	<u>72,890</u>	<u>73,198</u>	<u>308</u>
-	-	-	-	-	-	-	-	-	-	-	-
8,000	7,759	241	18,000	16,063	1,937	-	-	-	-	-	-
-	-	-	-	-	-	63,700	57,336	6,364	72,890	73,198	(308)
<u>8,000</u>	<u>7,759</u>	<u>241</u>	<u>18,000</u>	<u>16,063</u>	<u>1,937</u>	<u>63,700</u>	<u>57,336</u>	<u>6,364</u>	<u>72,890</u>	<u>73,198</u>	<u>(308)</u>
10	5,801	5,791	5,050	6,902	1,852	1,300	1,170	(130)	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(1,300)	(1,170)	-	-	-	-
-	-	-	-	-	-	(1,300)	(1,170)	-	-	-	-
<u>\$ 10</u>	<u>5,801</u>	<u>\$ 5,791</u>	<u>\$ 5,050</u>	<u>6,902</u>	<u>\$ 1,852</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
	<u>30,957</u>			<u>56,781</u>			<u>30,000</u>			<u>-</u>	
	<u>\$ 36,758</u>			<u>\$ 63,683</u>			<u>\$ 30,000</u>			<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, 2019

	Special Assessments			Bike Path		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Intergovernmental :						
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-	-	-
Miscellaneous:						
Public payments for improvements	-	929	929	-	-	-
Total revenue	-	929	929	-	-	-
EXPENDITURES						
Current						
Public works	653,800	550,783	103,017	-	-	-
Culture & recreation	-	-	-	30,000	-	30,000
Total expenditures	653,800	550,783	103,017	30,000	-	30,000
Excess (deficiency) of revenues over (under) expenditures	(653,800)	(549,854)	103,946	(30,000)	-	30,000
OTHER FINANCING SOURCES(USES)						
Transfer in	654,550	465,582	(188,968)	30,000	-	(30,000)
Transfer out	(750)	-	750	-	-	-
Total other financing sources(uses)	653,800	465,582	(188,218)	30,000	-	(30,000)
Net change in fund balances	\$ -	(84,272) \$	(84,272) \$	-	-	\$ -
Fund balances - beginning		-				
Fund balances - ending		\$ (84,272)			\$ -	

EXHIBIT A-4

Airport			Prentis Park		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ 46,800	\$ 36,705	\$ (10,095)	\$ -	\$ -	\$ -
2,600	2,039	(561)	-	-	-
-	-	-	-	-	-
<u>49,400</u>	<u>38,744</u>	<u>(10,656)</u>	<u>-</u>	<u>-</u>	<u>-</u>
52,000	40,783	11,217	-	-	-
-	-	-	372,600	27,257	345,343
<u>52,000</u>	<u>40,783</u>	<u>11,217</u>	<u>372,600</u>	<u>27,257</u>	<u>345,343</u>
<u>(2,600)</u>	<u>(2,039)</u>	<u>561</u>	<u>(372,600)</u>	<u>(27,257)</u>	<u>345,343</u>
2,600	2,039	(561)	372,600	369,901	(2,699)
-	-	-	-	-	-
<u>2,600</u>	<u>2,039</u>	<u>(561)</u>	<u>372,600</u>	<u>369,901</u>	<u>(2,699)</u>
\$ -	\$ -	\$ -	\$ -	\$ 342,644	\$ 342,644
-	-	-	-	(342,644)	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



THIS PAGE INTENTIONALLY LEFT BLANK

**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 postage machine, 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 City buildings.

CITY OF VERMILLION
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2019

	Copier- Fax- Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
ASSETS:					
Current assets:					
Cash	\$ 9,449	\$ 48	\$ 38,950	\$ 9,945	\$ 58,392
Certificates of Deposit	-	12,500	900,000	-	912,500
Accounts receivable	3,384	-	-	-	3,384
Interest receivable	-	322	13,758	-	14,080
Total current assets	<u>12,833</u>	<u>12,870</u>	<u>952,708</u>	<u>9,945</u>	<u>988,356</u>
Net Pension Asset	-	-	-	130	130
Capital assets:					
Machinery & equipment	8,987	-	6,424,217	1,787	6,434,991
less accumulated depreciation	<u>(8,987)</u>	<u>-</u>	<u>(2,939,557)</u>	<u>(1,787)</u>	<u>(2,950,331)</u>
Total capital assets	<u>-</u>	<u>-</u>	<u>3,484,660</u>	<u>-</u>	<u>3,484,660</u>
Total assets	<u>12,833</u>	<u>12,870</u>	<u>4,437,368</u>	<u>10,075</u>	<u>4,473,146</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Pension Related Deferred Outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,479</u>	<u>10,479</u>
LIABILITIES					
Current liabilities:					
Accounts payable	541	-	-	3,689	4,230
Accrued leave payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,707</u>	<u>2,707</u>
Total current liabilities	<u>541</u>	<u>-</u>	<u>-</u>	<u>6,396</u>	<u>6,937</u>
Noncurrent liabilities:					
Accrued leave payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,562</u>	<u>3,562</u>
Total non current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,562</u>	<u>3,562</u>
Total liabilities	<u>541</u>	<u>-</u>	<u>-</u>	<u>9,958</u>	<u>10,499</u>
DEFERRED INFLOWS OF RESOURCES:					
Pension Related Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,657</u>	<u>2,657</u>
NET POSITION					
Investment in capital assets	-	-	3,484,660	-	3,484,660
SDRS Pension Purposes	-	-	-	7,952	7,952
Unrestricted	<u>12,292</u>	<u>12,870</u>	<u>952,708</u>	<u>(13)</u>	<u>977,857</u>
Total net position	<u>\$ 12,292</u>	<u>\$ 12,870</u>	<u>\$ 4,437,368</u>	<u>\$ 7,939</u>	<u>\$ 4,470,469</u>

CITY OF VERMILLION
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Copier- Fax- Postage</u>	<u>Unemployment Insurance</u>	<u>Equipment Replacement</u>	<u>Custodial Services</u>	<u>Totals</u>
Operating Revenues:					
Charges for goods and services	\$ 13,523	\$ -	\$ 581,654	\$ 81,002	\$ 676,179
Total operating revenue	<u>13,523</u>	<u>-</u>	<u>581,654</u>	<u>81,002</u>	<u>676,179</u>
Operating expenses:					
Personnel services	-	-	-	44,809	44,809
Other current expenses	13,433	-	-	42,108	55,541
Depreciation	-	-	442,429	90	442,519
Total operating expenses	<u>13,433</u>	<u>-</u>	<u>442,429</u>	<u>87,007</u>	<u>542,869</u>
Operating income(loss)	<u>90</u>	<u>-</u>	<u>139,225</u>	<u>(6,005)</u>	<u>133,310</u>
Nonoperating revenue:					
Interest earned	-	305	18,329	-	18,634
Gain on disposition of assets	-	-	10,841	-	10,841
Total nonoperating revenue	<u>-</u>	<u>305</u>	<u>29,170</u>	<u>-</u>	<u>29,475</u>
Income (Loss) before contributions and transfers	90	305	168,395	(6,005)	162,785
Transfer in	-	-	5,530	-	5,530
Change in net position	<u>90</u>	<u>305</u>	<u>173,925</u>	<u>(6,005)</u>	<u>168,315</u>
Net position - beginning	12,202	12,565	4,263,443	13,944	4,302,154
Net position - ending	<u>\$ 12,292</u>	<u>\$ 12,870</u>	<u>\$ 4,437,368</u>	<u>\$ 7,939</u>	<u>\$ 4,470,469</u>

CITY OF VERMILLION
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Copier- Fax- Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 13,383	\$ -	\$ 581,654	\$ 81,002	\$ 676,039
Cash paid for personal services	-	-	-	(38,576)	(38,576)
Cash paid to suppliers	(13,182)	-	-	(43,132)	(56,314)
Net cash provided by (used for) operating activities	<u>201</u>	<u>-</u>	<u>581,654</u>	<u>(706)</u>	<u>581,149</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	-	-	(527,811)	-	(527,811)
Proceeds from sale of assets	-	-	26,883	-	26,883
Net cash (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(500,928)</u>	<u>-</u>	<u>(500,928)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	5,530	-	5,530
Net cash provided by non-capital financing activities	<u>-</u>	<u>-</u>	<u>5,530</u>	<u>-</u>	<u>5,530</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	-	-	13,660	-	13,660
Purchase and sale of investments	-	-	(75,000)	-	(75,000)
Net cash (used for) investing activities	<u>-</u>	<u>-</u>	<u>(61,340)</u>	<u>-</u>	<u>(61,340)</u>
Net increase (decrease) in cash and cash equivalents	201	-	24,916	(706)	24,411
Cash and cash equivalents beginning of year	<u>9,248</u>	<u>48</u>	<u>14,034</u>	<u>10,651</u>	<u>33,981</u>
Cash and cash equivalents end of year	<u>\$ 9,449</u>	<u>\$ 48</u>	<u>\$ 38,950</u>	<u>\$ 9,945</u>	<u>\$ 58,392</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income (loss)	\$ 90	\$ -	\$ 139,225	\$ (6,005)	\$ 133,310
Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	-	-	442,429	90	442,519
(Increase) decrease in assets and increase (decrease) in liabilities:					
Accounts receivable	(140)	-	-	-	(140)
Net Pension Asset	-	-	-	(101)	(101)
Deferred Outflows of Resources	-	-	-	5,626	5,626
Deferred Inflows of Resources	-	-	-	486	486
Accounts payable	251	-	-	(1,024)	(773)
Accrued leave payable	-	-	-	222	222
Net cash provided by (used for) operating activities	<u>\$ 201</u>	<u>\$ -</u>	<u>\$ 581,654</u>	<u>\$ (706)</u>	<u>\$ 581,149</u>
Noncash investing, capital and financing activities:					
Gain on disposal of fixed assets	\$ -	\$ -	\$ 10,841	\$ -	\$ 10,841
Total noncash investing, capital and financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,841</u>	<u>\$ -</u>	<u>\$ 10,841</u>



THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VERMILLION
STATISTICAL SECTION**

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	77-84
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	84-89
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	90-94
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	95-97
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	98-99
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 VERMILION
GOVERNMENT-WIDE NET POSITION BY COMPONENT¹
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ 23,357,651	\$ 23,217,945	\$ 26,379,227	\$ 27,679,603	\$ 29,109,338	\$ 26,161,730	\$ 25,939,223	\$ 29,309,258	\$ 29,784,908	\$ 30,161,008
Restricted for:										
BBB	144,278	175,308	180,503	217,605	255,754	288,296	325,345	353,447	252,804	318,839
Capital Projects	-	-	-	-	45,973	-	-	-	-	-
Debt Service	940,546	595,352	899,886	629,942	640,090	3,497,320	3,305,738	629,167	644,721	689,626
Parks Capital	-	-	-	14,030	11,414	82,738	18,356	20,928	30,957	36,758
Library	-	106,132	21,397	16,141	23,366	28,170	35,245	47,965	56,781	63,653
Business Improvement District	-	-	-	-	24,061	31,838	26,070	23,048	30,000	30,000
SDRS Pension Purposes	-	-	-	-	-	996,939	773,407	1,342,310	1,029,353	480,761
Stormwater	490,302	659,022	823,145	912,911	802,684	1,003,863	1,126,475	1,024,296	1,217,075	1,452,180
Cumulative Reserve	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060	189,776	208,471
Unrestricted	4,255,986	5,796,886	4,587,553	4,617,995	3,307,966	5,476,685	7,105,566	7,996,262	8,387,491	8,732,691
Total Governmental Activities										
Net Position	\$ 29,346,833	\$ 30,708,705	\$ 33,049,771	\$ 34,246,287	\$ 34,378,706	\$ 37,725,639	\$ 38,813,485	\$ 40,904,741	\$ 41,623,866	\$ 42,173,987
Business-Type Activities										
Net Investment in Capital Assets	\$ 20,882,426	\$ 21,411,403	\$ 22,036,403	\$ 23,380,670	\$ 26,523,053	\$ 27,122,901	\$ 26,934,533	\$ 27,553,973	\$ 27,790,213	\$ 30,996,755
Restricted for:										
Debt Service	1,521,831	1,544,613	1,515,809	1,108,543	1,175,083	1,176,908	1,262,532	3,575,667	1,527,726	1,362,403
Landfill Closure Postclosure	207,915	196,362	186,161	180,017	130,851	122,863	107,670	94,128	84,591	77,235
SDRS Pension Purposes	-	-	-	-	-	632,798	489,568	832,432	631,121	303,021
Cumulative Reserve	-	-	-	-	-	-	-	-	184,979	221,572
Unrestricted	8,808,530	9,615,384	10,929,279	11,892,563	9,971,067	9,854,143	10,817,828	10,040,260	14,207,999	12,997,434
Total Business-Type Activities										
Net Position	\$ 31,420,702	\$ 32,767,762	\$ 34,667,652	\$ 36,561,793	\$ 37,800,054	\$ 38,911,613	\$ 39,612,131	\$ 42,096,460	\$ 44,426,629	\$ 45,964,420
Primary Government										
Net Investment in Capital Assets	\$ 44,240,077	\$ 44,629,348	\$ 48,415,630	\$ 51,060,273	\$ 55,632,391	\$ 53,284,631	\$ 52,873,756	\$ 56,863,231	\$ 57,575,121	\$ 61,157,763
Restricted for:										
BBB	144,278	175,308	180,503	217,605	255,754	288,296	325,345	353,447	252,804	318,839
Capital Projects	-	-	-	-	45,973	-	-	-	-	-
Debt Service	2,462,377	2,139,965	2,415,695	1,738,485	1,815,173	4,676,228	4,568,270	4,204,834	2,172,447	2,052,029
Parks Capital	-	-	-	14,030	11,414	82,738	18,356	20,928	30,957	36,758
Library	-	106,132	21,397	16,141	23,366	28,170	35,245	47,965	56,781	63,653
Business Improvement District	-	-	-	-	24,061	31,838	26,070	23,048	30,000	30,000
Stormwater	490,302	659,022	823,145	912,911	802,684	1,003,863	1,126,475	1,024,296	1,217,075	1,452,180
Landfill Closure Postclosure	207,915	196,362	186,161	180,017	130,851	122,863	107,670	94,128	84,591	77,235
Cumulative Reserve	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060	189,776	208,471
SDRS Pension Purposes	-	-	-	-	-	996,939	773,407	1,342,310	1,029,353	480,761
Unrestricted	13,064,526	15,412,270	15,516,832	16,510,558	12,279,033	15,330,828	17,923,394	21,747,424	1,660,474	783,782
Total Primary Government										
Net Position	\$ 60,767,535	\$ 63,476,467	\$ 67,177,423	\$ 70,808,080	\$ 71,178,760	\$ 76,637,252	\$ 78,425,616	\$ 83,001,201	\$ 86,050,495	\$ 88,138,407

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
General Government	\$ 1,336,341	\$ 1,324,803	\$ 1,325,411	\$ 1,405,594	\$ 1,410,726	\$ 1,373,494	\$ 1,459,520	\$ 1,319,343	\$ 1,483,819	\$ 1,544,343
Public Safety	2,118,547	2,028,921	2,211,445	2,325,498	2,529,195	2,430,332	2,679,682	2,468,435	3,136,600	3,358,843
Public Works	1,656,337	1,714,248	1,630,835	1,767,762	1,885,352	1,988,965	1,974,166	1,939,284	2,093,258	2,189,685
Health & Welfare	412,409	424,263	443,581	491,543	491,071	549,156	565,800	561,700	697,117	798,856
Culture & Recreation	1,177,757	1,161,245	1,446,227	1,219,328	1,325,700	1,382,212	1,607,245	1,573,107	1,976,590	1,991,308
Conservation & Development	368,202	397,229	498,625	526,765	2,485,337	492,989	612,599	542,244	637,238	642,591
Interest on Long-term debt	272,722	241,902	202,154	183,194	208,517	261,125	305,754	309,347	192,464	179,579
Total Governmental Activities Expenses	7,342,315	7,292,611	7,458,478	7,919,684	10,335,898	8,478,283	9,204,766	8,713,460	10,217,086	10,705,205
Business-Type Activities:										
Electric	4,661,735	4,995,547	5,051,041	4,991,778	5,055,658	5,159,008	5,541,389	5,326,073	5,841,559	5,856,369
Water	1,342,632	1,389,184	1,435,808	1,409,578	1,474,754	1,542,802	1,534,487	1,464,998	1,731,838	1,681,370
Wastewater	1,345,153	1,605,314	1,694,154	1,789,908	1,723,732	1,758,756	1,737,489	1,768,360	1,843,525	1,974,471
Liquor	1,017,680	1,018,000	1,043,401	1,017,830	1,085,297	1,293,291	1,403,377	1,421,926	1,364,693	1,374,329
Golf	834,736	841,741	838,399	786,751	788,147	800,842	832,107	761,857	846,875	953,299
Joint Powers Landfill	1,288,114	1,273,463	1,242,491	1,174,487	1,428,877	1,438,417	1,666,062	1,465,723	1,547,072	1,712,861
Curbside Recycling	98,197	93,047	99,467	95,813	100,321	97,913	107,130	100,288	116,546	139,187
Total Business-Type Activities Expenses	10,588,247	11,218,696	11,404,761	11,266,145	11,636,786	12,091,029	12,822,041	12,309,223	13,292,108	13,691,886
Total Primary Government Expenses	17,930,562	18,509,507	18,863,239	19,185,829	21,972,684	20,569,312	22,026,807	21,022,683	23,509,194	24,397,091
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 294,330	\$ 260,385	\$ 211,495	\$ 266,391	\$ 324,531	\$ 377,732	\$ 162,156	\$ 158,316	\$ 150,183	\$ 145,404
Public Safety	44,364	258,152	262,610	36,873	38,267	49,694	265,945	283,009	294,324	299,306
Public Works	563,566	359,478	378,820	538,981	503,841	357,524	394,187	364,141	379,088	385,793
Health & Welfare	339,053	360,623	321,131	378,785	448,062	538,048	497,335	531,481	672,451	578,609
Culture & Recreation	75,145	79,117	75,728	74,339	70,352	60,700	497,335	171,080	174,115	166,485
Operating Grants & Contributions	89,026	71,739	104,314	349,201	287,861	313,523	350,812	403,258	397,074	399,900
Capital Grants & Contributions	223,818	944,239	1,988,284	719,768	1,545,892	1,483,803	833,179	954,883	585,008	511,243
Total Governmental Activities Program Revenues	1,629,302	2,333,733	3,342,382	2,364,338	3,218,806	3,181,024	2,574,496	2,866,168	2,652,243	2,487,340
Business-Type Activities:										
Charges for Services:										
Electric	5,884,283	6,077,336	6,187,213	6,131,098	6,161,105	6,360,888	6,620,124	7,250,554	7,812,623	7,615,970
Water	1,506,335	1,588,609	1,772,353	1,689,093	1,686,995	1,744,965	1,822,923	1,891,243	1,856,793	1,823,410
Wastewater	1,493,778	1,647,990	1,737,914	1,761,639	1,828,085	1,853,034	1,920,568	1,960,026	2,022,210	2,078,229
Liquor	1,181,977	1,185,643	1,217,013	1,183,334	1,246,418	1,498,390	1,621,960	1,613,093	1,596,637	1,606,911
Golf	609,291	624,007	654,510	638,437	623,510	610,115	624,018	649,373	647,959	705,074
Joint Powers Landfill	1,236,897	1,241,842	1,151,985	1,080,270	1,107,835	1,315,471	1,468,979	1,657,264	1,863,300	1,910,098
Curbside Recycling	111,838	116,759	110,249	109,789	100,223	108,267	115,386	123,824	125,986	129,473
Operating Grants & Contributions	93,886	100	100	-	-	7,000	113,459	-	3,043	23,639
Capital Grants & Contributions	775,438	14,473	118,970	371,637	1,011,477	30,291	466,162	466,162	264,635	10,955
Total Business-Type Activities Program Revenues	12,893,723	12,496,759	12,950,307	12,965,297	13,765,648	13,528,421	14,307,417	15,611,539	16,193,186	15,903,759
Total Primary Government Program Revenues	14,523,025	14,830,492	16,292,689	15,329,635	16,984,454	16,709,445	16,881,913	18,477,707	18,845,429	18,391,099
Net(Expense)/Revenue¹										
Governmental Activities	(5,713,013)	(4,958,878)	(4,116,096)	(5,555,346)	(7,117,092)	(5,297,259)	(6,630,270)	(5,847,292)	(7,564,843)	(8,217,865)
Business-Type Activities	2,305,476	1,279,863	1,545,546	1,699,152	2,128,862	1,437,392	1,485,376	3,302,316	2,901,078	2,211,873
Total Primary Government Net Revenues (Expenses)	(3,407,537)	(3,679,015)	(2,570,550)	(3,856,194)	(4,988,230)	(3,859,867)	(5,144,894)	(2,544,976)	(4,663,765)	(6,005,992)

TABLE 2 (continued)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues										
Governmental Activities:										
Property Taxes	\$ 1,872,491	\$ 1,893,823	\$ 1,979,186	\$ 2,024,530	\$ 2,077,118	\$ 2,164,952	\$ 2,243,266	\$ 2,315,948	\$ 2,463,143	\$ 2,659,569
Sales Taxes	3,422,702	3,331,784	3,407,050	3,500,823	3,634,580	4,006,345	3,854,068	4,007,769	4,117,042	4,381,047
Unrestricted State/County Shared Revenue	72,312	70,970	72,704	77,480	78,564	65,935	68,939	68,682	64,622	69,356
Unrestricted Investment Earnings	136,313	125,594	77,802	54,889	33,287	58,413	98,193	124,778	154,005	223,814
Miscellaneous Revenue	53,709	76,419	83,276	55,585	83,464	331,373	247,972	261,987	284,745	282,703
Gain on sale of capital assets	28,362	72,492	11,274	1,143	195,441	5,577	40,348	19,472	31,283	14,085
Special item change in SDPAA reserve	-	-	-	-	-	-	-	-	-	-
Transfers	937,999	937,412	931,586	1,037,412	1,147,057	1,137,412	1,165,330	1,139,912	1,137,412	1,137,412
Total Governmental Activities	6,523,888	6,508,494	6,562,878	6,751,862	7,249,511	7,770,007	7,718,116	7,938,548	8,364,489	8,767,986
Business-Type Activities										
Property Taxes	480,052	505,713	501,007	498,282	-	-	-	-	-	-
Unrestricted Investment Earnings	145,933	249,674	227,946	187,143	174,616	172,961	191,590	244,975	310,021	404,312
Miscellaneous Revenue	60,741	60,988	61,736	81,414	81,840	77,229	188,882	71,052	71,503	59,018
Gain on sale of capital assets	-	490	30,245	30,047	-	-	-	56,553	-	-
Insurance recovery net of fire loss	-	-	608,209	435,515	-	-	-	-	-	-
Special item change in SDPAA reserve	-	-	-	-	-	-	-	-	-	-
Transfers	(937,999)	(937,412)	(931,586)	(1,037,412)	(1,147,057)	(1,137,412)	(1,165,330)	(1,139,912)	(1,137,412)	(1,137,412)
Total Business-Type Activities	(251,273)	(120,547)	497,557	194,989	(890,601)	(887,222)	(784,858)	(787,332)	(651,430)	(674,082)
Total Primary Government	\$ 6,272,615	\$ 6,387,947	\$ 7,060,435	\$ 6,946,851	\$ 6,358,910	\$ 6,882,785	\$ 6,933,258	\$ 7,171,216	\$ 7,713,059	\$ 8,093,904
Change in Net Position										
Governmental Activities	\$ 810,875	\$ 1,549,616	\$ 2,446,782	\$ 1,196,516	\$ 132,419	\$ 2,472,748	\$ 1,087,846	\$ 2,091,256	\$ 799,646	\$ 550,121
Business-Type Activities	2,054,203	1,159,316	2,043,103	1,894,141	1,238,261	550,170	700,518	2,534,984	2,249,648	1,537,791
Total Primary Government	\$ 2,865,078	\$ 2,708,932	\$ 4,489,885	\$ 3,090,657	\$ 1,370,680	\$ 3,022,918	\$ 1,788,364	\$ 4,626,240	\$ 3,049,294	\$ 2,087,912

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	Total Taxes
2010	\$ 1,872,491	\$ 1,568,879	\$ 1,567,741	\$ 286,082	\$ 61,116	\$ 5,356,309
2011	1,893,823	1,513,651	1,512,831	305,302	61,679	5,287,286
2012	1,979,186	1,547,605	1,546,945	312,500	62,170	5,448,406
2013	2,024,530	1,587,753	1,586,756	326,314	68,315	5,593,668
2014	2,077,118	1,655,401	1,656,328	322,851	64,117	5,775,815
2015	2,164,952	1,835,176	1,833,292	337,878	65,935	6,237,233
2016	2,243,266	1,755,050	1,754,076	344,942	68,939	6,166,273
2017	2,315,948	1,825,964	1,825,110	356,695	68,682	6,392,399
2018	2,463,143	1,896,481	1,894,907	325,654	64,622	6,644,807
2019	\$ 2,659,569	\$ 1,982,104	\$ 1,979,828	\$ 419,115	\$ 69,356	\$ 7,109,972

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

Fiscal Year	Agriculture Forestry & Fishing	Construction	Manufacturing	Sanitary Services	Electric, Gas & Sanitary Services	Wholesale Trade	Retail Trade	Finance Insurance & Real Estate	Services	Public Adm.	Other	Total
2010	\$ 1,048	\$ 1,887	\$ 3,404	\$ 21,126	\$ 9,940	\$ 115,964	\$ 1,660	\$ 20,455	\$ 13	\$ 84	\$ 175,581	
2011	824	2,716	4,286	19,001	6,884	121,996	1,553	19,579	18	374	177,231	
2012	689	5,536	4,935	18,610	6,370	124,460	2,012	20,563	n/a	588	183,763	
2013	1,401	5,185	3,757	19,413	6,835	126,517	2,364	21,689	n/a	67	187,228	
2014	1,494	3,894	4,956	20,755	11,935	102,286	2,292	19,036	n/a	85	166,733	
2015	1,751	7,832	6,883	20,089	11,826	140,734	2,310	23,098	n/a	79	214,602	
2016	1,764	5,149	6,698	20,680	9,434	144,676	2,843	22,720	9	52	214,025	
2017	1,747	5,855	5,743	21,146	8,941	116,227	3,113	20,988	n/a	6	183,766	
2018	1,785	3,871	8,381	21,470	7,794	118,892	3,628	22,616	n/a	-	188,437	
2019	\$ 1,647	\$ 4,809	\$ 7,388	\$ 21,816	\$ 11,995	\$ 126,138	\$ 2,964	\$ 22,646	\$ n/a	\$ 13	\$ 199,416	

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 204,520	-	-	-	-	-	-	-	-	-
Unreserved	2,305,886	-	-	-	-	-	-	-	-	-
Nonspendable ²	-	201,366	200,626	203,072	224,966	211,386	241,102	243,685	272,744	304,427
Restricted ²	-	-	-	-	-	559,241	1,035,457	1,132,126	635,159	550,644
Committed ²	-	-	-	500,000	500,000	500,000	500,000	-	-	-
Assigned ²	-	178,135	215,396	210,282	232,220	758,914	1,381,962	232,667	331,628	421,811
Unassigned ²	-	2,331,213	2,451,984	2,077,878	2,137,148	2,048,052	1,728,756	2,537,037	2,333,814	2,345,762
Total General Fund	2,510,406	2,710,714	2,868,006	2,991,232	3,094,334	4,077,593	4,897,277	4,145,515	3,573,345	3,622,644
All Other Governmental Funds										
Reserved	497,633	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special Revenue Fund	2,457,459	-	-	-	-	-	-	-	-	-
Capital Projects Fund ¹	(52,750)	-	-	-	-	-	-	-	-	-
Nonspendable ²	-	-	-	-	-	-	-	-	-	-
Restricted ²	-	1,510,490	1,646,030	1,488,921	1,497,755	4,474,845	4,596,863	2,024,747	2,182,644	2,540,648
Committed ²	-	3,098,047	2,099,534	2,073,848	2,551,614	3,186,983	4,000,498	3,966,799	4,681,839	5,108,620
Assigned ²	-	22,344	8,255	14,030	11,414	-	-	-	-	-
Unassigned ²	-	(337,391)	(479,396)	(33,233)	(344,496)	(250,396)	(765,612)	(645,791)	(505,819)	(239,810)
Total All Other Governmental Funds	2,902,342	4,293,490	3,274,423	3,543,566	3,716,287	7,411,432	7,831,749	5,345,755	6,358,664	7,409,458
Total Governmental Funds										
Reserved	702,153	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
General Fund	2,305,886	-	-	-	-	-	-	-	-	-
Special Revenue Funds	2,457,459	-	-	-	-	-	-	-	-	-
Capital Projects Funds	(52,750)	-	-	-	-	-	-	-	-	-
Nonspendable ²	-	201,366	200,626	203,072	224,966	211,386	241,102	243,685	272,744	304,427
Restricted ²	-	1,510,490	1,646,030	1,488,921	1,497,755	5,034,086	5,632,320	3,156,873	2,817,803	3,091,292
Committed ²	-	3,098,047	2,099,534	2,573,848	3,051,614	3,686,983	4,500,498	3,966,799	4,681,839	5,108,620
Assigned ²	-	200,479	223,651	224,312	243,634	758,914	1,381,962	232,667	331,628	421,811
Unassigned ²	-	1,993,822	1,972,588	2,044,645	1,792,652	1,797,656	963,144	1,891,246	1,827,995	2,105,952
Total Governmental Funds	\$ 5,412,748	\$ 7,004,204	\$ 6,142,429	\$ 6,534,798	\$ 6,810,621	\$ 11,489,025	\$ 12,719,026	\$ 9,491,270	\$ 9,932,009	\$ 11,032,102

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.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	5,368,562	5,326,435	5,498,306	5,626,474	5,961,736	6,381,721	6,473,105	6,591,352	6,825,197	7,423,019
Licenses & Permits	219,374	220,361	230,068	234,552	245,127	309,643	259,879	257,068	308,989	239,969
Intergovernmental Revenue	743,632	586,907	2,429,826	889,783	843,707	1,647,009	1,446,020	1,626,056	1,119,653	1,229,838
Charges for Goods & Services	495,782	486,226	380,372	491,692	526,061	537,570	529,998	672,814	760,137	723,221
Fines & Forfeits	41,336	38,715	35,544	36,728	37,644	46,860	46,913	53,920	50,825	46,434
Public Payments for Improvements	14,999	59,949	10,408	77,420	7,431	97,712	-	-	-	-
Investment Earnings	89,130	88,262	57,589	37,647	34,381	27,569	82,936	120,154	79,058	157,341
Rentals	15,891	18,112	15,207	15,082	17,612	23,709	23,990	23,740	21,490	21,300
Special Assessments	196,310	153,294	157,952	109,544	138,018	47,345	265,888	211,784	34,273	27,676
Contributions & Donations	15,170	840,927	213,255	241,789	134,998	40,639	53,676	64,254	52,239	49,989
Miscellaneous	53,354	59,806	46,394	44,404	47,170	113,360	171,654	184,569	204,211	202,897
Total Revenues	7,253,540	7,878,994	9,074,921	7,805,115	7,899,526	9,367,496	9,354,059	9,805,711	9,456,072	10,121,684
Expenditures										
General Government	1,129,960	1,143,773	1,131,980	1,194,801	1,216,569	1,203,393	1,237,972	1,206,431	1,243,988	1,282,675
Public Safety	2,001,762	1,927,998	2,095,628	2,200,059	2,392,627	2,400,431	2,437,905	2,644,590	2,779,644	2,869,504
Public Works	908,703	942,093	889,157	1,002,231	1,055,311	1,072,502	1,118,983	1,121,661	1,157,861	1,235,777
Health and Welfare	403,645	404,509	418,653	468,088	462,862	523,881	522,535	561,360	654,804	718,983
Culture-Recreation	1,018,487	1,007,533	1,031,723	1,005,177	1,095,026	1,100,075	1,112,291	1,263,600	1,403,907	1,386,395
Conservation and Development	368,202	397,229	498,825	526,765	2,463,201	492,989	585,343	542,244	637,238	642,591
Debt Service										
Principal	412,156	560,000	226,570	557,356	207,355	215,785	370,000	2,920,000	445,301	516,568
Interest	262,297	232,991	202,154	184,811	191,470	266,768	339,215	322,121	194,416	187,488
Bond Issuance Costs	-	-	-	15,000	-	-	64,623	-	-	-
Capital Outlay	978,348	405,032	4,378,678	1,213,316	1,318,579	1,226,090	4,575,651	3,591,455	1,664,645	1,326,480
Total Expenditures	7,483,560	7,021,158	10,873,368	8,352,604	10,418,000	8,501,924	12,364,518	14,173,462	10,181,804	10,166,461
Excess of Revenues over (under) Expenditures	(230,020)	857,836	(1,798,447)	(547,489)	(2,518,474)	865,572	(3,010,459)	(4,367,751)	(725,732)	(44,777)
Other Financing Sources (Uses)										
Transfer In	1,657,913	1,511,547	2,801,359	2,427,698	2,150,639	2,686,044	2,091,180	4,425,850	3,183,240	2,818,811
Transfer Out	(820,501)	(587,029)	(1,863,947)	(1,490,286)	(1,012,082)	(1,554,632)	(975,568)	(3,288,438)	(2,045,828)	(1,666,929)
Proceeds from Sale of Bonds	-	-	-	1,732,000	1,732,000	2,695,000	3,096,132	-	-	-
Total Other Financing Sources (Uses)	837,412	924,518	937,412	937,412	2,870,557	3,826,412	4,210,744	1,137,412	1,137,412	1,131,882
Special Item:										
Change in SDPAA reserve	-	-	-	-	-	-	-	-	112,237	-
Net Change in Fund Balances	\$ 607,392	\$ 1,782,354	\$ (661,035)	\$ 389,923	\$ 352,083	\$ 4,691,984	\$ 1,200,285	\$ (3,230,339)	\$ 523,917	\$ 1,087,105
Change in Inventory	\$ 12,642	\$ (3,154)	\$ (740)	\$ 2,446	\$ 21,894	\$ (13,580)	\$ 29,716	\$ 2,583	\$ (2,657)	\$ 12,988
Debt Service as a percentage of non-capital expenditures	10.37%	11.99%	6.60%	10.40%	4.38%	6.63%	9.11%	30.64%	7.51%	7.96%

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
2010	\$ 167,307,757	\$ 130,355,951	\$ 297,663,708	6.19	\$ 350,192,598	85%
2011	179,874,956	137,302,095	317,177,051	6.02	373,149,472	85%
2012	176,917,718	139,821,409	316,739,127	6.29	372,634,267	85%
2013	187,196,370	153,558,478	340,754,848	6.06	400,888,056	85%
2014	187,844,104	156,989,204	344,833,308	6.21	405,686,245	85%
2015	189,917,845	170,234,195	360,152,040	6.11	423,708,282	85%
2016	196,422,141	180,539,800	376,961,941	5.98	443,484,636	85%
2017	212,376,071	187,397,612	399,773,683	5.869	470,321,980	85%
2018	225,343,435	191,894,601	417,238,036	5.891	490,868,278	85%
2019	\$ 227,619,818	\$ 191,867,543	\$ 419,487,361	6.102	\$ 493,514,542	85%

Received from Clay County Treasurer.

TABLE 7

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

Fiscal Year	City of Vermillion					Overlapping Rates					Total Direct and Overlapping Rates		
	Operating Millage	Service Millage	Debt	Total		Clay County		Vermillion School District					
				City Millage	County Millage	Operating Millage	Service Millage	Debt Millage	Operating Millage	Service Millage		School Millage	
2010 a	6.185	-	-	6.185	5.366	-	5.366	16.335	0.565	0.565	16.900	0.044	28.495
2010 b	6.185	-	-	6.185	5.366	-	5.366	10.142	0.565	0.565	10.707	0.044	22.302
2011 a	6.016	-	-	6.016	5.193	-	5.193	16.552	0.542	0.542	17.094	0.042	28.345
2011 b	6.016	-	-	6.016	5.193	-	5.193	10.275	0.542	0.542	10.817	0.042	22.068
2012 a	6.290	-	-	6.290	5.214	-	5.214	16.698	0.544	0.544	17.242	0.041	28.787
2012 b	6.290	-	-	6.290	5.214	-	5.214	10.343	0.544	0.544	10.887	0.041	22.432
2013 a	6.064	-	-	6.064	4.872	-	4.872	16.636	0.474	0.474	17.110	0.039	28.085
2013 b	6.064	-	-	6.064	4.872	-	4.872	10.355	0.474	0.474	10.829	0.039	21.804
2014 a	6.210	-	-	6.210	4.681	-	4.681	16.321	0.424	0.424	16.745	0.034	27.670
2014 b	6.210	-	-	6.210	4.681	-	4.681	10.168	0.424	0.424	10.592	0.034	21.517
2015 a	6.114	-	-	6.114	4.445	-	4.445	15.991	0.398	0.398	16.389	0.031	26.979
2015 b	6.114	-	-	6.114	4.445	-	4.445	9.877	0.398	0.398	10.275	0.031	20.865
2016 a	5.982	-	-	5.982	4.294	-	4.294	14.834	0.378	0.378	15.212	0.029	25.517
2016 b	5.982	-	-	5.982	4.294	-	4.294	9.66	0.378	0.378	10.038	0.029	20.343
2017 a	5.869	-	-	5.869	4.172	-	4.172	13.694	0.364	0.364	14.058	0.030	24.129
2017 b	5.869	-	-	5.869	4.172	-	4.172	8.935	0.364	0.364	9.299	0.030	19.370
2018 a	5.891	-	-	5.891	4.175	-	4.175	13.576	-	-	13.576	0.030	23.672
2018 b	5.891	-	-	5.891	4.175	-	4.175	8.848	-	-	8.848	0.030	18.944
2019 a	6.102	-	-	6.102	4.315	-	4.315	13.537	-	-	13.537	0.031	23.985
2019 b	6.102	-	-	6.102	4.315	-	4.315	8.904	-	-	8.904	0.031	19.352

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	2019			2010		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuations	Assessed Valuation	Rank	Percentage of Total Assessed Valuations
Polaris Industries, Inc.	\$ 10,037,870	1	2.03%	\$ 6,687,342	1	1.91%
Walmart Stores, Inc	6,889,661	2	1.40%	5,701,014	2	1.63%
JH Investments	7,294,088	3	1.48%	4,152,588	3	1.19%
Vermillion Area Chamber & Development	5,437,252	4	1.10%	-	-	-
Three Sisters LLC	4,406,154	5	0.89%	-	-	-
Hogen Hause Properties LLC	3,779,932	6	0.77%	-	-	-
William R. Wood	3,516,220	7	0.71%	-	-	-
Paragon Apartments LLC	3,365,557	8	0.68%	-	-	-
Hattle Investments	3,184,901	9	0.65%	2,194,935	5	0.63%
Noem Co LLC	3,087,308	10	0.63%	-	-	-
Hy-vee Food Store Inc	-	-	-	2,225,187	4	0.64%
TMBL LLC	-	-	-	1,899,773	6	0.54%
Kirk & Elizabeth Hogen	-	-	-	1,856,905	7	0.53%
East River Properties LLC	-	-	-	1,809,836	8	0.52%
Radha INC	-	-	-	1,752,492	9	0.50%
Plum Villa LLV	-	-	-	1,506,260	10	0.43%
Total Principal Taxpayers	50,998,943		10.34%	29,786,332		8.52%
All Other Taxpayers	442,515,599		89.66%	320,406,266		91.48%
Total Assessed Valuation	\$ <u>493,514,542</u>		<u>100%</u>	\$ <u>350,192,598</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
2010	\$ 1,607,062	\$ 1,583,404	98.53%	\$ 23,658	\$ 1,607,043	100.00%	-	0.00%
2011	1,650,542	1,629,803	98.74%	20,739	1,650,542	100.00%	-	0.00%
2012	1,718,031	1,690,684	98.41%	27,199	1,717,883	99.99%	148	0.01%
2013	1,792,285	1,762,017	98.31%	30,054	1,792,071	99.99%	214	0.01%
2014	2,064,257	2,033,514	98.51%	30,511	2,064,025	99.99%	232	0.01%
2015	2,138,526	2,114,001	98.85%	23,831	2,137,832	99.97%	695	0.03%
2016	2,188,390	2,168,494	99.09%	17,181	2,185,675	99.88%	2,716	0.12%
2017	2,233,128	2,216,302	99.25%	12,723	2,229,024	99.82%	4,104	0.18%
2018	2,302,600	2,284,563	99.22%	13,548	2,298,111	99.81%	4,489	0.19%
2019	\$ 2,386,651	\$ 2,364,994	99.09%	\$ -	\$ 2,364,994	99.09%	\$ 21,657	0.91%

TABLE 10

CITY OF VERMILLION
SPECIAL ASSESSMENTS BILLINGS & COLLECTIONS
LAST TEN YEARS

Year	Special Assessments Outstanding	Assessments Added	Assessment Paid or Cancelled	Ratio of Collection To Amount Outstanding	Total Outstanding Assessments December 31*
2010	\$ 720,072	\$ 53,498	\$ 290,668	40.37%	\$ 482,902
2011	482,902	2,023	118,074	24.45%	366,851
2012	366,852	23,303	131,753	35.91%	258,402
2013	258,150	75,366	85,739	33.21%	247,777
2014	247,777	16,501	135,801	54.81%	128,477
2015	128,477	411,842	38,194	29.73%	502,125
2016	502,125	2,645	218,061	43.43%	286,709
2017	286,709	15,590	183,518	64.01%	118,781
2018	118,781	7,206	19,449	16.37%	106,538
2019	\$ 106,538	\$ 506	\$ 54,573	51.22%	\$ 52,471

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

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	General Obligation Bonds	Capital Leases	Revenue Bonds	Notes Payable	Capital Leases			
2010	\$ 765,000	\$ -	\$ 4,010,000	\$ 20,287,816	\$ 800,860	\$ -	\$ 25,863,676	6.11%	2,445
2011	390,000	-	3,825,000	19,759,654	687,003	-	24,661,657	5.41%	2,333
2012	355,000	-	3,640,496	18,200,435	570,408	229,670	22,996,009	4.73%	2,127
2013	-	-	3,438,140	18,216,709	451,009	209,316	22,315,174	4.22%	2,064
2014	1,732,000	-	3,230,785	19,000,453	328,737	188,300	24,480,275	6.39%	2,264
2015	1,732,000	-	5,710,000	18,075,352	203,525	166,602	25,887,479	6.60%	2,411
2016	1,732,000	2,936,836	5,490,000	17,113,566	139,636	144,198	27,556,236	6.42%	2,566
2017	1,732,000	2,804,041	2,695,000	20,316,724	232,743	121,065	27,901,573	8.97%	2,573
2018	1,691,699	2,671,505	2,415,000	19,524,347	194,650	-	26,497,201	7.89%	2,458
2019	\$ 1,580,131	\$ 2,538,969	\$ 2,135,000	\$ 16,157,736	\$ 144,556	\$ -	\$ 22,556,392	6.10%	2,134

TABLE 12

CITY OF VERMILLION
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2019

Jurisdiction	Net General Obligation Debt Outstanding	Percentage Applicable To This Governmental Unit ¹	City's Share of Debt
School District	\$ -	54.68%	\$ -
City of Vermillion direct debt			<u>6,254,100</u>
Total Direct and Overlapping Debt			<u>\$ 6,254,100</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 VERMILION
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 17,509,630	\$ 18,657,474	\$ 18,631,713	\$ 20,044,403	\$ 20,284,312	\$ 21,185,414	\$ 22,174,232	\$ 23,516,089	\$ 24,543,414	\$ 24,723,164
Total, net debt applicable to limit	\$ 6,979,204	\$ 5,868,649	\$ 4,551,292	\$ 5,254,386	\$ 8,218,291	\$ 7,785,291	\$ 10,192,244	\$ 9,805,549	\$ 9,536,824	\$ 8,796,879
Legal Debt Margin	\$ 10,530,426	\$ 12,788,825	\$ 14,080,421	\$ 14,790,017	\$ 12,066,021	\$ 13,400,123	\$ 11,981,988	\$ 13,710,550	\$ 15,006,590	\$ 15,926,285
Total net debt applicable to limit as a percentage of debt limit	39.86%	31.45%	24.43%	26.21%	40.52%	36.75%	45.96%	41.70%	38.86%	35.58%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2019

Total 2019 Taxable Value	\$ 420,293,794
Assessed Value	494,463,287
Debt Limit - 5% of Assessed Value	24,723,164
Total Bonded Debt and Long-Term Notes Payable	20,421,392

AMOUNT OF DEBT APPLICABLE TO LIMIT
Less:

Amount set aside for repayment of debt	(17,972)
Joint Powers Revenue Bonds	(68,861)
Prenstis Park Improvement Reserve	(486,544)
Wastewater Revenue Bonds	(176)
Curbside Utility Note Payable	(7,637)
Tax Incremental Revenue Bonds	
Bonds funded with a surcharge fee	
Electric Surcharge Bond, 2016	(3,497,674)
Electric Surcharge Refunding Revenue Bond, Series 2019	(3,261,593)
Wastewater Revenue Bond, Series 2008 (SRF)	(2,580,062)
Water Utility Bond, Series 2006 (SRF)	(1,703,974)

DEBT APPLICABLE TO DEBT LIMIT
LEGAL DEBT MARGIN

	(11,624,513)
	8,796,879
	\$ 15,926,285

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	Coverage Without Depreciation
2010 ²	\$ 517,889	\$ -	\$ -	\$ 517,889	\$ -	\$ 391,211	\$ 391,211	1.32	\$ 517,889	1.32
2011 ²	738,404	-	-	738,404	185,000	384,797	569,797	1.30	738,404	1.30
2012 ²	743,301	-	-	743,301	190,000	382,485	572,485	1.30	743,301	1.30
2013 ²	734,806	-	-	734,806	195,000	385,533	580,533	1.27	734,806	1.27
2014 ²	715,396	-	-	715,396	195,000	375,550	570,550	1.25	715,396	1.25
2015 ²	717,330	-	-	717,330	200,000	371,163	571,163	1.26	717,330	1.26
2016 ²	728,564	-	-	728,564	205,000	367,463	572,463	1.27	728,564	1.27
2017 ²	697,522	-	-	697,522	210,000	354,045	564,045	1.24	697,522	1.24
2017 ²	332,464	-	-	332,464	170,000	109,590	279,590	1.19	332,464	1.19
2018 ²	734,927	-	-	734,927	220,000	344,490	564,490	1.30	734,927	1.30
2018 ³	350,292	-	-	350,292	150,000	127,143	277,143	1.26	350,292	1.26
2019 ²	226,358	-	-	226,358	115,000	17,489	132,489	1.71	226,358	1.71
2019 ³	348,157	\$ -	\$ -	348,157	155,000	124,668	279,668	1.24	348,157	1.24

¹ GAAP Basis

² Starting in 2009 a surcharge was pledged for debt service for the 2009 revenue bond that was refunded in Sept 2019

The amounts reported in 2019 are for the refunding bond

³ Starting in 2016 a surcharge fee was pledged for 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
2010 ²	\$ 1,240,161	\$ 1,189,028	\$ 241,817	\$ 51,133	\$ 102,381	\$ 65,621	\$ 168,002	0.30	\$ 292,950	1.74
2010 ³	266,174	-	-	266,174	151,896	83,772	235,668	1.13	266,174	1.13
2011 ²	1,326,700	1,246,547	247,878	80,153	106,603	63,412	170,015	0.47	328,031	1.93
2011 ³	261,909	-	-	261,909	155,729	79,939	235,668	1.11	261,909	1.11
2012 ²	1,507,777	1,319,913	253,851	187,864	503,868	40,574	544,442	0.35	441,715	0.81
2012 ³	264,576	-	-	264,576	159,659	76,009	235,668	1.12	264,576	1.12
2013 ²	1,425,754	1,305,751	257,677	120,003	71,275	33,748	105,023	1.14	377,680	3.60
2013 ³	263,339	-	-	263,339	163,689	71,981	235,670	1.12	263,339	1.12
2014 ²	1,420,638	1,353,254	288,192	67,384	112,038	67,569	179,607	0.38	355,576	1.98
2014 ³	266,357	-	-	266,357	167,819	55,435	223,254	1.19	266,357	1.19
2015 ²	1,472,537	1,425,059	320,596	47,478	130,052	56,423	186,475	0.25	368,074	1.97
2015 ³	272,428	-	-	272,428	172,054	63,615	235,669	1.16	272,428	1.16
2016 ²	1,556,304	1,425,552	323,480	130,752	134,570	52,532	187,101	0.70	454,232	2.43
2016 ³	266,619	-	-	266,619	176,396	59,273	235,669	1.13	266,619	1.13
2017 ²	1,624,652	1,365,670	324,855	258,982	138,029	48,445	186,474	1.39	583,837	3.13
2017 ³	266,591	-	-	266,591	180,847	54,821	235,668	1.13	266,591	1.13
2018 ²	1,588,495	1,640,325	331,058	(51,830)	142,208	44,267	186,475	(0.28)	279,228	1.50
2018 ³	268,298	-	-	268,298	185,410	12,130	197,540	1.36	268,298	1.36
2019 ²	1,544,327	1,586,778	337,667	(42,451)	146,518	39,957	186,475	(0.23)	295,216	1.58
2019 ³	\$ 279,083	-	-	\$ 279,083	\$ 190,090	\$ 45,579	\$ 235,669	1.18	\$ 279,083	1.18

¹ GAAP Basis

² Bond obligations not covered with surcharge pledge

³ Starting in 2007 bonds were paid with surcharge pledge

Table 16

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

Fiscal Year	Net Revenue	Direct Operating Expenses	Depreciation Included in Expenses	Net Revenue Available for Debt Service	Payments on Principal	Payments For Interest	Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
2010 ²	\$ 1,348,647	\$ 1,236,230	\$ 413,192	\$ 112,417	\$ 154,426	\$ 140,768	\$ 295,194	0.38	\$ 525,609	1.78
2010 ³	145,131	-	-	145,131	41,335	49,870	91,205	1.59	145,131	1.59
2011 ²	1,347,731	1,435,127	509,019	(87,396)	168,769	104,201	272,970	(0.32)	421,623	1.54
2011 ³	300,259	-	-	300,259	138,513	124,963	263,476	1.14	300,259	1.14
2012 ²	1,416,774	1,464,328	592,300	(47,554)	176,377	97,582	273,959	(0.17)	544,746	1.99
2012 ³	321,140	-	-	321,140	160,945	128,744	289,689	1.11	321,140	1.11
2013 ²	1,439,033	1,554,596	597,771	(115,563)	107,677	57,988	165,665	(0.70)	482,208	2.91
2013 ³	322,606	-	-	322,606	167,184	123,829	291,013	1.11	322,606	1.11
2014 ²	1,502,652	1,554,258	604,768	(51,606)	198,431	54,718	253,149	(0.20)	553,162	2.19
2014 ³	325,433	-	-	325,433	172,684	118,329	291,013	1.12	325,433	1.12
2015 ²	1,522,200	1,597,135	608,699	(74,935)	199,209	52,622	251,831	(0.30)	533,764	2.12
2015 ³	330,834	-	-	330,834	178,365	112,648	291,013	1.14	330,834	1.14
2016 ²	1,588,446	1,579,871	603,434	8,575	200,377	50,132	250,509	0.03	612,009	2.44
2016 ³	332,122	-	-	332,122	184,233	106,780	291,013	1.14	332,122	1.14
2017 ²	1,624,450	1,623,121	606,665	1,329	200,847	47,279	248,126	0.01	607,994	2.45
2017 ³	335,576	-	-	335,576	190,294	100,720	291,014	1.15	335,576	1.15
2018 ²	1,685,574	1,665,839	620,130	19,735	206,707	44,168	250,875	0.08	639,865	2.55
2018 ³	336,636	-	-	336,636	196,555	94,459	291,014	1.16	336,636	1.16
2019 ²	1,724,369	1,834,867	643,284	(110,498)	233,431	83,665	317,096	(0.35)	532,786	1.68
2019 ³	\$ 353,860	\$ -	\$ -	\$ 353,860	\$ 203,021	\$ 87,993	\$ 291,014	1.22	\$ 353,860	1.22

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
CURBSIDE RECYCLING 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
2010	\$ 111,838	\$ 92,905	\$ 7,337	\$ 18,933	\$ 7,110	\$ 1,421	\$ 8,531	2.22	\$ 26,270	3.08
2011	116,759	88,143	7,338	28,616	7,288	1,119	8,407	3.40	35,954	4.28
2012	110,249	98,546	7,338	11,703	7,472	936	8,408	1.39	19,041	2.26
2013	109,789	95,081	7,337	14,708	7,660	748	8,408	1.75	22,045	2.62
2014	100,223	99,781	4,916	442	7,852	556	8,408	0.05	5,358	0.64
2015	108,267	97,575	2,495	10,692	8,050	358	8,408	1.27	13,187	1.57
2016	115,386	106,990	2,495	8,396	8,253	155	8,408	1.00	10,891	1.30
2017	123,824	100,927	2,495	22,897	-	-	-	-	25,392	-
2018	125,986	117,051	3,583	8,935	956	132	1,088	8.21	12,518	11.51
2019	\$ 129,473	\$ 139,668	\$ 3,425	\$ (10,195)	\$ 1,941	\$ 170	\$ 2,111	(4.83)	\$ (6,770)	(3.21)

¹ GAAP Basis
First Payment 2010

Table 18

CITY OF VERMILLION
PRINCIPAL EMPLOYERS
DECEMBER 31, 2019 and DECEMBER 31, 2010

Employer	Type of Business	2019			2010		
		# of Employees	Rank	Percentage of Total City Employees	# of Employees	Rank	Percentage of Total City Employees
University of South Dakota	Higher Education	1,428	1	25.91%	1,233	1	20.20%
Sanford Vermillion Medical Center	Medical	268	2	4.86%	233	3	3.82%
Aramark	Food	220	3	3.99%	-	-	-
Wal-Mart	Retail	200	4	3.63%	225	4	3.69%
Hy Vee Food Stores	Retail	199	5	3.61%	166	5	2.72%
Polaris Industries	Parts Distribution	187	6	3.39%	100	9	1.64%
Vermillion Public Schools	Education	157	7	2.85%	160	6	2.62%
Masaba Mining Equipment	Manufacturing	143	8	2.59%	85	10	1.39%
SESDAC	Education/Training	132	9	2.40%	140	7	2.29%
City of Vermillion	Government	110	10	2.00%	110	8	1.80%
Stream Global Solutions	Call Center	-	-	-	315	2	5.16%
Totals		<u>3,044</u>		<u>55.23%</u>	<u>2,767</u>		<u>45.33%</u>
Other Employers		<u>2,467</u>		<u>44.77%</u>	<u>3,338</u>		<u>54.67%</u>
Total Employers		<u>5,511</u>		<u>100%</u>	<u>6,105</u>		<u>100%</u>

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
2010	10,578	\$ 423,627,744	\$ 40,048	2,358	23.4	1,251	10,151	4.00%
2011	10,571	455,673,526	43,106	2,128	n/a	1,239	9,970	3.40%
2012	10,811	486,451,756	44,996	2,128	n/a	1,256	10,284	4.00%
2013	10,811	528,668,711	48,901	2,186	23.4	1,210	10,235	3.10%
2014	10,811	383,304,005	35,455	1,961	n/a	1,241	10,061	3.60%
2015	10,738	392,033,642	36,509	2,143	n/a	1,208	9,971	3.10%
2016	10,738	429,520,000	40,000	2,107	24.9	1,179	10,038	2.90%
2017	10,844	311,114,360	28,690	2,556	23.0	1,204	10,261	3.60%
2018	10,778	335,788,590	31,155	n/a	23.0	1,200	10,066	3.40%
2019	10,571	\$ 369,689,012	\$ 34,972	2,650	22.9	1,260	9,920	3.50%

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General										
Executive	3.88	3.31	3.01	3.00	2.95	3.20	2.36	2.48	2.87	3.01
Finance	5.94	6.00	6.00	6.00	6.00	6.00	5.75	6.00	5.86	5.91
Engineering	4.71	4.73	4.38	4.30	4.22	3.88	4.14	4.01	3.95	4.00
Service Center	2.56	2.53	2.24	2.25	2.50	2.16	1.86	1.95	2.09	2.08
Public Safety										
Police Administration	5.67	5.26	4.98	4.86	4.91	4.69	3.29	4.97	4.88	6.00
Police Patrol	16.44	15.77	17.40	15.70	17.22	16.36	15.19	18.57	16.38	15.29
Communications	8.01	8.33	8.39	7.81	8.24	7.94	7.84	8.07	8.51	8.79
Fire	1.00	1.00	0.46	1.00	1.00	1.34	1.16	1.98	1.98	2.00
Public Works										
Street Department	6.69	6.48	5.89	6.33	6.70	7.32	7.53	7.63	8.26	8.16
Carpentry	1.05	1.04	1.05	1.04	0.57	0.24	0.10	0.20	0.08	0.15
Health & Welfare										
Code Compliance	2.91	3.25	2.73	3.04	3.00	3.00	2.70	2.95	2.87	2.94
Ambulance	3.06	3.44	3.14	3.15	5.06	5.72	3.61	3.65	5.30	6.43
Culture-Recreation										
Pool	4.65	4.83	4.07	4.01	4.69	4.06	3.48	6.37	6.25	6.60
Recreation	4.01	4.25	3.83	3.62	3.83	3.68	4.53	4.10	5.51	5.25
Libraries	8.84	8.56	8.01	7.87	7.95	7.77	8.24	8.10	8.06	8.39
Parks	4.49	4.30	4.17	4.29	3.98	3.75	4.23	4.26	4.67	4.53
Electric	10.85	10.91	10.61	10.73	10.41	10.49	10.64	10.66	10.29	9.86
Water	8.70	8.35	8.58	8.46	8.47	8.18	8.36	8.44	8.15	7.80
Wastewater	6.98	6.95	6.78	6.91	7.08	6.04	5.75	6.31	6.66	6.82
Golf	9.85	9.32	9.33	9.35	9.15	9.50	9.67	9.17	9.18	8.99
Joint Powers	9.95	9.76	10.00	9.81	10.17	10.20	9.88	10.13	10.59	10.90
Curbside Recycling	1.96	1.95	2.00	1.91	2.00	2.00	2.07	1.92	1.94	2.02
Internal Service										
Custodial	2.16	2.14	2.14	2.32	2.39	2.34	2.56	1.16	0.98	1.00
	<u>134.36</u>	<u>132.46</u>	<u>129.19</u>	<u>127.76</u>	<u>132.49</u>	<u>129.86</u>	<u>124.94</u>	<u>133.08</u>	<u>135.31</u>	<u>136.92</u>

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

Table 21

CITY OF VERMILLION
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Non Traffic Violations	747	561	493	338	573	530	406	513	502	396
Traffic Violations	1,219	660	709	689	839	812	577	638	812	569
Parking Violations	1,865	1,399	1,275	1,328	1,412	1,825	1,626	1,965	1,742	1,765
Fire										
Structure Fires	12	14	22	15	13	7	12	11	7	19
Other Fires & Incidents Calls	102	92	123	145	177	181	188	189	190	177
Ambulance										
Total Calls	740	727	795	712	865	870	770	950	1105	893
Total Stand-By	45	52	68	95	68	50	20	40	37	40
Code Compliance										
Rental Housing Inspections	1,105	1,086	959	1,215	980	1,128	1,181	1,266	1,432	1,289
Building Permits-Single Family	10	9	15	9	4	16	24	20	10	12
Building Permits-Multiple Family	7	4	2	2	18	10	3	2	10	1
Building Permits-Commercial	6	3	3	4	5	6	1	-	3	1
Value of New Construction	\$ 4,502,352	\$ 5,786,357	\$ 3,771,388	\$ 8,138,807	\$ 13,611,097	\$ 29,966,297	\$ 12,301,524	\$ 12,580,480	\$ 41,235,246	\$ 8,490,844
Municipal Garage										
Service Jobs	248	241	234	204	216	193	215	194	205	197
Repairs	376	368	294	291	257	336	363	222	371	370
Library										
Circulation	79,168	78,344	75,236	73,460	83,800	107,797	93,256	85,075	57,625	59,193
Number of Card Holders	7,156	4,763	5,357	6,056	6,355	4,653	5,242	5,707	6,315	6,665
Swimming Pool										
Swim Lesson Participation	427	406	325	325	340	314	314	357	373	318
Lap Swim/ Water Walking	-	-	-	-	-	-	-	3,200	4,091	6,605
Open Swim Participants	12,320	12,320	13,200	13,200	13,200	13,600	10,400	37,510	33,055	34,987
Parks & Recreation										
Fall/Winter Participants	3,009	2,799	2,144	1,489	1,494	1,363	1,342	1,333	1,425	1,177
Summer Participants	2,130	2,034	1,950	1,985	2,420	2,386	1,284	1,348	1,293	1,215
Electric										
Total Number Meters	4,431	4,447	4,474	4,491	4,526	4,617	4,639	4,699	4,700	4,658
Total Metered Kilowatts	65,537,825	67,118,551	67,571,917	66,800,569	65,034,860	64,939,075	66,379,346	65,189,003	68,684,798	68,265,993
Summer Peak Demand Kilowatts	15,619	16,720	17,051	16,562	15,393	14,915	15,966	16,261	16,610	16,509
Winter Peak Demand Kilowatts	11,148	11,240	10,836	11,218	11,078	11,099	10,959	10,763	11,963	12,341
Water										
Number of Connections	2,856	2,875	2,944	2,967	3,022	3,079	3,183	3,229	3,347	3,456
Average Daily Consumption	921,929	958,603	1,130,197	1,005,093	1,000,844	1,036,238	1,059,392	1,049,761	1,046,668	1,198,000
Daily Peak Demand	1,385,000	1,864,000	2,249,000	2,071,000	1,904,000	1,694,000	1,820,000	1,707,000	1,003,784	1,791,000
Wastewater										
Number of Connections	2,763	2,809	2,862	2,917	2,955	3,000	3,107	3,156	3,247	3,342
Average Daily Flow	1,248,000	1,374,000	831,000	832,000	912,000	969,000	1,227,000	1,122,000	1,337,000	1,450,000
Daily Peak Demand	3,517,000	2,835,000	1,134,000	1,082,000	1,256,000	1,087,000	2,608,000	2,344,000	4,202,000	3,293,000
Joint Powers										
Tonnage in Landfill Trenches	36,488	34,813	34,187	34,494	34,854	37,007	38,085	39,670	40,840	44,363
Tonnage Recycled	1,085	1,086	1,077	1,035	828	830	1,291	1,050	1,123	966
Curbside Recycling										
Tonnage Collected	-	136	144	160	175	178	179	164	170	168
Bluff's Golf Course										
Rounds of Golf	21,476	20,703	22,799	19,808	23,222	23,500	22,000	23,000	23,000	24,500
Liquor Store										
Gross Sales	\$ 1,181,977	\$ 1,185,643	\$ 1,217,013	\$ 1,183,334	\$ 1,246,418	\$ 1,498,390	\$ 1,614,518	\$ 1,591,630	\$ 1,596,455	\$ 1,606,901
Gross Profit %	31.17%	30.97%	31.06%	30.86%	30.35%	29.92%	28.99%	27.45%	31.40%	31.48%
Street Department										
Tons of Sand for Ice	767	450	350	368	295	480	470	620	510	661
Truckloads of Snow Hauled	1,874	316	226	169	112	587	570	258	1,152	361

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles	5	5	5	5	5	7	7	7	7	7
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Engines/Trucks	6	6	6	6	10	10	10	10	10	10
Hydrants	398	398	397	401	417	417	419	432	436	436
Ambulance										
Ambulances	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	46.94	47.39	47.39	47.39	53.70	53.70	53.70	53.70	53.7	53.7
Streetlights	1,243	1,243	1,259	1,281	1,289	1,289	1,324	1,331	1,382	1,400
Culture & Recreation										
Parks (acres)	115.50	115.50	115.50	115.50	130.00	130.00	130.5	130.5	130.5	130.5
Parks	7	7	7	7	7	7	8	8	8	8
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	661	675	665	669	686	705	695	694	705	704
Total miles of 3 phase on 13.8 kV Line	48.53	49.83	49.61	49.82	50.82	51.33	51.89	53.79	55.03	55.03
Total Miles of 115kV Transmission Line	-	-	21.25	21.97	21.97	21.97	21.97	21.97	25.57	25.57
Water										
Water Mains (miles)	52.01	52.69	52.86	52.94	54.26	54.26	54.26	54.38	54.61	52.07
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)	38.52	38.57	38.57	38.76	39.46	39.53	39.53	39.54	39.54	39.54
Stormwater Sewer (miles)	40.58	40.76	40.76	41.44	41.44	41.86	41.86	41.99	42.16	42.16
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**



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

Independent Auditors' 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 12, 2020. 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. Given the 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.

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*.

Purpose of this Report

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

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

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

Williams & Company P.C.

Certified Public Accountants

Le Mars, Iowa
August 12, 2020

CITY OF VERMILLION, SOUTH DAKOTA
Schedule of Findings
For the Year Ended December 31, 2019

Part I: Summary of the Independent Auditors' Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Material Weakness:

No matters were noted.