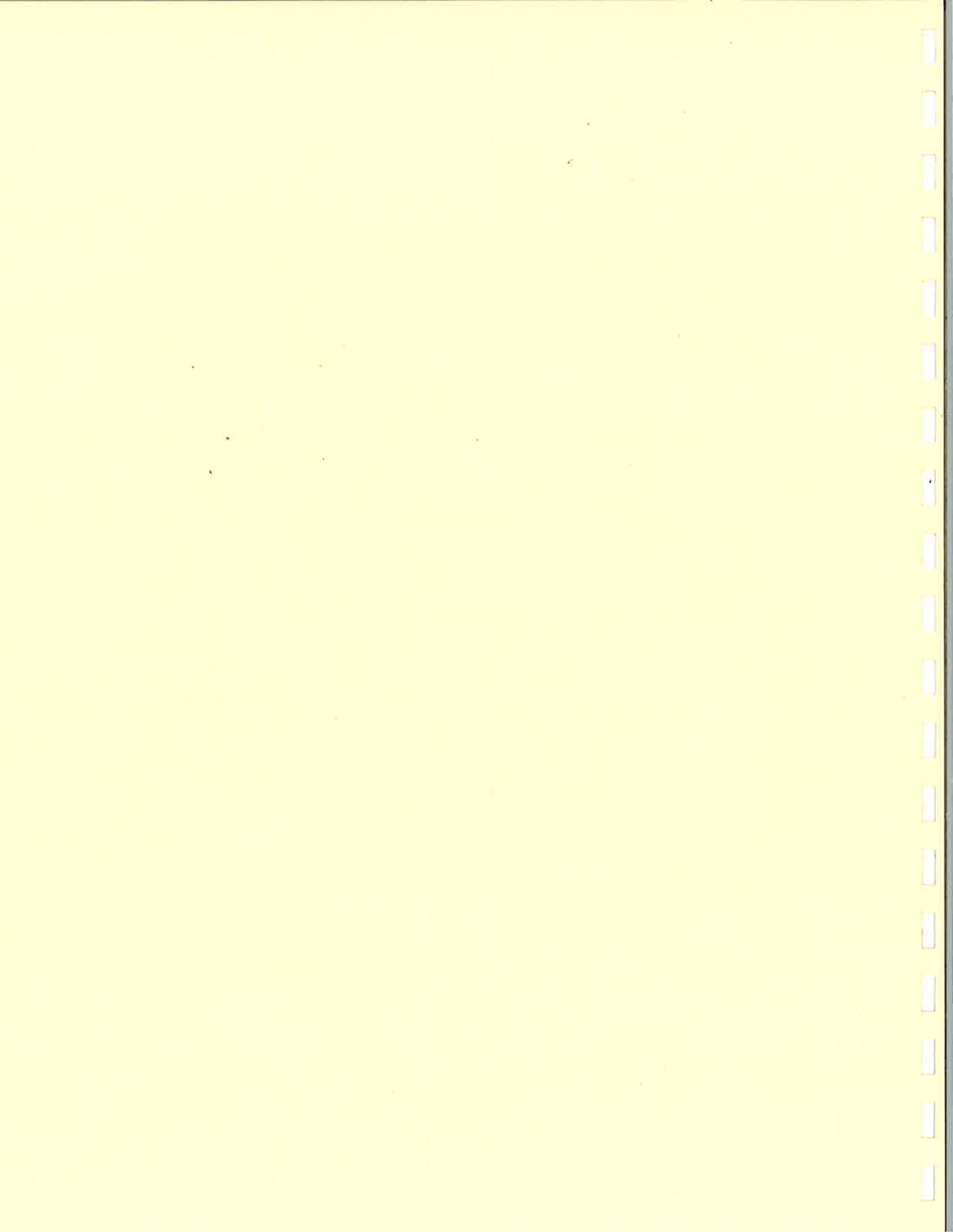


# Comprehensive Annual Financial Report



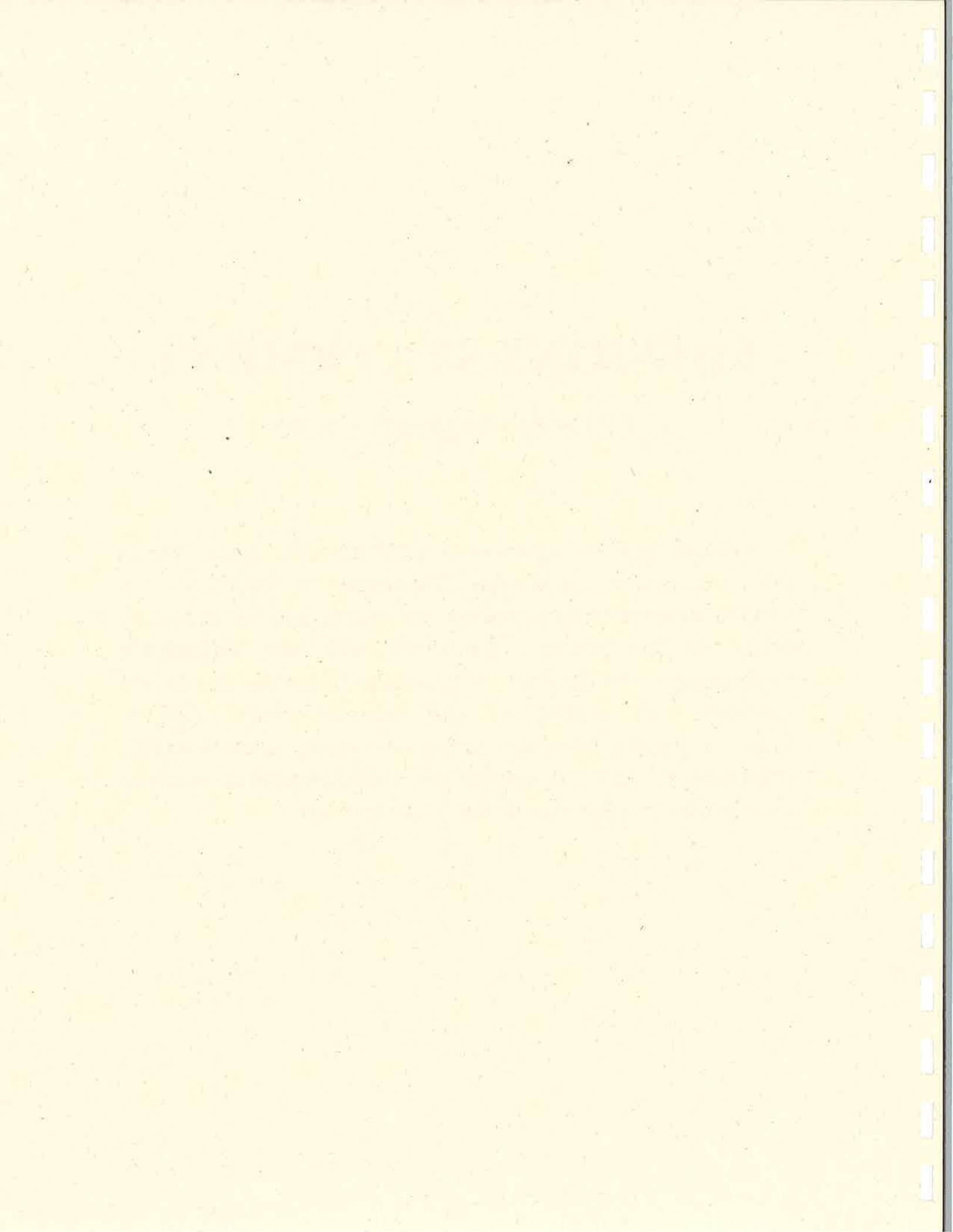
Prepared by THE CITY FINANCE OFFICE-----Michael Carlson, Finance Officer  
**FISCAL YEAR: January 1, 2017----December 31, 2017**



# **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, 2017

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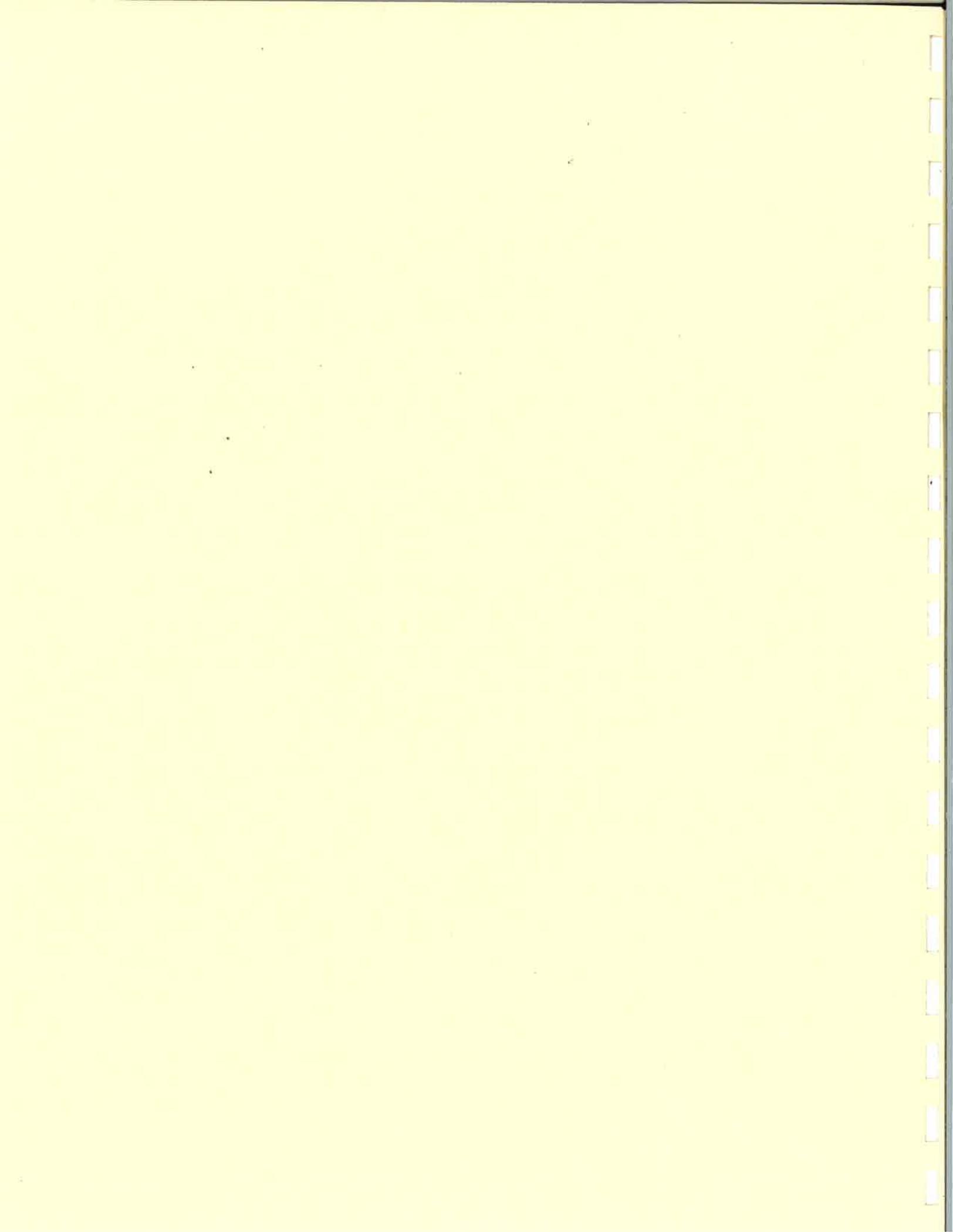
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**CITY OF VERMILLION  
INTRODUCTORY SECTION**



June 18, 2018

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, 2017.

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

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

The City's financial statements have been audited by Williams & Company, P.C. a firm of certified public accounts authorized by the State of South Dakota Department of Legislative Audit to conduct the audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Vermillion for the year ended December 31, 2017, 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, 2017, 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 10,261 offering majors in 205 undergraduate programs and 73 graduate programs, and Division I athletics. The 2010 census had the city population increasing 3% over 2000 to 10,571.

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

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

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

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

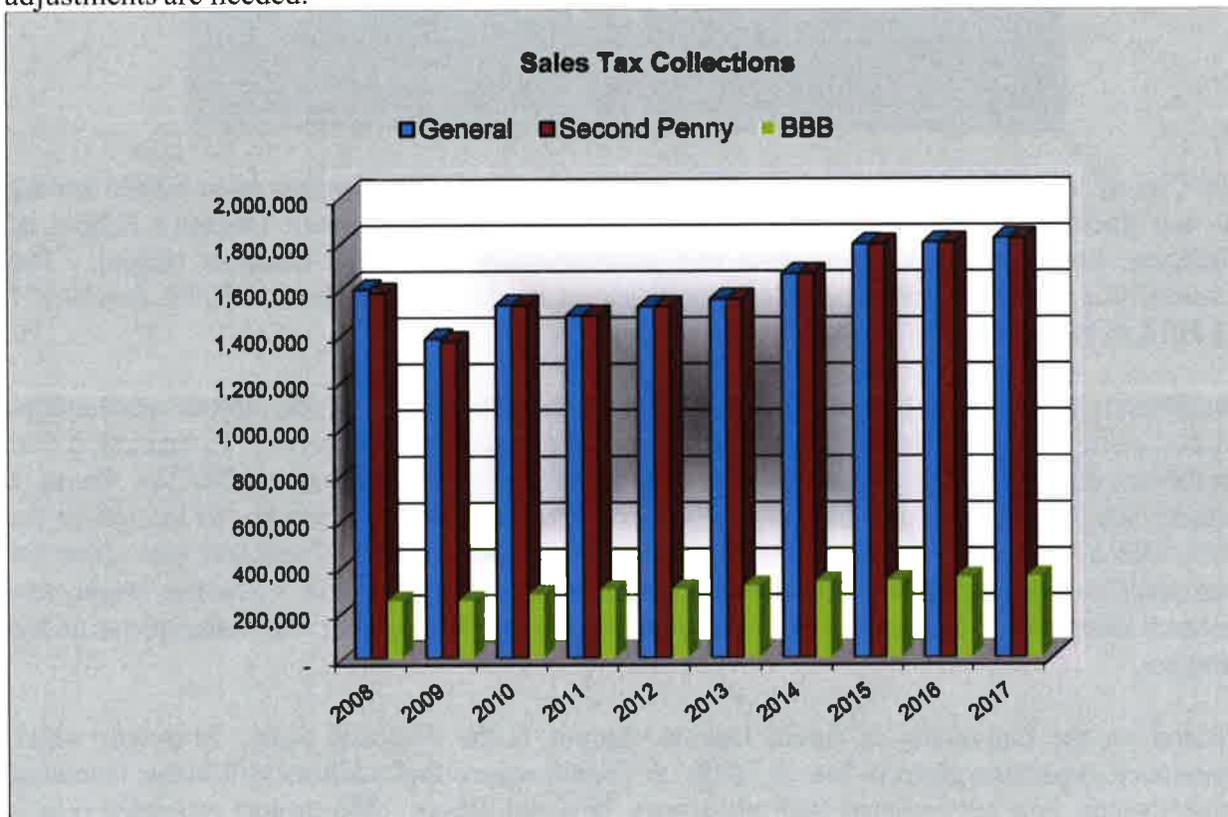
Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons, presented on pages 59-63 as part of the required supplemental information and supplementary information.

### Factor Affecting Financial Condition

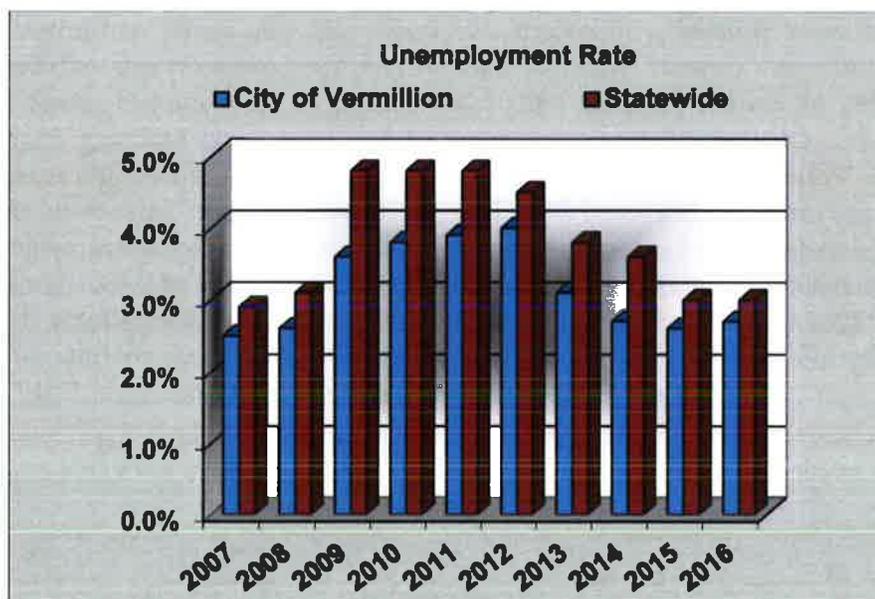
The information presented in the financial statements is perhaps best understood when it is considered for a broader perspective of the specific environment within which the City of Vermillion operates.

#### Local economy.

The economy in Vermillion as reflected in the sales tax collections saw an increase in 2017. The total City sales tax revenues increased \$43,305 or 1.10% over 2016. This would include the first cent used for general fund, the second penny sales tax used for capital projects increasing \$39,165 while the BBB sales tax used for advertising and promotion of the City increased \$4,141 or 1.19% over 2016. As the South Dakota Department of Revenue collects the sales tax on behalf of the City information as to the individual areas of the increase are not available. For the first four months of 2018 total City sales tax revenue increased 0.31% over 2017. The sales tax receipts will be monitored and the budget will be reviewed in August 2018 to determine if adjustments are needed.



The unemployment rate for the City of Vermillion had a slight increase comparing December 2016 at 2.7% to December 2017 at 3.6% as well as the state unemployment rate had a similar increase comparing December 2016 at 3% to December 2017 at 3.4%. The unemployment rate for the City of Vermillion saw a high in July 2017 of 4.2% but decreased to end the year at 3.6%. The state unemployment rate was as high as 3.8% early in the year decreased to 3.0% in September and ended the year at 3.4%. 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 an increase in enrollment of .7% from 9,971 for 2016 to 10,261 for 2017.

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. There are a number of other projects in the planning and design phase on the campus.

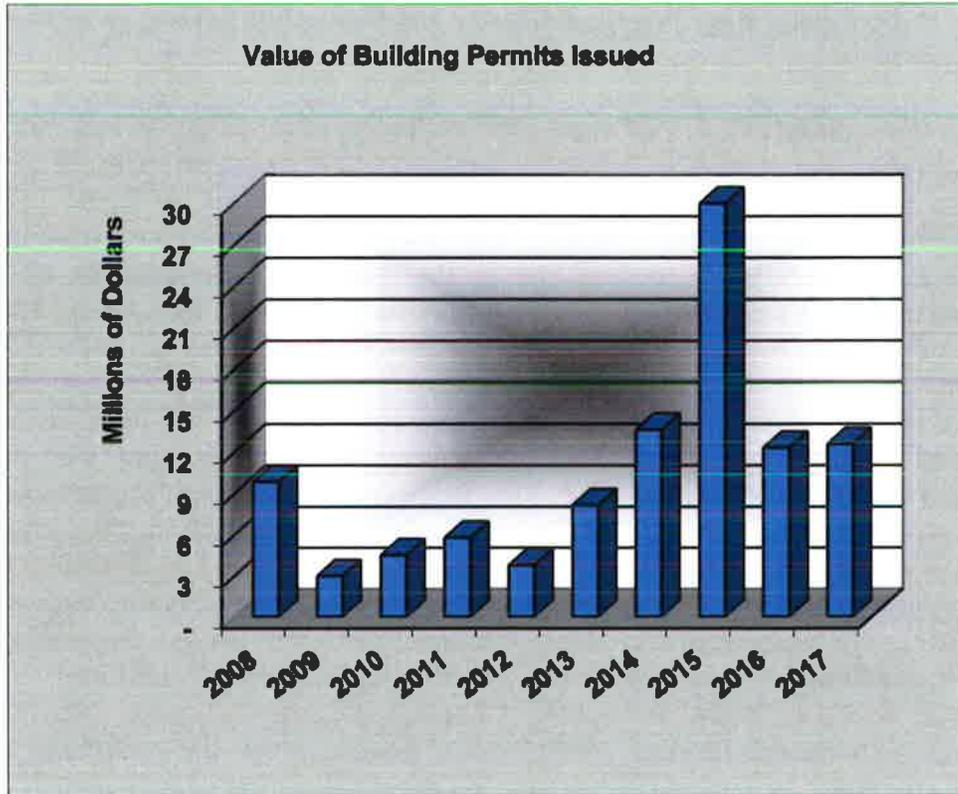
Housed on the University of South Dakota campus is the National Music Museum, which announced expansion plans in March 2018. A 16,000 square foot addition will house increased exhibit space, new performance hall, classroom, labs and offices. The project estimated cost is

\$9.5 million to be funded from private donations and University funding is anticipated to be completed in 2020.

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 with construction beginning on a 17,300 square foot addition. 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 new facilities were dedicated in September 2017. The agreement also means Sanford Health will assume responsibility for the infrastructure, including building projects and technology, for Sanford Vermillion.

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

The value of building permits issued in 2017 totaled \$12,580,480 up from \$12,301,524 in 2016. The number of single family dwellings constructed totaled twenty in 2017, a decrease of four over 2016. There were two new multi-family structures consisted of a sorority house and a four-unit apartment building. Through June 4, 2018 the value of building permits issued is \$34,679,614 that include three single family dwellings, a 74 unit 236 bed student housing facility, nine building 169 unit apartment complex and one commercial permit. 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 (VDCD) has acquired 50 acres adjoining the city that has been annexed into the city. The development labeled Bliss Pointe will be developed in phases with the first phase completed in late 2014 with over 60 housing sites. The balance of the development will have an additional 70 housing sites when fully developed. To assist the VDCD with the infrastructure development the City created Tax Incremental District Number 6 and sold a TIF bond for \$1,732,000. In 2015 and 2016 there were fifteen residential building permits and one commercial permit issued. In 2017 fifteen residential building permits were issued and so far in 2018 two 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 is currently working with a consultant along with public input from a survey and public meetings to evaluate a community center.

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 2017, the occupancy tax generated \$53,678 and expended \$55,626 to the Vermillion Area Chamber of Commerce and Development Company (VCDC) for promotion of the community. The BID Board approved the 2018 budget with 85% of the occupancy tax collected being expended to the VCDC for advertising and promotion.

The equipment replacement fund added the following equipment during 2017; forklift, 2 police vehicle, three mowers, a pickup, cargo van, wheel loader, tractor with mower and basket truck totaling \$553,347.

#### **Long-term financial planning.**

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

In 2005 the City was awarded a \$750,000 grant with 20% local matching for bike path improvements. The first phase of the bike path extension along the Vermillion River started in 2009 with completion in 2010. The bike path extension along SD Hwy 50 was completed in 2012. The bike path along Stanford Street between Cherry Street and SD Hwy 50 was completed by the Department of Transportation in late 2014. There is about \$85,000 of grant funds remaining that the City is working with the Department of Transportation to make improvements to existing bike paths with the 2018 budget including \$260,100 of sales tax funding and are currently awaiting approval for these projects.

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 began in 2016 with construction starting in 2017. The estimated total project cost is \$5,467,200 of which \$190,000 for engineering was in the 2016 budget and project costs of \$150,000 for construction materials and \$268,600 of labor and equipment costs are part of the 2017 budget leaving a net project cost of \$4,858,600. A surcharge revenue bond was issued in January 2017 face of \$3,895,000 at a premium of \$99,120 that after costs will provide \$3.9 million for the project with the balance coming from electric fund reserves. The project will consist of 1.75 miles of looped 115-kV transmission line to feed the substation, substation transformer, related switch gear and controls. Construction contracts were awarded in 2017 for

the transmission line and substation with the contracts substantially completed and energized in March 2018.

The replacement of the Prentis Street wastewater lift station and related sewer main was bid in March 2017 with the total bid of \$1,078,313. The project consists of installing a new lift station and replacing approximately 2,400 feet of downstream sewer main. The project will be funded by a \$515,000 Community Development Block Grant and a State Revolving Loan of \$812,000. The replacement of the 2,400 feet of downstream sewer main was completed in 2017 but the construction on the lift station was halted due to weather and began again in March 2018 with the new lift station in service in April 2018 and project completion estimated for June 2018.

The Erickson Business Park detention pond storm water project and the Linden Ravine storm water project were both bid and completed in 2017 to address storm drainage issues in the respective areas. The cost of the two projects was \$314,655 that was funded from the storm water fee fund.

The Main Street traffic signal project has been in study and review for a few years was bid in April 2017. The project included upgrades to the signals at Main/Dakota and Main/University. The project was completed in 2017 at a cost of \$282,602 that funded from the Surface Transportation program funds.

In 2017 the electric department replaced approximately one fourth of the street lights with LED lights now with about half the town converted to LED. The 2018 budget includes \$125,000 for purchasing the LED fixtures to complete the third fourth of the lights. The lights will use less electricity and require less maintenance.

As the existing swimming pool is reaching the end of its useful life, a committee was appointed charged with providing the City Council information as to what type of swimming pool would best fit the community's needs going forward. The city contracted with a pool consultant to work with the committee in developing designs for the new pool. The committee held public meetings to review the project designs to refine the project. The City Council on September 16, 2013 adopted a resolution for capital outlay accumulation designating \$500,000 of the General Fund balance for funding of the pool project. During 2013 the City Council approved a master planning process for Prentis Park that includes the swimming pool. The City Council approved a funding package for the Prentis Park improvements consisting of 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 in November 2014 election. The City Council in an effort to reduce the impact of the bond repayment on property taxes adopted an ordinance that imposed a 5% markup on the wholesale purchase price of malt beverages. Following adoption of the ordinance an initiated petition was received to repeal the markup ordinance. A special election was set for June 30, 2015 at which time the initiated measure failed 37% to 63%. In February, 2016 the City issued general obligation bonds, series 2016 face amount of \$3,005,000 at a premium of \$90,132 for a portion of the funding for the Prentis Park Improvements. This was a 20-year bond with interest rates ranging from 1% to 3.5%. Also in February, 2016 the City approved contracts for pool construction totaling \$5,248,149. The contractor began construction in May 2016 with the pool opening June

3, 2017 for the season and closed on September 4, 2017. The new pool had record attendance with over 40,000 admitted for the season. The contract retainage of \$496,120 remains to be expended following pool startup in 2018 and completion of the final contract items. The Prentis Park parking lot to serve the pool and baseball field as well as the basketball court were started in 2017 both with completion in 2018. In March 2018 a bid was awarded for additional sidewalk improvements in Prentis Park to improve access totaling \$55,193.90.

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

The 2018 budget included \$472,452 for equipment replacement in the equipment replacement fund, \$38,100 for airport engineering, \$75,000 for parks equipment, \$64,000 to outfit the new ambulance purchased by Clay County, \$92,000 library materials, \$100,000 to replace Cotton Park bathroom, \$100,000 for improvements for two Barstow Park Restrooms, \$250,000 for street construction, \$225,000 for Main Street Signal improvements, \$550,000 for storm water system improvements and \$785,000 for Jefferson Street reconstruction. The City will continue to provide the same quality services to the citizens during the next budget year.

#### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Vermillion for its comprehensive annual financial report (CAFR) for the year ended December 31, 2016. This was the eleventh 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



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Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

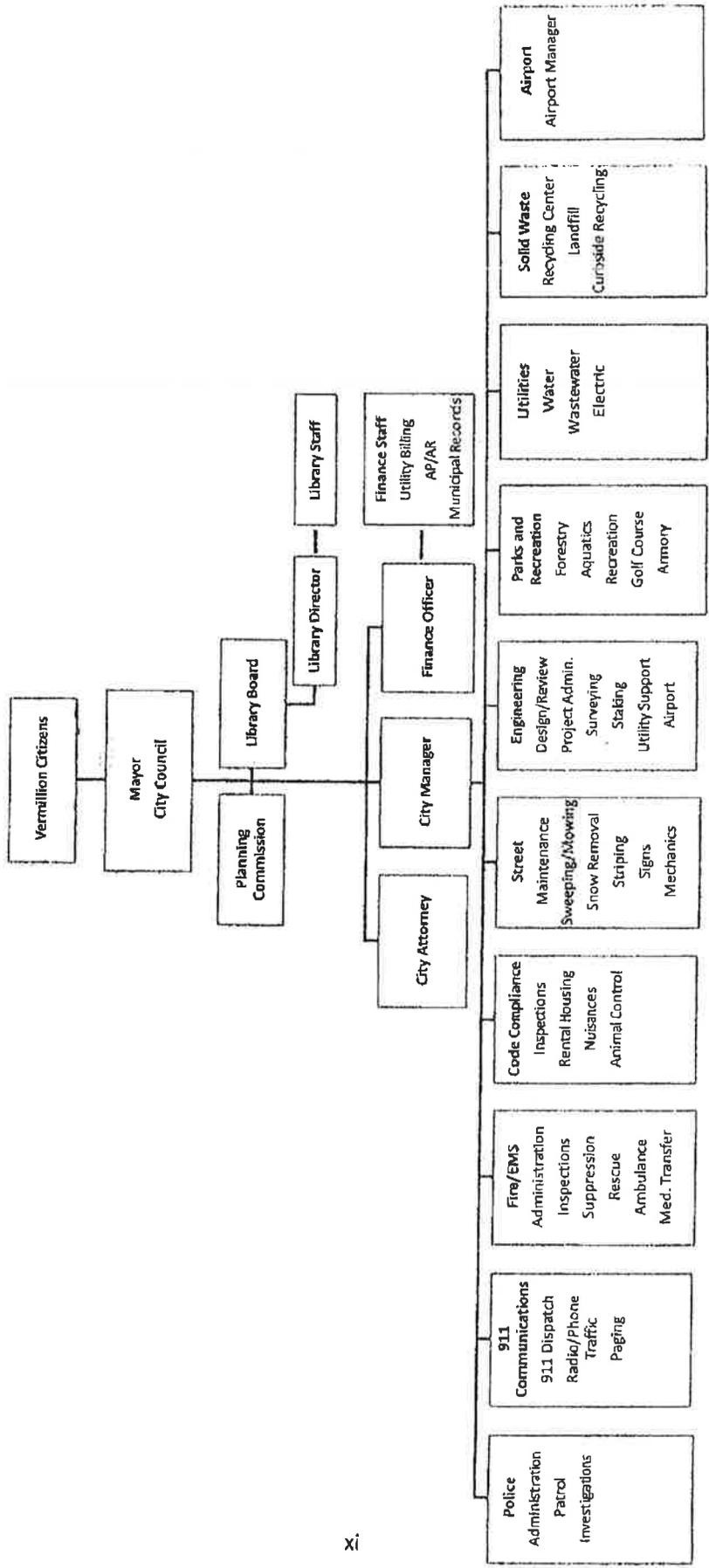
**City of Vermillion  
South Dakota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO



# CITY OF VERMILLION MUNICIPAL OFFICIALS

For the Period January 1, 2017 through December 31, 2017

Mayor

John E. (Jack) Powell

Alderman Central Ward

Kelsey Collier-Wise

Katherine Price

Alderman Northeast Ward

Holly Meins

Tom Sorensen

Alderman Northwest Ward

Parker Erickson

Brian Humphrey

Alderman Southeast Ward

Steve Ward

Rich Holland

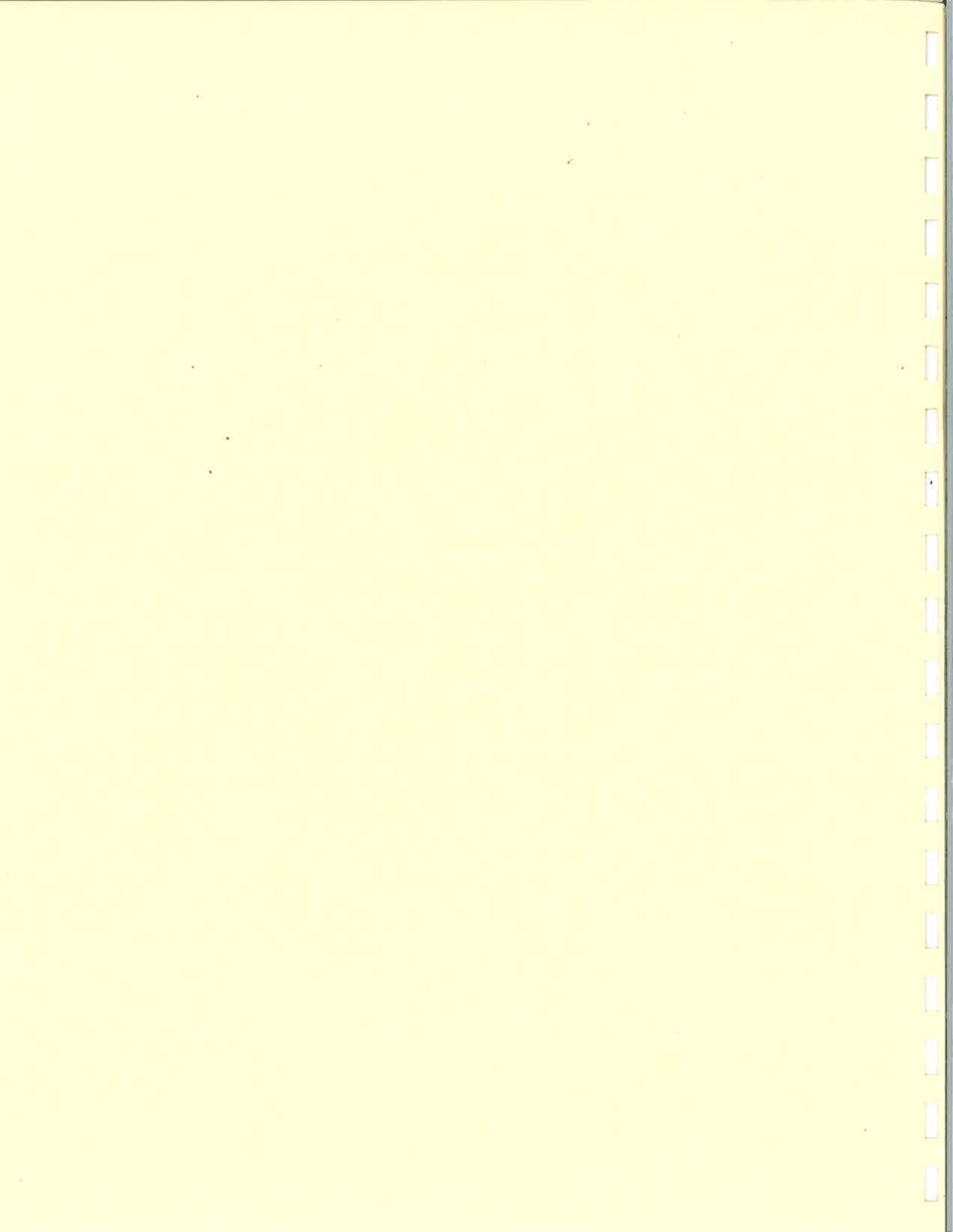
City Manager

John Prescott



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**CITY OF VERMILLION  
FINANCIAL SECTION**



## 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, 2017, 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 \$194,613 and total revenues of \$1,215,480 as of and for the year ended June 30, 2017. 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, 2017, 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.

### **Correction of Error**

As described in Note 18 to the financial statements, an error in the calculation for wastewater billing was discovered in the current year. This error affected fiscal years 2012 – 2017. The accompanying financial statements were restated to reflect this correction for fiscal years 2012 – 2016. Our opinion is not modified with respect to this matter.

### **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 5 through 18 and 59 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 financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2018, on our consideration of the City of Vermillion's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in



accordance with *Government Auditing Standards* in considering the City of Vermillion's internal control over financial reporting and compliance.



Certified Public Accountants

Le Mars, Iowa  
June 18, 2018



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**Management's Discussion and Analysis**

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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, 2017. 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-ix of this report, as well as the separately issued financial statements of the Vermillion Housing and Redevelopment Commission, a discretely presented component unit of the City.

**FINANCIAL HIGHLIGHTS**

**Government-Wide Statements**

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows at December 31, 2017 by \$83,001,201 (net position). Of this amount, \$18,036,522 (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 \$4,626,240 as a result of the current year's operations. The net position of our governmental activities increased by \$2,091,256 or 5.39% and the net position of our business-type activities also increased by \$2,534,984 or 6.41%.
- Total revenues from all sources increased in 2017 by \$1,833,752 to \$25,648,923. In 2017, charges for services increased \$1,068,941 operating grants & contributions decreased \$61,013, capital grants & contributions increased \$587,866, property taxes increased \$72,682, sales tax increased \$153,444, other general revenues increased by \$11,832.
- Total cost of all programs was \$21,022,683 for 2017. This is a decrease of \$1,004,124 or 4.56% over 2016.
- The City's long-term debt/capital leases increased \$345,337 from 2016 due to repayment of existing bond issues, refunding of city hall capital lease and issuance of \$3,994,121 of electric surcharge revenue bonds for the northeast substation project, \$150,000 for note payable for dozer at the Joint Powers Landfill, \$370,254 for State Revolving Loan for wastewater Prentis Street lift station.

**Fund Financial Statements**

- At December 31, 2017, the City's governmental funds reported combined ending fund balances of \$9,491,270, a decrease of \$3,230,339 in comparison to the prior year. Of this balance \$1,891,246 is unassigned fund balance, \$232,667 is assigned fund balance, \$3,966,799 is committed fund balance, \$3,156,873 is restricted fund balance and \$243,685 is nonspendable fund balance.
- The City's seven enterprise funds ended the year with net position of \$41,885,325, an increase of \$2,482,727 in comparison to the prior year. Net cash flows for operations were \$5,287,322 while net cash used by capital and financing activities was \$988,547.
- For the year ended December 31, 2017, the assigned general fund balance was \$232,667 and the unassigned general fund balance was \$2,537,037, an increase of \$808,281 in comparison to the prior year. Combined, these fund balances represent 44.61 percent of the final 2017 General Fund expenditures.

## Management's Discussion and Analysis

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### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

This report also contains 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 present information as follows:

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

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

The government-wide financial statements can be found on pages 19-20 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

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**Management's Discussion and Analysis**

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Vermillion, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

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

The City maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General fund, Sales tax fund, Prentis Park Improvements, and City Hall Bonds fund are considered to be major funds. Data for the other fourteen governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The City adopted an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget on page 59.

The basic governmental fund financial statements can be found on pages 21-24 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the Electric Utility, Water Utility, Wastewater Utility, Liquor Store, Golf course, Joint

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Powers Landfill operations, all of which are considered to be major funds of the City, and Curbside Recycling which is considered a non-major fund. Conversely, all the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 25-27 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 28-58 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, sales tax fund and Prentis Park Improvements 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 59-65 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 66-76 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, 2017 with comparative data for the fiscal year ended December 31, 2016. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$83,001,201 at the close of the most recent fiscal year.

	City of Vermillion Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 11,063,051	\$ 15,751,420	\$ 17,468,945	\$ 13,796,457	\$ 28,531,996	\$ 29,547,877
Capital Assets	37,030,010	34,992,099	47,231,936	44,331,933	84,261,946	79,324,032
Total Assets	48,093,061	50,743,519	64,700,881	58,128,390	112,793,942	108,871,909
Deferred outflows of resources	1,638,928	1,380,591	1,015,807	863,075	2,654,735	2,243,666
Long-term Liabilities Outstanding	7,030,978	10,637,805	20,140,447	17,404,199	27,171,425	28,042,004
Other Liabilities	1,483,637	2,664,830	3,286,525	1,974,031	4,770,162	4,638,861
Total Liabilities	8,514,615	13,302,635	23,426,972	19,378,230	31,941,587	32,680,865
Deferred inflows of Resources	312,633	7,990	193,256	1,104	505,889	9,094
Net Position						
Net Investment in Capital Assets	29,309,258	25,939,223	27,553,973	26,934,533	56,863,231	52,873,756
Restricted	3,599,221	5,768,696	4,502,227	1,859,770	8,101,448	7,628,466
Unrestricted	7,996,262	7,105,566	10,040,260	10,817,828	18,036,522	17,923,394
Total Net Position	\$ 40,904,741	\$ 38,813,485	\$ 42,096,460	\$ 39,612,131	\$ 83,001,201	\$ 78,425,616

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	City of Vermillion Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,508,027	\$ 1,390,505	\$ 15,145,377	\$ 14,193,958	\$ 16,653,404	\$ 15,584,463
Operating Grants & Contributions	403,258	350,812	-	113,459	403,258	464,271
Capital Grants & Contributions	954,883	833,179	466,162	-	1,421,045	833,179
<b>General Revenues:</b>						
Property Taxes	2,315,948	2,243,266	-	-	2,315,948	2,243,266
Other Taxes	4,076,451	3,923,007	-	-	4,076,451	3,923,007
Other	406,237	386,513	372,580	380,472	778,817	766,985
<b>Total Revenues</b>	<b>9,664,804</b>	<b>9,127,282</b>	<b>15,984,119</b>	<b>14,687,889</b>	<b>25,648,923</b>	<b>23,815,171</b>
<b>Expenses:</b>						
General Government	1,319,343	1,459,520	-	-	1,319,343	1,459,520
Public Safety	2,468,435	2,679,682	-	-	2,468,435	2,679,682
Public Works	1,939,284	1,974,166	-	-	1,939,284	1,974,166
Health & Welfare	561,700	565,800	-	-	561,700	565,800
Culture & Recreation	1,573,107	1,607,245	-	-	1,573,107	1,607,245
Conservation & Development	542,244	612,599	-	-	542,244	612,599
Interest on Long-term Debt	309,347	305,754	-	-	309,347	305,754
Electric	-	-	5,326,073	5,541,389	5,326,073	5,541,389
Water	-	-	1,464,998	1,534,487	1,464,998	1,534,487
Wastewater	-	-	1,768,360	1,737,489	1,768,360	1,737,489
Liquor	-	-	1,421,926	1,403,377	1,421,926	1,403,377
Golf	-	-	761,857	832,107	761,857	832,107
Joint Powers Landfill	-	-	1,465,723	1,666,062	1,465,723	1,666,062
Curbside Recycling	-	-	100,286	107,130	100,286	107,130
<b>Total Expenses</b>	<b>8,713,460</b>	<b>9,204,766</b>	<b>12,309,223</b>	<b>12,822,041</b>	<b>21,022,683</b>	<b>22,026,807</b>
<b>Increase(Decrease) in Net Position</b>						
Before Transfers	951,344	(77,484)	3,674,896	1,865,848	4,626,240	1,788,364
Transfers	1,139,912	1,165,330	(1,139,912)	(1,165,330)	-	-
<b>Increase in Net Position</b>	<b>2,091,256</b>	<b>1,087,846</b>	<b>2,534,984</b>	<b>700,518</b>	<b>4,626,240</b>	<b>1,788,364</b>
<b>Net Position January 1</b>	<b>38,813,485</b>	<b>37,725,639</b>	<b>39,612,131</b>	<b>38,911,613</b>	<b>78,425,616</b>	<b>76,637,252</b>
Prior Period Adjustment	-	-	(50,655)	-	(50,655)	-
<b>Net Position Jan 1 restated</b>	<b>38,813,485</b>	<b>37,725,639</b>	<b>39,561,476</b>	<b>38,911,613</b>	<b>78,374,961</b>	<b>76,637,252</b>
<b>Net Position December 31</b>	<b>\$ 40,904,741</b>	<b>\$ 38,813,485</b>	<b>\$ 42,096,460</b>	<b>\$ 39,612,131</b>	<b>\$ 83,001,201</b>	<b>\$ 78,425,616</b>

By far the largest portion of the City's net position (69%) reflects its investment in capital assets (e.g. land, building, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay

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**Management's Discussion and Analysis**

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this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

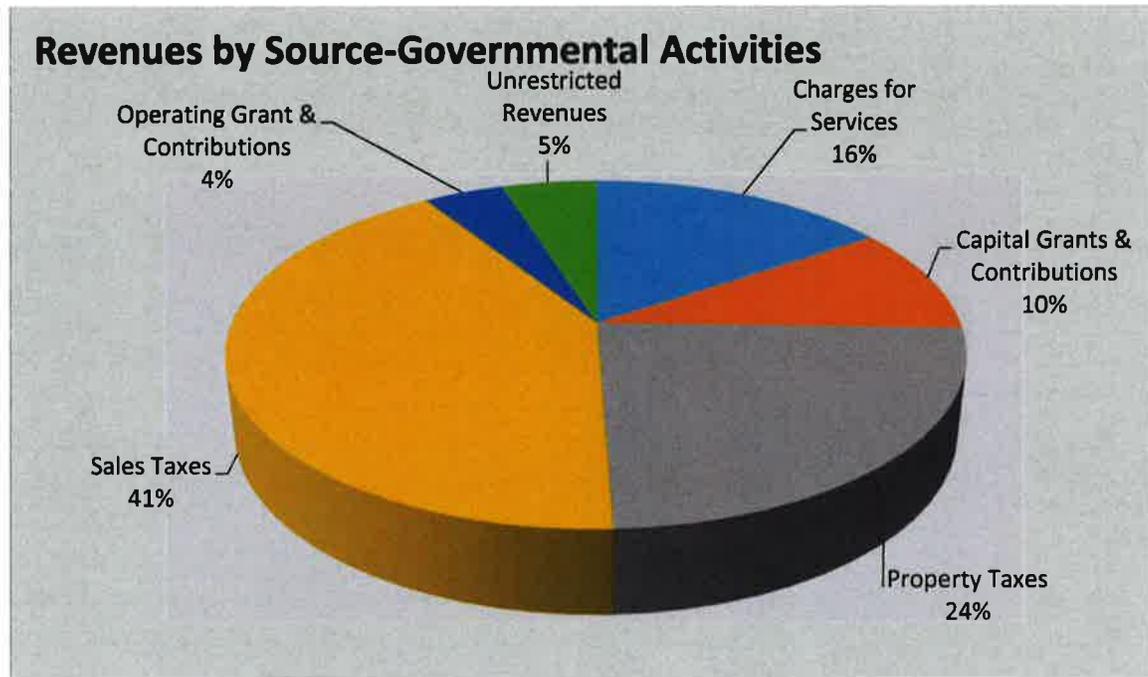
An additional portion of the City's net position \$8,101,448 (9.76%) represents resources that are subject to external restriction on how they may be used. Restricted net position includes the amounts restricted for debt service of \$4,204,834 (a decrease of \$363,436), Stormwater construction of \$1,024,296 (a decrease of \$102,179), Landfill Closure/Postclosure of \$94,128 (a decrease of \$13,542), Cumulative reserve of \$158,060, Library \$47,965 (an increase of \$12,720), parks capital \$20,928 (an increase of \$2,572), business improvement district of \$23,048 (a decrease of \$3,022), SDRS Pension Purposes \$2,174,742 (an increase of \$911,767) and BBB sales tax \$353,447 (an increase of \$28,102). The remaining balance of unrestricted net position of \$18,036,522 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 \$2,091,256, thereby accounting for 45.2% of the total growth in the net position of the City Vermillion. Elements of this increase are as follows:

- Charges for goods & services increased \$117,522 in 2017. This change is made up of general government decrease \$3,840 of which the majority is a decrease in the cable TV franchise fee of \$5,511. Public Safety increased \$17,064, which is made up of an increase in parking ticket fees of \$5,688 and an increase storm drainage fee of \$7,807. Public Works decreased \$30,046, which is attributable to decreases in state highway and bridge and county motor vehicle fees of \$38,775 and an increase in airport fuel revenues of \$7,251. Health and Welfare increased \$34,146 attributed to increase ambulance revenues. Culture & Recreation increased \$100,198 attributed to the opening of the new swimming pool with increased admissions of \$73,407 and concession revenues of \$29,273.
- Operating Grants and contributions increased \$52,446 in 2017. For 2017, public safety operating grants increased \$45,319, which is attributed to contribution for Clay County for E911 operations increased \$30,951.
- Capital grants and contributions increased by \$121,704 in 2017. For 2017 capital grants and contributions consist of public works of \$565,627 for airport improvements, \$341,594 State Transportation Improvement Program funds, public payments for special assessment improvements of \$33,818 and Culture and Recreation swimming pool contributions of \$11,050 and \$2,794 bike path.
- Property taxes increased by \$72,682 or 3.24% during the year. This increase is from growth or new property added to the tax rolls as the State limit on property tax increase was zero for 2017.
- Sales Taxes increased by \$141,948 or 4.05%. This would include the first penny 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 increase/decrease is not available.
- Sales taxes for special revenues increased \$11,753 or 3.41%. This special sales tax is referred to as BBB sales tax used for advertising and promotion of the City.

Management's Discussion and Analysis

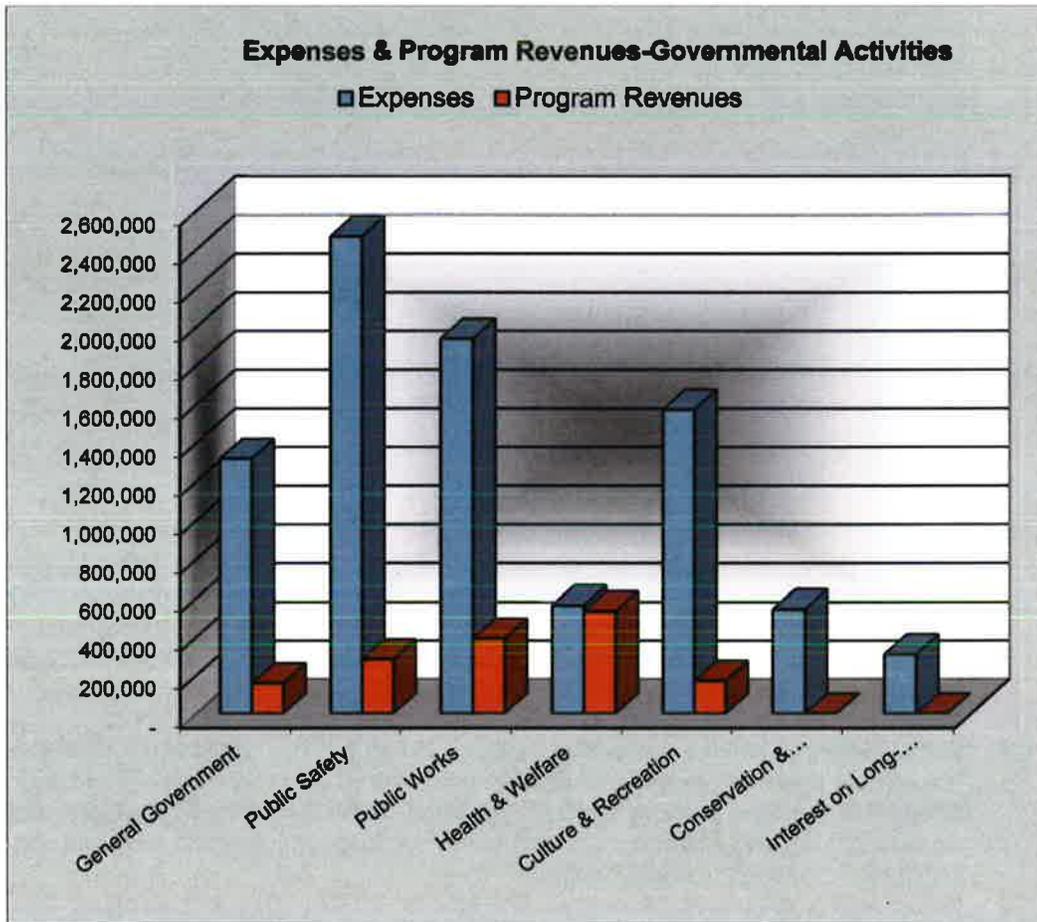


- General Government expenses decreased by \$140,177 or 9.60%. The net effect of the pension adjustment decreased expenses \$80,562 compared to an increase of \$33,645 in 2016. Municipal garage wages were down \$10,611 following a retirement and time to fill the position, City Hall maintenance expenses increased \$3,753 for cleaning expenses, municipal service center expenses decreased \$10,660 from lower repair and cleaning costs.
- Public Safety expenses decreased by \$211,247 or 7.88%. The net effect of the pension adjustment decreased expenses \$327,766 compared to an increase of \$121,128 in 2016. Police Patrol wages were up \$140,481 by being at full staff, Fire Department wages were up \$39,285 for the addition of a part time Fire Inspector position and Fire department equipment repairs increased during 2017.
- Public works expenses decreased \$34,882 or 1.77%. The net effect of the pension adjustment decreased expenses \$34,882 compared to an increased expenses \$22,218 in 2016. Street department wages were down \$10,510 due to vacancies and street repairs expensed were down \$36,683 as there were higher expenses in 2016. Snow removal expenses were down \$15,282 over 2016 due to the weather.
- Health and Welfare expenses decreased \$4,100 or .72%. The net effect of the pension adjustment decreased expenses \$29,777 compared to an increased expenses \$12,256 in 2016. Code enforcement wages increased \$33,782 due to adding a part time inspector and all positions filled during 2017. Ambulance expenses were up \$13,478 due to increased equipment repairs.
- Culture and Recreation expenses decreased \$34,138 or 2.12%. The net effect of the pension adjustment decreased expenses \$73,658 compared to an increased expenses \$30,402 in 2016. Library expenses decreased \$19,465 with the majority in reduced wages due to the retirement and extra pay during an extended vacancy in 2016. The new swimming pool opened in 2017 with increased personnel and costs of operating the concession stand increased the expenses by \$153,218 over 2016.

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**Management's Discussion and Analysis**

- Conservation and Development expenses decreased \$70,355 from the City's continued support of various programs. The City continued to support numerous organizations but during 2017 with decreased funding from General Fund and Second Penny Sales tax for economic development reinvestment offset by and increase in TIF 5 expenses.



**Business-type activities:** Business-type activities increased the City of Vermillion's net position by \$2,534,984, accounting for 54.80% of the total growth in the government's net position. Key elements of this increase are as follows:

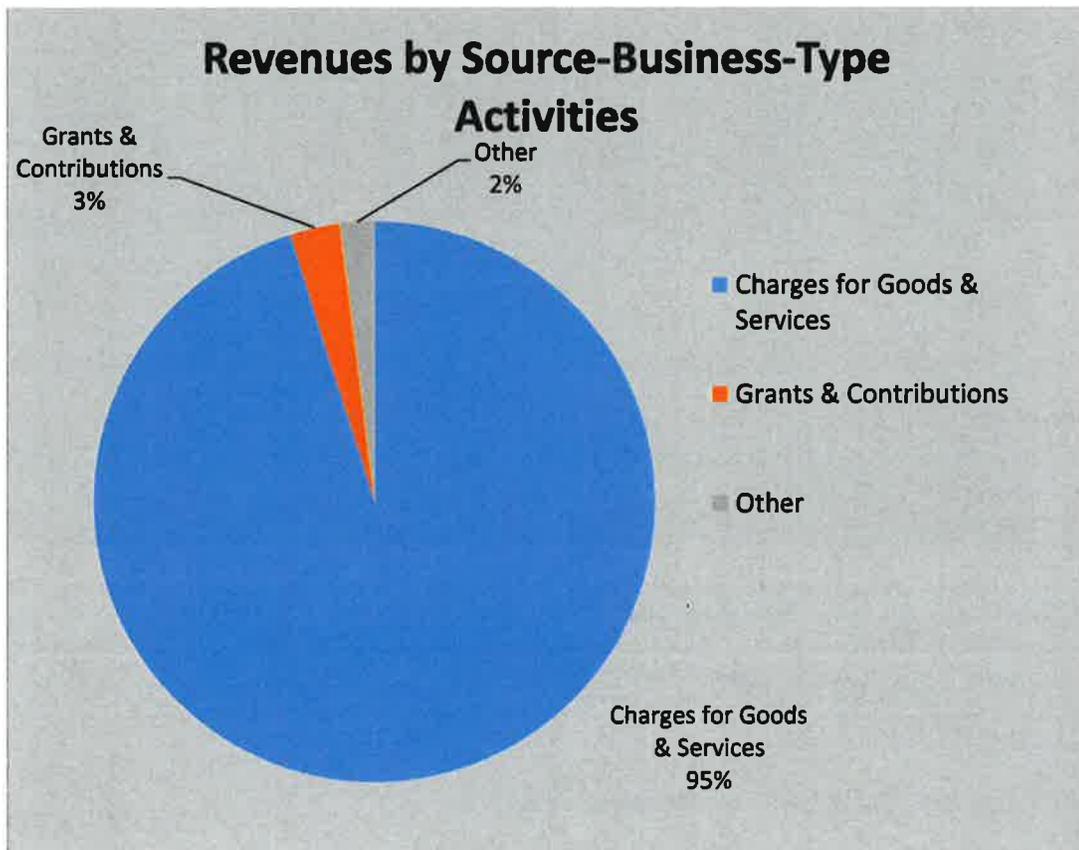
- Charges for services increased by 6.7% or \$951,419. The Electric Fund charges for services increased 9.52% or \$630,430. Electric kwh sales also decreased 1.79% during 2017, which is attributed to cooler summer weather. The electric utility received reimbursements from the Southwest Power Pool through Missouri River Energy Services for transmission assets totaling \$701,605 starting in April 2017. This was the sixth year of seasonal electric charges. Water Fund charges for services increased 3.75% or \$68,320. Water rates were increased 2% in January 2017 to meet increased operating costs. Water sales increased 2.83% over 2016 attributed to dry summer weather. Wastewater Fund revenues increased by \$39,458 or 2.05%. Wastewater rates were increased 2% in April 2017. The Liquor Fund sales decreased .55% or \$8,867 over 2016.

**Management's Discussion and Analysis**

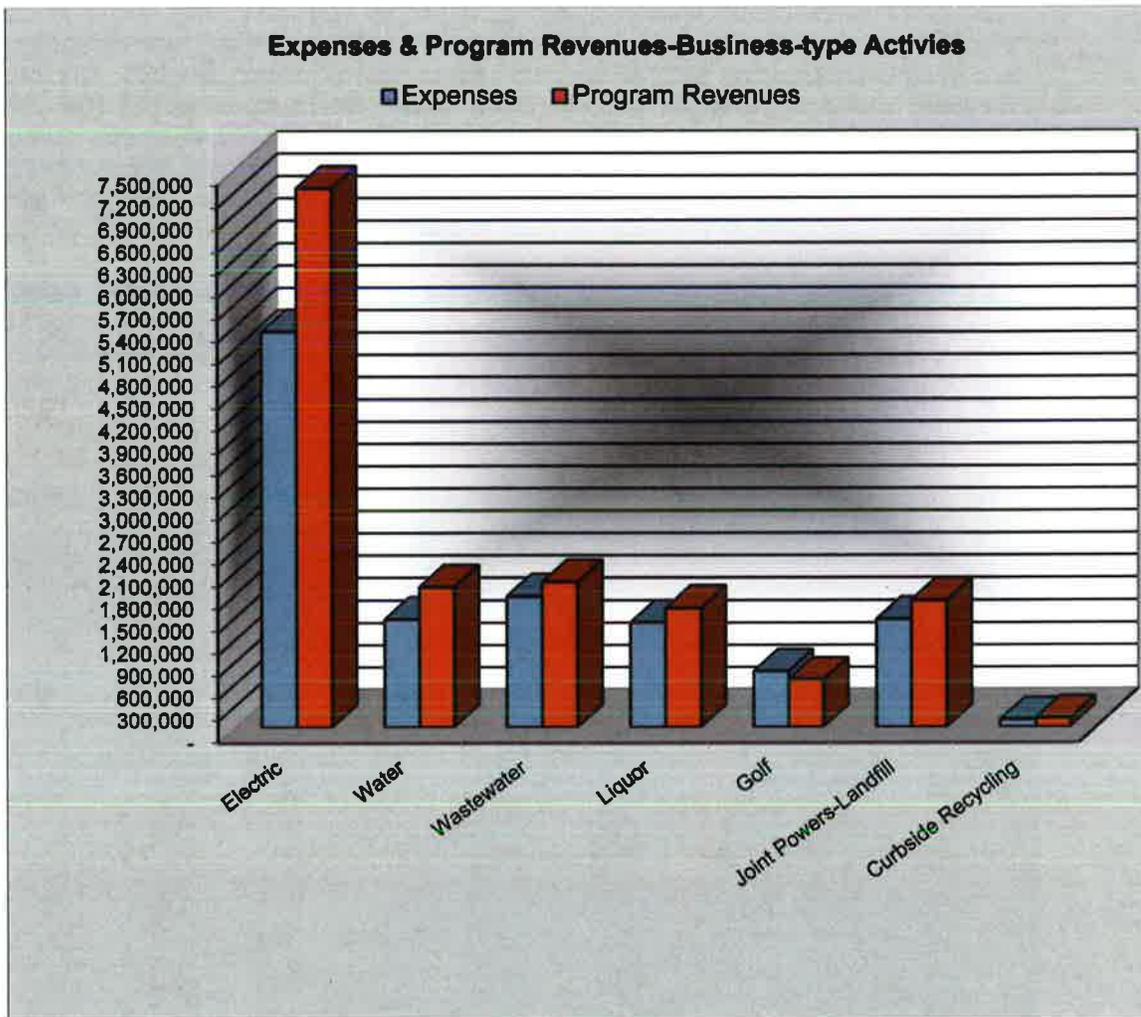
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The Joint Powers-Landfill revenue increased \$188,285 over 2016. The landfill revenues increased \$182,720 from an increase in volume of materials received, with contaminated soil revenues increasing \$53,840 and the sale of clay increasing \$44,658. The sale of recycling materials revenues portion of the Joint Powers increased \$5,565 due to increase in market price of materials being sold. The Golf Fund revenues increased \$25,355 that is attributed to increased play with early spring and dry summer. An increase in the Curbside Recycling program revenues of \$8,438 resulted from an increase in customers by providing services to business upon request and with increased volume of materials collected providing additional revenue sharing.

- Operating grants and contributions and capital grants and contributions increased \$352,703 in 2017. During 2017, \$322,772 of Community Development Block Grant funds were drawn down for construction progress made on the Prentis Street wastewater lift station replacement project and a state grant of \$143,390 was received to assist with the purchase of a landfill dozer.



Management's Discussion and Analysis



Business-type expenses decreased \$512,818 or 4.00% over 2016. The largest change was in personal services that decreased \$549,102 in 2017 over 2016. The net effect of the pension adjustment decreased business-type personal expenses by \$331,232 for 2017 compared to an increase of \$139,081 for 2016. The balance of the decrease in personal services is due to retirements in electric department, golf course and joint powers whereby some position were unfilled for part of the year.

**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.

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**Management's Discussion and Analysis**

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As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,491,270, as shown on Exhibit 3, which is a decrease of \$3,230,339 in comparison with the prior year. Approximately 19.93% of this total amount or \$1,891,246 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is either 1) *nonspendable* \$243,685, \$85,625 for inventory and \$158,060 in cumulative reserve 2) *restricted* \$3,156,873 consisting of \$341,641 in Bed, Board & Booze sales tax, \$1,009,241 in storm water fees, \$47,965 for library, \$1,132,126 for Surface Transportation Program, \$20,928 for parks capital, \$23,048 for Business Improvement District and \$581,924 for debt service 3) *committed* \$3,966,799 in sales tax or 4) assigned \$232,667 for the 2018 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 \$2,537,307, as shown in Exhibit 3, while total fund balance reached \$4,145,515. 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 40.87% of total general fund expenditures, while total fund balance represents 66.77% of the same amount.

The fund balance of the City's general fund decreased \$744,345 during the current fiscal year, as shown in Exhibit 4. Factors in this increase are as follows:

- Total general fund revenue increased \$130,627 for 2017.
- Property tax increases are restricted by the State to the lower of the CPI or 3% and for 2017 the CPI was zero thus the increase in property taxes of \$36,615 attributed to the tax on new property added within the city outside the TIF districts.
- Sales tax revenue increased \$19,722 for 2017.
- Intergovernmental Revenues decreased \$135,641 as 2016 was the first year of State Transportation Improvement Program funds that included more than one years revenues.
- Charges for goods and services increased \$146,121 made up of increased ambulance revenues and swimming pool including concessions as the first year of new pool.
- Expenditures in the General Fund increased \$306,085 or 5.19%. General Government expenditures decreased \$12,518 due to a decrease in garage wages due to retirement and the position being vacant during the interim, service center repairs and maintenance decreased due to increased repairs in 2016 and city hall cleaning expense. Public Safety expenditures increased \$196,325 with Police Patrol wages increased from being at full staff for the year and Fire Department wages increasing for the part time Fire Inspector position started in 2017. Public Works expenditures decreased \$3,852 with a decrease of \$46,742 in highway and streets due to less street maintenance expenses and reduced equipment repairs, sanitation being sweeping and mowing increased \$20,056 due to increased equipment repairs and airport increased \$22,834 due to runway maintenance. Health and Welfare expenditures increased \$41,875 of which \$30,796 was in health for a new part time position for building inspection and for the department being at full staff and ambulance increased \$11,079 for increased equipment repairs and maintenance. Culture-Recreation expenditures increased \$119,319 with recreation expenditures decreasing \$16,902 the majority being a part year vacancy in one position, the swimming pool expenditures increased \$153,219 being the first year in the new pool requiring more personal and operating the concession stand increasing expenditures, and library expenditures were down \$16,653 part in personal as 2016 had extra costs and savings in operating expenses. Conservation and Development expenditures decreased \$63,521 with the major increase being the VCDC reinvestment program for reimbursement of local sales tax decreasing \$42,217 and economic development special assessment interest decreasing \$18,327.

**City of Vermillion  
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**Management's Discussion and Analysis**

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- The general fund transferred out fund to the Prentis Park Capital Project fund of \$1,087,783, \$294,925 of State Transportation Improvement Program funds to capital project funds, \$275,331 to 911 Fund and \$129,829 of malt beverage markup to the General Obligation debt service fund compared to total transfers out of \$436,201 in 2016.

The sales tax fund has a total fund balance \$3,966,799, all of which is committed for capital outlay and debt service. The net decrease in fund balance during the current year is \$33,699. Revenues during this period decreased by \$117,679 compared to the prior year. This is due to an increase in sales tax revenue of \$19,443, an increase in investment earnings of \$14,944 and a decrease in grants and contributions of \$149,566. Expenditures decreased during this period by \$216,661, which is largely due to a decrease in capital outlay. Transfers out increased by \$946,196 to \$1,484,449. The major item of the increase is \$1,564,817 was budgeted to be transferred to the Prentis Park Pool capital projects with \$1,087,483 transferred due to the construction retainage that will be transferred when paid in 2018.

The Prentis Park Improvement fund has a deficit fund balance of \$482,110 that was reduced by \$143,930 during 2017. Transfers from the General fund and Sales tax fund will be made when the contract liabilities are paid in 2018.

The City Hall Bonds fund has a fund balance of \$274,534. The fund balance decreased \$2,694,130 as the original bonds were called during 2017 and paid from the advance refunding bond reserve.

**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 \$4,323,251, Water \$1,389,346, Wastewater \$1,958,569, Liquor \$281,357, Golf Course \$775,852, Joint Powers-Landfill \$1,029,418 and Curbside Recycling \$71,332. The total growth in net position for all funds in the current year was \$2,482,727. 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 supplemental budget in February 2017 to reflect updated health insurance renewal for 2017. In September 2016 the health insurance carrier was estimating a 75% increase in premiums that by year end was revised to no increase. The adopted budget included the increase in premiums along with other adjustment to reflect the increase in health care costs. In early 2017 a supplemental budget was adopted to reflect the reduction in health insurance costs and reinstate items removed when the budget was adopted. A revised budget was adopted in September of 2017 and a supplemental budget adopted in December of 2017 to refine the budget numbers adopted a year earlier. The budgeted revenues were increased by \$186,382 (3.10% of the original budget). Budgeted expenditures were decreased by \$169,360 (2.50% of the original budget) and budgeted transfers out increased \$284,746. The original and final budgets are reported on Exhibit 8 on page 59.

**Capital Assets and Debt Administration**

**Capital Assets.** The City of Vermillion's investment in capital assets for its governmental and business type activities as of December 31, 2017 amount to \$84,261,946 (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

**City of Vermillion  
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**Management's Discussion and Analysis**

progress. During 2017 there was \$4,167,987 of additions to the governmental capital assets while the depreciation for the year was \$2,048,747 and \$677,873 of capital assets were disposed.

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

- The construction on the new swimming pool named the "Prentis Plunge" was completed and opened for use in June 2017. The Prentis Plunge was added to buildings and structures totaled \$6,006,026. Construction began after the pool was closed for the season on the basketball court and parking lot in Prentis Park adding \$129,433 to construction in progress.
- The Library removed \$74,141 in books for items that were not circulating and added \$88,561 to books during 2017.
- Construction continued on the electric department northeast substation project with \$2,870,800 including capitalized interest was added to construction in progress in 2017.
- Construction on the Prentis Street lift station and related sewer main began in 2017 with the sewer main portion of the project completed adding \$552,590 to sewer mains while the lift station portion still under construction adding \$191,300 to construction in progress.
- The equipment replacement fund added a number of pieces of equipment during the year totaling \$579,662.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 1,632,815	\$ 1,632,815	\$ 2,567,673	\$ 2,487,229	\$ 4,200,488	\$ 4,120,044
Building & Structure	19,075,956	13,830,536	21,630,972	22,812,203	40,706,928	36,642,739
Improvements other buildings	-	-	17,960,197	17,237,557	17,960,197	17,237,557
Furniture & Equipment	4,376,215	4,009,336	1,705,230	1,489,180	6,081,445	5,498,516
Infrastructure & books	11,106,898	11,143,185	-	-	11,106,898	11,143,185
Construction in Progress	838,126	4,376,227	3,367,864	305,764	4,205,990	4,681,991
<b>Total</b>	<b>\$ 37,030,010</b>	<b>\$ 34,992,099</b>	<b>\$ 47,231,936</b>	<b>\$ 44,331,933</b>	<b>\$ 84,261,946</b>	<b>\$ 79,324,032</b>

Additional information on the City of Vermillion's capital assets can be found in Note 4 on pages 42-44 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Vermillion had a total long-term debt outstanding of \$27,901,573. Total note and bonded debt outstanding totaled \$25,085,508 with the remainder being capital leases of \$2,816,065.

The City's total outstanding debt increased by \$345,337 or 1.25% during the 2017 fiscal year. During 2017 the City issued the following: \$3,895,000 of Electric Revenue Bonds Series 2017A at a premium of \$99,121 to be used for the Northeast Substation construction; State Revolving Loan of \$812,000 for the Prentis Street lift station and related sewer mains of which \$370,245 was drawn down during 2017; Board of Water and Natural Resources Solid Waste Management Program loan of \$150,000 for the purchase of a dozer at the landfill. In December 2017 the advance refunding of the Certificates of Participation in a capital lease was concluded with the original issue certificates in the amount of \$2,565,000 retired.

**City of Vermillion  
Comprehensive Annual Financial Report  
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**Management's Discussion and Analysis**

City of Vermillion's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation &						
Revenue Bonds	\$ 4,536,041	\$ 4,668,836	\$ 20,316,724	\$ 17,113,566	\$ 24,852,765	\$ 21,782,402
Notes Payable	-	-	232,743	139,636	232,743	139,636
Capital Lease	2,695,000	5,490,000	121,065	144,198	2,816,065	5,634,198
Total	<u>7,231,041</u>	<u>10,158,836</u>	<u>20,670,532</u>	<u>17,397,400</u>	<u>27,901,573</u>	<u>27,556,236</u>

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

**Economic Factors and Next Year's Budgets and Rates**

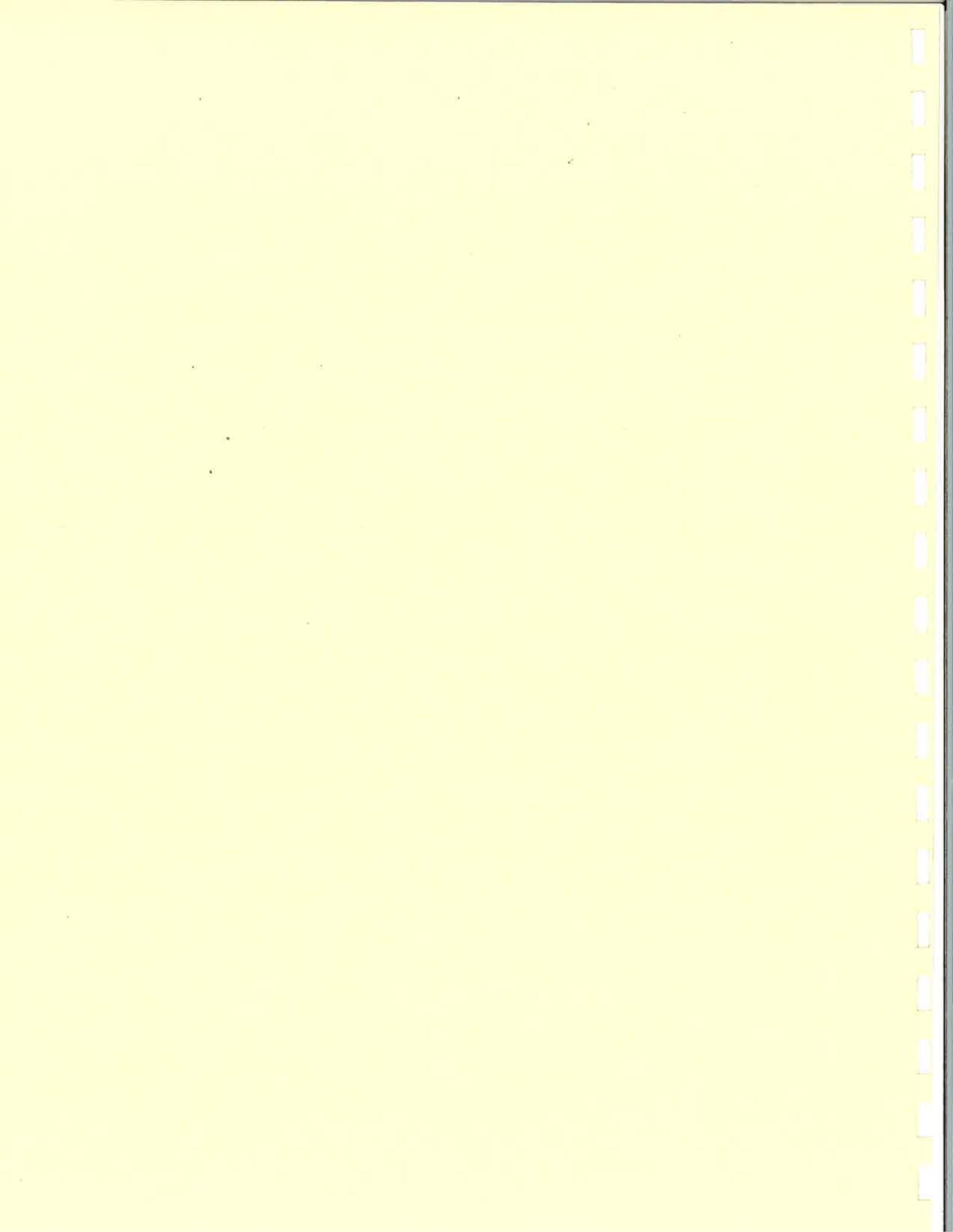
During the current fiscal year, the fund balance in the general fund decreased by \$741,762 to \$4,145,515. The final budget for 2017 had projected the fund balance to decrease by \$1,315,678. The City has appropriated \$232,667 of the general fund, fund balance for spending in the 2018 fiscal year.

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 2017 by 4%. Landfill rates were adjusted in January 2018.

**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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing & Redevelopment
<b>ASSETS</b>				
Cash & cash equivalents	\$ 274,631	\$ 824,653	\$ 1,099,284	\$ 15,962
Investments	9,075,000	9,150,000	18,225,000	-
Receivables (net, where applicable, of allowance for uncollectibles)				
Taxes receivables	29,780		29,780	-
Accounts receivable	194,233	1,012,162	1,206,395	15,866
Unbilled accounts receivable		510,553	510,553	-
Special assessments receivable	80,650	-	80,650	-
Interest receivable	45,913	64,814	110,727	-
Due from other governments	676,787	127,196	803,983	-
Internal balances	(272,364)	272,364	-	-
Inventories	85,625	1,369,991	1,455,616	-
Net Pension Assets	16,015	9,881	25,896	-
Prepaid expenses	79,031	69,323	148,354	2,230
Deposits	158,060	-	158,060	-
Restricted assets:				
Cash	45,737	3,476,849	3,522,586	160,555
Investments	549,534	570,463	1,119,997	-
Interest receivable	24,419	10,696	35,115	-
Capital assets:				
Land and construction in progress	2,470,941	5,935,537	8,406,478	-
Other capital assets, net of depreciation	34,559,069	41,296,399	75,855,468	-
Total capital assets	<u>37,030,010</u>	<u>47,231,936</u>	<u>84,261,946</u>	<u>-</u>
Total assets	<u>48,093,061</u>	<u>64,700,881</u>	<u>112,793,942</u>	<u>194,613</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension Related Deferred Outflows	<u>1,638,928</u>	<u>1,015,807</u>	<u>2,654,735</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	807,801	1,913,505	2,721,306	11,765
Customer deposits	-	90,275	90,275	-
Accrued interest payable	5,001	50,281	55,282	-
Revenue collected in advance	11,772	3,500	15,272	-
Noncurrent liabilities:				
Due within one year:				
Bonds payable	184,740	1,031,516	1,216,256	-
Notes payable	-	47,137	47,137	-
Capital lease	280,000	-	280,000	-
Accrued leave payable	194,323	150,311	344,634	1,681
Due in more than one year:				
Bonds payable with premium	4,351,301	19,285,208	23,636,509	-
Notes payable	-	185,606	185,606	-
Capital lease	2,415,000	121,065	2,536,065	-
Closure - postclosure liability	-	343,840	343,840	-
Accrued leave payable	264,677	204,728	469,405	2,611
Total liabilities	<u>8,514,615</u>	<u>23,426,972</u>	<u>31,941,587</u>	<u>16,057</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension Related Deferred Inflows	<u>312,633</u>	<u>193,256</u>	<u>505,889</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	29,309,258	27,553,973	56,863,231	-
Restricted for:				
BBB tax	353,447	-	353,447	-
Debt service	629,167	3,575,667	4,204,834	-
Stormwater	1,024,296	-	1,024,296	-
Parks Capital	20,928	-	20,928	-
Library	47,965	-	47,965	-
Business Improvement District	23,048	-	23,048	-
Landfill closure postclosure	-	94,128	94,128	-
Cumulative reserve-SDPAA	158,060	-	158,060	-
SDRS Pension Purposes	1,342,310	832,432	2,174,742	-
Other purposes	-	-	-	160,555
Unrestricted	7,996,262	10,040,260	18,036,522	18,001
Total Net Position	<u>\$ 40,904,741</u>	<u>\$ 42,096,460</u>	<u>\$ 83,001,201</u>	<u>\$ 178,556</u>

CITY OF VERMILLION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Housing & Redevelopment
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Primary Government		
						Business-Type Activities	Total	
<b>Primary government</b>								
Governmental activities:								
General government	\$ 1,319,343	\$ 158,316	\$ 15,286	\$ -	\$ (1,145,741)	\$ -	\$ (1,145,741)	\$ -
Public safety	2,468,435	283,009	321,710	-	(1,863,716)	-	(1,863,716)	-
Public works	1,939,284	364,141	1,478	941,039	(632,626)	-	(632,626)	-
Health & welfare	561,700	531,481	3,776	-	(26,443)	-	(26,443)	-
Culture & recreation	1,573,107	171,080	61,008	13,844	(1,327,175)	-	(1,327,175)	-
Conservation & development	542,244	-	-	-	(542,244)	-	(542,244)	-
Interest on long-term debt	309,347	-	-	-	(309,347)	-	(309,347)	-
Total governmental activities	<u>8,713,460</u>	<u>1,508,027</u>	<u>403,258</u>	<u>954,883</u>	<u>(5,847,292)</u>	<u>-</u>	<u>(5,847,292)</u>	<u>-</u>
Business-type activities:								
Electric	5,326,073	7,250,554	-	-	-	1,924,481	1,924,481	-
Water	1,464,998	1,891,243	-	-	-	426,245	426,245	-
Wastewater	1,768,360	1,960,026	-	322,772	-	514,438	514,438	-
Liquor	1,421,926	1,613,093	-	-	-	191,167	191,167	-
Golf	761,857	649,373	-	-	-	(112,484)	(112,484)	-
Joint powers landfill	1,465,723	1,657,264	-	143,390	-	334,931	334,931	-
Curbside recycling	<u>100,286</u>	<u>123,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,538</u>	<u>23,538</u>	<u>-</u>
Total business-type activities	<u>12,309,223</u>	<u>15,145,377</u>	<u>-</u>	<u>466,162</u>	<u>-</u>	<u>3,302,316</u>	<u>3,302,316</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 21,022,683</u>	<u>\$ 16,653,404</u>	<u>\$ 403,258</u>	<u>\$ 1,421,045</u>	<u>\$ (5,847,292)</u>	<u>\$ 3,302,316</u>	<u>\$ (2,544,976)</u>	<u>\$ -</u>
<b>Component Unit</b>								
Housing & redevelopment	<u>1,048,854</u>	<u>503</u>	<u>1,214,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,373</u>
<b>Total component unit</b>	<u>\$ 1,048,854</u>	<u>\$ 503</u>	<u>\$ 1,214,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,373</u>
<b>General revenues:</b>								
<b>Taxes:</b>								
Property taxes - levied for general purposes					2,315,948	-	2,315,948	-
Sales taxes					3,651,074	-	3,651,074	-
Sales taxes for special revenues					356,695	-	356,695	-
Other State taxes					68,682	-	68,682	-
Unrestricted investment earnings					124,778	244,975	369,753	253
Miscellaneous revenue					261,987	71,052	333,039	-
Gain on sale of capital assets					19,472	56,553	76,025	-
<b>Transfers</b>					<u>1,139,912</u>	<u>(1,139,912)</u>	<u>-</u>	<u>-</u>
Total general revenues & transfers					<u>7,938,548</u>	<u>(767,332)</u>	<u>7,171,216</u>	<u>253</u>
Change in net position					2,091,256	2,534,984	4,626,240	166,626
Net position - beginning					38,813,485	39,612,131	78,425,616	11,930
Prior Period Adjustment					-	(50,655)	(50,655)	-
Adjusted Net position - beginning					<u>38,813,485</u>	<u>39,561,476</u>	<u>78,374,961</u>	<u>11,930</u>
Net position - ending					<u>\$ 40,904,741</u>	<u>\$ 42,096,460</u>	<u>\$ 83,001,201</u>	<u>\$ 178,556</u>



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CITY OF VERMILLION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
DECEMBER 31, 2017

	General	Sales Tax	Prentis Park Improvements	City Hall Bonds	Other Governmental Funds	2017 Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 150	\$ 3,400	\$ 14,010	\$ -	\$ 212,250	\$ 229,810
Investments	3,725,000	3,463,100	-	-	1,275,000	8,463,100
Receivables (net, where applicable, of allowance for uncollectibles)						
Property taxes: delinquent	29,780	-	-	-	-	29,780
Accounts receivable	181,244	-	-	-	8,826	190,070
Special assessment receivable	-	-	-	-	80,650	80,650
Interest receivable	16,529	20,048	-	-	25,145	61,722
Due from other governments	264,069	189,313	-	-	223,405	676,787
Due from other funds	-	200,862	-	-	-	200,862
Inventory of supplies	64,418	-	-	-	-	64,418
Inventory of stores purchased for resale	21,207	-	-	-	-	21,207
Deposits	158,060	-	-	-	-	158,060
Advance to other funds	-	163,175	-	-	-	163,175
Restricted assets:						
Cash and cash equivalents	-	-	-	-	45,737	45,737
Investments	-	-	-	274,534	275,000	549,534
Interest receivable	-	-	-	-	2,719	2,719
<b>Total assets</b>	<b>4,460,457</b>	<b>4,039,898</b>	<b>14,010</b>	<b>274,534</b>	<b>2,148,732</b>	<b>10,937,631</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	181,815	22,322	496,120	-	102,128	802,385
Due to other funds	53,884	-	-	-	166,856	220,740
Revenue collected in advance	2,187	-	-	-	9,585	11,772
Advance from other funds	-	-	-	-	204,526	204,526
<b>Total liabilities</b>	<b>237,886</b>	<b>22,322</b>	<b>496,120</b>	<b>-</b>	<b>483,095</b>	<b>1,239,423</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue-sales tax and interest	47,276	50,777	-	-	21,293	119,346
Unavailable revenue-delinquent property tax and interest	29,780	-	-	-	-	29,780
Unavailable revenue-delinquent stormwater fees	-	-	-	-	5,568	5,568
Unavailable revenue-special assessments and interest	-	-	-	-	52,244	52,244
<b>Total deferred inflows of resources</b>	<b>77,056</b>	<b>50,777</b>	<b>-</b>	<b>-</b>	<b>79,105</b>	<b>206,938</b>
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Inventory	85,625	-	-	-	-	85,625
Cumulative Reserve-SDPAA	158,060	-	-	-	-	158,060
<b>Restricted:</b>						
Surface Transportation Program	1,132,126	-	-	-	-	1,132,126
BBB Purposes	-	-	-	-	341,641	341,641
Stormwater	-	-	-	-	1,009,241	1,009,241
Parks Capital	-	-	-	-	20,928	20,928
Library	-	-	-	-	47,965	47,965
Business Improvement District	-	-	-	-	23,048	23,048
Debt Service Funds	-	-	-	274,534	307,390	581,924
<b>Committed</b>						
Sales Tax Purposes	-	3,966,799	-	-	-	3,966,799
<b>Assigned:</b>						
Next Year's Budget	232,667	-	-	-	-	232,667
Unassigned	2,537,037	-	(482,110)	-	(163,681)	1,891,246
<b>Total fund balances</b>	<b>4,145,515</b>	<b>3,966,799</b>	<b>(482,110)</b>	<b>274,534</b>	<b>1,586,532</b>	<b>9,491,270</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>4,460,457</b>	<b>4,039,898</b>	<b>14,010</b>	<b>274,534</b>	<b>2,148,732</b>	<b>10,937,631</b>

CITY OF VERMILLION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 DECEMBER 31, 2017

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

Total fund balance - governmental Funds (page 21)		\$ 9,491,270
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		33,738,082
Long-term liabilities, including bonds payable, capital leases and accrued leave payable are not due and payables in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (4,462,000)	
Capital Lease	(2,695,000)	
Accrued leave payable	<u>(453,002)</u>	(7,610,002)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.		206,938
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		79,031
Accrued interest expense from the balance sheet and amortization that require current financial resources from governmental activities.		(5,001)
Bond premiums are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		(74,041)
Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		15,807
Pension related deferred outflows are components of net pension asset and therefore are not reported in the funds.		1,616,614
Pension related deferred inflows are components of net pension asset and therefore are not reported in the funds.		(308,628)
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:		
Governmental Activities:	3,965,806	
Business-Type Activities:	<u>(211,135)</u>	
		<u>3,754,671</u>
Total net position - governmental activities (page 19)		<u>\$ 40,904,741</u>

CITY OF VERMILLION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Sales Tax	Prentis Park Improvements	City Hall Bonds	Other Governmental Funds	2017 Total
<b>Revenue:</b>						
<b>Taxes:</b>						
General property taxes	\$ 2,240,258	\$ -	\$ -	\$ -	\$ 73,434	\$ 2,313,692
General sales & use taxes	1,818,493	1,817,444	-	-	352,732	3,988,669
Business Improvement District Fees	-	-	-	-	53,678	53,678
Stormwater fees	-	-	-	-	228,938	228,938
Penalties & interest on delinquent taxes	5,846	-	-	-	529	6,375
Licenses & permits	257,068	-	-	-	-	257,068
Intergovernmental revenue	779,493	-	-	-	846,563	1,626,056
Charges for goods & services	667,287	-	-	-	5,527	672,814
Fines & forfeits	50,247	-	-	-	3,673	53,920
Investment earnings	46,261	34,614	2,227	26,548	10,504	120,154
Rentals	23,740	-	-	-	-	23,740
Special assessments	441	-	-	-	211,343	211,784
Contributions & donations from private sources	43,486	-	11,050	-	9,718	64,254
Other	177,978	-	-	-	6,591	184,569
<b>Total revenue</b>	<b>6,110,598</b>	<b>1,852,058</b>	<b>13,277</b>	<b>26,548</b>	<b>1,803,230</b>	<b>9,805,711</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	1,203,431	3,000	-	-	-	1,206,431
Public safety	2,081,851	11,503	-	-	551,236	2,644,590
Public works	922,856	143,707	-	-	55,098	1,121,661
Health and welfare	552,557	8,803	-	-	-	561,360
Culture-recreation	1,217,365	-	-	-	46,235	1,263,600
Conservation and development	88,199	25,050	-	-	428,995	542,244
Debt service:						
Principal	-	-	-	2,795,000	125,000	2,920,000
Interest	-	-	-	182,890	139,231	322,121
Capital outlay:						
General government	3,535	8,610	-	-	-	12,145
Public safety	16,438	83,581	-	-	23,662	123,681
Public works	8,940	67,260	-	-	1,165,781	1,241,981
Health and welfare	2,400	2,786	-	-	-	5,186
Culture-recreation	110,841	47,008	2,044,313	-	6,300	2,208,462
<b>Total expenditures</b>	<b>6,208,413</b>	<b>401,308</b>	<b>2,044,313</b>	<b>2,977,890</b>	<b>2,541,538</b>	<b>14,173,462</b>
Excess (deficiency) of revenues over (under) expenditures	(97,815)	1,450,750	(2,031,036)	(2,951,342)	(738,308)	(4,367,751)
<b>Other financing sources (uses):</b>						
Transfers in	1,141,338	-	2,174,966	257,212	852,334	4,425,850
Transfers out	(1,787,868)	(1,484,449)	-	-	(16,121)	(3,288,438)
<b>Total other financing sources (uses)</b>	<b>(646,530)</b>	<b>(1,484,449)</b>	<b>2,174,966</b>	<b>257,212</b>	<b>836,213</b>	<b>1,137,412</b>
Net change in fund balances	(744,345)	(33,699)	143,930	(2,694,130)	97,905	(3,230,339)
Fund balance (deficit) - beginning	4,887,277	4,000,498	(626,040)	2,968,664	1,488,627	12,719,026
Change in inventory	2,583	-	-	-	-	2,583
<b>Fund balance (deficit)- ending</b>	<b>\$ 4,145,515</b>	<b>\$ 3,966,799</b>	<b>\$ (482,110)</b>	<b>\$ 274,534</b>	<b>\$ 1,586,532</b>	<b>\$ 9,491,270</b>

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, 2017

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

Net change in fund balances - total governmental funds (page 23) \$ (3,230,339)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding asset is exhausted. 2,583

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 3,591,455	
Depreciation expense	<u>(1,641,621)</u>	1,949,834

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net position on the statement of activities. (36,691)

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. 2,920,000

Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied. (176,435)

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. (38,167)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues. 10,135

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. 9,137

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. 12,774

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. 563,127

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 in the Statement of Activities as follows:

Governmental Activities:	157,555	
Business Type Activities:	<u>(52,257)</u>	105,298

Change in net position of governmental activities (page 20) \$ 2,091,256

CITY OF VERMILLION  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2017

	Business-Type Activities-Enterprise Funds							Totals	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling		
<b>ASSETS</b>									
<b>Current assets:</b>									
Cash	\$ 365,261	\$ 78,929	\$ 114,021	\$ 14,223	\$ 24,165	\$ 217,288	\$ 10,766	\$ 824,653	\$ 44,821
Investments	4,975,000	1,050,000	1,550,000	75,000	725,000	725,000	50,000	9,150,000	611,900
Receivables (net of allowance for uncollectibles)									
Accounts	587,545	140,084	164,490	22,523	4,292	83,447	9,781	1,012,162	4,163
Unbilled	331,259	77,924	95,644	-	-	-	5,726	510,553	-
Interest	36,063	7,272	9,856	497	5,459	5,010	657	64,814	5,891
Due from other governments	-	-	84,686	-	-	42,510	-	127,196	-
Inventory of supplies	753,545	187,287	67,897	-	12,430	37,328	-	1,058,487	-
Inventory of stores purchased for resale	-	-	-	263,947	47,557	-	-	311,504	-
Prepaid expenses	32,251	10,873	10,123	9,153	2,427	4,021	475	69,323	-
Due from other funds	19,878	-	-	-	-	-	-	19,878	-
<b>Total current assets</b>	<b>7,100,802</b>	<b>1,552,369</b>	<b>2,096,717</b>	<b>385,343</b>	<b>821,330</b>	<b>1,114,604</b>	<b>77,405</b>	<b>13,148,570</b>	<b>666,775</b>
<b>Noncurrent assets:</b>									
Advance to other funds	41,351	-	-	-	-	-	-	41,351	-
<b>Restricted assets:</b>									
<b>Bonds payable:</b>									
- Cash	2,449,840	134,536	436,533	-	-	17,972	-	3,038,881	-
- Investments	570,463	-	-	-	-	-	-	570,463	-
- Interest receivable	10,696	-	-	-	-	-	-	10,696	-
Landfill-closure & postclosure - Cash	-	-	-	-	-	437,968	-	437,968	-
Net Pension Assets	3,440	1,964	1,409	-	983	1,755	330	9,881	208
<b>Total noncurrent assets</b>	<b>3,075,790</b>	<b>136,500</b>	<b>437,942</b>	<b>-</b>	<b>983</b>	<b>457,695</b>	<b>330</b>	<b>4,109,240</b>	<b>208</b>
<b>Capital assets</b>									
Land & improvements	1,311	100,663	176,873	-	2,230,834	57,992	-	2,567,673	-
Buildings	3,992,047	9,852,967	14,522,054	-	1,002,798	4,127,863	-	33,497,729	-
Improvements other than buildings	16,330,042	4,543,023	4,679,915	-	-	3,146,895	-	28,699,875	-
Furniture & equipment	324,073	175,930	2,476,130	112,557	635,925	2,300,693	27,720	6,053,028	5,919,127
Construction in progress	3,074,726	-	249,165	-	43,973	-	-	3,367,864	-
Less: accumulated depreciation	(7,042,592)	(4,781,162)	(9,927,601)	(62,851)	(1,074,008)	(4,044,813)	(21,206)	(26,954,233)	(2,627,199)
<b>Total capital assets(net depreciation)</b>	<b>16,679,607</b>	<b>9,891,421</b>	<b>12,176,536</b>	<b>49,706</b>	<b>2,839,522</b>	<b>5,588,630</b>	<b>6,514</b>	<b>47,231,936</b>	<b>3,291,928</b>
<b>Total noncurrent assets</b>	<b>19,755,397</b>	<b>10,027,921</b>	<b>12,614,478</b>	<b>49,706</b>	<b>2,840,505</b>	<b>6,046,325</b>	<b>6,844</b>	<b>51,341,176</b>	<b>3,292,136</b>
<b>Total assets</b>	<b>26,856,199</b>	<b>11,580,290</b>	<b>14,711,195</b>	<b>435,049</b>	<b>3,661,835</b>	<b>7,160,929</b>	<b>84,249</b>	<b>64,489,746</b>	<b>3,958,911</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>									
Pension Related Deferred Outflows	348,831	205,950	151,438	-	100,526	176,201	32,861	1,015,807	22,314
<b>LIABILITIES</b>									
<b>Current liabilities:</b>									
Accounts payable	1,432,278	51,599	293,958	103,986	6,358	23,681	1,645	1,913,505	5,416
Customer deposits	60,183	30,092	-	-	-	-	-	90,275	-
Accrued interest payable	39,303	-	5,070	-	-	5,908	-	50,281	-
Bonds payable - current	370,000	244,881	350,641	-	-	65,994	-	1,031,516	-
Notes payable - current	-	-	-	-	-	47,137	-	47,137	-
Revenue collected in advance	-	-	-	-	3,500	-	-	3,500	-
Accrued leave payable	53,901	34,433	21,483	-	15,081	23,538	1,875	150,311	2,540
<b>Total current liabilities</b>	<b>1,955,665</b>	<b>361,005</b>	<b>671,152</b>	<b>103,986</b>	<b>24,939</b>	<b>166,258</b>	<b>3,520</b>	<b>3,286,525</b>	<b>7,956</b>
<b>Noncurrent liabilities:</b>									
Revenue bonds	9,291,972	3,534,676	5,057,188	-	-	1,401,372	-	19,285,208	-
Notes payable	-	-	-	-	-	185,606	-	185,606	-
Capital lease payable	-	-	-	-	-	121,065	-	121,065	-
Closure-postclosure liability	-	-	-	-	-	343,840	-	343,840	-
Accrued leave payable	73,417	46,899	29,261	-	20,539	32,059	2,553	204,728	3,458
<b>Total noncurrent liabilities</b>	<b>9,365,389</b>	<b>3,581,575</b>	<b>5,086,449</b>	<b>-</b>	<b>20,539</b>	<b>2,083,942</b>	<b>2,553</b>	<b>20,140,447</b>	<b>3,458</b>
<b>Total liabilities</b>	<b>11,321,054</b>	<b>3,942,580</b>	<b>5,757,601</b>	<b>103,986</b>	<b>45,478</b>	<b>2,250,200</b>	<b>6,073</b>	<b>23,426,972</b>	<b>11,414</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>									
Pension Related Deferred Inflows	68,552	37,754	27,096	-	18,901	34,264	6,689	193,256	4,005
<b>NET POSITION</b>									
Net Investment in capital assets	8,216,758	6,111,864	6,562,153	49,706	2,839,522	3,767,456	6,514	27,553,973	3,291,928
Restricted for:									
Restricted for debt service	2,991,696	134,536	431,463	-	-	17,972	-	3,575,667	-
Restricted for landfill closure & postclosure	-	-	-	-	-	94,128	-	94,128	-
Restricted for SDRS Pension Purposes	283,719	170,160	125,751	-	82,608	143,692	26,502	832,432	18,517
Unrestricted	4,323,251	1,389,346	1,958,569	281,357	775,852	1,029,418	71,332	9,829,125	655,361
<b>Total net position</b>	<b>\$ 15,815,424</b>	<b>\$ 7,805,906</b>	<b>\$ 9,077,936</b>	<b>\$ 331,063</b>	<b>\$ 3,697,982</b>	<b>\$ 5,052,666</b>	<b>\$ 104,348</b>	<b>41,885,325</b>	<b>\$ 3,965,806</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities								211,135	
Net Position of Business-type Activities								\$ 42,096,460	

CITY OF VERMILLION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities-Enterprise Funds							Governmental Activities- Internal Service Funds	
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling		Totals
<b>Operating revenue:</b>									
Charges for goods and services	\$ 5,450,607	\$ 1,600,009	\$ 1,620,313	\$ 1,613,093	\$ 649,373	\$ 1,435,991	\$ 110,260	\$ 12,479,646	\$ 638,810
Surcharge as security for debt	1,029,986	266,591	335,576	-	-	-	-	1,632,153	-
Miscellaneous	769,961	24,643	4,137	-	-	221,273	13,564	1,033,578	-
<b>Total operating revenue</b>	<b>7,250,554</b>	<b>1,891,243</b>	<b>1,960,026</b>	<b>1,613,093</b>	<b>649,373</b>	<b>1,657,264</b>	<b>123,824</b>	<b>15,145,377</b>	<b>638,810</b>
<b>Operating expenses:</b>									
Personal services	710,719	516,098	365,618	-	309,778	456,087	81,640	2,439,940	37,117
Other current expense	342,458	279,015	650,838	264,497	258,004	504,900	16,792	2,316,504	64,905
Materials (cost of goods sold)	3,230,799	245,702	-	1,148,600	160,945	-	-	4,786,046	-
Depreciation/amortization	620,864	324,855	606,865	8,829	44,325	451,803	2,495	2,059,836	407,126
<b>Total operating expenses</b>	<b>4,904,840</b>	<b>1,365,670</b>	<b>1,623,121</b>	<b>1,421,926</b>	<b>773,052</b>	<b>1,412,790</b>	<b>100,927</b>	<b>11,602,326</b>	<b>509,148</b>
<b>Operating income (loss)</b>	<b>2,345,714</b>	<b>525,573</b>	<b>336,905</b>	<b>191,167</b>	<b>(123,679)</b>	<b>244,474</b>	<b>22,897</b>	<b>3,543,051</b>	<b>129,662</b>
<b>Nonoperating revenue (expense):</b>									
Interest earned	199,552	11,241	17,036	831	7,622	8,188	505	244,975	5,921
Rental revenue	-	3,020	-	-	68,032	-	-	71,052	-
Intergovernmental Revenue	-	-	322,772	-	-	143,390	-	466,162	-
Interest expense and fiscal charges	(437,974)	(103,267)	(150,808)	-	-	(53,039)	-	(745,088)	-
Gain(loss) on discarded equipment	(5,752)	(178)	(7,544)	-	(592)	56,553	-	42,487	19,472
<b>Total nonoperating revenue (expense)</b>	<b>(244,174)</b>	<b>(69,184)</b>	<b>181,456</b>	<b>831</b>	<b>75,062</b>	<b>155,092</b>	<b>505</b>	<b>79,588</b>	<b>25,393</b>
<b>Income (Loss) before contributions and transfers</b>	<b>2,101,540</b>	<b>436,389</b>	<b>518,361</b>	<b>191,998</b>	<b>(48,617)</b>	<b>399,566</b>	<b>23,402</b>	<b>3,622,639</b>	<b>155,055</b>
Transfer in	9,000	-	-	-	-	-	-	9,000	2,500
Transfer out	(884,950)	(38,593)	(28,679)	(194,200)	-	-	(2,500)	(1,148,912)	-
<b>Change in net position</b>	<b>1,225,590</b>	<b>397,806</b>	<b>489,682</b>	<b>(2,202)</b>	<b>(48,617)</b>	<b>399,566</b>	<b>20,902</b>	<b>2,482,727</b>	<b>157,555</b>
<b>Total net position - beginning</b>	<b>14,589,834</b>	<b>7,408,100</b>	<b>8,638,909</b>	<b>333,265</b>	<b>3,746,599</b>	<b>4,653,100</b>	<b>83,446</b>		<b>3,808,251</b>
Prior Period Adjustment	-	-	(50,655)	-	-	-	-		-
<b>Adjusted Net Position Beginning</b>	<b>14,589,834</b>	<b>7,408,100</b>	<b>8,588,254</b>	<b>333,265</b>	<b>3,746,599</b>	<b>4,653,100</b>	<b>83,446</b>		<b>3,808,251</b>
<b>Total net position - ending</b>	<b>\$ 15,815,424</b>	<b>\$ 7,805,906</b>	<b>\$ 9,077,936</b>	<b>\$ 331,063</b>	<b>\$ 3,697,982</b>	<b>\$ 5,052,666</b>	<b>\$ 104,348</b>		<b>\$ 3,965,806</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities								52,257	
Change in Net Position of Business-type Activities (page 20)								\$ 2,534,984	

CITY OF VERMILLION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities-Enterprise Funds							Governmental Activities-Internal Service Funds	
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling		Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Cash received from customers	\$ 6,937,821	\$ 1,820,396	\$ 1,910,723	\$ 1,594,237	\$ 716,280	\$ 1,632,577	\$ 122,571	\$ 14,734,405	\$ 638,936
Cash received from interfund services provided	418,948	44,143	13,099	-	-	-	-	476,190	-
Cash paid for personal services	(829,064)	(575,928)	(420,736)	-	(357,391)	(532,922)	(92,463)	(2,808,504)	(42,557)
Cash paid for interfund services	(2,072)	(86,158)	(118,580)	(7,791)	(26,847)	(7,223)	-	(248,671)	-
Cash paid to suppliers	(3,579,713)	(456,467)	(549,325)	(1,308,139)	(392,084)	(473,737)	(16,630)	(6,866,098)	(61,085)
Net cash provided by (used for) operating activities	2,945,720	745,986	835,178	188,307	(60,042)	618,695	13,478	5,287,322	535,294
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>									
Acquisition and construction of capital assets	(2,526,958)	(170,342)	(654,900)	(1,185)	(13,679)	(488,002)	-	(3,856,066)	(579,662)
Grants	-	-	238,086	-	-	143,390	-	381,476	-
Proceeds from sale of assets	613	-	-	-	2,010	64,022	-	66,845	43,425
Proceeds from sale of bonds	3,994,121	-	370,254	-	-	150,000	-	4,514,375	-
Bond Issuance Costs	(86,875)	-	-	-	-	-	-	(86,875)	-
Principal paid on bonds and capital leases	(390,000)	(318,877)	(391,141)	-	-	(144,076)	-	(1,234,094)	-
Interest paid on bonds and capital leases	(468,805)	(103,267)	(148,999)	-	-	(53,137)	-	(774,208)	-
Net cash provided by (used for) capital and related financing activities	532,296	(592,486)	(586,700)	(1,185)	(11,669)	(328,803)	-	(988,547)	(536,237)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>									
Due from other funds	5,490	-	-	2,712	-	-	(2,712)	5,490	-
Advances to Other Funds	205,684	-	-	-	-	-	-	205,684	-
Transfer in	9,000	-	-	-	-	-	-	9,000	-
Transfer (out)	(684,950)	(38,583)	(28,679)	(194,200)	-	-	-	(1,146,412)	-
Net cash (used for) non-capital financing activities	(684,776)	(38,583)	(28,679)	(191,488)	-	-	(2,712)	(926,238)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Interest on investments	190,859	8,798	14,887	884	6,686	5,108	-	227,220	2,998
Purchase of investments	(572,374)	(100,000)	(200,000)	-	-	(375,000)	-	(1,247,374)	-
Sale of investments	-	-	-	-	50,000	-	-	50,000	100
Net cash provided by (used for) investing activities	(381,515)	(91,202)	(185,113)	884	56,686	(369,894)	-	(970,154)	3,098
Net increase (decrease) in cash and cash equivalents	2,431,725	23,715	34,686	(3,482)	(15,025)	(80,002)	10,766	2,402,383	2,155
Cash and cash equivalents beginning of year	383,376	189,750	515,868	17,705	39,190	753,230	-	1,899,119	42,666
Cash and cash equivalents end of year	\$ 2,815,101	\$ 213,465	\$ 550,554	\$ 14,223	\$ 24,165	\$ 673,228	\$ 10,766	\$ 4,301,502	\$ 44,821
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>									
Operating income (loss)	\$ 2,345,714	\$ 525,573	\$ 336,905	\$ 191,167	\$ (123,679)	\$ 244,474	\$ 22,897	\$ 3,543,051	\$ 129,662
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:									
Depreciation	620,864	324,855	606,665	8,829	44,325	451,803	2,495	2,059,836	407,126
Rental revenue	-	3,020	-	-	68,032	-	-	71,052	-
Cash Paid due to Prior Period Adjustment	-	-	(50,655)	-	-	-	-	(50,655)	-
(Increase) decrease in assets and increase (decrease) in liabilities:									
Accounts receivable	(75,011)	(29,384)	(36,204)	(18,856)	375	(17,227)	(1,253)	(177,560)	(228)
Due from other governments	-	-	-	-	-	(7,460)	-	(7,460)	-
Inventory	54,787	(17,113)	8,728	15,070	3,911	2,431	-	67,814	-
Prepaid expenses	(521)	(360)	578	(652)	(846)	(241)	(78)	(2,120)	-
Net Pension Asset	(3,440)	(1,964)	(1,409)	-	(983)	(1,755)	(330)	(9,881)	(208)
Deferred Outflows of Resources	(61,433)	(27,275)	(19,506)	-	(10,574)	(28,278)	(5,666)	(152,732)	197
Deferred Inflows of Resources	(125,074)	(77,941)	(52,568)	-	(39,075)	(65,696)	(12,049)	(372,403)	(9,770)
SDRS Pension Payable	68,552	37,754	27,096	-	18,901	33,436	6,413	192,152	4,005
Accounts payable	118,912	(435)	24,279	(7,251)	(3,047)	(2,220)	240	130,478	4,174
Revenue collected in advance	-	-	-	-	(1,500)	-	-	(1,500)	-
Leave liability	3,050	9,596	(8,731)	-	(15,882)	(14,542)	809	(25,700)	336
Closure liability	-	-	-	-	-	23,970	-	23,970	-
Customer deposits	(680)	(340)	-	-	-	-	-	(1,020)	-
Net cash provided by (used for) operating activities	\$ 2,945,720	\$ 745,986	\$ 835,178	\$ 188,307	\$ (60,042)	\$ 618,695	\$ 13,478	\$ 5,287,322	\$ 535,294
Noncash investing, capital and financing activities:									
Transfer In (fixed asset related)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,500
Exchange of payables for capital assets	892,912	-	206,554	-	-	-	-	1,099,466	-
Gain (loss) on disposal of capital assets not affecting operating income	(5,752)	(178)	(7,544)	-	(592)	-	-	(14,066)	19,472
Total noncash investing, capital and financing activities	\$ 887,160	\$ (178)	\$ 199,010	\$ -	\$ (592)	\$ -	\$ -	\$ 1,085,400	\$ 21,972
Reconciliation of cash and cash equivalents:									
Unrestricted	\$ 365,261	\$ 78,929	\$ 114,021	\$ 14,223	\$ 24,165	\$ 217,288	\$ 10,766	\$ 824,653	\$ 44,821
Restricted	2,449,840	134,536	436,533	-	-	455,940	-	3,476,849	-
Total reconciliation of cash & cash equivalents	\$ 2,815,101	\$ 213,465	\$ 550,554	\$ 14,223	\$ 24,165	\$ 673,228	\$ 10,766	\$ 4,301,502	\$ 44,821

**Notes to Financial Statements**

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**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 30<sup>th</sup>, 2017. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained by writing to the Commission at PO Box 362, Vermillion, SD 57069.

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

**Notes to Financial Statements**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**B. Government-wide and fund financial statements**

Government-wide Financial Statements:

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

In the government-wide Statement of Net Position, the governmental, business-type and component unit activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts-net 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 works, public safety, health & welfare, culture & recreation, conservation & development) and each segment of the business-type activities. The functions are supported by general government revenues and related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Revenues that are not classified as program revenues, including taxes, are presented as general revenues.

Fund Financial Statements:

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

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

Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue Fund:

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

Capital Projects Fund:

Prentis Park Improvements – This fund is used to account for the construction improvements to Prentis Park.

Debt Service Fund:

City Hall Bonds Fund – 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 City reports the following major enterprise funds:

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

**Notes to Financial Statements**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

**C. Measurement Focus and Basis of Accounting**

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

**Notes to Financial Statements**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City is 30 days. The revenues which are accrued at December 31, 2017 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:

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

Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

State statutes authorize the City to invest in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts that exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish revocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or better or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota. Deposits and investments during the year have not varied from these statutes and were consistent with those held by the City at year-end.

Deposits

The City's deposits at December 31, 2017 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 \$18,500,000. The City's bank deposits, per banks, at December 31, 2017 were \$19,462,369 and \$176,517 in deposits of the Vermillion Housing and Redevelopment Commission for total bank deposits of \$19,638,886.

Investment

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

The City also participates in the South Dakota Public Funds Investment Trust (SDFIT). The SDFIT was established under SDCL 1-24 and is an external investment pool created for South Dakota local government investing. A nine-member board regulates it with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one-dollar per share by adjusting the rate of return on a daily basis. 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 were no limitations or restrictions on withdrawals for the SDFIT investments. The investment in SDFIT is unrated. The City's SDFIT balance at December 31, 2017 was \$3,792,850.

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

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

Custodial Risk – Investment

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

Assignment of Investment Income

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

**F. Restricted Cash and Investments**

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

Fund	Restricted By	Amount
Special Assessment Bonds Fund	Bond Covenants	\$ 290,407
Prentis Park Improvements Debt Service	Bond Covenants	30,330
City Hall Debt Service Fund	External Parties	274,534
Electric Fund	Bond Covenants	3,020,303
Water Fund	Bond Covenants	134,536
Wastewater Fund	Bond Covenants	436,533
Joint Powers-Landfill Fund	Bond Covenants	17,972
Joint Powers-Landfill Fund	State Agency	437,968
Total Restricted Cash and Investments		<u>\$ 4,642,583</u>

**Notes to Financial Statements**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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:

<u>Restricted Investments</u>	<u>Amount</u>
U.S. Treasury Note	\$ 565,571

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 \$565,751 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, 2017, balances of short-term interfund amounts payable or receivable have been recorded as: "due to other funds", and "due from other funds", respectively. Noncurrent portions of interfund loan receivables are reported as advances. Any residual balance outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

The purpose of interfund balances is to finance short-term cash flow shortages of various funds and to account for the current portion of special assessment bonds.

An additional \$211,135 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, 2017 is as follows:

City of Vermillion  
 Comprehensive Annual Financial Report  
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Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

	Short-term Interfund Receivables	Short-term Interfund Payables
General Fund	\$ -	\$ 53,884
Special Revenue Funds:		
Sales Tax	200,862	-
911 Fund	-	59,124
Enterprise Funds:		
Electric	19,878	-
Capital Projects Funds:		
Airport	-	87,854
Debt Service Funds:		
Special Assessments	-	19,878
	<u>\$ 220,740</u>	<u>\$ 220,740</u>

The composition of long-term advances as of December 31, 2017, is as follows:

	Advance to	Advance (from)
<u>Enterprise</u>		
Electric	\$ 41,351	\$ -
<u>Debt Service</u>		
TIF District No. 6	-	163,175
Special Assessment	-	41,351
<u>Special Revenue</u>		
Sales Tax	163,175	-
	<u>\$ 204,526</u>	<u>\$ 204,526</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.

Payments made to vendors for services that will benefit periods beyond December 31, 2017 are recorded as prepaid items in the government-wide financial statements and in the proprietary funds financial statements.

Notes to Financial Statements

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Note 1 – Summary of Significant Accounting Policies (Continued)

**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 three sources: sales tax, special assessments, and interest income. 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. 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

Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

Interest costs for capital asset construction within enterprise funds are capitalized. However, all other interest costs are recorded in the debt service fund. Interest costs incurred during 2017 were \$1,192,131 of which \$124,922 was capitalized.

**M. Accumulated Unpaid Vacation and Sick Leave**

Annual leave is earned by the employees at the rate of 48 hours to 200 hours per year depending on length of service. Upon termination, employees are entitled to receive compensation for their accrued annual leave balance on the basis of their current rate of pay. Sick leave is earned by the employees at the rate of 120 to 160 hours per year depending on length of service to a maximum of 1700 hours. Upon termination, employees with five years or more of service are entitled to receive compensation for their accrued sick leave balance on the basis of their current rate of pay times one-third of their sick leave balance. Compensation may not exceed one third of 720 hours for 5 to 10 years of service, and one-third of 760 hours for more than 10 years of service.

Vested or accumulated vacation and sick leave including related employee benefits that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. Amounts of vested or accumulated vacation and sick leave including related employee benefits that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. Vested or accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The accrued leave payable has been computed base on rates of pay in effect of December 31, 2017. 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. Equity Classifications**

Government-wide Financial Statements:

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

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

Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

Fund Financial Statements:

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

**P. Application of Net Position**

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

**Q. Fund Balance Classification Policies and Procedures**

In Accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Municipality classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (i.e. City Council) and does not lapse at year-end. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balances may be assigned by action of the City Council.
- Unassigned – includes positive fund balance with in the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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  
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**Notes to Financial Statements**

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**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, 2017.

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

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

The combined tax rate to finance municipal services including principal and interest on long-term debt for the year ended December 31, 2017 was \$5.869 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	\$ 38,131
Uncollectibles related to ambulance charges	22,753
Uncollectibles related to mobile home fees	238
Uncollectibles related to miscellaneous fees	1,824
Uncollectibles related to electric charges	21,918
Uncollectibles related to water charges	6,359
Uncollectibles related to wastewater charges	4,945
Uncollectibles related to golf course charges	6,386
Uncollectibles related to curbside recycling charges	442
	<u>\$ 102,996</u>

Amounts due from other governments include \$560,138 from the State of South Dakota, \$96,284 due from Clay County, \$42,510 due from the City of Yankton, and \$105,051 due from the Federal Government.

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**Notes to Financial Statements**

**Note 4 – Capital Assets**

A summary of the changes in the capital assets for the year ended December 31, 2017, is as follows:

	Balance January 1, 2017	Additions	Deletions	Reclassify	Balance December 31, 2017
<b>Governmental Activities:</b>					
<b>Capital Assets, not being depreciated</b>					
Land	\$ 1,231,441	\$ -	\$ -	\$ -	\$ 1,231,441
Infrastructure Land	401,374	-	-	-	401,374
Construction in Progress	4,376,227	3,173,780	(6,711,881)	-	838,126
Total capital assets, not being depreciated	<u>6,009,042</u>	<u>3,173,780</u>	<u>(6,711,881)</u>	<u>-</u>	<u>2,470,941</u>
<b>Capital Assets, being depreciated</b>					
Buildings	19,529,821	6,051,812	(4,102)	(344,560)	25,232,971
Furniture & Equipment	8,604,869	905,646	(599,630)	371,274	9,282,159
Books	1,794,449	88,561	(74,141)	-	1,808,869
Infrastructure	21,692,174	660,069	-	-	22,352,243
Total capital assets, being depreciated	<u>51,621,313</u>	<u>7,706,088</u>	<u>(677,873)</u>	<u>26,714</u>	<u>58,676,242</u>
<b>Less: Accumulated Depreciation for:</b>					
Buildings	(5,699,285)	(652,819)	1,671	193,418	(6,157,015)
Furniture & Equipment	(4,595,533)	(625,532)	532,753	(217,632)	(4,905,944)
Books	(702,446)	(35,292)	59,620	-	(678,118)
Infrastructure	(11,640,992)	(735,104)	-	-	(12,376,096)
Total Accumulated Depreciation	<u>(22,638,256)</u>	<u>(2,048,747)</u>	<u>594,044</u>	<u>(24,214)</u>	<u>(24,117,173)</u>
Total Capital Assets, being depreciated, net	<u>28,983,057</u>	<u>5,657,341</u>	<u>(83,829)</u>	<u>2,500</u>	<u>34,559,069</u>
Governmental activities capital assets, net	<u>\$ 34,992,099</u>	<u>\$ 8,831,121</u>	<u>\$ (6,795,710)</u>	<u>\$ 2,500</u>	<u>\$ 37,030,010</u>

The following commitments are included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2017
<b>Culture &amp; Recreation:</b>		
Airport	\$ 738,343	\$ 705,393
Basketball Courts	222,293	129,433
Bike Path	87,000	3,300
	<u>\$ 1,047,636</u>	<u>\$ 838,126</u>

**City of Vermillion  
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**Notes to Financial Statements**

**Note 4 – Capital Assets (Continued)**

	Balance January 1, 2017					Balance December 31, 2017			
		Additions	Deletions	Reclassify					
Business-Type Activities:									
Capital Assets, not being depreciated									
Land and Improvements	\$ 2,487,229	\$ 80,444	\$ -	\$ -	\$				\$ 2,567,673
Construction in Progress	305,764	4,373,911	(1,311,811)	-					3,367,864
Total capital assets, not being depreciated	<u>2,792,993</u>	<u>4,454,355</u>	<u>(1,311,811)</u>	<u>-</u>					<u>5,935,537</u>
Capital Assets, being depreciated									
Buildings	33,431,472	66,257	-	-					33,497,729
Improvements Other than Buildings	27,498,659	1,245,554	(44,338)	-					28,699,875
Furniture & Equipment	5,704,679	535,222	(160,159)	(26,714)					6,053,028
Total capital assets, being depreciated	<u>66,634,810</u>	<u>1,847,033</u>	<u>(204,497)</u>	<u>(26,714)</u>					<u>68,250,632</u>
Less: Accumulated Depreciation for:									
Buildings	(10,982,695)	(884,062)	-	-					(11,866,757)
Improvements Other than Buildings	(9,897,676)	(877,026)	35,024	-					(10,739,678)
Furniture & Equipment	(4,215,499)	(298,748)	142,235	24,214					(4,347,798)
Total Accumulated Depreciation	<u>(25,095,870)</u>	<u>(2,059,836)</u>	<u>177,259</u>	<u>24,214</u>					<u>(26,954,233)</u>
Total Capital Assets, being depreciated, net	<u>41,538,940</u>	<u>(212,803)</u>	<u>(27,238)</u>	<u>(2,500)</u>					<u>41,296,399</u>
Business-type activities capital assets, net	\$ <u>44,331,933</u>	\$ <u>4,241,552</u>	\$ <u>(1,339,049)</u>	\$ <u>(2,500)</u>	\$				\$ <u>47,231,936</u>

The following commitments are included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2017
Golf Course Housing Sites	\$ 252,804	\$ 43,973
Wastewater Prentis street lift	1,406,082	249,165
Electric NE Substation	4,848,300	3,074,726
	<u>\$ 6,507,186</u>	<u>\$ 3,367,864</u>

**City of Vermillion  
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**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	\$ 195,759
Public Safety	147,084
Public Works	907,611
Health & Welfare	22,802
Culture & Recreation	<u>368,365</u>
Total depreciation expense	
- Governmental Activities	1,641,621
- Internal Service Funds	<u>407,126</u>
	<u>\$ 2,048,747</u>
Business-Type Activities:	
Electric	\$ 620,864
Water	324,855
Wastewater	606,665
Liquor	8,829
Golf Course	44,325
Joint Powers Landfill	451,803
Curbside Recycling	<u>2,495</u>
Total depreciation expense	
- Business-Type Activities	<u>\$ 2,059,836</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	\$ 2,567,673
Construction in Progress	838,126	3,367,864
Capital Assets (Net of Accumulated Depreciation)	34,559,069	41,296,399
Bond Proceeds Remaining		2,092,035
Less:		
Accounts Payable, associated with Construction in Progress	(489,711)	(1,099,466)
General Obligation Bond	(2,804,041)	-
Revenue Bonds	(1,732,000)	(20,316,724)
Notes Payable	-	(232,743)
Capital Leases	<u>(2,695,000)</u>	<u>(121,065)</u>
Net Investment in Capital Assets	<u>\$ 29,309,258</u>	<u>\$ 27,553,973</u>

**City of Vermillion  
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**Notes to Financial Statements**

**Note 5 – Long-Term Debt**

Notes Payable

The City currently has two 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 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 begins on June 1, 2018 and matures December 1, 2024.

Notes Payable outstanding at December 31, 2017 is as follows:

Purpose	Interest	Outstanding
	Rate	Amounts
Solid Waste Management-2010-203	2.25%	\$ 82,743
Solid Waste Management-2017-401	2.00%	150,000
		\$ 232,743

Annual debt service requirements to maturity are as follows:

Year Ending December 31	Business-Type Activities	
	Principal	Interest
2018	\$ 47,137	\$ 4,611
2019	48,153	3,594
2020	49,190	2,558
2021	21,411	1,659
2022	21,842	1,228
2023-2024	45,010	1,131
Total	\$ 232,743	\$ 14,781

Revenue Bonds

SRF Loans

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

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

On December 6, 2016, the city issued an \$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. The loan is for 3.0% for twenty (20) years with repayment starting April 1, 2019. The City completed drawdowns of \$370,254 in 2017 expecting total drawdowns to be completed in 2018.

City of Vermillion  
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Notes to Financial Statements

Note 5 – Long-Term Debt (Continued)

TIF Bonds

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

General Obligation Bonds

On May 10, 2016, the City issued \$3,005,000 general obligation bonds at a premium of \$90,131.75 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.

A detail of bonds outstanding follows:

Purpose	Interest Rate	Maturity Date	Amounts
<b>Governmental Activities:</b>			
TIF Incremental Revenue Bonds	3.50%	6/15/2025	\$ 1,732,000
General Obligation Bonds, Series 2016	1.00%-3.50%	12/1/2035	2,804,041
			<u>\$ 4,536,041</u>
<b>Business-Type Activities:</b>			
Electric Surcharge Bond, 2016	3.45%	12/1/2036	\$ 3,816,972
Electric Revenue Bond, Series 2009 A & B	2.0%-6.25%	12/1/2035	5,845,000
Wastewater System Revenue Bond, Series 2003 (SRF)	3.50%	9/1/2024	114,414
Wastewater System Revenue Bond, Series 2008 (SRF)	3.25%	9/1/2030	2,979,637
Wastewater System Revenue Bond, Series 2009 (SRF)	2.50%	1/1/2030	178,524
Wastewater System Revenue Refunding Bond, Series 2013 (SRF)	1.5%-2.45%	7/1/2026	1,765,000
Wastewater System Revenue Refunding Bond, Series 2017 (SRF)	3.00%	1/1/2039	370,254
Joint Powers Revenue Bond 2013 (SRF)	3.00%	2/15/2035	1,467,366
Water Utility Bond, Series 2002 (SRF)	3.50%	4/1/2024	608,204
Water Utility Bond, Series 2006 (SRF)	2.50%	1/1/2028	2,079,474
Water Utility Bond, Series 2013 (SRF)	2.25%	10/1/2033	1,091,879
Total Business-Type Activities			<u>\$ 20,316,724</u>

Bond debt service requirements to maturity are as follows:

Year Ending December 31:	Government		Enterprise	
	Principal	Interest	Principal	Interest
2018	\$ 184,740	\$ 130,919	\$ 1,031,516	\$ 702,193
2019	247,180	127,224	1,206,484	727,500
2020	316,826	119,887	1,239,051	694,121
2021	368,643	110,342	1,273,831	655,940
2022	417,113	99,044	1,314,213	614,718
2023-2027	1,557,498	319,074	6,533,903	2,407,186
2028-2032	815,000	171,525	4,548,526	1,324,711
2033-2037	555,000	39,201	3,047,051	382,064
2038-2039	-	-	30,177	4,064
Total	<u>\$ 4,462,000</u>	<u>\$ 1,117,216</u>	<u>\$ 20,224,752</u>	<u>\$ 7,512,497</u>

The Governmental General Obligation Bonds and Electric Surcharge Bonds are shown net of unamortized premium \$74,041 and \$91,972 respectively on the Statement of Net Position.

**City of Vermillion  
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**Notes to Financial Statements**

**Note 5 – Long-Term Debt (Continued)**

Capital Lease

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

An agreement with The First National Bank in Sioux Falls (Lessor/Trustee) for the financing to construct a new city hall building. The Declaration of Trust Agreement, the Lease-Purchase Agreement and Ground Lease Agreement between the City and The First National Bank along with the issuance of \$4,475,000 of Certificates of Participation were completed in September 2007. These agreements are evidence of the Bank's ownership interest in the lease-purchase assets with the City of Vermillion. 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 loan purchase was refunded December 15, 2016. The Series 2015 Certificate in participation in a loan- purchase 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. Sales tax funds have been pledged to make the lease payments over the term of the lease.

An agreement with Kinetic Leasing for the financing of a 2012 Caterpillar Motorgrader at the landfill. A down payment of \$12,737 was made in 2012 and an agreement for \$253,282 to be paid back with an interest rate of 3.25% and maturing in January 1, 2019. This lease is paid from the Joint Powers Landfill-Recycling Fund. The equipment is recorded at \$266,019 less accumulated depreciation at year end of \$239,417.

A detail of capital leases outstanding follows:

Purpose	Interest Rate	Outstanding Amounts
City Hall - First National Bank	1.45%-2.80%	\$ 2,695,000
Less: Accumulated Depreciation		(1,327,481)
Joint Powers - Kinetic Leasing	3.25%	121,065
Less: Accumulated Depreciation		(239,417)
		\$ 1,249,167

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, 2017.

Year Ending December 31	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 280,000	\$ 58,870	\$ -	\$ -	\$ 338,870
2019	280,000	54,810	121,065	3,935	459,810
2020	285,000	50,330	-	-	335,330
2021	290,000	45,200	-	-	335,200
2022	300,000	39,400	-	-	339,400
2023-2026	1,260,000	84,828	-	-	1,344,828
Totals	2,695,000	333,438	121,065	3,935	3,153,438
Minimum Lease Payments					3,153,438
Less:					
Amount Representing Interest					(337,373)
Present Value					of Minimum Lease Payments
					\$ 2,816,065

**City of Vermillion  
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**Notes to Financial Statements**

**Note 5 – Long-Term Debt (Continued)**

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 landfill operations extended the useful life of the landfill due to the higher compaction and less cover.

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

The \$343,840 reported as landfill closure and post closure care liability at December 31, 2017, represents the cumulative amount reported to date based on the use of 20.52 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,332,028 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. The City expects to close the landfill in the year 2076. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The City reports the closure and postclosure care funds as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earning are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenues.

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
<b>Governmental Activities:</b>					
Revenue Bonds Payable	\$ 1,732,000	\$ -	\$ -	\$ 1,732,000	\$ 59,740
Capital Leases	5,490,000	-	2,795,000	2,695,000	280,000
General Obligation	2,855,000	-	125,000	2,730,000	125,000
Unaccreted Bond Premium	81,836	-	7,795	74,041	-
Compensated Absences	420,497	38,503	-	459,000	194,323
Net Pension Liability	599,194	-	599,194	-	-
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$ 11,178,527</b>	<b>\$ 38,503</b>	<b>\$ 3,526,989</b>	<b>\$ 7,690,041</b>	<b>\$ 659,063</b>
<b>Business-Type Activities:</b>					
Revenue Bonds Payable	\$ 17,113,566	\$ 4,265,254	\$ 1,154,068	\$ 20,224,752	\$ 1,031,516
Unaccreted Bond Premium	-	99,121	7,149	91,972	-
Notes Payable	139,636	150,000	56,893	232,743	47,137
Capital Leases	144,198	-	23,133	121,065	-
Closure/Postclosure Liability	319,870	23,970	-	343,840	-
Compensated Absences	380,739	-	25,700	355,039	150,311
Net Pension Liability	372,403	-	372,403	-	-
<b>Business-Type Activities Long-Term Liabilities</b>	<b>\$ 18,470,412</b>	<b>\$ 4,538,345</b>	<b>\$ 1,639,346</b>	<b>\$ 21,369,411</b>	<b>\$ 1,228,964</b>

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.

**City of Vermillion  
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**Notes to Financial Statements**

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**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 2019. The following is the amount of current lease payments:

Year	Amount
2018	\$ 11,250
2019	11,250

The Bluff's golf course entered into a lease with Yamaha Golf & Utility to lease 40 golf carts and 2 beverage carts for 5 years beginning February 1, 2014 and ending 2018. The following is the amount of the current lease payments:

Year	Amount
2018	\$ 23,190

**Note 7 – Conduit Debt**

In previous years, the municipality has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the municipality, the State of South Dakota, nor any other political subdivision of the state, is obligated in any manner for the repayment of their conduit debt issues. Accordingly, the bond is not reported as liabilities in the accompanying financial statements. At the beginning of 2017 the balance was \$195,000, which was paid off in the current fiscal year. As of December 31, 2017, there were no series of conduit bonds outstanding.

**Note 8 – Deficit Fund Equity**

As of December 31, 2017, the following funds had deficit fund equity in the amount of:

Debt Service Funds:		
TIF District No. 6 Bonds	\$	163,175
Capital Projects:		
Bike Path		506
Prentis Park Improvements		482,110

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 – Prentis Park Improvements and Bike Path will be replenished with transfer in from the general fund and second penny sales tax fund.

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**Notes to Financial Statements**

**Note 9 – Transfers**

The following is a summary of transfers between funds:

	Governmental Fund Types				Business-Fund Type		Total Transfers Out
	General	Prentiss Park Improvements	City Hall Bonds	Nonmajor Governmental Funds	Electric	Internal Service	
General	\$ -	\$ 1,087,483	\$ 257,212	\$ 443,173	\$ -	\$ -	\$ 1,787,868
Sales Tax	-	1,087,483	-	396,966	-	-	1,484,449
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	3,926	-	-	12,195	-	-	16,121
Enterprise Funds	-	-	-	-	-	2,500	2,500
<b>Total Transfers in</b>	<b>\$ 1,141,338</b>	<b>\$ 2,174,966</b>	<b>\$ 257,212</b>	<b>\$ 852,334</b>	<b>\$ 9,000</b>	<b>\$ 2,500</b>	<b>\$ 4,437,350</b>

Transfers are used to:

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

**Note 10 – Restricted Net Position**

Restricted Net Position for the year ended December 31, 2017 was as follows:

Major Purposes:

BBB Sales - Enabling Legislation	\$ 353,447	
Debt Service – External Creditors	4,204,834	
Stormwater – Enabling Legislation	1,024,296	
Library – Enabling Legislation	47,965	
Business Improvement District – Enabling Legislation	23,048	
<b>Total Major Purposes</b>		<b>\$ 5,653,590</b>

Other Purposes:

Parks Capital	\$ 20,928	
Landfill closure postclosure	94,128	
Cumulative reserve - SDPA	158,060	
SDRS Pension	2,174,742	
<b>Total Other Purposes</b>		<b>2,447,858</b>

**Total Restricted Net Position** **\$ 8,101,448**

**Notes to Financial Statements**

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**Note 11 – 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, 2017, the municipality managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance and Property Insurance:

The municipality has been unable to obtain liability coverage for torts; theft of or damage to property; and errors and omission of public officials at a cost it considered to be economically justifiable. The municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays an annual premium to the pool to provide general liability, property, inland marine, automobile liability, official's liability, law enforcement liability, boiler and liquor liability coverage. The agreement with the South Dakota Public Assurance Alliance provides that the above coverages will be provided to a \$1,000,000 limit. Member's premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. The municipality carries \$5,000 deductible for the officials liability coverage; \$3,000 deductible for law enforcement liability coverage; zero deductible for general liability; \$1,000 deductible for buildings, contents, miscellaneous property and EDP hardware; automobile liability with \$100 deductible for comprehensive and \$500 for collision and liquor liability coverage.

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

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

As of December 31, 2017, the Municipality has vested balance in the cumulative reserve fund of \$158,060.

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

Notes to Financial Statements

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**Note 11 – Risk Management (Continued)**

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 \$12,688 for the payment of future unemployment benefits. During the current year ended December 31, 2017, the City paid \$354 in unemployment benefits. No material claims are anticipated in the next fiscal year.

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

**Note 12 – 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 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/> 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, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of

Notes to Financial Statements

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**Note 12 – Pension Plan (Continued)**

service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

If the SDRS market value funded ratio is 100% or more – 3.1% COLA

If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI

- 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
- 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA

If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

- 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 3<sup>rd</sup> 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 3<sup>rd</sup> 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.

**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. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2017, 2016, and 2015, equal to required contributions each year, we as follows:

Year	Amount
2017	\$ 343,297
2016	\$ 329,680
2015	\$ 333,487

City of Vermillion  
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Notes to Financial Statements

Note 12 – Pension Plan (Continued)

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

At June 30, 2017, SDRS is 100.1% funded and accordingly has a net pension liability. The proportionate share of the components of the net pension liability of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2017 and reported by the Municipality as of December 31, 2017 are as follows:

Proportionate share of total pension liability	\$33,199,659
Less Proportionate share of net position restricted for pension benefits	<u>33,225,555</u>
Proportionate share of net pension asset	<u>\$ (25,896)</u>

At December 31, 2017, the Municipality reported an asset of \$25,896 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017 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, 2017, the Municipality's proportion was 0.2853439%, which is an decrease of 0.0022896% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Municipality recognized a reduction of pension expense of \$568,470. At December 31, 2017 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	\$ 414,913	\$ -
Changes in assumption.	2,010,605	-
Net Difference between projected and actual earnings on pension plan investments.	-	497,863
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	49,508	8,026
Municipality contributions subsequent to the measurement date.	<u>179,709</u>	<u>-</u>
TOTAL	<u>\$2,654,735</u>	<u>\$ 505,889</u>

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

**Note 12 – Pension Plan (Continued)**

\$179,709 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended	
December 31:	
2018	\$ 538,930
2019	894,524
2020	653,079
2021	<u>(117,396)</u>
TOTAL	<u>\$ 1,969,137</u>

**Actuarial Assumptions:**

The total pension liability (asset) in the June 30, 2017 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%
Discount Rate	6.50% net of pension plan investment expense

Mortality rates were based on 97% of the RP-2014 Mortality Table, 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, projected generationally with Scale MP-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, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	<u>2.0%</u>	0.7%
Total	<u>100%</u>	

Notes to Financial Statements

Note 12 – Pension Plan (Continued)

**Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 6.50 percent. The projections 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:

	1% Decrease	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	\$4,742,711	\$(25,896)	\$(3,909,092)

**Pension Plan Fiduciary Net Position:**

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

**Note 13 - 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, 2017, the City abated \$10,093 of property tax under the urban renewal and economic development projects.

The City also entered into an agreement with an entity pursuant to the provisions of the South Dakota Codified Law chapter 9-54 and 9-12-11, where after the entity meets the terms of the agreement, the City will rebate a portion of the municipal retail occupation sales and service tax received by the City from said project.

For the year ended December 31, 2017, the City abated \$50,100 of municipal retail occupation sales and service tax under said agreements.

**Notes to Financial Statements**

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**Note 14 – 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, 2017 balance on this agreement was principal of \$1,475,677 plus accrued interest of \$98,068.

During the year ended December 31, 2017, the City rebated \$42,416 of incremental property tax to the developer, which was all applied to interest which was accrued during the year of \$51,542. The outstanding balance on the agreement at December 30, 2017 was principal of \$1,475,677 plus accrued interest of \$107,194.

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.

**Note 15 – Commitments**

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

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

**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, 2017, the City estimates that no material liabilities will result from such audits.

**Note 17 – Subsequent Events**

In January, 2018 the City was awarded a grant for \$10,000 and a revenue note of \$10,000 with an interest rate of 2% for five years by the SD Board of Water and Natural Resources. The proceeds are for a purchase of a curbside recycling trailer.

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**Notes to Financial Statements**

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**Note 18 – Prior Period Adjustments**

During 2017 an error was discovered in the wastewater billing where multiple water meters were combined in computing the wastewater consumption. This impacted two wastewater accounts for the years 2012-2017. The error was corrected with customers refunded or credited for the error. The overstatement of wastewater revenue for 2012 to 2016 was \$50,655 and was reflected as a prior period adjustment in the Business Type Activities and Wastewater Fund.

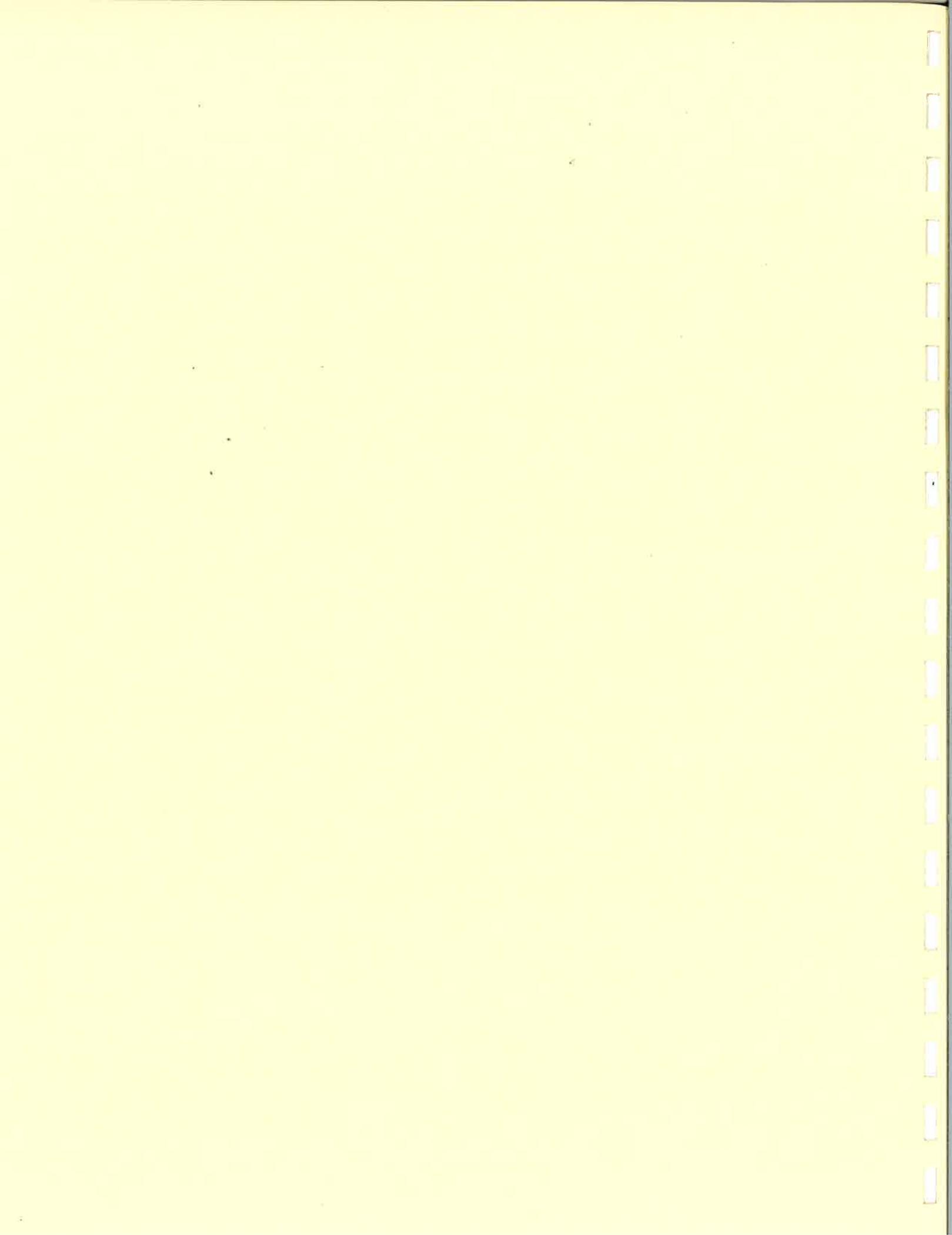
	Business-Type Activities	Wastewater Fund
Net Position December 31, 2016, as Previously Report	\$ 39,612,131	\$ 8,638,909
Prior Period Adjustment- Wastewater Charges for Services	(50,655)	(50,655)
Adjusted Net Position –Beginning	<u>\$ 39,561,476</u>	<u>\$ 8,588,254</u>



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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(unaudited)**

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



CITY OF VERMILLION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance
	Original	Final		Amended Budget Favorable (Unfavorable)
Revenue:				
Taxes:				
General Property Taxes	\$ 2,241,000	\$ 2,240,190	\$ 2,240,258	\$ 68
General Sales & Use Taxes	1,920,000	1,852,700	1,818,493	(34,207)
Penalties & Interest on				
Delinquent Taxes	5,000	7,500	5,846	(1,654)
Licenses & Permits:	268,950	266,050	257,068	(8,982)
Intergovernmental Revenue:	702,900	793,200	779,493	(13,707)
Charges for Goods & Services:	599,600	692,300	667,287	(25,013)
Fines & Forfeits:	45,350	45,650	50,247	4,597
Special Assessments	150	517	441	(76)
Investment Earnings	32,000	45,000	46,261	1,261
Rentals	23,575	24,000	23,740	(260)
Contributions & Donations				
from Private Sources	5,000	41,900	43,486	1,586
Other	162,800	183,700	177,978	(5,722)
Total Revenue	<u>6,006,325</u>	<u>6,192,707</u>	<u>6,110,598</u>	<u>(82,109)</u>
Expenditures:				
Current:				
General Government:				
Executive	606,320	518,204	515,818	2,386
Financial Administration	194,129	175,010	169,062	5,948
Other	643,731	586,113	518,551	67,562
Total General Government	<u>1,444,180</u>	<u>1,279,327</u>	<u>1,203,431</u>	<u>75,896</u>
Public Safety:				
Police	1,948,862	1,855,082	1,783,627	71,455
Fire	277,906	307,257	297,024	10,233
Other Protection	2,200	2,200	1,200	1,000
Total Public Safety	<u>2,228,968</u>	<u>2,164,539</u>	<u>2,081,851</u>	<u>82,688</u>
Public Works:				
Highways & Streets	781,138	796,813	692,430	104,383
Sanitation	110,842	127,348	125,681	1,667
Airport	103,801	122,922	104,745	18,177
Total Public Works	<u>995,781</u>	<u>1,047,083</u>	<u>922,856</u>	<u>124,227</u>
Health and Welfare:				
Health	239,016	225,700	215,957	9,743
Ambulance	350,185	355,255	336,600	18,655
Total Health and Welfare	<u>589,201</u>	<u>580,955</u>	<u>552,557</u>	<u>28,398</u>
Culture-Recreation:				
Recreation	383,870	423,861	395,398	28,463
Parks	339,813	335,145	295,449	39,696
Libraries	551,377	508,216	483,488	24,728
Armory	52,926	49,676	43,030	6,646
Total Culture-Recreation	<u>1,327,986</u>	<u>1,316,898</u>	<u>1,217,365</u>	<u>99,533</u>
Conservation and Development:				
	114,961	90,045	88,199	1,846
Total Current Expenditures	<u>6,701,077</u>	<u>6,478,847</u>	<u>6,066,259</u>	<u>412,588</u>
Capital Outlay:				
Financial Administration	300	2,770	2,345	425
Other	-	-	1,190	(1,190)
Police	-	-	7,380	(7,380)
Fire	-	5,400	9,058	(3,658)
Highways & Streets	-	-	8,940	(8,940)
Health	2,500	2,500	-	2,500
Ambulance	-	-	2,400	(2,400)
Parks	-	-	3,240	(3,240)
Libraries	76,000	121,000	107,601	13,399
Total Capital Outlay	<u>78,800</u>	<u>131,670</u>	<u>142,154</u>	<u>(10,484)</u>
Total Expenditures	<u>6,779,877</u>	<u>6,610,517</u>	<u>6,208,413</u>	<u>402,104</u>
Other Financing Sources (Uses):				
Operating Transfers In	1,145,512	1,140,800	1,141,338	(538)
Operating Transfers Out	(1,753,922)	(2,038,668)	(1,787,868)	250,800
Total Other Financing Sources (Uses)	<u>(608,410)</u>	<u>(897,868)</u>	<u>(646,530)</u>	<u>250,262</u>
Net Change in Fund Balances	<u>(1,381,962)</u>	<u>(1,315,678)</u>	<u>(744,345)</u>	<u>571,333</u>
Fund Balance -beginning	4,887,277	4,887,277	4,887,277	-
Change in inventory	-	-	2,583	2,583
Fund Balance - ending	<u>\$ 3,505,315</u>	<u>\$ 3,571,599</u>	<u>\$ 4,145,515</u>	<u>\$ 573,916</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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes:				
General sales & use taxes	\$ 1,900,000	\$ 1,851,900	\$ 1,817,444	\$ (34,456)
Intergovernmental Revenue				
State Grant	-	40,000	-	(40,000)
Miscellaneous revenue:				
Interest earned	27,500	32,000	34,614	2,614
Contributions & Donations	4,000	5,000	-	(5,000)
Total revenue	<u>1,931,500</u>	<u>1,928,900</u>	<u>1,852,058</u>	<u>(76,842)</u>
<b>EXPENDITURES</b>				
Current:				
General	10,000	3,000	3,000	-
Public safety	46,000	97,000	11,503	85,497
Public works	244,900	307,630	143,707	163,923
Health and welfare	12,200	12,200	8,803	3,397
Culture-recreation	85,000	70,500	-	70,500
Conservation & development	100,000	75,060	25,050	50,010
Total current exp	<u>498,100</u>	<u>565,390</u>	<u>192,063</u>	<u>373,327</u>
Capital Outlay:				
General	-	-	8,610	(8,610)
Public safety	-	-	83,581	(83,581)
Public works	-	-	67,260	(67,260)
Health and welfare	-	-	2,786	(2,786)
Culture-recreation	-	-	47,008	(47,008)
Total capital outlay	<u>-</u>	<u>-</u>	<u>209,245</u>	<u>(209,245)</u>
Total expenditures	<u>498,100</u>	<u>565,390</u>	<u>401,308</u>	<u>164,082</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,416,071)	(2,058,969)	(1,484,449)	574,520
Total other financing sources (uses)	<u>(1,416,071)</u>	<u>(2,058,969)</u>	<u>(1,484,449)</u>	<u>574,520</u>
Net change in fund balance	17,329	(695,459)	(33,699)	661,760
Fund balance - beginning	4,000,498	4,000,498	4,000,498	-
Fund balance - ending	<u>\$ 4,017,827</u>	<u>\$ 3,305,039</u>	<u>\$ 3,966,799</u>	<u>\$ 661,760</u>

CITY OF VERMILLION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY  
REPORTING  
DECEMBER 31, 2017

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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 2017, 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 2016. 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, 2017

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General Fund

Expenditures:

General Government	\$ (162,383)
Public Safety	(59,029)
Public Works	(51,302)
Health and Welfare	(8,246)
Culture-Recreation	33,912
Conservation & Development	(24,916)
Transfers Out	(284,746)

Special Revenue Fund

Sales Tax Fund

Expenditures:

General Government	\$ (7,000)
Public Safety	51,000
Public Works	62,730
Culture-Recreation	(14,500)
Conservation & Development	(24,940)
Transfers Out	642,898

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, 2017

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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 10 Fiscal Years \*  
 (Dollar amounts in thousands)

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

**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.

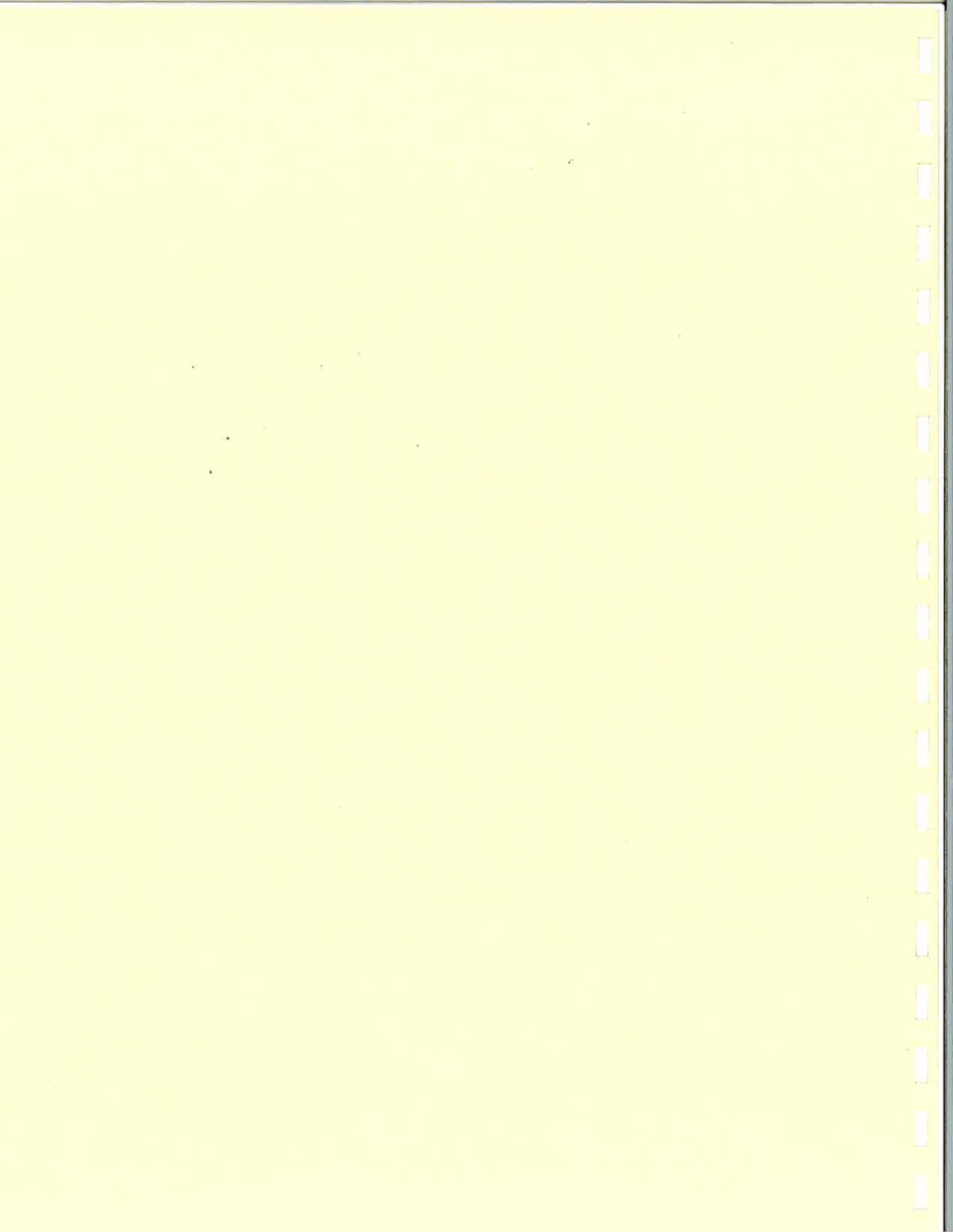
CITY OF VERMILLION  
 SCHEDULE OF THE CITY CONTRIBUTIONS  
 South Dakota Retirement System  
 Last 10 Fiscal Years  
 (Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 343,297	\$ 329,680	\$ 333,487	\$ 326,188	\$ 310,158
Contributions in relation to the contractually required contribution	<u>(343,297)</u>	<u>(329,680)</u>	<u>(333,487)</u>	<u>(326,188)</u>	<u>(310,158)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Municipality's covered-employee payroll	\$ 5,299,898	\$ 5,129,899	\$ 5,190,539	\$ 5,060,147	\$ 4,831,207
Contributions as a percentage of covered-employee payroll	6.48%	6.43%	6.42%	6.45%	6.42%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 300,174	\$ 285,664	\$ 290,088	\$ 276,420	\$ 251,261
Contributions in relation to the contractually required contribution	<u>(300,174)</u>	<u>(285,664)</u>	<u>(290,088)</u>	<u>(276,420)</u>	<u>(251,261)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Municipality's covered-employee payroll	\$ 4,699,119	\$ 4,482,157	\$ 4,526,859	\$ 4,321,966	\$ 4,153,428
Contributions as a percentage of covered-employee payroll	6.39%	6.37%	6.41%	6.40%	6.05%



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**CITY OF VERMILLION  
OTHER SUPPLEMENTARY INFORMATION**



**CITY OF VERMILLION  
COMBINING AND INDIVIDUAL FUND STATEMENTS  
GOVERNMENTAL FUNDS**

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

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

**Major 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:

**Major Fund:**

**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. (Reported in Exhibit 3 and Exhibit 4)

**Non-Major Funds:**

**Special Assessment Project Funds** - This fund is used to account for receipt and disbursements of monies used for the construction of capital improvements, which are to be assessed to property owners 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 2016 but the project was not assessed until 2017. During 2017 engineering began on the Jefferson Street reconstruction to be funded from STIP funds.

**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.

**Main Street Signals**– This fund is used to account for Main Street traffic signals project. Engineering design began in 2016 on the traffic signals project with bidding and construction completed in 2017.

**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:

**Major 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.

**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.

**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.

**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.



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CITY OF VERMILLION  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2017

	Special Revenue Funds							Total
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Business Improvement District	TIF District No. 5	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 50,248	\$ -	\$ 8,732	\$ 22,428	\$ 47,965	\$ 30,369	\$ -	\$ 159,742
Investments	275,000	-	1,000,000	-	-	-	-	1,275,000
Receivables (net, where applicable, of allowance for uncollectibles)								
Accounts receivable	-	-	5,568	-	-	3,258	-	8,826
Special assessment receivable	-	-	-	-	-	-	-	-
Interest receivable	1,652	-	9,487	-	-	-	-	11,139
Due from other governments	34,933	73,326	1,508	-	-	-	-	109,767
Restricted assets:								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>361,833</b>	<b>73,326</b>	<b>1,025,295</b>	<b>22,428</b>	<b>47,965</b>	<b>33,627</b>	<b>-</b>	<b>1,564,474</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	8,386	14,202	999	1,500	-	10,579	-	35,666
Due to other funds	-	59,124	-	-	-	-	-	59,124
Revenue collected in advance	-	-	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>8,386</b>	<b>73,326</b>	<b>999</b>	<b>1,500</b>	<b>-</b>	<b>10,579</b>	<b>-</b>	<b>94,790</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue-sales tax and interest	11,806	-	9,487	-	-	-	-	21,293
Unavailable revenue- stormwater fee	-	-	5,568	-	-	-	-	5,568
Unavailable revenue-special assessments and interest	-	-	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>11,806</b>	<b>-</b>	<b>15,055</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,861</b>
<b>FUND BALANCES:</b>								
Restricted	341,641	-	1,009,241	20,928	47,965	23,048	-	1,442,823
Unassigned	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>341,641</b>	<b>-</b>	<b>1,009,241</b>	<b>20,928</b>	<b>47,965</b>	<b>23,048</b>	<b>-</b>	<b>1,442,823</b>
<b>Total liabilities and fund balances</b>	<b>\$ 361,833</b>	<b>\$ 73,326</b>	<b>\$ 1,025,295</b>	<b>\$ 22,428</b>	<b>\$ 47,965</b>	<b>\$ 33,627</b>	<b>\$ -</b>	<b>\$ 1,564,474</b>

Capital Project Funds					Debt Service Funds				Total
Special Assessment Projects	Bike Path	Airport	Main Street Signals	Total	Special Assessment Bonds	TIF District No. 6 Bonds	Prentis Park Improvements	Total	Nonmajor Governmental Funds
\$ 5,416	\$ 47,092	\$ -	\$ -	\$ 52,508	\$ -	\$ -	\$ -	\$ -	\$ 212,250
-	-	-	-	-	-	-	-	-	1,275,000
-	-	-	-	-	-	-	-	-	8,826
-	-	-	-	-	80,650	-	-	80,650	80,650
-	-	-	-	-	14,006	-	-	14,006	25,145
-	-	110,887	-	110,887	2,751	-	-	2,751	223,405
-	-	-	-	-	15,407	-	30,330	45,737	45,737
-	-	-	-	-	275,000	-	-	275,000	275,000
-	-	-	-	-	2,719	-	-	2,719	2,719
<u>5,416</u>	<u>47,092</u>	<u>110,887</u>	<u>-</u>	<u>163,395</u>	<u>390,533</u>	<u>-</u>	<u>30,330</u>	<u>420,863</u>	<u>2,148,732</u>
5,416	38,013	23,033	-	66,462	-	-	-	-	102,128
-	-	87,854	-	87,854	19,878	-	-	19,878	166,856
-	9,585	-	-	9,585	-	-	-	-	9,585
-	-	-	-	-	41,351	163,175	-	204,526	204,526
<u>5,416</u>	<u>47,598</u>	<u>110,887</u>	<u>-</u>	<u>163,901</u>	<u>61,229</u>	<u>163,175</u>	<u>-</u>	<u>224,404</u>	<u>483,095</u>
-	-	-	-	-	-	-	-	-	21,293
-	-	-	-	-	-	-	-	-	5,568
-	-	-	-	-	52,244	-	-	52,244	52,244
-	-	-	-	-	52,244	-	-	52,244	79,105
-	-	-	-	-	277,060	-	30,330	307,390	1,750,213
-	(506)	-	-	(506)	-	(163,175)	-	(163,175)	(163,681)
-	(506)	-	-	(506)	277,060	(163,175)	30,330	144,215	1,586,532
<u>\$ 5,416</u>	<u>\$ 47,092</u>	<u>\$ 110,887</u>	<u>\$ -</u>	<u>\$ 163,395</u>	<u>\$ 390,533</u>	<u>\$ -</u>	<u>\$ 30,330</u>	<u>\$ 420,863</u>	<u>\$ 2,148,732</u>

CITY OF VERMILLION  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds							Total
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Business Improvement District	TIF District No 5	
<b>REVENUES</b>								
<b>Taxes:</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,416	\$ 42,416
General sales & use	352,732	-	-	-	-	-	-	352,732
Stormwater fees	-	-	228,938	-	-	-	-	228,938
Business Improvement Dist. Fees	-	-	-	-	-	53,678	-	53,678
Penalties & interest	-	-	501	-	-	-	-	501
<b>Intergovernmental:</b>								
Federal grant	-	-	-	-	-	-	-	-
State grant	-	-	-	-	-	-	-	-
County shared revenue	-	299,267	-	-	4,000	-	-	303,267
<b>Charges for goods &amp; services</b>								
Culture & recreation	-	-	-	5,527	-	-	-	5,527
<b>Fines &amp; forfeits:</b>								
Library	-	-	-	-	3,673	-	-	3,673
<b>Miscellaneous:</b>								
Public payments for improvements	-	-	-	-	-	-	-	-
Interest earned	2,177	-	6,434	123	24	-	-	8,758
Contributions & donations from private sources	-	-	-	-	9,718	-	-	9,718
Special assessments (principal & interest)	-	-	-	-	-	-	-	-
Other	-	-	-	-	6,591	-	-	6,591
<b>Total revenue</b>	<b>354,909</b>	<b>299,267</b>	<b>235,873</b>	<b>5,650</b>	<b>24,006</b>	<b>53,678</b>	<b>42,416</b>	<b>1,015,799</b>
<b>EXPENDITURES</b>								
<b>Current</b>								
Public safety	-	551,236	-	-	-	-	-	551,236
Public works	-	-	26,131	-	-	-	-	26,131
Culture-recreation	-	-	-	-	11,286	-	-	11,286
Conservation & development	330,953	-	-	-	-	55,626	42,416	428,995
<b>Capital outlay:</b>								
Public safety	-	23,662	-	-	-	-	-	23,662
Public works	-	-	314,228	-	-	-	-	314,228
Culture & recreation	-	-	-	3,000	-	-	-	3,000
<b>Debt service:</b>								
Principal	-	-	-	-	-	-	-	-
Interest & fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>330,953</b>	<b>574,898</b>	<b>340,359</b>	<b>3,000</b>	<b>11,286</b>	<b>55,626</b>	<b>42,416</b>	<b>1,358,538</b>
Excess (deficiency) of revenues over (under) expenditures	23,956	(275,631)	(104,486)	2,650	12,720	(1,948)	-	(342,739)
<b>OTHER FINANCING SOURCES(USES)</b>								
Transfer in	-	275,631	-	-	-	-	-	275,631
Transfer out	-	-	-	-	-	(1,074)	-	(1,074)
Total other financing sources(uses)	-	275,631	-	-	-	(1,074)	-	274,557
<b>Net change in fund balances</b>	<b>23,956</b>	<b>-</b>	<b>(104,486)</b>	<b>2,650</b>	<b>12,720</b>	<b>(3,022)</b>	<b>-</b>	<b>(68,182)</b>
Fund balances - beginning	317,885	-	1,113,727	18,278	35,245	26,070	-	1,511,005
Fund balances - ending	\$ 341,841	\$ -	\$ 1,009,241	\$ 20,928	\$ 47,965	\$ 23,048	\$ -	\$ 1,442,823

Capital Project Funds					Debt Service Funds				Total Nonmajor Funds
Special Assessment Projects	Bike Path	Airport	Main Street Signals	Total	Special Assessment Bonds	TIF District No. 6 Bonds	Prentis Park Improvements	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,018	\$ -	\$ 31,018	\$ 73,434
-	-	-	-	-	-	-	-	-	352,732
-	-	-	-	-	-	-	-	-	228,938
-	-	-	-	-	-	-	-	-	53,678
-	-	-	-	-	-	28	-	28	529
-	2,704	512,054	-	514,758	-	-	-	-	514,758
-	90	28,448	-	28,538	-	-	-	-	28,538
-	-	-	-	-	-	-	-	-	303,267
-	-	-	-	-	-	-	-	-	5,527
-	-	-	-	-	-	-	-	-	3,673
13,213	-	-	-	13,213	-	-	-	-	13,213
59	-	-	-	59	1,475	-	212	1,687	10,504
-	-	-	-	-	-	-	-	-	9,718
-	-	-	-	-	198,130	-	-	198,130	198,130
-	-	-	-	-	-	-	-	-	6,591
<u>13,272</u>	<u>2,794</u>	<u>540,502</u>	<u>-</u>	<u>556,568</u>	<u>199,605</u>	<u>31,046</u>	<u>212</u>	<u>230,863</u>	<u>1,803,230</u>
-	-	-	-	-	-	-	-	-	551,236
28,967	-	-	-	28,967	-	-	-	-	55,098
-	34,949	-	-	34,949	-	-	-	-	46,235
-	-	-	-	-	-	-	-	-	428,995
-	-	-	-	-	-	-	-	-	23,662
-	-	568,951	282,602	851,553	-	-	-	-	1,165,781
-	3,300	-	-	3,300	-	-	-	-	6,300
-	-	-	-	-	-	-	125,000	125,000	125,000
-	-	-	-	-	5,943	60,620	72,668	139,231	139,231
<u>28,967</u>	<u>38,249</u>	<u>568,951</u>	<u>282,602</u>	<u>918,769</u>	<u>5,943</u>	<u>60,620</u>	<u>197,668</u>	<u>264,231</u>	<u>2,541,538</u>
<u>(15,695)</u>	<u>(35,455)</u>	<u>(28,449)</u>	<u>(282,602)</u>	<u>(362,201)</u>	<u>193,662</u>	<u>(29,574)</u>	<u>(197,456)</u>	<u>(33,368)</u>	<u>(738,308)</u>
24,518	34,949	28,449	282,602	370,518	-	-	206,185	206,185	852,334
(2,852)	-	-	-	(2,852)	(12,195)	-	-	(12,195)	(16,121)
<u>21,666</u>	<u>34,949</u>	<u>28,449</u>	<u>282,602</u>	<u>367,666</u>	<u>(12,195)</u>	<u>-</u>	<u>206,185</u>	<u>193,990</u>	<u>836,213</u>
5,971	(506)	-	-	5,465	181,467	(29,574)	8,729	160,622	97,905
(5,971)	-	-	-	(5,971)	95,593	(133,601)	21,601	(16,407)	1,488,627
<u>\$ -</u>	<u>\$ (506)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (506)</u>	<u>\$ 277,060</u>	<u>\$ (163,175)</u>	<u>\$ 30,330</u>	<u>\$ 144,215</u>	<u>\$ 1,586,532</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, 2017

	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)
<b>REVENUES</b>									
Taxes:									
General sales & use	\$ 359,000	\$ 352,732	\$ (6,268)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-	-	-	-
Stormwater fees	-	-	-	-	-	-	229,700	228,938	(762)
Penalties & interest	-	-	-	-	-	-	500	501	1
Intergovernmental:									
County shared revenue	-	-	-	305,162	299,267	(5,895)	-	-	-
Charges for goods & services	-	-	-	-	-	-	-	-	-
Culture & recreation	-	-	-	-	-	-	-	-	-
Fines & forfeits:									
Library	-	-	-	-	-	-	-	-	-
Miscellaneous:									
Grants	-	-	-	-	-	-	-	-	-
Interest earned	2,175	2,177	2	-	-	-	6,400	6,434	34
Contributions & donations from private sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>361,175</b>	<b>354,909</b>	<b>(6,266)</b>	<b>305,162</b>	<b>299,267</b>	<b>(5,895)</b>	<b>236,600</b>	<b>235,873</b>	<b>(727)</b>
<b>EXPENDITURES</b>									
Current									
Public safety	-	-	-	586,324	574,898	11,426	-	-	-
Public works	-	-	-	-	-	-	352,750	340,359	12,391
Culture-recreation	-	-	-	-	-	-	-	-	-
Conservation & development	346,625	330,953	15,672	-	-	-	-	-	-
<b>Total expenditures</b>	<b>346,625</b>	<b>330,953</b>	<b>15,672</b>	<b>586,324</b>	<b>574,898</b>	<b>11,426</b>	<b>352,750</b>	<b>340,359</b>	<b>12,391</b>
Excess (deficiency) of revenues over (under) expenditures	14,550	23,956	9,406	(281,162)	(275,631)	5,531	(116,150)	(104,486)	11,664
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating Transfers In	-	-	-	281,162	275,631	(5,531)	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	281,162	275,631	(5,531)	-	-	-
<b>Net change in fund balances</b>	<b>\$ 14,550</b>	<b>23,956</b>	<b>\$ 9,406</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ (116,150)</b>	<b>(104,486)</b>	<b>\$ 11,664</b>
Fund balances - beginning		317,685			-			1,113,727	
Fund balances - ending		<u>\$ 341,641</u>			<u>\$ -</u>			<u>\$ 1,009,241</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,000	\$ 53,678	\$ (11,322)	\$ 42,416	\$ 42,416	\$ -
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	4,000	4,000	-	-	-	-	-	-	-
6,500	5,527	(973)	-	-	-	-	-	-	-	-	-
-	-	-	4,550	3,673	(877)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
130	123	(7)	30	24	(6)	-	-	-	-	-	-
-	-	-	9,000	9,718	718	-	-	-	-	-	-
-	-	-	5,000	6,591	1,591	-	-	-	-	-	-
<u>6,630</u>	<u>5,650</u>	<u>(980)</u>	<u>22,580</u>	<u>24,006</u>	<u>1,426</u>	<u>65,000</u>	<u>53,678</u>	<u>(11,322)</u>	<u>42,416</u>	<u>42,416</u>	<u>-</u>
-	-	-	-	-	-	-	-	-	-	-	-
6,630	3,000	3,630	12,200	11,286	914	-	-	-	-	-	-
<u>6,630</u>	<u>3,000</u>	<u>3,630</u>	<u>12,200</u>	<u>11,286</u>	<u>914</u>	<u>65,250</u>	<u>55,626</u>	<u>9,624</u>	<u>42,416</u>	<u>42,416</u>	<u>-</u>
-	-	-	-	-	-	-	-	-	-	-	-
-	2,650	2,650	10,380	12,720	2,340	(250)	(1,948)	(1,698)	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(1,300)	(1,074)	226	-	-	-
-	-	-	-	-	-	(1,300)	(1,074)	226	-	-	-
\$ -	2,650	\$ 2,650	\$ 10,380	12,720	\$ 2,340	\$ (1,550)	\$ (3,022)	\$ (1,472)	\$ -	\$ -	\$ -
-	18,278	-	-	35,245	-	-	26,070	-	-	-	-
\$ -	<u>20,928</u>	-	\$ -	<u>47,965</u>	-	\$ -	<u>23,048</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, 2017

	Special Assessments			Bike Path		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Intergovernmental:						
Federal grant	\$ -	\$ -	\$ -	\$ 52,500	\$ 2,704	\$ (49,796)
State grant	-	-	-	-	90	90
Miscellaneous:						
Public payments for improvements	6,440	13,213	6,773	-	-	-
Interest	19	59	40	-	-	-
Contributions and donations from private sources	-	-	-	-	-	-
Total revenue	<u>6,459</u>	<u>13,272</u>	<u>6,813</u>	<u>52,500</u>	<u>2,794</u>	<u>(49,706)</u>
<b>EXPENDITURES</b>						
Current						
Public works	-	28,967	(28,967)	-	-	-
Culture & recreation	-	-	-	52,500	38,249	14,251
Conservation & Development	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>28,967</u>	<u>(28,967)</u>	<u>52,500</u>	<u>38,249</u>	<u>14,251</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,459</u>	<u>(15,695)</u>	<u>(22,154)</u>	<u>-</u>	<u>(35,455)</u>	<u>(35,455)</u>
<b>OTHER FINANCING SOURCES(USES)</b>						
Transfer in	-	24,518	24,518	34,950	34,949	(1)
Transfer out	-	(2,852)	(2,852)	-	-	-
Total other financing sources(uses)	<u>-</u>	<u>21,666</u>	<u>21,666</u>	<u>34,950</u>	<u>34,949</u>	<u>(1)</u>
Net change in fund balances	\$ <u>6,459</u>	\$ 5,971	\$ <u>(488)</u>	\$ <u>34,950</u>	\$ (506)	\$ <u>(35,456)</u>
Fund balances - beginning		<u>(5,971)</u>			<u>-</u>	
Fund balances - ending		\$ <u>-</u>			\$ <u>(506)</u>	

EXHIBIT A-4

Airport			Main Street Signals		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ 559,800	\$ 512,054	\$ (47,746)	\$ -	\$ -	\$ -
31,100	28,448	(2,652)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>590,900</u>	<u>540,502</u>	<u>(50,398)</u>	<u>-</u>	<u>-</u>	<u>-</u>
622,000	568,951	53,049	282,650	282,602	48
-	-	-	-	-	-
<u>622,000</u>	<u>568,951</u>	<u>53,049</u>	<u>282,650</u>	<u>282,602</u>	<u>48</u>
<u>(31,100)</u>	<u>(28,449)</u>	<u>2,651</u>	<u>(282,650)</u>	<u>(282,602)</u>	<u>48</u>
31,100	28,449	(2,651)	282,650	282,602	(48)
-	-	-	-	-	-
<u>31,100</u>	<u>28,449</u>	<u>(2,651)</u>	<u>282,650</u>	<u>282,602</u>	<u>(48)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
	\$ <u>-</u>		\$ <u>-</u>		



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**CITY OF VERMILLION  
COMBINING STATEMENTS  
INTERNAL SERVICE FUNDS**

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

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

**Copier-Fax-Postage Fund** - The copier-fax fund is used to account for all the operating cost and replacement of the 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, 2017

	Copier- Fax- Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
<b>ASSETS:</b>					
Current assets:					
Cash	\$ 8,887	\$ 79	\$ 25,787	\$ 10,068	\$ 44,821
Investments	-	11,900	600,000	-	611,900
Accounts receivable	3,809	354	-	-	4,163
Interest receivable	-	63	5,828	-	5,891
Total current assets	<u>12,696</u>	<u>12,396</u>	<u>631,615</u>	<u>10,068</u>	<u>666,775</u>
Net Pension Asset	-	-	-	208	208
Capital assets:					
Machinery & equipment	8,987	-	5,908,353	1,787	5,919,127
less accumulated depreciation	(7,864)	-	(2,617,816)	(1,519)	(2,627,199)
Total capital assets	<u>1,123</u>	<u>-</u>	<u>3,290,537</u>	<u>268</u>	<u>3,291,928</u>
Total assets	<u>13,819</u>	<u>12,396</u>	<u>3,922,152</u>	<u>10,544</u>	<u>3,958,911</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Pension Related Deferred Outflows	-	-	-	22,314	22,314
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	-	-	-	5,416	5,416
Accrued leave payable	-	-	-	2,540	2,540
Total current liabilities	-	-	-	7,956	7,956
Noncurrent liabilities:					
Accrued leave payable	-	-	-	3,458	3,458
Total non current liabilities	-	-	-	3,458	3,458
Total liabilities	-	-	-	11,414	11,414
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Pension Related Deferred Inflows	-	-	-	4,005	4,005
<b>NET POSITION</b>					
Investment in capital assets	1,123	-	3,290,537	268	3,291,928
SDRS Pension Purposes	-	-	-	18,517	18,517
Unrestricted	12,696	12,396	631,615	(1,346)	655,361
Total net position	<u>\$ 13,819</u>	<u>\$ 12,396</u>	<u>\$ 3,922,152</u>	<u>\$ 17,439</u>	<u>\$ 3,965,806</u>

CITY OF VERMILLION  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES  
EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Copier- Fax- Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
Operating Revenues:					
Charges for goods and services	\$ 14,990	\$ -	\$ 530,747	\$ 93,073	\$ 638,810
Total operating revenue	<u>14,990</u>	<u>-</u>	<u>530,747</u>	<u>93,073</u>	<u>638,810</u>
Operating expenses:					
Personnel services	-	-	-	37,117	37,117
Other current expenses	13,723	354	-	50,828	64,905
Depreciation	2,247	-	404,700	179	407,126
Total operating expenses	<u>15,970</u>	<u>354</u>	<u>404,700</u>	<u>88,124</u>	<u>509,148</u>
operating income(loss)	<u>(980)</u>	<u>(354)</u>	<u>126,047</u>	<u>4,949</u>	<u>129,662</u>
Nonoperating revenue:					
Interest earned	-	125	5,796	-	5,921
Gain (Loss) on disposition of assets	-	-	19,525	(53)	19,472
Total nonoperating revenue	<u>-</u>	<u>125</u>	<u>25,321</u>	<u>(53)</u>	<u>25,393</u>
Income (Loss) before contributions and transfers	<u>(980)</u>	<u>(229)</u>	<u>151,368</u>	<u>4,896</u>	<u>155,055</u>
Transfer in	-	-	2,500	-	2,500
Change in net position	<u>(980)</u>	<u>(229)</u>	<u>153,868</u>	<u>4,896</u>	<u>157,555</u>
Net position - beginning	<u>14,799</u>	<u>12,625</u>	<u>3,768,284</u>	<u>12,543</u>	<u>3,808,251</u>
Net position - ending	<u>\$ 13,819</u>	<u>\$ 12,396</u>	<u>\$ 3,922,152</u>	<u>\$ 17,439</u>	<u>\$ 3,965,806</u>

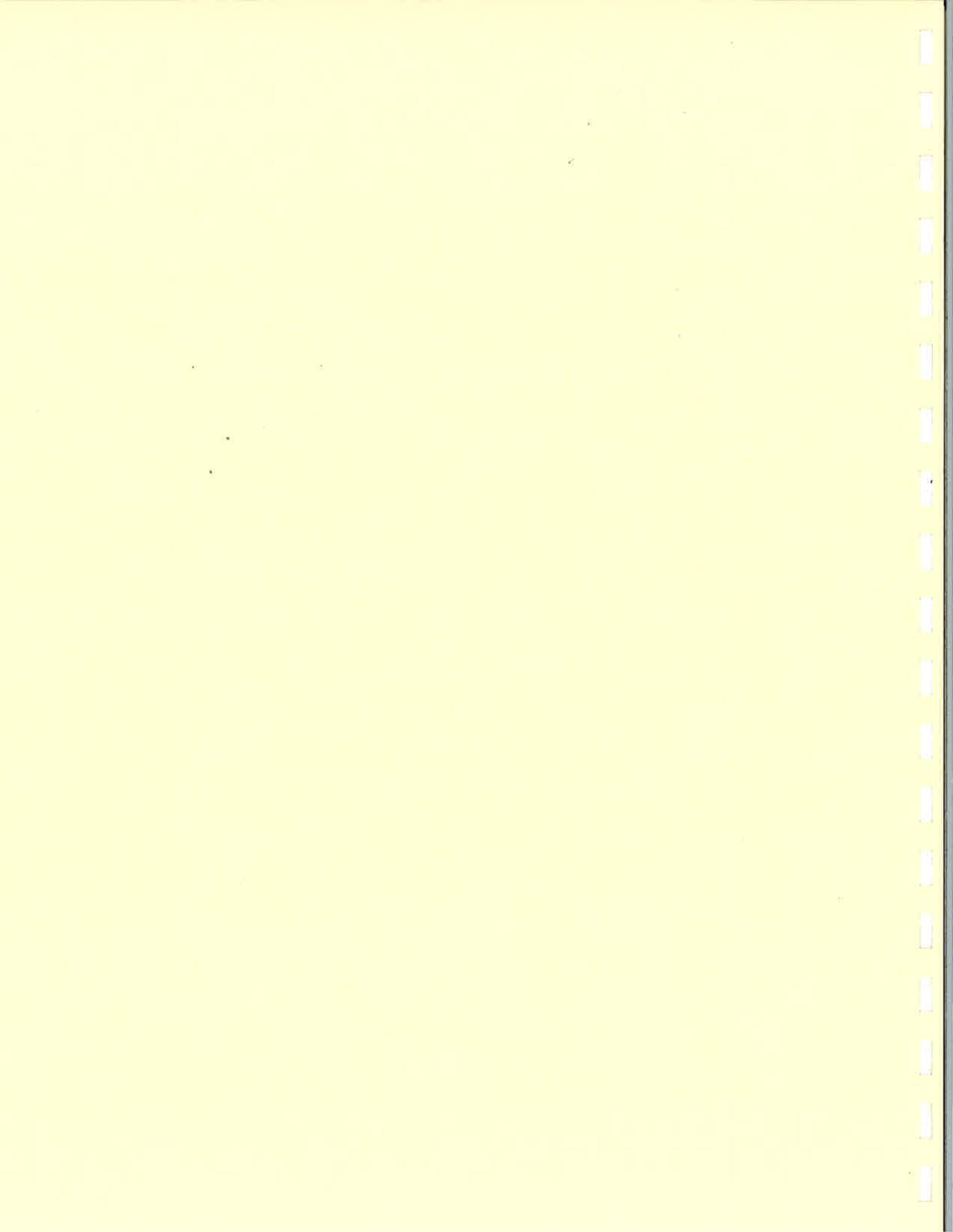
CITY OF VERMILLION  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Copier- Fax- Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 15,116	\$ -	\$ 530,747	\$ 93,073	\$ 638,936
Cash paid for personal services	-	-	-	(42,557)	(42,557)
Cash paid to suppliers	(14,013)	(708)	-	(46,364)	(61,085)
Net cash provided (used for) operating activities	<u>1,103</u>	<u>(708)</u>	<u>530,747</u>	<u>4,152</u>	<u>535,294</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	-	-	(579,662)	-	(579,662)
Proceeds from sale of assets	-	-	43,425	-	43,425
Net cash (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(536,237)</u>	<u>-</u>	<u>(536,237)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments	-	110	2,888	-	2,998
Purchase and sale of investments	-	100	-	-	100
Net cash provided investing activities	<u>-</u>	<u>210</u>	<u>2,888</u>	<u>-</u>	<u>3,098</u>
Net increase (decrease) in cash and cash equivalents	1,103	(498)	(2,602)	4,152	2,155
Cash and cash equivalents beginning of year	<u>7,784</u>	<u>577</u>	<u>28,389</u>	<u>5,916</u>	<u>42,666</u>
Cash and cash equivalents end of year	<u>\$ 8,887</u>	<u>\$ 79</u>	<u>\$ 25,787</u>	<u>\$ 10,068</u>	<u>\$ 44,821</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (980)	\$ (354)	\$ 126,047	\$ 4,949	\$ 129,662
Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	2,247	-	404,700	179	407,126
(Increase) decrease in assets and increase (decrease) in liabilities:					
Accounts receivable	126	(354)	-	-	(228)
Net Pension Asset	-	-	-	(208)	(208)
Deferred Outflows of Resources	-	-	-	197	197
Deferred Inflows of Resources	-	-	-	4,005	4,005
Accounts payable	(290)	-	-	4,464	4,174
SDRS Pension Payable	-	-	-	(9,770)	(9,770)
Accrued leave payable	-	-	-	336	336
Net cash provided by (used for) operating activities	<u>\$ 1,103</u>	<u>\$ (708)</u>	<u>\$ 530,747</u>	<u>\$ 4,152</u>	<u>\$ 535,294</u>
Noncash investing, capital and financing activities:					
Transfer In (fixed asset related)	\$ -	\$ -	\$ 2,500	\$ -	\$ 2,500
Gain (loss) on disposal of fixed assets	-	-	19,525	(53)	19,472
Total noncash investing, capital and financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,025</u>	<u>\$ (53)</u>	<u>\$ 21,972</u>



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**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	85-89
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 VERMILLION  
GOVERNMENT-WIDE NET POSITION BY COMPONENT<sup>1</sup>  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 17,468,499	\$ 22,167,991	\$ 23,357,651	\$ 23,217,945	\$ 26,379,227	\$ 27,679,603	\$ 29,109,338	\$ 26,161,730	\$ 25,939,223	\$ 29,309,258
Restricted for:										
BBB	154,418	125,799	144,278	175,308	180,503	217,605	255,754	288,296	325,345	353,447
Capital Projects	-	-	-	-	-	-	45,973	-	-	-
Debt Service	-	-	-	-	-	629,942	640,090	3,497,320	3,305,738	629,167
Parks Capital	1,679,918	1,600,924	940,546	595,352	899,886	14,030	11,414	82,738	18,356	20,928
Library	-	-	-	106,132	21,397	16,141	23,366	28,170	35,245	47,965
Business Improvement District	-	-	-	-	-	-	24,061	31,838	26,070	23,048
SDRS Pension Purposes	-	-	-	-	-	-	-	996,939	773,407	1,342,310
Stormwater	249,860	366,220	490,302	659,022	823,145	912,911	802,684	1,003,863	1,126,475	1,024,296
Cumulative Reserve	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060
Unrestricted	5,136,891	4,116,964	4,255,996	5,796,886	4,587,553	4,617,995	3,307,966	5,476,665	7,105,566	7,996,262
<b>Total Governmental Activities</b>	\$ 24,847,646	\$ 28,535,958	\$ 29,346,833	\$ 30,708,705	\$ 33,049,771	\$ 34,246,287	\$ 34,378,706	\$ 37,725,639	\$ 38,813,485	\$ 40,904,741
<b>Business-Type Activities</b>										
Net Investment in Capital Assets	\$ 17,817,417	\$ 19,705,309	\$ 20,882,426	\$ 21,411,403	\$ 22,036,403	\$ 23,380,670	\$ 26,523,053	\$ 27,122,901	\$ 26,934,533	\$ 27,553,973
Restricted for:										
Debt Service	834,790	1,444,260	1,521,831	1,544,613	1,515,809	1,108,543	1,175,083	1,178,908	1,262,532	3,575,667
Landfill Closure Postclosure	214,880	210,879	207,915	196,362	186,161	180,017	130,851	122,863	107,670	94,128
SDRS Pension Purposes	-	-	-	-	-	-	-	632,798	489,568	832,432
Unrestricted	7,996,485	8,006,051	8,808,530	9,615,384	10,929,279	11,892,563	9,971,067	9,854,143	10,617,828	10,040,260
<b>Total Business-Type Activities</b>	\$ 26,863,572	\$ 29,366,499	\$ 31,420,702	\$ 32,767,762	\$ 34,667,652	\$ 36,561,793	\$ 37,800,054	\$ 38,911,613	\$ 39,612,131	\$ 42,096,460
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 35,285,916	\$ 41,873,300	\$ 44,240,077	\$ 44,629,348	\$ 48,415,630	\$ 51,060,273	\$ 55,632,391	\$ 53,284,631	\$ 52,873,756	\$ 56,863,231
Restricted for:										
BBB	154,418	125,799	144,278	175,308	180,503	217,605	255,754	288,296	325,345	353,447
Capital Projects	-	-	-	-	-	-	45,973	-	-	-
Debt Service	-	-	-	-	-	1,738,485	1,815,173	4,676,228	4,568,270	4,204,834
Parks Capital	2,514,708	3,045,184	2,462,377	2,139,965	2,415,695	14,030	11,414	82,738	18,356	20,928
Library	-	-	-	106,132	21,397	16,141	23,366	28,170	35,245	47,965
Business Improvement District	-	-	-	-	-	-	24,061	31,838	26,070	23,048
Stormwater	249,860	366,220	490,302	659,022	823,145	912,911	802,684	1,003,863	1,126,475	1,024,296
Landfill Closure Postclosure	214,880	210,879	207,915	196,362	186,161	180,017	130,851	122,863	107,670	94,128
Cumulative Reserve	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060
SDRS Pension Purposes	-	-	-	-	-	-	-	1,629,737	1,262,975	2,174,742
Unrestricted	13,133,376	12,123,015	13,064,526	15,412,270	15,516,832	16,510,558	12,279,033	15,330,828	17,923,394	18,036,522
<b>Total Primary Government</b>	\$ 51,711,218	\$ 57,902,457	\$ 60,767,535	\$ 63,476,467	\$ 67,717,423	\$ 70,808,080	\$ 71,178,760	\$ 76,637,252	\$ 78,425,616	\$ 83,001,201

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

TABLE 2

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 1,097,670	\$ 1,185,168	\$ 1,336,341	\$ 1,324,803	\$ 1,325,411	\$ 1,405,594	\$ 1,410,726	\$ 1,373,494	\$ 1,459,520	\$ 1,319,343
Public Safety	1,923,413	2,026,733	2,118,547	2,028,921	2,211,445	2,325,498	2,529,195	2,430,332	2,679,682	2,468,435
Public Works	1,602,031	1,561,217	1,656,337	1,714,248	1,630,835	1,767,762	1,885,352	1,888,965	1,974,166	1,939,284
Health & Welfare	402,620	415,740	412,409	424,263	443,581	491,071	491,071	549,156	565,800	561,700
Culture & Recreation	1,171,859	1,203,636	1,177,757	1,161,245	1,146,227	1,219,328	1,325,700	1,382,212	1,607,245	1,573,107
Conservation & Development	732,787	708,482	368,202	397,229	498,825	526,765	2,485,337	492,999	612,599	542,244
Interest on Long-term debt:	298,297	301,118	272,722	241,902	202,154	183,194	208,517	261,125	305,754	309,347
Total Governmental Activities Expenses	\$ 7,228,677	\$ 7,402,694	\$ 7,342,315	\$ 7,292,611	\$ 7,458,478	\$ 7,919,684	\$ 10,335,898	\$ 8,478,283	\$ 9,204,766	\$ 8,713,460
Business-Type Activities:										
Electric	3,539,287	4,025,288	4,661,735	4,995,547	5,051,041	4,991,778	5,055,658	5,159,008	5,541,389	5,326,073
Water	1,264,548	1,336,150	1,342,632	1,389,184	1,435,808	1,409,578	1,474,754	1,542,802	1,534,487	1,464,998
Wastewater	1,284,315	1,336,169	1,345,153	1,605,314	1,694,154	1,789,908	1,723,732	1,758,756	1,737,489	1,766,360
Liquor	1,003,575	1,000,796	1,017,680	1,018,600	1,043,401	1,017,830	1,065,297	1,293,291	1,403,377	1,421,926
Golf	897,527	840,409	834,736	841,741	838,399	786,751	788,147	800,842	832,107	761,857
Joint Powers Landfill	1,220,527	1,022,888	1,288,114	1,273,463	1,242,491	1,174,487	1,428,877	1,438,417	1,666,062	1,465,723
Curbside Recycling	-	33,407	98,197	93,047	99,467	95,813	100,321	97,913	107,130	100,286
Total Business-Type Activities Expenses	\$ 9,209,779	\$ 9,595,107	\$ 10,588,247	\$ 11,216,896	\$ 11,404,761	\$ 11,266,145	\$ 11,636,786	\$ 12,091,029	\$ 12,822,041	\$ 12,309,223
Total Primary Government Expenses	\$ 16,438,456	\$ 16,997,201	\$ 17,930,562	\$ 18,509,507	\$ 18,863,239	\$ 19,185,829	\$ 21,972,684	\$ 20,569,312	\$ 22,026,807	\$ 21,022,683
Program Revenues										
Governmental Activities:										
Charges for Services:	\$ 291,204	\$ 249,372	\$ 294,330	\$ 260,385	\$ 211,495	\$ 266,391	\$ 324,531	\$ 377,732	\$ 162,156	\$ 158,316
General Government	43,680	43,573	44,364	258,152	262,610	36,873	38,267	49,694	265,945	283,009
Public Safety	764,960	402,603	563,566	359,478	378,820	538,981	503,841	357,524	394,187	384,141
Health & Welfare	289,839	344,652	339,053	360,623	321,131	378,785	448,062	538,048	497,335	531,481
Culture & Recreation	67,716	63,524	75,145	79,117	75,728	74,339	70,352	60,700	70,882	171,080
Operating Grants & Contributions	257,213	64,563	89,026	71,739	104,314	349,201	287,861	313,523	350,812	403,258
Capital Grants & Contributions	410,251	3,677,885	223,818	944,239	1,988,284	719,768	1,545,892	1,483,803	833,179	954,883
Total Governmental Activities Program Revenues	\$ 2,124,863	\$ 4,846,162	\$ 1,629,302	\$ 2,333,733	\$ 3,342,382	\$ 2,364,338	\$ 3,218,806	\$ 3,181,024	\$ 2,574,496	\$ 2,866,168
Business-Type Activities:										
Charges for Services:										
Electric	4,900,026	5,262,358	5,884,283	6,077,336	6,187,213	6,131,098	6,161,105	6,360,888	6,620,124	7,250,554
Water	1,497,831	1,514,565	1,506,335	1,588,609	1,772,353	1,689,093	1,686,995	1,744,965	1,822,923	1,891,243
Wastewater	1,335,134	1,420,454	1,493,778	1,647,990	1,737,914	1,761,639	1,828,085	1,853,034	1,920,566	1,960,026
Liquor	1,179,545	1,165,625	1,181,977	1,185,643	1,217,013	1,183,334	1,246,418	1,498,390	1,621,960	1,613,093
Golf	669,459	683,709	609,291	624,007	654,510	638,437	623,510	610,115	624,018	649,373
Joint Powers Landfill	1,171,794	1,088,488	1,236,897	1,241,842	1,151,985	1,080,270	1,107,835	1,315,471	1,468,979	1,667,264
Curbside Recycling	-	29,941	111,838	116,759	110,249	109,789	100,223	108,267	115,386	123,824
Operating Grants & Contributions	40,625	1,972	93,886	100	100	7,000	-	7,000	113,459	-
Capital Grants & Contributions	279,226	1,198,705	775,438	14,473	118,970	371,637	1,011,477	30,291	-	466,162
Total Business-Type Activities Program Revenues	\$ 11,073,640	\$ 12,365,817	\$ 12,893,723	\$ 12,496,759	\$ 12,950,307	\$ 12,965,297	\$ 13,765,648	\$ 13,528,421	\$ 14,307,417	\$ 15,611,539
Total Primary Government Program Revenues	\$ 13,198,503	\$ 17,211,979	\$ 14,523,025	\$ 14,830,492	\$ 16,292,689	\$ 15,329,635	\$ 16,984,454	\$ 16,709,445	\$ 16,881,913	\$ 18,477,707
Net(Expense)/Revenue										
Governmental Activities	\$ (5,103,814)	\$ (2,555,932)	\$ (5,713,013)	\$ (4,958,878)	\$ (4,116,096)	\$ (5,555,346)	\$ (7,117,092)	\$ (5,297,259)	\$ (6,630,270)	\$ (5,847,292)
Business-Type Activities	1,863,861	2,770,710	2,305,476	1,279,863	1,545,546	1,699,152	2,128,862	1,437,392	1,485,376	3,302,316
Total Primary Government Net: Revenues (Expenses)	\$ (3,239,953)	\$ 214,778	\$ (3,407,537)	\$ (3,679,015)	\$ (2,570,550)	\$ (3,856,194)	\$ (4,988,230)	\$ (3,859,867)	\$ (5,144,894)	\$ (2,544,976)

TABLE 2 (continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues</b>										
<b>Governmental Activities:</b>										
Property Taxes	\$ 1,620,798	\$ 1,827,924	\$ 1,872,491	\$ 1,893,823	\$ 1,979,186	\$ 2,024,530	\$ 2,077,118	\$ 2,164,952	\$ 2,243,266	\$ 2,315,948
Sales Taxes	3,513,311	3,108,356	3,422,702	3,331,784	3,407,050	3,500,823	3,634,580	4,006,345	3,854,088	4,007,769
Unrestricted State/County Shared Revenue	93,542	74,396	72,312	70,970	72,704	77,480	78,564	65,935	68,939	68,682
Unrestricted Investment Earnings	370,622	251,231	136,313	125,594	77,802	54,889	33,287	58,413	98,193	124,778
Miscellaneous Revenue	84,002	58,729	53,709	76,419	83,276	55,585	83,464	331,373	247,972	261,987
Gain on sale of capital assets	9,335	11,951	28,362	72,492	11,274	1,143	195,441	5,577	40,348	19,472
Transfers	1,022,801	911,657	937,999	937,412	931,586	1,037,412	1,147,057	1,137,412	1,165,330	1,139,912
<b>Total Governmental Activities</b>	<u>6,714,411</u>	<u>6,244,244</u>	<u>6,523,888</u>	<u>6,508,494</u>	<u>6,562,878</u>	<u>6,751,862</u>	<u>7,249,511</u>	<u>7,770,007</u>	<u>7,718,116</u>	<u>7,938,548</u>
<b>Business-Type Activities</b>										
Property Taxes	379,187	435,805	480,052	505,713	501,007	498,282	174,616	172,961	191,590	244,975
Unrestricted Investment Earnings	295,630	164,057	145,933	249,674	227,946	187,143	81,840	77,229	188,882	71,052
Miscellaneous Revenue	42,437	44,012	60,741	60,988	61,736	81,414	-	-	-	56,563
Gain on sale of capital assets	-	-	-	490	30,245	30,047	-	-	-	-
Insurance recovery net of fire loss	-	-	-	-	608,209	435,515	-	-	-	-
Transfers	(1,022,801)	(911,657)	(937,999)	(937,412)	(931,586)	(1,037,412)	(1,147,057)	(1,137,412)	(1,165,330)	(1,139,912)
<b>Total Business-Type Activities</b>	<u>(311,547)</u>	<u>(267,783)</u>	<u>(251,273)</u>	<u>(120,547)</u>	<u>497,557</u>	<u>194,989</u>	<u>(690,601)</u>	<u>(887,222)</u>	<u>(784,856)</u>	<u>(767,332)</u>
<b>Total Primary Government</b>	<u>\$ 6,402,864</u>	<u>\$ 5,976,461</u>	<u>\$ 6,272,615</u>	<u>\$ 6,387,947</u>	<u>\$ 7,060,435</u>	<u>\$ 6,946,851</u>	<u>\$ 6,558,910</u>	<u>\$ 6,882,785</u>	<u>\$ 6,933,258</u>	<u>\$ 7,171,216</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ 1,610,597	\$ 3,688,312	\$ 810,875	\$ 1,549,616	\$ 2,446,782	\$ 1,196,516	\$ 132,419	\$ 2,472,748	\$ 1,087,846	\$ 2,091,256
Business-Type Activities	1,552,314	2,502,927	2,054,203	1,159,316	2,043,103	1,894,141	1,238,261	550,170	700,518	2,534,984
<b>Total Primary Government</b>	<u>\$ 3,162,911</u>	<u>\$ 6,191,239</u>	<u>\$ 2,865,078</u>	<u>\$ 2,708,932</u>	<u>\$ 4,489,885</u>	<u>\$ 3,090,657</u>	<u>\$ 1,370,680</u>	<u>\$ 3,022,918</u>	<u>\$ 1,788,364</u>	<u>\$ 4,626,240</u>

<sup>1</sup> 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
2008	\$ 1,620,798	\$ 1,634,487	\$ 1,618,610	\$ 260,214	\$ 59,422	\$ 5,193,531
2009	1,827,924	1,430,573	1,416,874	260,909	59,348	4,995,628
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

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

Fiscal Year	Agriculture Forestry & Fishing	Construction	Manufacturing	Sanitary Services	Electric, Gas & Commrunications	Wholesale Trade	Retail Trade	Finance Insurance & Real Estate	Services	Public Adm.	Other	Total
2008	\$ 798	\$ 297	\$ 4,092	\$ 13,815	\$ 1,759	\$ 86,498	\$ 1,289	\$ 11,523	\$ n/a	\$ n/a	\$ n/a	\$ 120,071
2009	1,021	5,846	5,737	17,653	6,135	113,188	1,536	18,586	7	9	9	169,718
2010	1,048	1,887	3,404	21,126	9,940	115,964	1,660	20,455	13	84	84	175,581
2011	824	2,716	4,286	19,001	6,884	121,996	1,553	19,579	18	374	374	177,231
2012	689	5,536	4,935	18,610	6,370	124,460	2,012	20,563	n/a	n/a	588	183,763
2013	1,401	5,185	3,757	19,413	6,835	126,517	2,364	21,689	n/a	n/a	67	187,228
2014	1,494	3,894	4,956	20,755	11,935	102,286	2,292	19,036	n/a	n/a	85	166,733
2015	1,751	7,832	6,883	20,089	11,826	140,734	2,310	23,098	n/a	n/a	79	214,602
2016	1,764	5,149	6,698	20,680	9,434	144,676	2,843	22,720	9	52	52	214,025
2017	1,747	5,855	5,743	21,146	8,941	116,227	3,113	20,988	n/a	n/a	6	183,766

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 199,518	\$ 191,878	\$ 204,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,101,902	2,173,805	2,305,886	-	-	-	-	-	-	-
Nonspendable <sup>2</sup>	-	-	-	201,366	200,626	203,072	224,966	211,386	241,102	243,685
Restricted <sup>2</sup>	-	-	-	-	-	-	-	559,241	1,035,457	1,132,126
Committed <sup>2</sup>	-	-	-	-	-	500,000	500,000	500,000	500,000	-
Assigned <sup>2</sup>	-	-	-	178,135	215,396	210,282	232,220	758,914	1,381,962	232,667
Unassigned <sup>2</sup>	-	-	-	2,331,213	2,451,984	2,077,878	2,137,148	2,048,052	1,728,756	2,537,037
Total General Fund	<u>2,301,420</u>	<u>2,365,663</u>	<u>2,510,406</u>	<u>2,710,714</u>	<u>2,868,006</u>	<u>2,991,232</u>	<u>3,094,334</u>	<u>4,077,593</u>	<u>4,887,277</u>	<u>4,145,515</u>
All Other Governmental Funds										
Reserved	995,897	1,089,107	497,633	-	-	-	-	-	-	-
Unreserved reported in:										
Special Revenue Fund	2,747,582	2,112,502	2,457,459	-	-	-	-	-	-	-
Capital Projects Fund <sup>1</sup>	45,238	(57,251)	(52,750)	-	-	-	-	-	-	-
Nonspendable <sup>2</sup>	-	-	-	-	-	-	-	-	-	-
Restricted <sup>2</sup>	-	-	-	1,510,490	1,646,030	1,488,921	1,497,755	4,474,845	4,596,863	2,024,747
Committed <sup>2</sup>	-	-	-	3,098,047	2,099,534	2,073,848	2,551,614	3,186,983	4,000,498	3,966,799
Assigned <sup>2</sup>	-	-	-	22,344	8,255	14,030	11,414	-	-	-
Unassigned <sup>2</sup>	-	-	-	(337,391)	(479,396)	(33,233)	(344,496)	(250,396)	(765,612)	(645,791)
Total All Other Governmental Funds	<u>3,788,717</u>	<u>3,144,358</u>	<u>2,902,342</u>	<u>4,293,490</u>	<u>3,274,423</u>	<u>3,543,566</u>	<u>3,716,287</u>	<u>7,411,432</u>	<u>7,831,749</u>	<u>5,345,755</u>
Total Governmental Funds	<u>1,195,415</u>	<u>1,280,985</u>	<u>702,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reserved	2,101,902	2,173,805	2,305,886	-	-	-	-	-	-	-
Unreserved reported in:										
General Fund	2,747,582	2,112,502	2,457,459	-	-	-	-	-	-	-
Special Revenue Funds	45,238	(57,251)	(52,750)	-	-	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-	-	-	-	-	-
Nonspendable <sup>2</sup>	-	-	-	201,366	200,626	203,072	224,966	211,386	241,102	243,685
Restricted <sup>2</sup>	-	-	-	1,510,490	1,646,030	1,488,921	1,497,755	5,034,086	5,632,320	3,156,873
Committed <sup>2</sup>	-	-	-	3,098,047	2,099,534	2,573,848	3,051,614	3,686,983	4,500,498	3,966,799
Assigned <sup>2</sup>	-	-	-	200,479	223,651	224,312	243,634	758,914	1,381,962	232,667
Unassigned <sup>2</sup>	-	-	-	1,993,822	1,972,588	2,044,645	1,792,652	1,797,656	963,144	1,891,245
Total Governmental Funds	<u>\$ 6,090,137</u>	<u>\$ 5,510,041</u>	<u>\$ 5,412,748</u>	<u>\$ 7,004,204</u>	<u>\$ 6,142,429</u>	<u>\$ 6,534,798</u>	<u>\$ 6,810,621</u>	<u>\$ 11,489,025</u>	<u>\$ 12,719,026</u>	<u>\$ 9,491,270</u>

<sup>1</sup> The fluctuations in the fund balance result from construction projects in which funds are spent in one year and reimbursed in another fiscal year.

<sup>2</sup> The City implemented GASB 54 in fiscal 2011, which changed fund balance classifications for periods beginning after June 15, 2010.

TABLE 5

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	5,198,227	4,988,765	5,368,562	5,326,435	5,498,306	5,626,474	5,961,736	6,381,721	6,473,105	6,591,352
Licenses & Permits	201,064	215,277	219,374	220,361	230,068	234,552	245,127	309,643	259,879	257,068
Intergovernmental Revenue	965,288	4,138,907	743,632	586,907	2,429,826	889,783	843,707	1,647,009	1,446,020	1,626,056
Charges for Goods & Services	455,395	454,080	495,782	486,226	380,372	491,692	526,061	537,570	529,998	672,814
Fines & Forfeits	40,033	41,480	41,336	38,715	35,544	36,728	37,644	46,860	46,913	53,920
Public Payments for Improvements	173,240	-	14,999	59,949	10,408	77,420	7,431	97,712	-	-
Investment Earnings	274,834	202,694	89,130	88,262	57,589	37,647	34,381	27,569	82,936	120,154
Rentals	14,080	12,670	15,891	18,112	15,207	15,082	17,612	23,709	23,990	23,740
Special Assessments	141,726	168,406	196,310	153,294	157,952	109,544	138,018	47,345	265,888	211,784
Contributions & Donations	3,238	20,275	15,170	840,927	213,255	241,789	40,639	134,998	53,676	64,254
Miscellaneous	79,881	58,194	53,354	59,806	46,394	44,404	47,170	113,360	171,654	184,569
<b>Total Revenues</b>	<b>7,547,006</b>	<b>10,300,748</b>	<b>7,253,540</b>	<b>7,878,994</b>	<b>9,074,921</b>	<b>7,805,115</b>	<b>7,899,526</b>	<b>9,367,496</b>	<b>9,354,059</b>	<b>9,805,711</b>
<b>Expenditures</b>										
General Government	1,066,024	1,074,365	1,129,960	1,143,773	1,131,980	1,194,801	1,216,569	1,203,393	1,237,972	1,206,431
Public Safety	1,809,125	1,910,230	2,001,762	1,927,998	2,095,628	2,200,059	2,392,827	2,400,431	2,437,905	2,644,590
Public Works	1,006,391	857,217	908,703	942,093	889,157	1,002,231	1,055,311	1,072,502	1,118,983	1,121,661
Health and Welfare	392,330	399,563	403,645	404,509	418,653	468,088	462,862	523,881	522,535	561,360
Culture-Recreation	968,093	1,018,139	1,018,487	1,007,533	1,031,723	1,005,177	1,095,026	1,100,075	1,112,291	1,263,600
Conservation and Development	732,787	708,482	368,202	397,229	498,825	526,765	2,463,201	492,999	585,343	542,244
Debt Service										
Principal	405,142	499,290	412,156	560,000	226,570	557,356	207,355	215,785	370,000	2,920,000
Interest	339,970	283,218	262,297	232,991	202,154	184,811	191,470	266,768	339,215	322,121
Bond Issuance Costs	-	-	-	-	-	-	15,000	-	64,623	-
Capital Outlay	4,986,263	4,984,357	978,348	405,032	4,378,678	1,213,316	1,318,579	1,226,090	4,575,651	3,591,455
<b>Total Expenditures</b>	<b>11,706,125</b>	<b>11,734,861</b>	<b>7,483,560</b>	<b>7,021,158</b>	<b>10,873,368</b>	<b>8,352,604</b>	<b>10,418,000</b>	<b>8,501,924</b>	<b>12,364,518</b>	<b>14,173,462</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(4,159,119)</b>	<b>(1,434,113)</b>	<b>(230,020)</b>	<b>857,836</b>	<b>(1,796,447)</b>	<b>(547,489)</b>	<b>(2,518,474)</b>	<b>865,572</b>	<b>(3,010,459)</b>	<b>(4,367,751)</b>
<b>Other Financing Sources (Uses)</b>										
Issuance of Bonds	326,325	-	-	-	-	-	-	-	-	-
Transfer In	1,745,905	2,654,412	1,657,913	1,511,547	2,801,359	2,427,698	2,150,639	2,686,044	2,091,180	4,425,850
Transfer Out	(743,104)	(1,792,755)	(820,501)	(587,029)	(1,863,947)	(1,490,286)	(1,012,082)	(1,554,632)	(975,568)	(3,288,438)
Proceeds from Sale of Bonds	-	-	-	-	-	-	1,732,000	2,695,000	3,095,132	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,329,126</b>	<b>861,657</b>	<b>837,412</b>	<b>924,518</b>	<b>937,412</b>	<b>937,412</b>	<b>2,870,557</b>	<b>3,826,412</b>	<b>4,210,744</b>	<b>1,137,412</b>
<b>Net Change in Fund Balances</b>	<b>\$(2,629,993)</b>	<b>\$(572,456)</b>	<b>\$607,392</b>	<b>\$1,782,354</b>	<b>\$(861,035)</b>	<b>\$389,923</b>	<b>\$352,083</b>	<b>\$4,691,984</b>	<b>\$1,200,285</b>	<b>\$(3,230,339)</b>
<b>Change in Inventory</b>	<b>\$14,804</b>	<b>\$(7,640)</b>	<b>\$12,642</b>	<b>\$(3,154)</b>	<b>\$(740)</b>	<b>\$2,446</b>	<b>\$21,894</b>	<b>\$(13,580)</b>	<b>\$29,716</b>	<b>\$2,583</b>
<b>Debt Service as a percentage of non-capital expenditures</b>	<b>11.09%</b>	<b>11.59%</b>	<b>10.37%</b>	<b>11.99%</b>	<b>6.60%</b>	<b>10.40%</b>	<b>4.38%</b>	<b>6.63%</b>	<b>9.11%</b>	<b>30.64%</b>

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
2008	\$ 161,396,656	\$ 123,046,250	\$ 284,442,906	6.06	\$ 323,230,575	88%
2009	158,545,014	123,827,060	282,372,074	6.38	318,345,067	89%
2010	167,307,757	130,355,951	297,663,708	6.19	350,192,598	85%
2011	179,874,956	137,302,095	317,177,051	6.02	373,149,472	85%
2012	176,917,718	139,821,409	316,739,127	6.29	372,634,267	85%
2013	187,196,370	153,558,478	340,754,848	6.06	400,888,056	85%
2014	187,844,104	156,989,204	344,833,308	6.21	405,686,245	85%
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%

Received from Clay County Treasurer.

TABLE 7

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

Fiscal Year	City of Vermillion			Clay County			Vermillion School District			Total Direct and Overlapping Rates	
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		
											Special Districts
2008 a	6.060	-	6.060	5.350	-	5.350	16.870	0.640	17.510	0.050	28.970
2008 b	6.060	-	6.060	5.350	-	5.350	10.390	0.640	11.030	0.050	22.490
2009 a	6.380	-	6.380	5.470	-	5.470	16.637	0.572	17.209	0.044	29.103
2009 b	6.380	-	6.380	5.470	-	5.470	10.284	0.572	10.856	0.044	22.750
2010 a	6.185	-	6.185	5.366	-	5.366	16.335	0.565	16.900	0.044	28.495
2010 b	6.185	-	6.185	5.366	-	5.366	10.142	0.565	10.707	0.044	22.302
2011 a	6.016	-	6.016	5.193	-	5.193	16.552	0.542	17.094	0.042	28.345
2011 b	6.016	-	6.016	5.193	-	5.193	10.275	0.542	10.817	0.042	22.068
2012 a	6.290	-	6.290	5.214	-	5.214	16.698	0.544	17.242	0.041	28.787
2012 b	6.290	-	6.290	5.214	-	5.214	10.343	0.544	10.887	0.041	22.432
2013 a	6.064	-	6.064	4.872	-	4.872	16.636	0.474	17.110	0.039	28.085
2013 b	6.064	-	6.064	4.872	-	4.872	10.355	0.474	10.829	0.039	21.804
2014 a	6.210	-	6.210	4.681	-	4.681	16.321	0.424	16.745	0.034	27.670
2014 b	6.210	-	6.210	4.681	-	4.681	10.168	0.424	10.592	0.034	21.517
2015 a	6.114	-	6.114	4.445	-	4.445	15.991	0.398	16.389	0.031	26.979
2015 b	6.114	-	6.114	4.445	-	4.445	9.877	0.398	10.275	0.031	20.865
2016 a	5.982	-	5.982	4.294	-	4.294	14.834	0.378	15.212	0.029	25.517
2016 b	5.982	-	5.982	4.294	-	4.294	9.66	0.378	10.038	0.029	20.343
2017 a	5.869	-	5.869	4.172	-	4.172	13.694	0.364	14.058	0.030	24.129
2017 b	5.869	-	5.869	4.172	-	4.172	8.935	0.364	9.299	0.030	19.370

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	2017			2008		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuations	Assessed Valuation	Rank	Percentage of Total Assessed Valuations
Polaris Industries, Inc.	\$ 8,772,062	1	1.87%	\$ 6,957,811	1	2.15%
Walmart Stores, Inc	6,755,155	2	1.44%	4,342,140	2	1.34%
JH Investments	6,143,216	3	1.31%	3,227,312	4	1.00%
Vermillion Area Chamber & Development	3,977,593	4	0.85%	-	-	-
William R. Wood	3,432,101	5	0.73%	-	-	-
Three Sisters LLC	3,384,495	6	0.72%	-	-	-
Hatle Investments	3,127,483	7	0.66%	-	-	-
Hogen Hause Properties LLC	2,931,473	8	0.62%	-	-	-
First Dakota National Bank	2,846,321	9	0.61%	-	-	-
Five Star Cottages	2,186,821	10	0.46%	1,899,773	6	0.59%
505 W Main Limited Partnership	-	-	-	2,778,156	3	0.86%
Hy-vee Food Store Inc	-	-	-	2,225,187	5	0.69%
Radha INC	-	-	-	226,198	7	0.07%
East River Properties LLC	-	-	-	1,778,025	8	0.55%
Qwest	-	-	-	1,769,979	9	0.55%
Kirk & Elizabeth Hogen	-	-	-	1,744,392	10	0.54%
Total Principal Taxpayers	43,556,720		9.27%	26,948,973		8.34%
All Other Taxpayers	426,765,260		90.73%	296,281,602		91.66%
Total Assessed Valuation	\$ <u>470,321,980</u>		<u>100%</u>	\$ <u>323,230,575</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
2008	\$ 1,436,746	\$ 1,412,780	98.33%	\$ 23,573	\$ 1,436,353	99.97%	\$ 37,427	2.60%
2009	1,548,344	1,521,174	98.25%	26,767	1,547,941	99.97%	43,787	2.83%
2010	1,607,062	1,583,404	98.53%	23,029	1,606,433	99.96%	37,600	2.34%
2011	1,650,542	1,629,803	98.74%	16,470	1,646,273	99.74%	38,794	2.35%
2012	1,718,031	1,690,684	98.41%	25,127	1,715,811	99.87%	58,470	3.40%
2013	1,792,285	1,762,017	98.31%	28,990	1,791,008	99.93%	74,217	4.14%
2014	2,064,257	2,033,514	98.51%	28,871	2,062,385	99.91%	80,760	3.91%
2015	2,138,526	2,114,001	98.85%	21,556	2,135,557	99.86%	49,554	2.32%
2016	2,188,390	2,168,494	99.09%	5,884	2,174,377	99.36%	33,899	1.55%
2017	\$ 2,233,128	\$ 2,216,302	99.25%	\$ -	\$ 2,216,302	99.25%	\$ 29,780	1.33%

TABLE 10

CITY OF VERMILLION  
SPECIAL ASSESSMENTS BILLINGS & COLLECTIONS  
LAST TEN YEARS

Year	Special Assessments Outstanding	Assessment Paid or Cancelled	Ratio of Collection To Amount Outstanding	Total Outstanding Assessments December 31*
2008	\$ 979,380	\$ 112,240	11.46%	\$ 867,140
2009	886,278	166,206	18.75%	720,072
2010	773,570	290,668	37.57%	482,902
2011	484,926	118,074	24.35%	366,852
2012	390,154	131,753	33.77%	258,401
2013	333,516	85,739	25.71%	247,777
2014	264,278	135,801	51.39%	128,477
2015	540,317	38,194	7.07%	502,125
2016	502,125	215,416	42.90%	286,709
2017	\$ 309,063	\$ 190,282	61.57%	\$ 118,781

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

Table 11

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Revenue Bonds	General Obligation Bonds	Capital Leases	Revenue Bonds	Notes Payable	Capital Leases			
2008	\$ 2,027,848	\$ -	\$ 4,355,000	\$ 11,201,109	\$ 396,737	\$ 24,912	\$ 18,005,806	4.41%	1,716
2009	1,698,558	-	4,185,000	18,159,279	407,878	-	24,450,715	5.79%	2,347
2010	765,000	-	4,010,000	20,287,816	800,860	-	25,863,676	6.11%	2,445
2011	390,000	-	3,825,000	19,759,654	687,003	-	24,661,657	5.41%	2,333
2012	355,000	-	3,640,496	18,200,435	570,408	229,670	22,996,009	4.73%	2,127
2013	-	-	3,438,140	18,216,709	451,009	209,316	22,315,174	4.22%	2,064
2014	1,732,000	-	3,230,785	19,000,453	328,737	188,300	24,480,275	n/a	2,264
2015	1,732,000	-	5,710,000	18,075,352	203,525	166,602	25,887,479	n/a	2,411
2016	1,732,000	2,936,836	5,490,000	17,113,566	139,636	144,198	27,556,236	n/a	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

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

TABLE 12

CITY OF VERMILLION  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
December 31, 2017

Jurisdiction	Net General Obligation Debt Outstanding	Percentage Applicable To This Governmental Unit <sup>1</sup>	City's Share of Debt
School District	\$ 515,000	51.10%	\$ 263,163
City of Vermillion direct debt			<u>7,231,041</u>
Total Direct and Overlapping Debt			<u>\$ 7,494,204</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.

<sup>1</sup> 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 16,161,529	\$ 15,917,253	\$ 17,509,630	\$ 18,631,713	\$ 20,284,312	\$ 20,044,403	\$ 20,284,312	\$ 21,185,414	\$ 22,174,232	\$ 23,516,099
Total, net debt applicable to limit	\$ 8,125,471	\$ 7,236,640	\$ 6,979,204	\$ 5,868,649	\$ 4,551,292	\$ 5,254,396	\$ 8,218,291	\$ 7,785,291	\$ 10,192,244	\$ 9,805,549
Legal Debt Margin	\$ 8,036,058	\$ 8,680,613	\$ 10,530,426	\$ 12,763,064	\$ 14,080,421	\$ 14,790,007	\$ 12,066,021	\$ 13,400,123	\$ 11,981,988	\$ 13,710,550
Total net debt applicable to limit	50.28%	45.46%	39.86%	31.45%	24.43%	26.21%	40.52%	36.75%	45.96%	41.70%
as a percentage of debt limit										

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2017

Total 2017 Taxable Value	\$ 399,773,683
Assessed Value	470,321,980
Debt Limit - 5% of Assessed Value	23,516,099
Total Bonded Debt and Long-Term Notes Payable	24,919,495

AMOUNT OF DEBT APPLICABLE TO LIMIT  
Less:

Amount set aside for repayment of debt	
Joint Powers Revenue Bonds	(17,972)
Prenslis Park Improvement Reserve	(30,330)
Wastewater Revenue Bonds	(436,533)
Bonds funded with a surcharge fee	
Electric Surcharge Bond, 2016	(3,725,000)
Electric Revenue Bond, Series 2009	(5,845,000)
Wastewater Revenue Bond, Series 2008 (SRF)	(2,979,637)
Water Utility Bond, Series 2006 (SRF)	(2,079,474)

DEBT APPLICABLE TO DEBT LIMIT	(15,113,946)
LEGAL DEBT MARGIN	9,805,549
	13,710,550

Table 14

CITY OF VERMILLION  
REVENUE BOND COVERAGE  
ELECTRIC ENTERPRISE  
LAST TEN FISCAL YEARS<sup>1</sup>

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
2008	\$ 4,868,374	\$ 3,507,191	\$ 306,305	\$ 1,667,488	\$ 90,000	\$ 763	\$ 90,763	18.37	\$ 1,973,793	21.75
2009	<sup>2</sup> 5,158,478	4,004,115	311,894	1,466,257	-	-	-	n/a	1,778,151	n/a
2010	<sup>3</sup> 517,889	-	-	517,889	-	391,211	391,211	1.32	517,889	1.32
2011	<sup>3</sup> 738,404	-	-	738,404	185,000	384,797	569,797	1.30	738,404	1.30
2012	<sup>3</sup> 743,301	-	-	743,301	190,000	382,485	572,485	1.30	743,301	1.30
2013	<sup>3</sup> 734,806	-	-	734,806	195,000	385,533	580,533	1.27	734,806	1.27
2014	<sup>3</sup> 715,396	-	-	715,396	195,000	375,550	570,550	1.25	715,396	1.25
2015	<sup>3</sup> 717,330	-	-	717,330	200,000	371,163	571,163	1.26	717,330	1.26
2016	<sup>3</sup> 728,564	-	-	728,564	205,000	367,463	572,463	1.27	728,564	1.27
2017	<sup>3</sup> \$ 1,029,986	-	-	\$ 1,029,986	\$ 380,000	\$ 463,635	\$ 843,635	1.22	\$ 1,029,986	1.22

<sup>1</sup> GAAP Basis

<sup>2</sup> General Obligation Bonds were paid off in 2009

<sup>3</sup> Starting in 2010 a surcharge fee was pledged for the debt service

Table 15

CITY OF VERMILLION  
REVENUE BOND COVERAGE  
WATER ENTERPRISE  
LAST TEN FISCAL YEARS<sup>1</sup>

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
2008 <sup>2</sup>	\$ 1,204,204	\$ 1,099,739	\$ 187,002	\$ 104,465	\$ 94,446	\$ 73,716	\$ 168,162	0.62	\$ 291,467	1.73
2008 <sup>3</sup>	293,627	-	-	293,627	137,706	88,447	226,153	1.30	293,627	1.30
2009 <sup>2</sup>	1,250,755	1,172,310	232,343	78,445	98,331	69,832	168,163	0.47	310,788	1.85
2009 <sup>3</sup>	263,810	-	-	263,810	147,946	87,413	235,359	1.12	263,810	1.12
2010 <sup>2</sup>	1,240,161	1,189,028	241,817	51,133	102,381	65,621	168,002	0.30	292,950	1.74
2010 <sup>3</sup>	266,174	-	-	266,174	151,896	83,772	235,668	1.13	266,174	1.13
2011 <sup>2</sup>	1,326,700	1,246,547	247,878	80,153	106,603	63,412	170,015	0.47	328,031	1.93
2011 <sup>3</sup>	261,909	-	-	261,909	155,729	79,939	235,668	1.11	261,909	1.11
2012 <sup>2</sup>	1,507,777	1,319,913	253,851	187,864	503,868	40,574	544,442	0.35	441,715	0.81
2012 <sup>3</sup>	264,576	-	-	264,576	159,659	76,009	235,668	1.12	264,576	1.12
2013 <sup>2</sup>	1,425,754	1,305,751	257,677	120,003	71,275	33,748	105,023	1.14	377,680	3.60
2013 <sup>3</sup>	263,339	-	-	263,339	163,689	71,981	235,670	1.12	263,339	1.12
2014 <sup>2</sup>	1,420,638	1,353,254	288,192	67,384	112,038	67,569	179,607	0.38	355,576	1.98
2014 <sup>3</sup>	266,357	-	-	266,357	167,819	55,435	223,254	1.19	266,357	1.19
2015 <sup>2</sup>	1,472,537	1,425,059	320,596	47,478	130,052	56,423	186,475	0.25	368,074	1.97
2015 <sup>3</sup>	272,428	-	-	272,428	172,054	63,615	235,669	1.16	272,428	1.16
2016 <sup>2</sup>	1,556,304	1,425,552	323,480	130,752	134,570	52,532	187,101	0.70	454,232	2.43
2016 <sup>3</sup>	266,619	-	-	266,619	176,396	59,273	235,669	1.13	266,619	1.13
2017 <sup>2</sup>	1,624,652	1,365,670	324,855	258,982	138,029	48,445	186,474	1.39	583,837	3.13
2017 <sup>3</sup>	266,591	-	-	266,591	180,847	54,821	235,668	1.13	266,591	1.13

<sup>1</sup> GAAP Basis<sup>2</sup> Bond obligations not covered with surcharge pledge<sup>3</sup> Starting in 2007 bonds were paid with surcharge pledge

Table 16

CITY OF VERMILLION  
REVENUE BOND COVERAGE  
WASTEWATER ENTERPRISE  
LAST TEN FISCAL YEARS<sup>1</sup>

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
2008	\$ 1,335,134	\$ 1,168,515	\$ 380,848	\$ 166,619	\$ 144,728	\$ 110,244	\$ 254,972	0.65	\$ 547,467	2.15
2009	1,420,454	1,230,161	387,288	190,293	149,498	105,646	255,144	0.75	577,581	2.26
2010	1,348,647	1,236,230	413,192	112,417	154,426	140,768	295,194	0.38	525,609	1.78
2010	145,131	-	-	145,131	41,335	49,870	91,205	1.59	145,131	1.59
2011	1,347,731	1,435,127	509,019	(87,396)	168,769	104,201	272,970	(0.32)	421,623	1.54
2011	300,259	-	-	300,259	138,513	124,963	263,476	1.14	300,259	1.14
2012	1,416,774	1,464,328	592,300	(47,554)	176,377	97,582	273,959	(0.17)	544,746	1.99
2012	321,140	-	-	321,140	160,945	128,744	289,689	1.11	321,140	1.11
2013	1,439,033	1,554,596	597,771	(115,563)	107,677	57,988	165,665	(0.70)	482,208	2.91
2013	322,606	-	-	322,606	167,184	123,829	291,013	1.11	322,606	1.11
2014	1,502,652	1,554,258	604,768	(51,606)	198,431	54,718	253,149	(0.20)	553,162	2.19
2014	325,433	-	-	325,433	172,684	118,329	291,013	1.12	325,433	1.12
2015	1,522,200	1,597,135	608,689	(74,935)	199,209	52,622	251,831	(0.30)	533,764	2.12
2015	330,834	-	-	330,834	178,365	112,648	291,013	1.14	330,834	1.14
2016	1,588,446	1,579,871	603,434	8,575	200,377	50,132	250,509	0.03	612,009	2.44
2016	332,122	-	-	332,122	184,233	106,780	291,013	1.14	332,122	1.14
2017	1,624,450	1,623,121	606,665	1,329	200,847	47,279	248,126	0.01	607,994	2.45
2017	335,576	-	-	335,576	190,294	100,720	291,014	1.15	335,576	1.15

<sup>1</sup> GAAP Basis<sup>2</sup> Bond obligations not covered with surcharge pledge<sup>3</sup> Starting in 2010 a surcharge fee was pledged for the debt service

Table 17

CITY OF VERMILLION  
REVENUE BOND COVERAGE  
CURBSIDE RECYCLING ENTERPRISE  
LAST TEN FISCAL YEARS<sup>1</sup>

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	\$ 111,638	\$ 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	-

<sup>1</sup> GAAP Basis  
First Payment 2010

Table 18

CITY OF VERMILLION  
PRINCIPAL EMPLOYERS  
DECEMBER 31, 2017 and DECEMBER 31, 2008

Employer	Type of Business	2017			2008		
		# of Employees	Rank	Percentage of Total City Employees	# of Employees	Rank	Percentage of Total City Employees
University of South Dakota	Higher Education	1,500	1	28.08%	1,200	1	20.57%
Hy Vee Food Stores	Retail	218	2	4.08%	135	6	2.31%
Wal-Mart	Retail	196	3	3.67%	250	4	4.29%
Sanford Vermillion Medical Center	Medical	193	4	3.61%	-	-	-
Polaris Industries	Parts Distribution	180	5	3.37%	120	8	2.06%
Vermillion Public Schools	Education	155	6	2.90%	225	5	3.86%
SESDAC	Education/Training	145	7	2.71%	175	7	3.00%
Masaba Mining Equipment	Manufacturing	110	8	2.06%	60	10	1.03%
City of Vermillion	Government	103	9	1.93%	100	9	1.71%
Navigant	Call Center	48	10	0.90%	-	-	-
eTelecare Global Solutions, Inc	Call Center	-	-	-	350	2	6.00%
Sioux Valley Vermillion Medical Center	Medical	-	-	-	330	3	5.66%
Totals		<u>2,848</u>		<u>53.31%</u>	<u>2,945</u>		<u>50.49%</u>
Other Employers		<u>2,494</u>		<u>46.69%</u>	<u>2,888</u>		<u>49.51%</u>
Total Employers		<u>5,342</u>		<u>100%</u>	<u>5,833</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 <sup>1</sup>	Total Personal Income	Per Capita Personal Income <sup>2</sup>	Educational Attainment Bachelor's Degree or Higher <sup>1</sup>	Median Age <sup>1</sup>	Public School Enrollment <sup>3</sup>	University of South Dakota Enrollment <sup>4</sup>	Unemployment Rate <sup>1</sup>
2008	10,495	\$ 408,087,580	\$ 38,884	n/a	n/a	1,288	9,291	2.60%
2009	10,417	422,117,674	40,522	2,358	n/a	1,275	9,617	3.60%
2010	10,578	423,627,744	40,048	2,358	23.4	1,251	10,151	4.00%
2011	10,571	455,673,526	43,106	2,128	n/a	1,239	9,970	3.40%
2012	10,811	486,451,756	44,996	2,128	n/a	1,256	10,284	4.00%
2013	10,811	528,668,711	48,901	2,186	23.4	1,210	10,235	3.10%
2014	10,811	n/a	n/a	n/a	n/a	1,241	10,061	3.60%
2015	10,738	n/a	n/a	n/a	n/a	1,208	9,971	3.10%
2016	10,738	n/a	n/a	n/a	24.9	1,179	9,971	2.90%
2017	10,844	\$ 311,114,360	\$ 28,690	2,556	23.0	1,204	10,261	3.60%

<sup>1</sup> State of South Dakota website.

<sup>2</sup> United States Census Bureau per Business Research Bureau, USD.

<sup>3</sup> Vermillion Public School Business Office.

<sup>4</sup> 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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General										
Executive	3.07	3.63	3.88	3.31	3.01	3.00	2.95	3.20	2.36	2.48
Finance	6.00	6.02	5.94	6.00	6.00	6.00	6.00	6.00	5.75	6.00
Engineering	4.87	4.22	4.71	4.73	4.38	4.30	4.22	3.88	4.14	4.01
Service Center	2.46	2.54	2.56	2.53	2.24	2.25	2.50	2.16	1.86	1.95
Public Safety										
Police Administration	5.10	5.10	5.67	5.26	4.98	4.86	4.91	4.69	3.29	4.97
Police Patrol	15.04	15.57	16.44	15.77	17.40	15.70	17.22	16.36	15.19	18.57
Communications	7.44	7.43	8.01	8.33	8.39	7.81	8.24	7.94	7.84	8.07
Fire	1.01	1.00	1.00	1.00	0.46	1.00	1.00	1.34	1.16	1.98
Public Works										
Street Department	5.94	6.71	6.69	6.48	5.89	6.33	6.70	7.32	7.64	7.83
Carpentry	1.08	1.04	1.05	1.04	1.05	1.04	0.57	0.24	0.00	0.00
Health & Welfare										
Code Compliance	3.02	3.01	2.91	3.25	2.73	3.04	3.00	3.00	2.70	2.95
Ambulance	4.57	3.02	3.06	3.44	3.14	3.15	5.06	5.72	3.61	3.65
Culture-Recreation										
Pool	4.43	5.06	4.65	4.83	4.07	4.01	4.69	4.06	3.48	11.70
Recreation	4.22	4.53	4.01	4.25	3.83	3.62	3.83	3.68	4.53	4.10
Libraries	8.24	8.56	8.84	8.56	8.01	7.87	7.95	7.77	8.24	8.10
Parks	4.56	4.43	4.49	4.30	4.17	4.29	3.98	3.75	4.23	4.26
Electric	10.67	11.15	10.85	10.91	10.61	10.73	10.41	10.49	10.64	10.66
Water	8.48	8.56	8.70	8.35	8.58	8.46	8.47	8.18	8.36	8.44
Wastewater	7.41	7.15	6.98	6.95	6.78	6.91	7.08	6.04	5.75	6.31
Golf	9.71	9.65	9.85	9.32	9.33	9.35	9.15	9.50	9.67	9.17
Joint Powers	9.70	9.95	9.95	9.76	10.00	9.81	10.17	10.20	9.88	10.13
Curbside Recycling	-	0.72	1.96	1.95	2.00	1.91	2.00	2.00	2.07	1.92
Internal Service										
Custodial	1.82	2.01	2.16	2.14	2.14	2.32	2.39	2.34	2.56	1.16
	<u>128.84</u>	<u>131.05</u>	<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>124.95</u>	<u>138.41</u>

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

Table 21

CITY OF VERMILION  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Non Traffic Violations	821	821	747	561	493	338	573	530	406	513
Traffic Violations	936	906	1,219	660	709	689	839	812	577	638
Parking Violations	2,576	1,839	1,865	1,399	1,275	1,328	1,412	1,825	1,626	1,965
Fire										
Structure Fires	12	12	12	14	22	15	13	7	12	11
Other Fires & Incidents Calls	116	104	102	92	123	145	177	181	188	189
Ambulance										
Total Calls	702	777	740	727	795	712	865	870	770	950
Total Stand-By	38	44	45	52	68	95	68	50	20	40
Code Compliance										
Rental Housing Inspections	1,184	970	1,105	1,086	959	1,215	980	1,128	1,181	1,266
Building Permits-Single Family	30	17	10	9	15	9	4	16	24	20
Building Permits-Multiple Family	9	1	7	4	2	2	18	10	3	2
Building Permits-Commercial	12	13	6	3	3	4	5	6	1	1
Value of New Construction	\$ 9,839,155	\$ 2,983,296	\$ 4,502,352	\$ 5,786,357	\$ 3,771,388	\$ 8,138,807	\$ 13,611,097	\$ 29,966,297	\$ 12,301,524	\$ 12,580,480
Municipal Garage										
Service Jobs	273	243	248	241	234	204	216	193	215	194
Repairs	288	353	376	368	294	291	257	336	363	222
Library										
Circulation	78,711	77,979	79,168	78,344	75,236	73,460	83,800	107,797	93,256	85,075
Number of Card Holders	7,319	7,634	7,158	4,763	5,357	6,056	6,355	4,653	5,242	5,707
Swimming Pool										
Swim Lesson Participation	392	402	427	406	325	325	340	314	314	357
Lap Swim/ Water Walking	-	-	-	-	-	-	-	-	-	-
Open Swim Participants	19,125	13,096	12,320	12,320	13,200	13,200	13,200	13,600	10,400	3,200
Parks & Recreation										
Fall/Winter Participants	4,041	3,657	3,009	2,799	2,144	1,489	1,494	1,363	1,342	1,333
Summer Participants	1,889	2,046	2,130	2,034	1,950	1,985	2,420	2,386	1,284	1,348
Electric										
Total Number Meters	4,374	4,414	4,431	4,447	4,474	4,491	4,526	4,617	4,689	4,689
Total Metered Kilowatts	63,777,094	62,286,446	65,537,825	67,118,551	67,571,917	66,800,569	65,034,860	64,939,075	66,379,346	65,189,003
Summer Peak Demand Kilowatts	14,746	14,620	15,619	16,720	17,051	16,562	15,393	14,915	15,966	16,261
Winter Peak Demand Kilowatts	11,496	11,059	11,148	11,240	10,836	11,218	11,079	11,099	10,959	10,783
Water										
Number of Connections	2,847	2,826	2,856	2,875	2,944	2,967	3,022	3,079	3,183	3,229
Average Daily Consumption	1,070,737	1,017,595	921,929	958,603	1,130,197	1,005,093	1,000,844	1,036,238	1,059,392	1,049,781
Daily Peak Demand	2,387,000	1,647,000	1,385,000	1,864,000	2,249,000	2,071,000	1,904,000	1,694,000	1,820,000	1,707,000
Wastewater										
Number of Connections	2,759	2,761	2,763	2,809	2,862	2,917	2,955	3,000	3,107	3,156
Average Daily Flow	1,025,000	1,033,000	1,248,000	1,374,000	831,000	832,000	912,000	969,000	1,227,000	1,122,000
Daily Peak Demand	1,787,000	1,730,000	3,517,000	2,835,000	1,134,000	1,082,000	1,256,000	1,087,000	2,608,000	2,344,000
Joint Powers										
Tonnage in Landfill Trenches	36,382	35,420	36,488	34,813	34,187	34,494	34,854	37,007	38,085	39,670
Tonnage Recycled	1,211	1,805	1,085	1,086	1,077	1,035	828	830	1,291	1,050
Curbside Recycling										
Tonnage Collected	-	-	-	136	144	160	175	178	179	164
Bluff's Golf Course										
Rounds of Golf	21,443	23,012	21,476	20,703	22,799	19,808	23,222	23,500	22,000	23,000
Liquor Store										
Gross Sales	\$ 1,179,546	\$ 1,165,625	\$ 1,181,977	\$ 1,185,643	\$ 1,217,013	\$ 1,183,334	\$ 1,246,418	\$ 1,498,390	\$ 1,614,518	\$ 1,591,630
Gross Profit %	31.25%	30.93%	31.17%	30.97%	31.06%	30.86%	30.35%	29.92%	28.99%	27.45%
Street Department										
Tons of Sand for Ice	959	630	767	450	350	368	295	480	470	620
Truckloads of Snow Hauled	538	713	1,874	316	226	169	112	587	570	258

Information in table provided from City of Vermillion Department Superintendents

Table 22

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

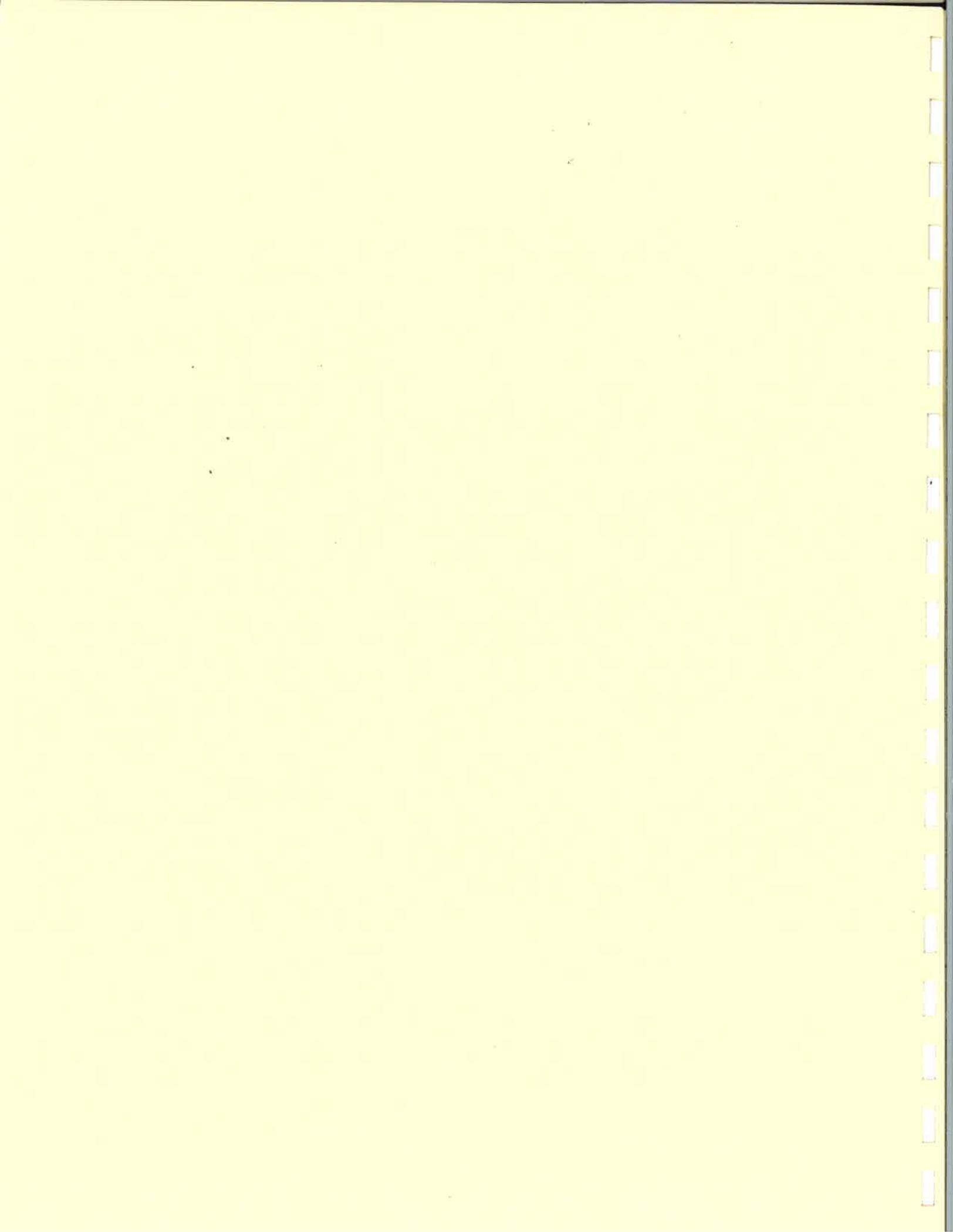
Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles	5	5	5	5	5	5	5	5	7	7
Fire Stations	1	2	2	2	2	2	2	2	2	2
Engines/Trucks	6	6	6	6	6	6	10	10	10	10
Hydrants	388	392	398	398	397	401	417	417	419	432
Ambulance										
Ambulances	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	46.94	46.94	46.94	47.39	47.39	47.39	53.70	53.70	53.70	53.70
Streetlights	1,211	1,285	1,243	1,243	1,259	1,281	1,289	1,289	1,324	1,331
Culture & Recreation										
Parks (acres)	115.50	115.50	115.50	115.50	115.50	115.50	130.00	130.00	130.5	130.5
Parks	7	7	7	7	7	7	7	7	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	678	664	661	675	665	669	686	705	695	694
Total miles of 3 phase on 13.8 kV Line	53.17	47.60	48.53	49.83	49.61	49.82	50.82	51.33	51.89	53.79
Total Miles of 115kV Transmission Line					21.25	21.97	21.97	21.97	21.97	21.97
Water										
Water Mains (miles)	62.17	63.41	64.01	64.69	64.86	64.94	66.26	66.26	66.26	66.38
Maximum Daily Capacity (gallons)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Wastewater										
Sanitary Sewer (miles)	57.93	58.15	58.18	58.27	58.36	58.36	59.42	59.42	59.42	59.42
Stormwater Sewer (miles)	6.57	6.81	6.82	6.84	6.84	6.89	8.01	8.01	8.01	8.01
Maximum Daily Capacity (gallons)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

Information in table provided from City of Vermillion Department Superintendents



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**SINGLE AUDIT SECTION**



CITY OF VERMILLION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount	Expenditures to Subrecipients
United States Department of Agriculture:				
Direct Federal Funding				
Community Facilities Loans and Grants	10 766		\$ 6,600	\$ -
US Department of Housing and Urban Development - Pass-Through Programs:				
SD Governor's Office of Economic Development,				
Community Development Block Grant	14 228	1112-304	1,472	1,472
Community Development Block Grant	14,228	1516-104	<u>312,773</u>	-
Subtotal US Department of Housing and Urban Development - Pass-Through Programs			<u>314,245</u>	
US Department of Justice - Direct Programs:				
Direct Federal Funding				
Bullet Proof Vest Partnership	16,607		1,555	-
Department of Transportation:				
Direct Federal Funding:				
Airport Improvement Program	20 106	3-46-4600-21-2015	26,604	-
Airport Improvement Program	20 106	3-46-0056-12-2017	507,782	-
Airport Improvement Program	20 106	3-46-0056-10-2014	<u>4,273</u>	-
Program Subtotal			538,659	
Highway Planning and Construction	20 205	17341-EM801433	2,704	
Indirect Federal Funding:				
SD Department of Public Safety				
National Priority Safety Programs	20 616	N/A	1,893	-
State and Community Highway Safety	20 600	N/A	<u>1,540</u>	-
Program Subtotal			3,433	
US Environmental Protection Agency - Pass-Through Programs:				
SD Department of Environment and Natural Resources,				
Capitalization Grants for Clean Water State Revolving Funds	66 458	C461022-08	285,000	-
Department of Health and Human Services:				
Indirect Federal Funding:				
SD Secretary of State,				
Rural Health Care Services Outreach, Rural Health Network Development and Small				
Health Care Provider Quality Improvement Program (B)	93 912	PMHHS-06	5,882	-
<b>Total Expenditure of Federal Awards</b>			<u><u>\$ 1,158,078</u></u>	

**CITY OF VERMILLION  
NOTES TO EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Vermillion under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Vermillion, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Vermillion has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Federal Loan Program**

The City of Vermillion had the following loan balances outstanding from the SD Clean Water State Revolving Fund, CFDA #66 458 and the SD Drinking Water State Revolving Fund, CFDA #66.468 at December 31, 2017.

	Total Amount of Loan Outstanding	Federal Portion of Loan Outstanding
Clean Water Series 2003 (0%)	\$ 114,414	\$ -
Clean Water Series 2008 (6.7%)	2,979,637	199,636
Clean Water Series 2009 (50%)	178,524	89,262
Clean Water Series 2013 (0%)	1,765,000	-
Clean Water Series 2017 (77%)	370,254	285,000
Drinking Water Series 2002 (79.72%)	608,204	484,860
Drinking Water Series 2006 (1%)	2,079,474	20,795
Drinking Water Series 2013 (26.8%)	1,091,879	292,624
	<u>\$ 9,187,386</u>	<u>\$ 1,372,177</u>



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**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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2018. Our report includes a reference to other auditors who audited the financial statements of Vermillion Housing and Redevelopment Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting:**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any



deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001 that we consider to be a significant deficiency.

**Compliance and Other Matters:**

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

**City of Vermillion's Response to Findings**

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

**Purpose of this Report**

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

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

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

*Williams & Gagny P.C.*  
Certified Public Accountants

Le Mars, Iowa  
June 18, 2018





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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Vermillion, South Dakota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2017. The City of Vermillion's major federal program is identified in the summary of the independent auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Vermillion Housing and Redevelopment Commission, which received \$1,205,991 in federal awards which is not included in the City's Schedule of Federal Awards during the year ended December 31, 2017. Our audit, described below, did not include the operations of the Vermillion Housing and Redevelopment Commission because the Commission engaged other auditors to perform an audit in accordance with the Uniform Guidance.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Vermillion's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



## Opinion on Each Major Federal Program

In our opinion, the City of Vermillion complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

## Report on Internal Control Over Compliance

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

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

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

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



Certified Public Accountants

Le Mars, Iowa  
June 18, 2018



**CITY OF VERMILLION, SOUTH DAKOTA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2017**

---

**Part I: Summary of the Independent Auditors' Results**

- (a) An unmodified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance.
- (g) The major program was as follows:
  - 20.106 – Airport Improvement Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Vermillion did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**Instances of Non-Compliance:**

No matters were noted.  
There were no prior year audit findings.

**Significant Deficiency:**

2017-001 - Financial Reporting

Condition and Criteria – During the audit, an immaterial journal entry related to the calculation of the Net Pension Asset and the Pension Related Deferred Outflows and Inflows of Resources was proposed to management. Management chose to record this entry.

Effect – Inadequate controls over the calculation of the Net Pension Asset and the Pension Related Deferred Outflows and Inflows of Resources could result in a material misstatement of the financial statements.

Cause – Sufficient procedures were not designed to ensure the proper calculation of the Net Pension Asset and the Pension Related Deferred Outflows and Inflows of Resources.

Recommendation – The City should implement procedures to ensure the proper calculation of the Net Pension Asset and the Pension Related Deferred Outflows and Inflows of Resources.

Views of Responsible Officials – We will double check the financial statements in the future and all supporting schedules to verify that all adjustments are made properly and a review process to ensure statements are fairly presented. The City will attempt to implement these processes for the 2018 calendar year report

**Part III: Findings Related to Federal Awards – Related to all Federal Programs**

**Instances of Non-Compliance:**

No matters were noted.

**Material Weaknesses:**

No matters were noted.

**CITY OF VERMILLION, SOUTH DAKOTA**  
**Schedule of Prior Year Findings and Questioned Costs**  
**For the Year Ended December 31, 2017**

---

**Significant Deficiency:**

2016-001      Financial Reporting

Condition and Criteria - During the audit, an immaterial journal entry related to the liquor store inventory was proposed to management. Management passed on the entry.

Effect - Inadequate controls over the liquor store inventory could result in a material misstatement of the financial statements.

Cause - Sufficient procedures were not designed to ensure the liquor store perpetual inventory records are free from material misstatements.

Recommendation – The City should implement procedures to ensure the liquor store perpetual inventory records are free from material misstatements.

Views of Responsible Officials – Recommendation accepted.

Current Status – This finding was corrected for the year under audit. This finding was first reported in fiscal year 2016.

**Schedule of Findings and Questioned Costs**  
**Corrective Action Plan**  
**December 31, 2017**

The City of Vermillion, South Dakota, respectfully submits the following corrective action plan for the year ended December 31, 2017.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended December 31, 2017.

The finding from the December 31, 2017 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

**SIGNIFICANT DEFICIENCY:**

2017-001 Financial Reporting

Condition and Criteria – During the audit, an immaterial journal entry related to the calculation of the Net Pension Asset and the Pension Related Deferred Outflows and Inflows of Resources was proposed to management. Management chose to record this entry.

Effect – Inadequate controls over the calculation of the Net Pension Asset and the Pension Related Deferred Outflows and Inflows of Resources could result in a material misstatement of the financial statements.

Cause – Sufficient procedures were not designed to ensure the proper calculation of the Net Pension Asset and the Pension Related Deferred Outflows and Inflows of Resources.

Recommendation – The City should implement procedures to ensure the proper calculation of the Net Pension Asset and the Pension Related Deferred Outflows and Inflows of Resources.

Views of Responsible Officials – We will double check the financial statements in the future and all supporting schedules to verify that all adjustments are made properly and a review process to ensure statements are fairly presented. The City will attempt to implement these processes for the 2018 calendar year report

If the involved agencies have any questions regarding this plan, please call Michael D. Carlson at 605-677-7056.

Sincerely yours,

CITY OF VERMILLION, SOUTH DAKOTA



Michael D. Carlson  
Finance Officer



