Comprehensive Annual Financial Report

CITY OF
Vermillion
SOUTH DAKOTA

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

FISCAL YEAR: January 1, 2018----December 31, 2018

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, 2018

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CITY OF Vermillion SOUTH DAKOTA

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CITY OF VERMILLION
INTRODUCTORY SECTION

CITY OF
Vermillion
SOUTH DAKOTA

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June 17, 2019

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, 2018.

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

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

The City's financial statements have been audited by Williams & Company, P.C. a firm of certified public accountants authorized by the State of South Dakota Department of Legislative Audit to conduct the audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Vermillion for the year ended December 31, 2018, 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, 2018, 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 10,066 offering majors in 205 undergraduate programs and 75 graduate programs, and Division I athletics. The 2010 census had the city population increasing 3% over 2000 to 10,571.

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

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

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

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

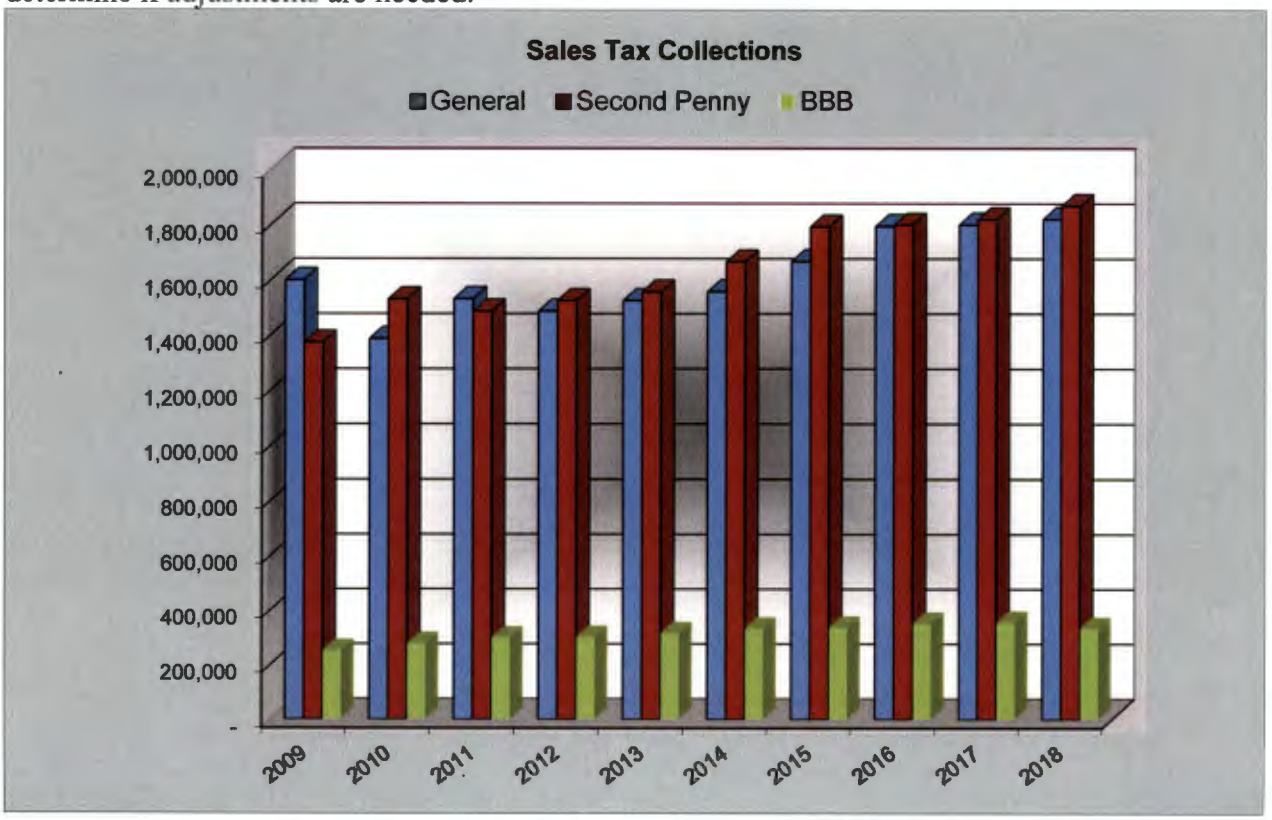
Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons, presented on pages 58-62 as part of the required supplemental information and supplementary information.

Factor Affecting Financial Condition

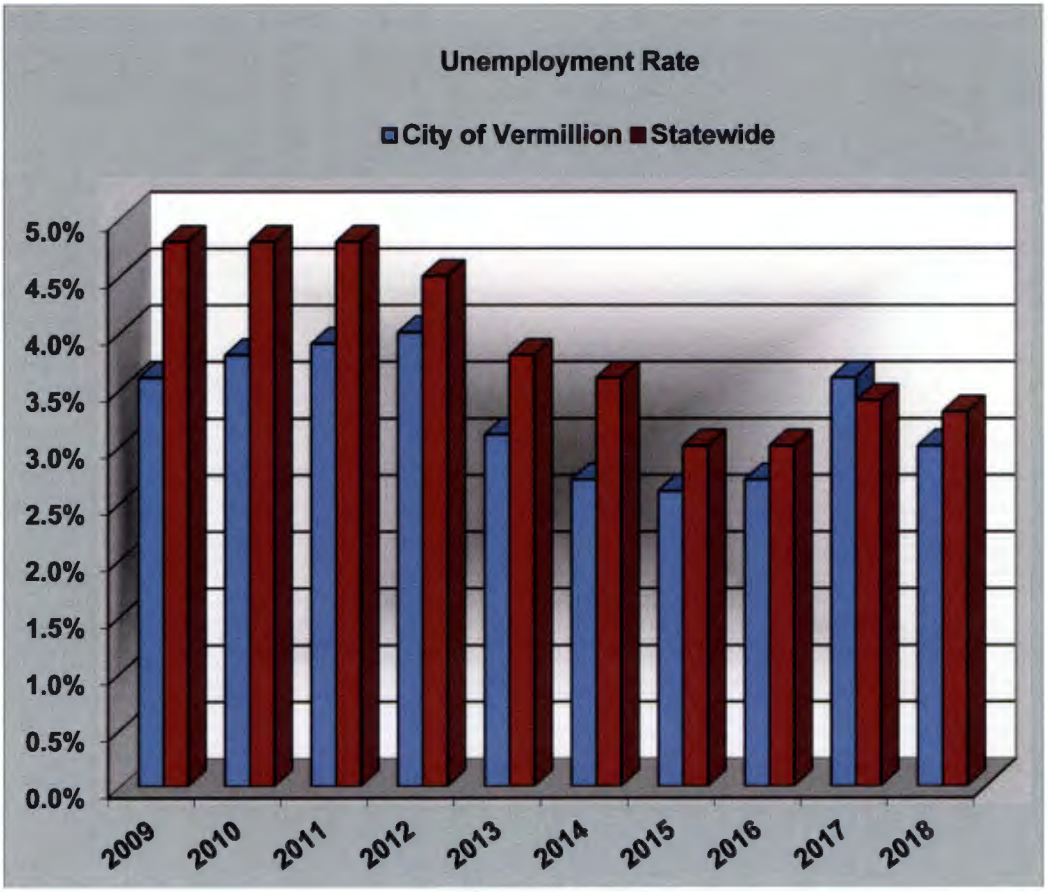
The information presented in the financial statements is perhaps best understood when it is considered for a broader perspective of the specific environment within which the City of Vermillion operates.

Local economy.

The economy in Vermillion as reflected in the total sales tax collections saw an increase in 2018. The total City sales tax revenues increased $76,619 or 1.92% over 2017. This would include the first cent used for general fund, the second penny sales tax used for capital projects increasing $98,047 while the BBB sales tax used for advertising and promotion of the City decreased $21,428 or -6.07% over 2017. As the South Dakota Department of Revenue collects the sales tax on behalf of the City information as to the individual areas of the increase or decrease are not available. For the first three months of 2019 total City sales tax revenue increased 12.62% over 2018. The sales tax receipts will be monitored and the budget will be reviewed in August 2019 to determine if adjustments are needed.



The unemployment rate for the City of Vermillion decreased comparing December 2017 at 3.6% to December 2018 at 3.0% as well as the state unemployment rate had a slight decrease comparing December 2017 at 3.4% to December 2018 at 3.3%. The unemployment rate for the City of Vermillion saw a high in June 2018 of 3.5% but decreased to end the year at 3.0%. The state unemployment rate high was 3.9% early in the year decreased to 2.6% in July and ended the year at 3.3%. 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 doctorial institutions in the country. It is the home to South Dakota's School of Medicine, Law, College of Fine Arts and internationally accredited Business School. The University is the City's largest employer and saw a slight decrease in enrollment of 1.9% from 10,261 for 2017 to 10,066 for 2018.

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

research laboratory. Construction began in 2018 on an outside complex when the football team can practice on synthetic turf scheduled for completion in 2019. Renovation of the west side of the Dakota Dome is scheduled to begin in the 2019 at an estimated cost of $26 million. The project consists of permanent west side seating, locker rooms, offices and updates to infrastructure including lighting, sound system, HVAC, plumbing and restrooms. There are a number of other projects in the planning and design phase on the campus.

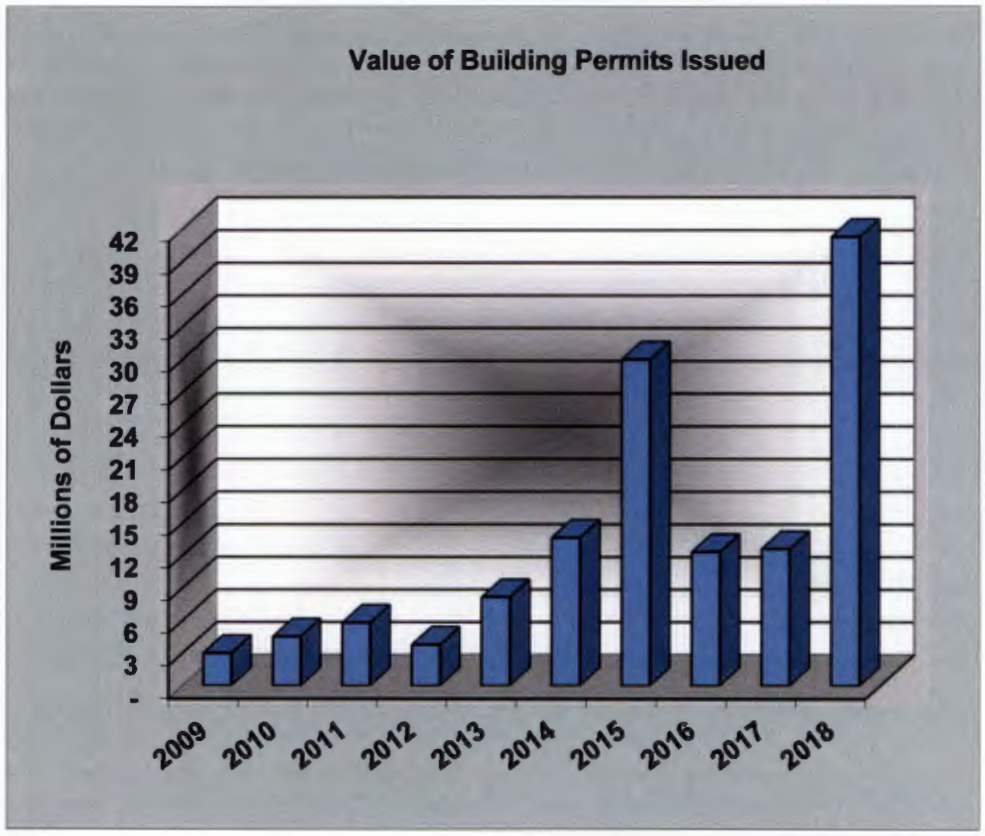
Housed on the University of South Dakota campus is the National Music Museum, which announced expansion plans in March 2018. A 16,000 square foot addition will house increased exhibit space, new performance hall, classroom, labs and offices. The project estimated cost is $9.5 million to be funded from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

Sanford Vermillion operates a 25-bed acute care hospital, medical clinic, 66 bed care center and 23 unit senior living complex. The Sanford Vermillion Clinic contracted with the University of South Dakota to provide student health services starting in the fall of 2002. The Sanford Vermillion Clinic, Vermillion Medical Clinic, and Olson Medical Clinic have been instrumental in increasing the availability of medical care in the community. In addition, all clinics are providing outreach programs bringing specialists into the community. In February 2014, Dakota Hospital Foundation and Sanford Health announced that Sanford Health will make a $14 million investment in Sanford Vermillion's medical facilities. A maintenance facility was constructed in late 2014 and the first phase consisting of emergency room entrance and other facility services was completed in early 2016 followed by the removal of the old building 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 2018 totaled $41,235,246 up from $12,580,480 in 2017. The number of single family dwellings constructed totaled ten in 2018, a decrease of ten over

2017. The major component of the increase for 2018 is two projects consisting of ten new multi-family structures containing 243 rental unites. Through May 23, 2019 the value of building permits issued is $11,931,974 that include eleven single family dwellings, a 40 unit apartment complex, a fraternity house 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 (VCDC) has acquired 50 acres adjoining the city that has been annexed into the city. The development labeled Bliss Pointe will be developed in phases with the first phase completed in late 2014 with over 70 housing sites available. The balance of the development will have an additional 70 housing sites when fully developed. To assist the VCDC with the infrastructure development the City created Tax Incremental District Number 6 and sold a TIF bond for $1,732,000. From 2015 through

2017 there were thirty nine residential building permits and one commercial permit issued in the Bliss Pointe development. In 2018 six residential building permits were issued in the Bliss Pointe development and so far in 2019 nine more residential building permits have been issued. The Bliss Pointe Park was dedicated in late 2016 funded from a private donation of over $70,000 to be used for parks equipment.

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

The City Council adopted an ordinance creating a Business Improvement District (BID) #1 which enacting a general $2.00 occupancy tax on all hotel, motel and lodging establishment rooms within the municipal limits to be effective June 1, 2014. The Business Improvement Board adopted a plan that recommends addressing the described needs through visitor facilities, events, attractions and activities which benefit the City and the hotels, motels, and lodging establishments located in the district. During 2018, the occupancy tax generated $59,044 and expended $50,911 to the Vermillion Area Chamber of Commerce and Development Company (VCDC) for promotion of the community. The BID Board approved the 2019 budget with 85% of the occupancy tax collected being expended to the VCDC for advertising and promotion until the reserve balance reaches $30,000 then 98% of the occupancy tax collected being expended to the VCDC.

With the input from downtown business owners and property owners a downtown streetscape plan was developed in 2016. Due to the cost of the project, time was spent reviewing funding options and in April 2018 the City Council adopted a resolution establishing the boundaries for Business Improvement District #2 (BID#2) and established Business Improvement District #2 Board. The City Council approved the appointment of five board members. The BID #2 Board has been meeting to review funding options including applying for grants, assessments to district property owners, borrowing or interfund loan as option to fund the project.

The equipment replacement fund added the following equipment during 2018; two golf course mowers, skid loader, car, pickup, police SUV, fire department compressor air bottle fill station, utility vehicle, air compressor, backhoe, wood chipper and sand spreader totaling $396,385. Clay County contributed a new ambulance to the City that was included in the equipment replacement fund valued at $169,932.

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 2019 budget including $243,400 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 and was completed in 2018. The total project cost was $4,168,377. The project was funded with a surcharge revenue bond issued in January 2017 face of $3,895,000 at a premium of $99,120 that after costs provided $3.9 million for the project with the balance coming from electric fund reserves. The project consisted of 1.75 miles of looped 115-kV transmission line to feed the substation, substation transformer, related switch gear and controls.

The replacement of the Prentis Street wastewater lift station and related sewer main was bid in March 2017. The project consists of installing a new lift station and replacing approximately 2,400 feet of downstream sewer main. The replacement of the 2,400 feet of downstream sewer main was completed in 2017 with the new lift station placed in service in April 2018 and project completion later in 2018. The project will be funded by a $515,000 Community Development Block Grant and a State Revolving Loan of $751,900. The State Revolving Loan is for 20 years at 3% interest.

Jefferson Street from Cherry Street south to Clark Street was reconstructed during 2018. The street portion of the project cost $853,961 that was funded by State Transportation Improvement funds transferred to the capital project fund from the general fund and the storm sewer improvements in the amount of $41,865 were funded by the Stormwater Fee fund. The 2019 budget includes funding to reconstruct Anderson Street from Clark Street to Main Street.

In 2018 the electric department replaced approximately one fourth of the street lights with LED lights now with about three fourths of the town converted to LED. The 2019 budget includes $125,000 for purchasing the LED fixtures to complete the conversion project. The lights will use less electricity and require less maintenance.

As the existing swimming pool was reaching the end of its useful life, a committee was appointed and in charge with providing the City Council information as to what type of swimming pool would best fit the community's needs going forward. The City Council

approved a funding package for the Prentis Park improvements consisting of General Fund Reserves, Second Penny Sales Tax Reserves, grants and donations and a General Obligation Bond of $3 million. The General Obligation Bond was approved by over 75% of the voters at the November 2014 election. The City Council in an effort to reduce the impact of the bond repayment on 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 held on June 30, 2015 at which time the initiated measure failed 37% to 63%. In February, 2016 the City issued general obligation bond in the amount of $3,005,000 at a premium of $90,132 for a portion of the funding for the Prentis Park Improvements. Also in February, 2016 the City approved contracts for pool construction which began in May 2016 with the pool opening June 3, 2017 for the first season. The new pool had record attendance with over 40,000 admitted for the 2017 season with attendance down in 2018 to over 33,000. The contract retainage of $370,056 remains to be expended to the pool consultant until July 2019. The Prentis Park parking lot to serve the pool and baseball field as well as the construction of the new basketball court were started in 2017. Both projects were completed in early 2018. During 2018 additional sidewalk improvements in the area of the pool, basketball courts and baseball field was completed. The 2019 budget includes $35,000 to extend the sidewalk improvements along the north side of Prentis Park.

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, $123,294 in 2017 and $129,042 in 2018 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, $807,000 for airport taxiway engineering/construction, $84,500 for parks equipment, $94,000 library materials, $50,000 for new restroom in Prentis Park, $150,000 for improvements to Prentis Park baseball field, $152,500 for street chip seal, $52,600 for Police Department equipment replacement, $500,000 for storm water system improvements, $63,500 for Fire Department equipment replacement, $31,000 for Ambulance Department equipment replacement and $625,000 for Anderson 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, 2017. This was the twelfth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Sincerely,

Michael D. Carlson
Finance Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Vermillion

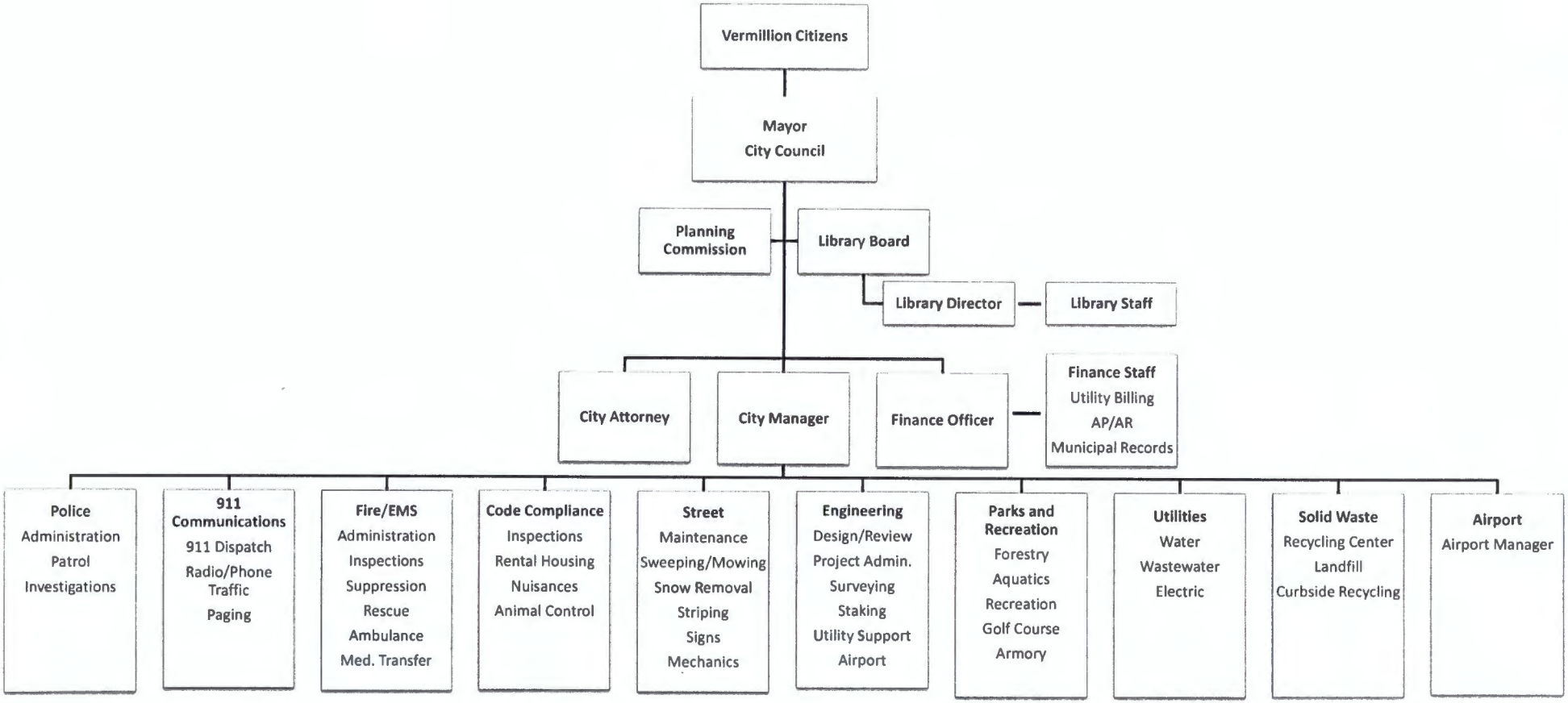
South Dakota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO


Vermillion Citizens
Mayor
City Council
Planning Commission
Library Board
Library Director
Library Staff
City Attorney
City Manager
Finance Officer
Finance Staff
Utility Billing
AP/AR
Municipal Records
Police
Administration
Patrol
Investigations
911 Communications
911 Dispatch
Radio/Phone
Traffic
Paging
Fire/EMS
Administration
Inspections
Suppression
Rescue
Ambulance
Med. Transfer
Code Compliance
Inspections
Rental Housing
Nuisances
Animal Control
Street
Maintenance
Sweeping/Mowing
Snow Removal
Striping
Signs
Mechanics
Engineering
Design/Review
Project Admin.
Surveying
Staking
Utility Support
Airport
Parks and Recreation
Forestry
Aquatics
Recreation
Golf Course
Armory
Utilities
Water
Wastewater
Electric
Solid Waste
Recycling Center
Landfill
Curbside Recycling
Airport
Airport Manager

CITY OF VERMILLION
MUNICIPAL OFFICIALS

For the Period January 1, 2018 through December 31, 2018

Mayor
John E. (Jack) Powell

Alderman Central Ward
Kelsey Collier-Wise
Katherine Price

Alderman Northeast Ward
Tom Sorensen
Holly Meins — Ending July 3
Julia Hellwege — Beginning July 3

Alderman Northwest Ward
Brian Humphrey
Parker Erickson — Ending July 3
J. Howard Willson — Beginning July 3

Alderman Southeast Ward
Steve Ward
Rich Holland

City Manager
John Prescott

CITY OF
Vermillion
SOUTH DAKOTA

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CITY OF VERMILLION
FINANCIAL SECTION

WILLIAMS
& COMPANY P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Vermillion, South Dakota, as of and for the year ended December 31, 2018, 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 $71,836 and total revenues of $1,104,497 as of and for the year ended June 30, 2018. 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability (asset), and schedule of the City's contributions to the South Dakota Retirement System on pages 4 through 17 and 58 through 64 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 combining nonmajor fund financial statements, and the budgetary compliance schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the budgetary compliance schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2019, on our consideration of the City of Vermillion's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Vermillion's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Vermillion's internal control over financial reporting and compliance.

Williams & Company PC

Certified Public Accountants

Le Mars, Iowa
June 17, 2019

Management's Discussion and Analysis

This discussion and analysis presents an overview of the financial activities and financial position for the City of Vermillion (the "City") for the year ended December 31, 2018. Please read and consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-x of this report, as well as the separately issued financial statements of the Vermillion Housing and Redevelopment Commission, a discretely presented component unit of the City.

FINANCIAL HIGHLIGHTS

Government-Wide Statements

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows at December 31, 2018 by $86,050,495 (net position). Of this amount, $22,595,490 (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 $3,049,294 as a result of the current year's operations. The net position of our governmental activities increased by $799,646 or 1.96% and the net position of our business-type activities also increased by $2,249,648 or 5.33%.
- Total revenues from all sources increased in 2018 by $909,565 to $26,558,488. In 2018, charges for services increased $942,265 operating grants & contributions decreased $3,141, capital grants & contributions decreased $571,402, property taxes increased $147,195, sales tax increased $109,273, other general revenues increased by $285,375.
- Total cost of all programs was $23,509,194 for 2018. This is an increase of $2,486,511 or 11.83% over 2017.
- The City's long-term debt/capital leases decreased $1,404,372 from 2017 due to repayment of existing bond issues, and issuance of $381,646 for State Revolving Loan for wastewater Prentis Street lift station and $10,000 Solid Waste Management Program loan for a curbside recycling trailer.

Fund Financial Statements

- At December 31, 2018, the City's governmental funds reported combined ending fund balances of $9,932,009, an increase of $523,917 in comparison to the prior year. Of this balance $1,827,995 is unassigned fund balance, $331,628 is assigned fund balance, $4,681,839 is committed fund balance, $2,817,803 is restricted fund balance and $272,744 is nonspendable fund balance.
- The City's seven enterprise funds ended the year with net position of $44,164,809, an increase of $2,198,963 in comparison to the prior year. Net cash flows for operations were $5,582,997 while net cash used by capital and financing activities was $4,752,658.
- For the year ended December 31, 2018, the assigned general fund balance was $331,628 and the unassigned general fund balance was $2,333,814, a decrease of $104,262 in comparison to the prior year. Combined, these fund balances represent 40.30 percent of the final 2018 General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Vermillion's basic financial statements. The comprehensive annual financial report presents the following three components of the financial statement: 1) government-wide financial statements provide information of the City as a whole, 2) fund financial statements provide detailed information for the City's significant funds and 3) notes to the financial statements provide additional information essential to understanding the government-wide and fund statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

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

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

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

Both the Statement of Net Position and the Statement of Activities distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include, public safety, public works, health and welfare, economic development and culture and recreation. The business-type activities of the City includes the Electric, Water, Sewer, Liquor Store, Golf Course, Solid Waste System, and Curbside Recycling.

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

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

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

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

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

The City adopted an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget on page 58.

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

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

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

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

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

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

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on 65-75 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following two tables present condensed information on the City of Vermillion's Net Position (Exhibit 1) and Changes in Net Position (Exhibit 2) for the fiscal year ended December 31, 2018 with comparative data for the fiscal year ended December 31, 2017. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $86,050,495 at the close of the most recent fiscal year.

City of Vermillion
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	$ 11,646,723	$ 11,063,051	$ 17,691,549	$ 17,468,945	$ 29,338,272	$ 28,531,996
Capital Assets	36,949,461	37,030,010	47,534,934	47,231,936	84,484,395	84,261,946
Total Assets	48,596,184	48,093,061	65,226,483	64,700,881	113,822,667	112,793,942
Deferred outflows of resources	1,360,649	1,638,928	818,047	1,015,807	2,178,696	2,654,735
Long-term Liabilities Outstanding	6,518,818	7,030,978	19,156,180	20,140,447	25,674,998	27,171,425
Other Liabilities	1,478,679	1,483,637	2,272,386	3,286,525	3,751,065	4,770,162
Total Liabilities	7,997,497	8,514,615	21,428,566	23,426,972	29,426,063	31,941,587
Deferred inflows of Resources	335,470	312,633	189,335	193,256	524,805	505,889
Net Position						
Net Investment in Capital Assets	29,784,908	29,309,258	27,790,213	26,212,789	57,575,121	55,522,047
Restricted	3,451,467	3,599,221	2,428,417	4,502,227	5,879,884	8,101,448
Unrestricted	8,387,491	7,996,262	14,207,999	11,381,444	22,595,490	19,377,706
Total Net Position	$ 41,623,866	$ 40,904,741	$ 44,426,629	$ 42,096,460	$ 86,050,495	$ 83,001,201

Management's Discussion and Analysis

City of Vermillion
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	$ 1,670,161	$ 1,508,027	$ 15,925,508	$ 15,145,377	$ 17,595,669	$ 16,653,404
Operating Grants & Contributions	397,074	403,258	3,043	-	400,117	403,258
Capital Grants & Contributions	585,008	954,883	264,635	466,162	849,643	1,421,045
General Revenues:						
Property Taxes	2,463,143	2,315,948	-	-	2,463,143	2,315,948
Other Taxes	4,181,664	4,076,451	-	-	4,181,664	4,076,451
Other	470,033	406,237	381,524	372,580	851,557	778,817
Total Revenues	9,767,083	9,664,804	16,574,710	15,984,119	26,341,793	25,648,923
Expenses:						
General Government	1,483,819	1,319,343	-	-	1,483,819	1,319,343
Public Safety	3,136,600	2,468,435	-	-	3,136,600	2,468,435
Public Works	2,093,258	1,939,284	-	-	2,093,258	1,939,284
Health & Welfare	697,117	561,700	-	-	697,117	561,700
Culture & Recreation	1,976,590	1,573,107	-	-	1,976,590	1,573,107
Conservation & Development	637,238	542,244	-	-	637,238	542,244
Interest on Long-term Debt	192,464	309,347	-	-	192,464	309,347
Electric	-	-	5,841,559	5,326,073	5,841,559	5,326,073
Water	-	-	1,731,838	1,464,998	1,731,838	1,464,998
Wastewater	-	-	1,843,525	1,768,360	1,843,525	1,768,360
Liquor	-	-	1,364,693	1,421,926	1,364,693	1,421,926
Golf	-	-	846,875	761,857	846,875	761,857
Joint Powers Landfill	-	-	1,547,072	1,465,723	1,547,072	1,465,723
Curbside Recycling	-	-	116,546	100,286	116,546	100,286
Total Expenses	10,217,086	8,713,460	13,292,108	12,309,223	23,509,194	21,022,683
Increase(Decrease) in Net Position Before Transfers	(450,003)	951,344	3,282,602	3,674,896	2,832,599	4,626,240
Special Item change in SDPAA	112,237	-	104,458	-	216,695	-
Transfers	1,137,412	1,139,912	(1,137,412)	(1,139,912)	-	-
Increase in Net Position	799,646	2,091,256	2,249,648	2,534,984	3,049,294	4,626,240
Net Position January 1	40,904,741	38,813,485	42,096,460	39,561,476	83,001,201	78,374,961
Reclassification adjustment	(80,521)	-	80,521	-	-	-
Net Position Jan 1 restated	40,824,220	38,813,485	42,176,981	39,561,476	83,001,201	78,374,961
Net Position December 31	$ 41,623,866	$ 40,904,741	$ 44,426,629	$ 42,096,460	$ 86,050,495	$ 83,001,201

By far the largest portion of the City's net position (66.91%) reflects its investment in capital assets (e.g. land, building, machinery and equipment) less any related outstanding debt that used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay

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

An additional portion of the City's net position $5,879,884 (6.83%) represents resources that are subject to external restriction on how they may be used. Restricted net position includes the amounts restricted for debt service of $2,172,447 (a decrease of $2,032,387), Stormwater construction of $1,217,075 (an increase of $192,779), Landfill Closure/Postclosure of $84,591 (a decrease of $9,537), Cumulative reserve of $374,755 (an increase of $216,695), Library $56,781 (an increase of $8,816), parks capital $30,957 (an increase of $10,029), business improvement district of $30,000 (an increase of $6,952), SDRS Pension Purposes $1,660,474 (a decrease of $514,268) and BBB sales tax $252,804 (a decrease of $100,643), The remaining balance of unrestricted net position of $22,595,490 may be used to meet the government's ongoing obligations to citizens and creditors.

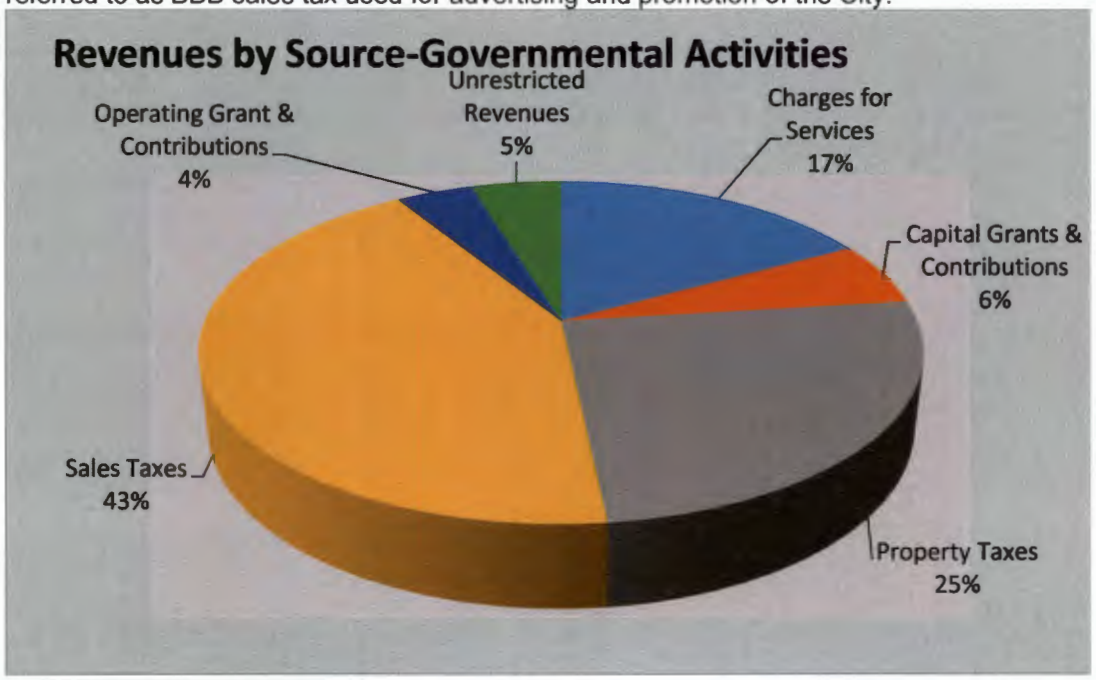
At the end of the current fiscal year, the City of Vermillion is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities: Governmental activities increased the City's net position by $799,646, thereby accounting for 26.22% of the total growth in the net position of the City Vermillion. Elements of this increase are as follows:

- Charges for goods & services increased $162,134 in 2018. This change is made up of general government decrease $8,133 of which the major factor is a decrease in the cable TV franchise fee of $9,435. Public Safety increased $11,315, which is made up of an increase storm drainage fee of $12,470 and a decrease in parking tickets of $2,869. Public Works increased $14,947, which is attributable to an increases in state highway and bridge and county motor vehicle fees of $14,993, an increase in airport fuel sales of $4,727 and a decrease in street cut fees of $3,295. Health and Welfare increased $140,970 attributed to increase ambulance revenues of $72,151 and building permit sales of $67,306. Culture & Recreation increased $3,035 attributed to the swimming pool admissions down $6,988, concession revenues up $6,601 and recreation fees/parks capital fees increasing $4,025.
- Operating Grants and contributions decreased $6,184 in 2018. For 2018, general government increased $2,890 attributed to increase in bank franchise fees, public safety operating grants decreased $8,277, which is attributed to reduced one time operating grants and increase in contribution for Clay County for E911 operations increased $7,457, public works decreased as there were no operating grants in 2018, health and welfare operating grants decreased in EMS grants for 2018 and culture and recreation increased $2,070 made up of library grants of $33,856, parks & recreation grants of $24,096 and $5,126 for mosquito control.
- Capital grants and contributions decreased by $369,875 in 2018. For 2018 capital grants and contributions consist of public safety fire department security improvements of $27,363 and police radio of $7,000, public works of $356,994 state transportation improvement funds, $8,019 for airport improvements, public payments for special assessment improvements of $15,700 and health and welfare county ambulance grant of $169,932.
- Property taxes increased by $147,195 or 6.35% during the year. This increase is from growth or new property added to the tax rolls plus increase allowed by the State as the limit on property tax increase one percent for 2018.
- Sales Taxes increased by $140,314 or 3.84%. 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.

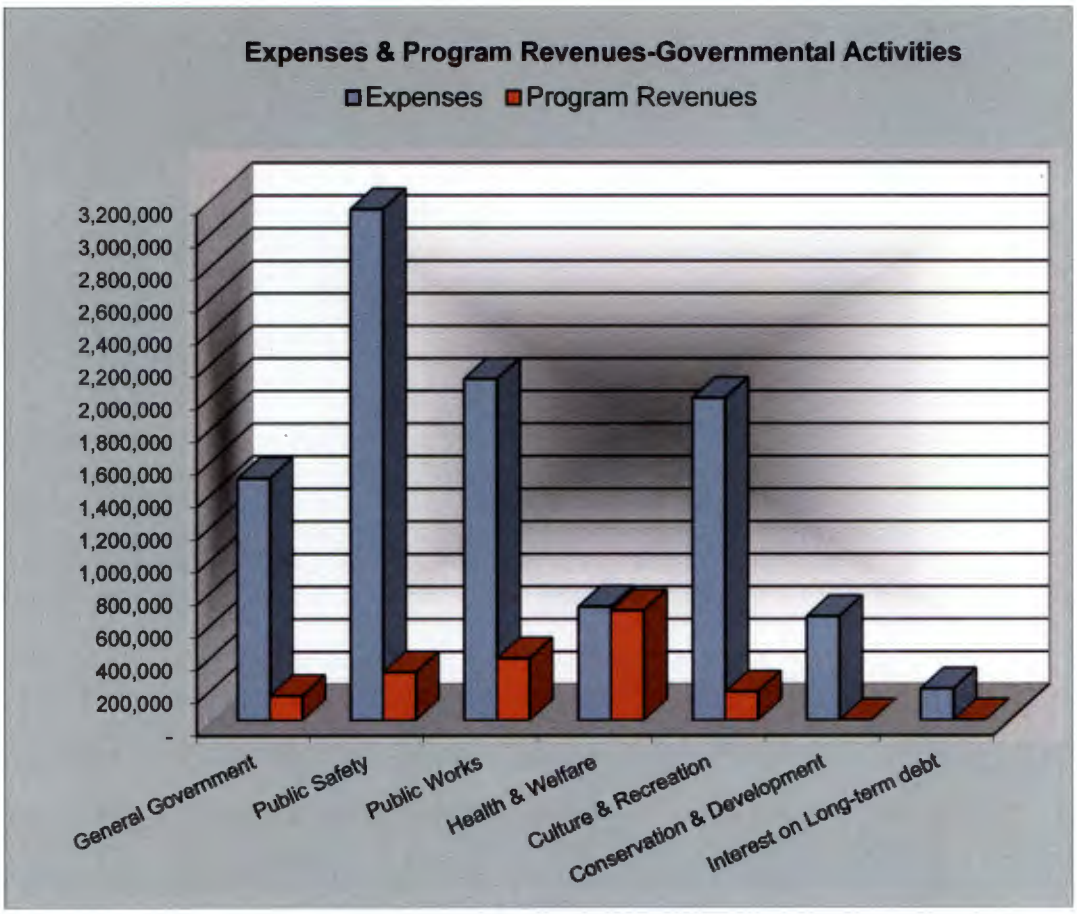
- Sales taxes for special revenues decreased $31,041 or 8.7%. This special sales tax is referred to as BBB sales tax used for advertising and promotion of the City.



- General Government expenses increased by $164,476 or 12.47%. The net effect of the pension adjustment increased expenses $42,289 in 2018 compared to a decrease of $80,562 in 2017. General government wages and benefits were up as the assistant position was fill for the full year of 2018. Finance Office operating expenses were up in 2018 for the bi annual election and additional publication. Municipal garage operating expenses were up for increase in equipment repairs. Total general government depreciation increased $7,346 in 2018.
- Public Safety expenses increased by $668,165 or 27.07%. The net effect of the pension adjustment increased expenses $173,148 compared to a decrease of $327.766 in 2017. The 911 fund wages increased $30,930 for the addition of a dispatch position during the year, Fire Department had increase in equipment repairs and public safety depreciation increased $37,711 over 2017.
- Public works expenses increased $153,974 or 7.94%. The net effect of the pension adjustment increased expenses $29,036 compared to a decreased expenses $51,364 in 2017. Snow removal expenses were up in personnel of $18,324 and operating expenses for fuel and equipment by $24,994 due to increase snow and ice. Airport repairs and maintenance expenses were down $32,126 as the runways were seal coated in 2017. Depreciation expense increased $26,449 over 2017.
- Health and Welfare expenses decreased $135,417 or 24.11%. The net effect of the pension adjustment increased expenses $24,453 compared to a decreased expenses of $29,777 in 2017. Ambulance expenses were up $87,944 due to adding three full time paramedics during the year.
- Culture and Recreation expenses increased $403,483 or 25.64%. The net effect of the pension adjustment increased expenses $38,877 compared to a decreased expenses

$73,648 in 2017. The first full year of the new swimming pool expenses were up $15,685 with the majority in personnel as it was for a full season. Parks operating expenses increased as 2018 was the first year operating a concession stand at baseball and softball fields thus increase for cost of goods. Recreation saw an increase wages as the position was vacant part of last year and additional operating expenses. National Guard armory had an increase in operating expenses for $4,824 for building repairs. Mosquito control supplies increased $11,159 due to more control needed for wet spring and summer. Depreciation expense increased $136,087 most attributed to the full year of depreciation on the new pool assets.

- Conservation and Development expenses increased $94,994 from the City's continued support of various programs. The City continued to support numerous organizations but during 2018 with increased funding from General Fund and Second Penny Sales tax for economic development reinvestment.

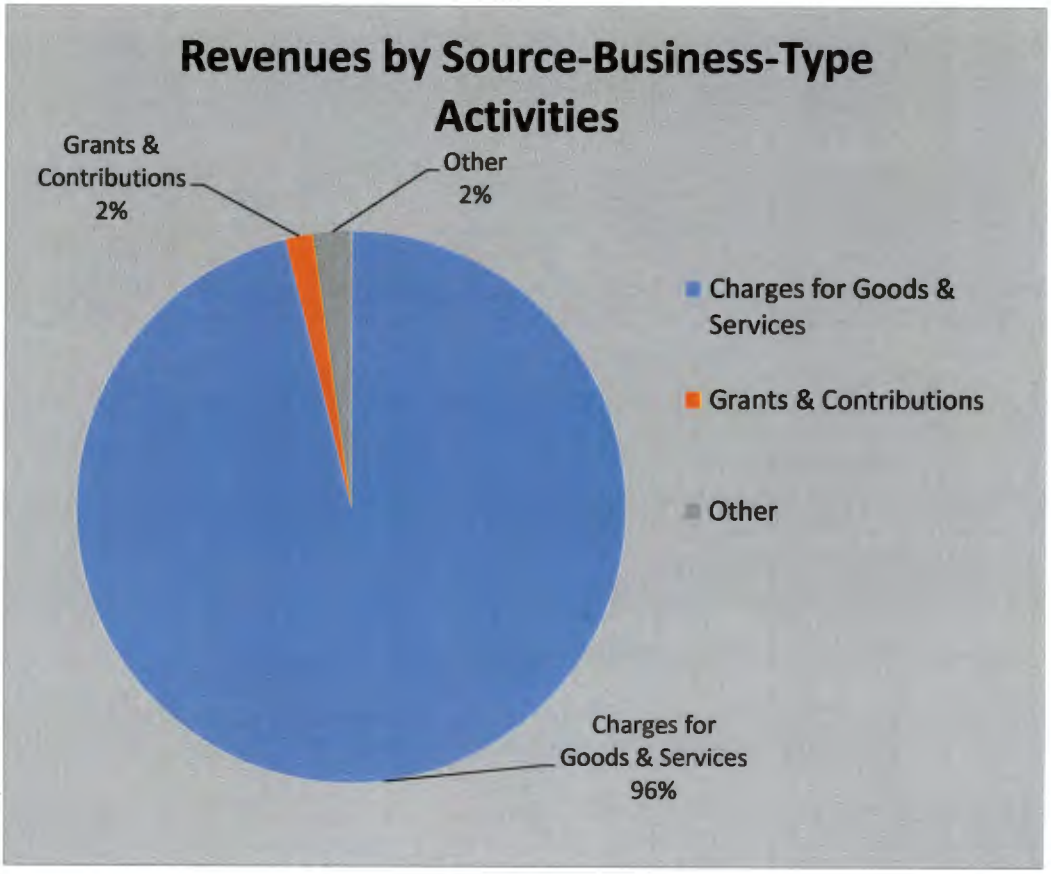


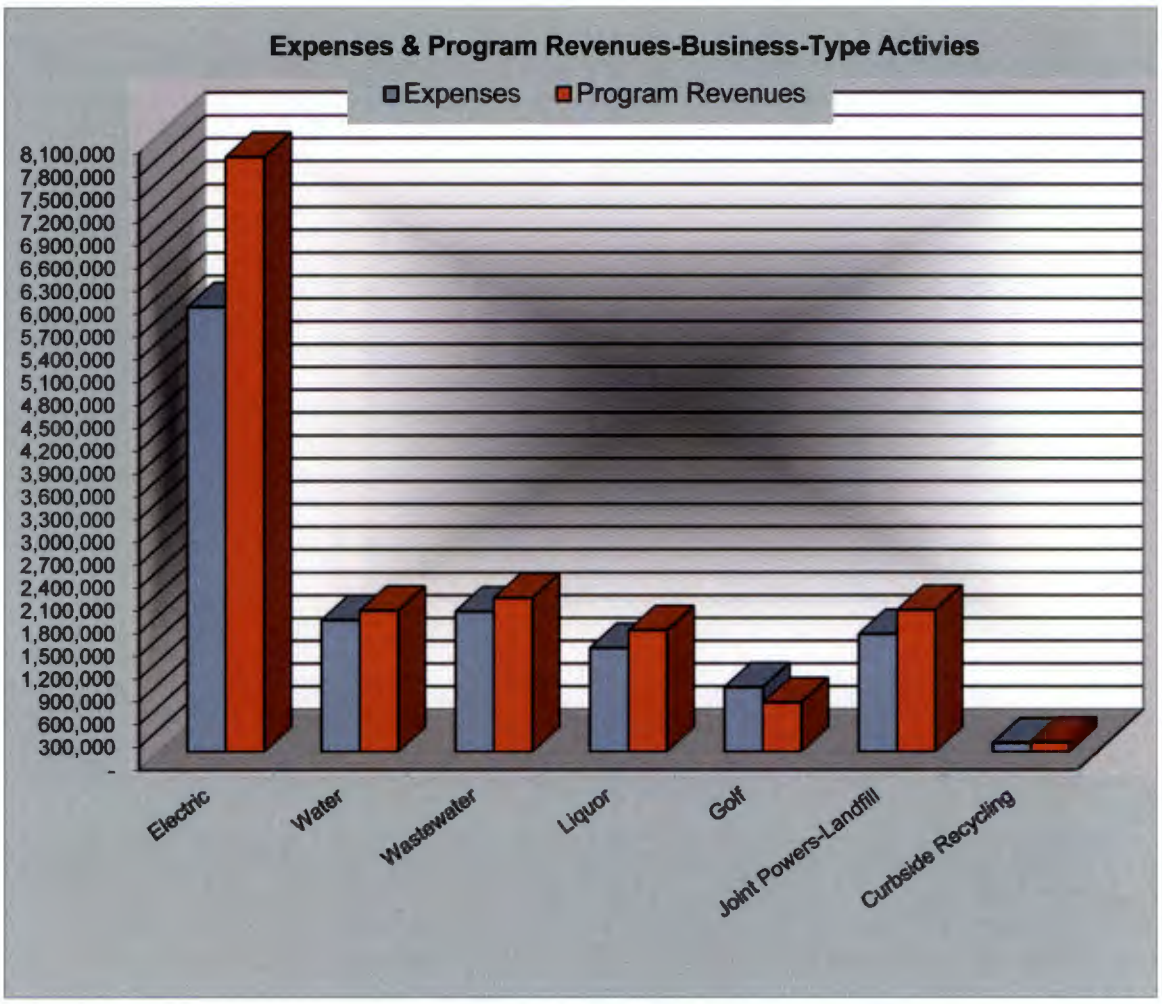
Business-type activities: Business-type activities increased the City of Vermillion's net position by $2,249,648, accounting for 73.78% of the total growth in the government's net position. Key elements of this increase are as follows:

- Charges for services increased by 5.15% or $780,131. The Electric Fund charges for services increased 7.75% or $562,069. Electric kwh sales increased 5.36% during 2018,

which is attributed to colder fall and winter weather. The electric utility received reimbursements from the Southwest Power Pool through Missouri River Energy Services for transmission assets in April 2017and for the full year of 2018 increased $316,522. This was the sixth year of seasonal electric charges. Water Fund charges for services decreased 1.82% or $34,450. Water sales decreased 2.37% over 2017 attributed to wet summer weather. Wastewater Fund revenues increased by $62,184 or 3.17%. The Liquor Fund sales decreased 1.02% or $16,456 over 2017. The Joint Powers-Landfill revenue increased $206,036 over 2017. The landfill revenues increased $206,036 from an increase in volume of materials received, with contaminated soil revenues increasing $17,370. The sale of recycling materials revenues portion of the Joint Powers decreased $108,186 due to a decrease in market price of materials being sold. The Golf Fund revenues decreased $1,414 that is attributed to decreased play with cool late spring. An increase in the Curbside Recycling program revenues of $2,162 resulted from a full year of the $.50 per month rate increase and with increased volume of materials collected with the lower market prices reducing revenue sharing.

- Operating grants and contributions and capital grants and contributions decreased $198,484 in 2018. During 2018, $203,428 of Community Development Block Grant funds were drawn down for construction progress made on the Prentis Street wastewater lift station replacement project, land valued at $22,500 was received for the northeast substation, developer provided water main extensions of $28,707 and a Water Basin grant of $3,043 was received and a state grant of $10,000 was received to assist with the purchase of a replacement curbside trailer.





Business-type expenses increased $982,885 or 7.98% over 2017. The largest change was in personal services that increased $650,612 in 2018 over 2017. The net effect of the pension adjustment increased business-type personal expenses by $201,312 for 2018 compared to a decrease of $342,854 for 2017. The balance of the increase in personal services is due position were unfilled for part of the year in 2017 due to retirements, but were filled for the year of 2018. Other current expenses increased $251,827 over 2017. The electric department and water department had increased professional services and equipment repairs and maintenance during 2018.

Financial analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in

assessing the City of Vermillion's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $9,932,009, as shown on Exhibit 3, which is an increase of $523,917 in comparison with the prior year. Approximately 18.46% of this total amount or $1,827,995 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is either 1) *nonspendable* $272,744, $82,968 for inventory and $189,776 in cumulative reserve 2) *restricted* $2,817,803 consisting of $246,647 in Bed, Board & Booze sales tax, $1,198,261 in storm water fees, $56,781 for library, $635,159 for Surface Transportation Program, $30,957 for parks capital, $30,000 for Business Improvement District and $619,998 for debt service 3) *committed* $4,681,839 in sales tax or 4) assigned $331,628 for the 2019 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 $2,333,814, as shown in Exhibit 3, while total fund balance decreased to $3,573,345. 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 35.29% of total general fund expenditures, while total fund balance represents 54.03% of the same amount.

The fund balance of the City's general fund decreased $488,992 during the current fiscal year, as shown in Exhibit 4. Factors in this increase are as follows:

- Total general fund revenue increased $233,911 for 2018.
- Property tax increases are restricted by the State to the lower of the CPI or 3% and for 2018 the CPI was .01% thus the increase in property taxes of $58,163 attributed to the tax on new property and the .01% increase within the city outside the TIF districts.
- Sales tax revenue increased $49,255 for 2018.
- Intergovernmental Revenues increased $14,417 in 2018, with an increase of $15,400 increase State Transportation Improvement Program funds.
- Charges for goods and services increased $79,850 made up of increased ambulance revenues and baseball concessions as the first year of city operated baseball concessions.
- A special item was reported of $112,237 which is the increase in the SDPAA Reserve, See Note 10 for further explanation.
- Expenditures in the General Fund increased $405,705 or 5.76%. General Government expenditures increased $69,515 due to an increase in general government wages as all positions filled for the year, finance operating expenses were up for municipal election expenses and equipment repairs and maintenance and engineering purchased $30,730 of survey equipment. Public Safety expenditures increased $122,699 with Fire Department had increased building and equipment repairs and maintenance and installed a building security system and E911 added a dispatch position during 2018. Public Works expenditures increased $34,140 with an increase of $43,318 in snow removal expenses and airport expenses decreased $32,126 as the runway was sealed in 2017. Health and Welfare expenditures increased $101,723 of which $87,944 was adding three full time paramedics during the year for the ambulance department and code enforcement had an increase in operating expenses. Culture-Recreation expenditures increased $106,185 with recreation expenditures increasing $36,378 the majority being a position that was vacant part of last year due to military call up and increased operating expenses, the swimming pool expenditures increased $15,685 of which $12,941 was for wages for extra

days the pool was open over prior year, parks operating expenses increasing for the first year of operating the baseball concessions, mosquito control expenses increased $13,102 for the purchase of additional treatment supplies, and library expenditures were up $13,300 for increased wages and book purchases. Conservation and Development expenditures decreased $28,557 with the majority being a decrease in the VCDC reinvestment program of $13,050 and economic development special assessment interest decreasing $12,995.

- The general fund transferred out funds to the Prentis Park Capital Project fund of $196,059, $853,961 of State Transportation Improvement Program funds to capital project funds, $292,670 to 911 Fund and $129,067 of malt beverage markup to the General Obligation debt service fund compared to total transfers out of $1,787,868 in 2017.

The sales tax fund has a total fund balance $4,681,839, all of which is committed for capital outlay and debt service. The net increase in fund balance during the current year is $715,040. Revenues during this period increased by $57,897 compared to the prior year. This is due to an increase in sales tax revenue of $48,792, a decrease in investment earnings of $7,895 and an increase in grants and contributions of $17,000. Expenditures increased during this period by $227,197, which is largely due to an increase in capital outlay. Transfers out decreased by $918,039 to $566,410. The major item of the decrease was in 2018, $139,111 was transferred to the Prentis Park Pool capital projects compared to $1,087,483 in 2017. This was the major construction on the pool which was completed in 2017 with sidewalks and retainage remaining to be paid out at the end of 2018.

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 $8,058,078, Water $1,341,211, Wastewater $1,907,781, Liquor $320,372, Golf Course $688,155, Joint Powers-Landfill $1,543,008 and Curbside Recycling $87,574. The total growth in net position for all funds in the current year was $2,198,963. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

A special item was reported of $104,458 which is the increase in the SDPAA reserve. See Note 10 for further explanation.

General Fund Budgetary Highlights

The City of Vermillion adopted a revised budget in September of 2018 and a supplemental budget in December 2018 to refine the budget amounts adopted a year earlier. The budgeted revenues were increased by $78,330 (1.25% of the original budget). Budgeted expenditures were increased by $117,872 (1.68% of the original budget) and budgeted transfers out increased $326,172. The original and final budgets are reported on Exhibit 8 on page 58.

Capital Assets and Debt Administration

Capital Assets. The City of Vermillion's investment in capital assets for its governmental and business type activities as of December 31, 2018 amount to $84,484,395 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements other than buildings, furniture and equipment, infrastructure, and construction in progress. During 2018 there was $2,273,642 of additions to the governmental capital assets while the depreciation for the year was $2,233,525 and $595,818 of capital assets were disposed.

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

- The paving of Jefferson Street from Clark Street to Duke Street started in 2017 was completed during 2018 at a total cost of $848,697 funded from the State Surface Transportation funds.
- The airport apron reconstruction started in 2017 was completed during 2018 at a total cost of $714,104 funded with Federal, State grants and second penny sales tax funds.
- Improvements were made in the public parks with Prentis park receiving parking lot, basketball courts, horse shoe pits, bean bag toss, disc golf, playground equipment, sidewalk extensions, score board in baseball field, Barstow park received disc golf and Rotary park received playground equipment and a sign. Total cost of these improvements was $461,339.
- Construction was completed in 2018 on the electric department northeast substation and related transmission line project at a total cost of $3,835,347. The project was funded from revenue bond proceeds and reserve funds.
- Construction on the Prentis Street lift station project started in 2017 was completed in 2018. The related sewer main was completed in 2017. The Prentis Street lift station portion of the project cost $711,593 funded from a State Revolving Loan and a Community Development Block Grant.
- Construction began on the wastewater digester improvement project during 2018. The total project cost is contracted at $1,094,162 with $373,148 reported in construction in progress at year end. The project is funded from wastewater fund reserves.
- The equipment replacement fund added a number of pieced of equipment during the year totaling $374,955 and received a contribution of an ambulance from Clay County valued at $169,932.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 1,632,815	$ 1,632,815	$ 2,590,173	$ 2,567,673	$ 4,222,988	$ 4,200,488
Building & Structure	19,466,258	19,075,956	23,550,277	21,630,972	43,016,535	40,706,928
Improvements other buildings	-	-	19,394,706	17,960,197	19,394,706	17,960,197
Furniture & Equipment	4,555,738	4,376,215	1,581,157	1,705,230	6,136,895	6,081,445
Infrastructure & books	11,265,557	11,106,898	-	-	11,265,557	11,106,898
Construction in Progress	29,093	838,126	418,621	3,397,864	447,714	4,205,990
Total	$ 36,949,461	$ 37,030,010	$ 47,534,934	$ 47,231,936	$ 84,484,395	$ 84,261,946

Additional information on the City of Vermillion's capital assets can be found in Note 4 on pages 41-43 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 $26,497,201. Total note and bonded debt outstanding totaled $24,082,201 with the remainder being capital leases of $2,415,000.

The City's total outstanding debt decreased by $1,404,372 or 5.03% during the 2018 fiscal year. During 2018 the City drew down on the State Revolving Loan, approved in 2017, for the Prentis Street lift station $381,646 for construction costs and issued a Board of Water and Natural

Resources Solid Waste Management Program loan of $10,000 for the purchase of a curbside recycling collection trailer.

City of Vermillion's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation & Revenue Bonds	$ 4,363,204	$ 4,536,041	$ 19,524,347	$ 20,316,724	$ 23,887,551	$ 24,852,765
Notes Payable	-	-	194,650	232,743	194,650	232,743
Capital Lease	2,415,000	2,695,000	-	121,065	2,415,000	2,816,065
Total	$ 6,778,204	$ 7,231,041	$ 19,718,997	$ 20,670,532	$ 26,497,201	$ 27,901,573

Additional information on the City's long-term debt can be found in Note 5 on pages 44-48 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 $488,992 to $3,573,345. The final budget for 2018 had projected the fund balance to decrease by $1,052,991. The City has appropriated $331,628 of the general fund, fund balance for spending in the 2019 fiscal year.

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

EXHIBIT 1

CITY OF VERMILLION
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing & Redevelopment
ASSETS				
Cash & cash equivalents	$ 488,041	$ 833,292	$ 1,321,333	$ 29,127
Investments	9,550,000	10,875,000	20,425,000	-
Receivables (net, where applicable, of allowance for uncollectibles)				
Taxes receivables	32,280	-	32,280	
Accounts receivable	218,756	1,024,815	1,243,571	5,588
Unbilled accounts receivable	-	475,965	475,965	-
Special assessments receivable	67,432	-	67,432	-
Interest receivable	132,179	129,634	261,813	-
Due from other governments	733,605	50,606	784,211	-
Internal balances	(540,969)	540,969	-	-
Inventories	82,968	1,448,329	1,531,297	-
Net Pension Assets	4,174	2,409	6,583	-
Prepaid expenses	72,565	77,931	150,496	2,325
Deposits SDPAA	189,776	184,979	374,755	-
Restricted assets				
Cash	70,496	1,462,951	1,533,447	34,796
Investments	541,067	574,894	1,115,961	-
Interest receivable	4,353	9,775	14,128	-
Capital assets				
Land and construction in progress	1,661,908	3,008,794	4,670,702	-
Other capital assets, net of depreciation	35,287,553	44,526,140	79,813,693	-
Total capital assets	36,949,461	47,534,934	84,484,395	-
Total assets	48,596,184	65,226,483	113,822,667	71,836
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	1,360,649	818,047	2,178,696	-
LIABILITIES				
Accounts payable	725,853	837,492	1,563,345	4,727
Customer deposits	-	89,515	89,515	-
Accrued interest payable	10,585	66,831	77,416	-
Revenue collected in advance	11,772	3,500	15,272	-
Noncurrent liabilities				
Due within one year:				
Bonds payable	244,842	1,081,703	1,326,545	-
Notes payable	-	50,093	50,093	-
Capital lease	280,000	-	280,000	-
Accrued leave payable	205,627	143,252	348,879	2,161
Due in more than one year:				
Bonds payable with premium	4,118,362	18,442,644	22,561,006	-
Notes payable	-	144,557	144,557	-
Capital lease	2,135,000	-	2,135,000	-
Closure - postclosure liability	-	368,472	368,472	-
Accrued leave payable	265,456	200,507	465,963	2,354
Total liabilities	7,997,497	21,428,566	29,426,063	9,242
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	335,470	189,335	524,805	-
NET POSITION				
Net investment in capital assets	29,784,908	27,790,213	57,575,121	-
Restricted for:				
BBB tax	252,804	-	252,804	-
Debt service	644,721	1,527,726	2,172,447	-
Stormwater	1,217,075	-	1,217,075	-
Parks Capital	30,957	-	30,957	-
Library	56,781	-	56,781	-
Business Improvement District	30,000	-	30,000	-
Landfill closure postclosure	-	84,591	84,591	-
Cumulative reserve-SDPAA	189,776	184,979	374,755	-
SDRS Pension Purposes	1,029,353	631,121	1,660,474	-
Other purposes	-	-	-	34,796
Unrestricted	8,387,491	14,207,999	22,595,490	27,798
Total Net Position	$ 41,623,866	$ 44,426,629	$ 86,050,495	$ 62,594

See Accompanying Notes to Financial Statements

EXHIBIT 2

CITY OF VERMILLION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Housing & Redevelopment
Primary government								
Governmental activities:								
General government	$ 1,483,819	$ 150,183	$ 18,176	$ -	$ (1,315,460)	$ -	$ (1,315,460)	$ -
Public safety	3,136,600	294,324	313,433	34,363	(2,494,480)	-	(2,494,480)	-
Public works	2,093,258	379,088	-	380,713	(1,333,457)	-	(1,333,457)	-
Health & welfare	697,117	672,451	2,387	169,932	147,653	-	147,653	-
Culture & recreation	1,976,590	174,115	63,078	-	(1,739,397)	-	(1,739,397)	-
Conservation & development	637,238	-	-	-	(637,238)	-	(637,238)	-
Interest on long-term debt	192,464	-	-	-	(192,464)	-	(192,464)	-
Total governmental activities	10,217,086	1,670,161	397,074	585,008	(7,564,843)	-	(7,564,843)	-
Business-type activities:								
Electric	5,841,559	7,812,623	-	22,500	-	1,993,564	1,993,564	-
Water	1,731,838	1,856,793	3,043	28,707	-	156,705	156,705	-
Wastewater	1,843,525	2,022,210	-	203,428	-	382,113	382,113	-
Liquor	1,364,693	1,596,637	-	-	-	231,944	231,944	-
Golf	846,875	647,959	-	-	-	(198,916)	(198,916)	-
Joint powers landfill	1,547,072	1,863,300	-	-	-	316,228	316,228	-
Curbside recycling	116,546	125,986	-	10,000	-	19,440	19,440	-
Total business-type activities	13,292,108	15,925,508	3,043	264,635	-	2,901,078	2,901,078	-
Total primary government	$ 23,509,194	$ 17,595,669	$ 400,117	$ 849,643	$ (7,564,843)	$ 2,901,078	$ (4,663,765)	$ -
Component Unit								
Housing & redevelopment	1,220,459	1,048	1,103,187	-	-	-	-	(116,224)
Total component unit	$ 1,220,459	$ 1,048	$ 1,103,187	$ -	$ -	$ -	$ -	$ (116,224)
General revenues:								
Taxes:								
Property taxes - levied for general purposes					2,463,143	-	2,463,143	-
Sales taxes					3,791,388	-	3,791,388	-
Sales taxes for special revenues					325,654	-	325,654	-
Other State taxes					64,622	-	64,622	-
Unrestricted investment earnings					154,005	310,021	464,026	262
Miscellaneous revenue					284,745	71,503	356,248	-
Gain on sale of capital assets					31,283	-	31,283	-
Special Item change in SDPAA reserve					112,237	104,458	216,695	-
Transfers					1,137,412	(1,137,412)	-	-
Total general revenues, special item, & transfers					8,364,489	(651,430)	7,713,059	262
Change in net position					799,646	2,249,648	3,049,294	(115,962)
Net position - beginning					40,904,741	42,096,460	83,001,201	178,556
Reclassification Adjustment					(80,521)	80,521	-	-
Adjusted Net position - beginning					40,824,220	42,176,981	83,001,201	178,556
Net position - ending					$ 41,623,866	$ 44,426,629	$ 86,050,495	$ 62,594

See Accompanying Notes to Financial Statements

CITY OF Vermillion SOUTH DAKOTA

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EXHIBIT 3

CITY OF VERMILLION
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2018

	General	Sales Tax	Other Governmental Funds	2018 Total
ASSETS				
Cash and cash equivalents	$ 150	$ 191,205	$ 262,705	$ 454,060
Investments	3,150,000	4,187,500	1,375,000	8,712,500
Receivables (net, where applicable, of allowance for uncollectibles)				
Property taxes: delinquent	32,280	-	-	32,280
Accounts receivable	205,515	-	9,996	215,511
Special assessment receivable	-	-	67,432	67,432
Interest receivable	43,591	49,746	29,737	123,074
Due from other governments	312,766	218,890	201,949	733,605
Inventory of supplies	60,698	-	-	60,698
Inventory of stores purchased for resale	22,270	-	-	22,270
Deposits - SDPAA	189,776	-	-	189,776
Advance to other funds	-	163,175	-	163,175
Restricted assets:				
Cash and cash equivalents	-	-	70,496	70,496
Investments	-	-	541,067	541,067
Interest receivable	-	-	4,353	4,353
Total assets	4,017,046	4,810,516	2,562,735	11,390,297
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	232,143	19,531	447,746	699,420
Due to other funds	74,020	-	170,767	244,787
Revenue collected in advance	2,187	-	9,585	11,772
Advance from other funds	-	-	197,537	197,537
Total liabilities	308,350	19,531	825,635	1,153,516
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-sales tax	59,480	59,400	4,504	123,384
Unavailable revenue- interest	43,591	49,746	20,084	113,421
Unavailable revenue-deliquent property tax and interest	32,280	-	-	32,280
Unavailable revenue-deliquent stormwater fees	-	-	4,736	4,736
Unavailable revenue-special assessments	-	-	30,951	30,951
Total deferred inflows of resources	135,351	109,146	60,275	304,772
Fund balances:				
Nonspendable:				
Inventory	82,968	-	-	82,968
Cumulative Reserve-SDPAA	189,776	-	-	189,776
Restricted:				
Surface Transportation Program	635,159	-	-	635,159
BBB Purposes	-	-	246,647	246,647
Stormwater	-	-	1,198,261	1,198,261
Parks Capital	-	-	30,957	30,957
Library	-	-	56,781	56,781
Business Improvement District	-	-	30,000	30,000
Debt Service Funds	-	-	619,998	619,998
Committed				
Sales Tax Purposes	-	4,681,839	-	4,681,839
Assigned:				
Next Year's Budget	331,628	-	-	331,628
Unassigned	2,333,814	-	(505,819)	1,827,995
Total fund balances	3,573,345	4,681,839	1,676,825	9,932,009
Total liabilities, deferred inflows of resources, and fund balances	$ 4,017,046	$ 4,810,516	$ 2,562,735	$ 11,390,297

See Accompanying Notes to Financial Statements

EXHIBIT 3A

CITY OF VERMILLION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balance - governmental Funds (page 20)		$ 9,932,009
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		33,512,621
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	$ (4,296,699)	
Capital Lease	(2,415,000)	
Accrued leave payable	(465,036)	(7,176,735)
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.		304,772
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		72,565
Accrued interest expense from the balance sheet and amortization that require current financial resources from governmental activities.		(10,585)
Bond premiums are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		(66,505)
Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		4,145
Pension related deferred outflows are components of net pension asset and therefore are not reported in the funds.		1,344,544
Pension related deferred inflows are components of net pension asset and therefore are not reported in the funds.		(333,299)
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 recources are included in the Statement of Net Position as follows:		
Governmental Activities:	4,302,154	
Business-Type Activities:	(261,820)	
		4,040,334
Total net position - governmental activities (page 18)		$ 41,623,866

See Accompanying Notes to Financial Statements

EXHIBIT 4

CITY OF VERMILLION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Sales Tax	Other Governmental Funds	2018 Total
Revenue:				
Taxes:				
General property taxes	$ 2,298,421	$ -	$ 157,113	$ 2,455,534
General sales & use taxes	1,867,748	1,866,236	331,304	4,065,288
Business Improvement District Fees	-	-	59,044	59,044
Stormwater fees	-	-	240,222	240,222
Penalties & interest on delinquent taxes	4,504	-	605	5,109
Licenses & permits	308,989	-	-	308,989
Intergovernmental revenue	793,910	7,000	318,743	1,119,653
Charges for goods & services	747,137	-	13,000	760,137
Fines & forfeits	47,378	-	3,447	50,825
Investment earnings	30,695	26,719	21,644	79,058
Rentals	21,490	-	-	21,490
Special assessments	78	-	34,195	34,273
Contributions & donations from private sources	26,210	10,000	16,029	52,239
Other	197,949	-	6,262	204,211
Total revenue	6,344,509	1,909,955	1,201,608	9,456,072
Expenditures:				
Current:				
General government	1,243,988	-	-	1,243,988
Public safety	2,176,643	17,661	585,340	2,779,644
Public works	963,208	163,227	31,426	1,157,861
Health and welfare	653,903	901	-	654,804
Culture-recreation	1,323,344	65,653	14,910	1,403,907
Conservation and development	59,642	40,707	536,889	637,238
Debt service:				
Principal	-	-	445,301	445,301
Interest	-	-	194,416	194,416
Capital outlay:				
General government	32,493	4,168	-	36,661
Public safety	44,345	97,993	14,054	156,392
Public works	2,728	29,080	904,858	936,666
Health and welfare	2,777	59,072	-	61,849
Culture-recreation	111,047	150,043	211,987	473,077
Total expenditures	6,614,118	628,505	2,939,181	10,181,804
Excess (deficiency) of revenues over (under) expenditures	(269,609)	1,281,450	(1,737,573)	(725,732)
Other financing sources (uses):				
Transfers in	1,140,137	-	2,043,103	3,183,240
Transfers out	(1,471,757)	(566,410)	(7,661)	(2,045,828)
Total other financing sources (uses)	(331,620)	(566,410)	2,035,442	1,137,412
Special Item:				
Change in SDPAA reserve	112,237	-	-	112,237
Net change in fund balances	(488,992)	715,040	297,869	523,917
Fund balance - beginning	4,145,515	3,966,799	1,378,956	9,491,270
Reclassification Adjustment	(80,521)	-	-	(80,521)
Adjusted fund balance - beginning	4,064,994	3,966,799	1,378,956	9,410,749
Change in inventory	(2,657)	-	-	(2,657)
Fund balance - ending	$ 3,573,345	$ 4,681,839	$ 1,676,825	$ 9,932,009

See Accompanying Notes to Financial Statements

EXHIBIT 4A

CITY OF VERMILLION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds (page 22)		$ 523,917
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.		(2,657)
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:		
Expenditures for capital assets	$ 1,662,057	
Depreciation expense	(1,829,883)	(167,826)
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.		(57,635)
The repayment of the pincipal of long-term debt consummes the current financial resources of governmental funds, however, has any effect on net position. This is the amount of repayment of long term debt.		445,301
Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied.		44,412
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.		(12,034)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.		53,422
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.		(6,466)
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.		1,952
Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.		(308,403)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		
Governmental Activities:	$ 336,348	
Business Type Activities:	(50,685)	
		285,663
Change in net position of governmental activities (page 19)		$ 799,646

See Accompanying Notes to Financial Statements

EXHIBIT 5

CITY OF VERMILLION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-Type Activities-Enterprise Funds								Governmental Activities-Internal Service Funds
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling	Totals	
ASSETS									
Current assets:									
Cash	$ 226,169	$ 83,600	$ 65,763	$ 108,528	$ 97,094	$ 226,461	$ 25,677	$ 833,292	$ 33,981
Investments	6,225,000	1,025,000	1,750,000	25,000	575,000	1,225,000	50,000	10,875,000	837,500
Receivables (net of allowance for uncollectibles)									
Accounts	623,867	133,855	164,248	-	1,215	90,522	11,108	1,024,815	3,244
Unbilled	299,082	77,004	94,245	-	-	-	5,634	475,965	
Interest	75,857	12,938	22,229	21	5,318	12,656	615	129,634	9,106
Due from other governments	-	-	-	-	-	50,606	-	50,606	-
Inventory of supplies	806,512	190,655	65,439	-	16,070	48,406	-	1,127,082	-
Inventory of stores purchased for resale	-	-	-	277,657	43,590	-	-	321,247	-
Prepaid expenses	37,421	10,576	11,881	10,614	2,394	4,564	481	77,931	-
Deposits - SDPAA	76,169	36,983	30,880	17,855	8,051	14,019	1,022	184,979	-
Due from other funds	244,787	-	-	-	-	-	-	244,787	-
Total current assets	8,614,864	1,570,611	2,204,685	439,675	748,732	1,672,234	94,537	15,345,338	883,831
Noncurrent assets:									
Advance to other funds	34,362	-	-	-	-	-	-	34,362	-
Restricted assets:									
Bonds payable:									
- Cash	353,048	134,536	504,156	-	-	17,972	176	1,009,888	-
- Investments	574,894	-	-	-	-	-	-	574,894	-
- Interest receivable	9,775	-	-	-	-	-	-	9,775	-
Landfill- closure & postclosure									
- Cash	-	-	-	-	-	453,063	-	453,063	-
Net Pension Assets	837	513	370	-	210	402	77	2,409	29
Total noncurrent assets	972,916	135,049	504,526	-	210	471,437	253	2,084,391	29
Capital assets									
Land & improvements	23,811	100,663	176,873	-	2,230,834	57,992	-	2,590,173	-
Buildings	5,944,374	10,011,065	15,204,748	-	1,002,798	4,127,863	-	36,290,848	-
Improvements other than buildings	18,657,647	4,593,490	4,679,915	-		3,146,895	-	31,077,947	-
Furniture & equipment	337,551	188,236	2,382,374	117,542	628,022	2,333,830	49,493	6,037,048	6,232,894
Construction in progress	1,500	-	373,148	-	43,973	-	-	418,621	-
Less: accumulated depreciation	(7,715,041)	(5,102,751)	(10,437,570)	(68,195)	(1,092,706)	(4,438,651)	(24,789)	(28,879,703)	(2,796,054)
Total capital assets(net depreciation)	17,249,842	9,790,703	12,379,488	49,347	2,812,921	5,227,929	24,704	47,534,934	3,436,840
Total noncurrent assets	18,222,758	9,925,752	12,884,014	49,347	2,813,131	5,699,366	24,957	49,619,325	3,436,869
Total assets	26,837,622	11,496,363	15,088,699	489,022	3,561,863	7,371,600	119,494	64,964,663	4,320,700
DEFERRED OUTFLOWS OF RESOURCES:									
Pension Related Deferred Outflows	280,580	167,259	123,926	-	79,350	140,527	26,405	818,047	16,105
LIABILITIES									
Current liabilities:									
Accounts payable	325,256	104,838	234,874	101,448	8,446	61,206	1,424	837,492	26,433
Customer deposits	59,677	29,838	-	-	-	-	-	89,515	-
Accrued interest payable	38,198	-	23,042	-	-	5,576	15	66,831	-
Bonds payable - current	380,000	251,599	382,108	-	-	67,996	-	1,081,703	-
Notes payable - current	-	-	-	-	-	48,153	1,940	50,093	-
Revenue collected in advance	-	-	-	-	3,500	-	-	3,500	-
Accrued leave payable	54,193	24,062	23,701	-	16,910	22,503	1,883	143,252	2,520
Total current liabilities	857,324	410,337	663,725	101,448	28,856	205,434	5,262	2,272,386	28,953
Noncurrent liabilities:									
Revenue bonds	8,904,823	3,200,340	5,004,105	-	-	1,333,376	-	18,442,644	-
Notes payable	-	-	-	-	-	137,453	7,104	144,557	-
Closure-postclosure liability	-	-	-	-	-	368,472	-	368,472	-
Accrued leave payable	75,853	33,679	33,173	-	23,670	31,498	2,634	200,507	3,527
Total noncurrent liabilities	8,980,676	3,234,019	5,037,278	-	23,670	1,870,799	9,738	19,156,180	3,527
Total liabilities	9,838,000	3,644,356	5,701,003	101,448	52,526	2,076,233	15,000	21,428,566	32,480
DEFERRED INFLOWS OF RESOURCES:									
Pension Related Deferred Inflows	66,419	40,606	29,781	-	15,857	30,572	6,100	189,335	2,171
NET POSITION									
Net Investment in capital assets	7,965,019	6,338,764	6,967,551	49,347	2,812,921	3,640,951	15,660	27,790,213	3,436,840
Restricted for:									
Restricted for debt service	899,519	134,536	481,114	-	-	12,396	161	1,527,726	-
Restricted for SDPAA Cumulative Reserve	76,169	36,983	30,880	17,855	8,051	14,019	1,022	184,979	-
Restricted for landfill closure & postclosure	-	-	-	-	-	84,591	-	84,591	-
Restricted for SDRS Pension Purposes	214,998	127,166	94,515	-	63,703	110,357	20,382	631,121	13,963
Unrestricted	8,058,078	1,341,211	1,907,781	320,372	688,155	1,543,006	87,574	13,946,179	851,351
Total net position	$ 17,213,783	$ 7,978,660	$ 9,481,841	$ 387,574	$ 3,572,830	$ 5,405,322	$ 124,799	44,164,809	$ 4,302,154
Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities								261,820	
Net Position of Business-type Activities								$ 44,426,629	

See Accompanying Notes to Financial Statements

EXHIBIT 6

CITY OF VERMILLION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities-Enterprise Funds								Governmental Activities-Internal Service Funds
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling	Totals	
Operating revenue									
Charges for goods and services	$ 5,614,101	$ 1,553,980	$ 1,637,378	$ 1,596,637	$ 647,959	$ 1,750,213	$ 117,076	$ 12,917,344	$ 638,728
Surcharge as security for debt	1,085,219	268,298	336,636	-	-	-	-	1,690,153	-
Miscellaneous	1,113,303	34,515	48,196	-	-	113,087	8,910	1,318,011	-
Total operating revenue	7,812,623	1,856,793	2,022,210	1,596,637	647,959	1,863,300	125,986	15,925,508	638,728
Operating expenses									
Personal services	934,345	605,140	483,461	-	399,113	562,867	105,626	3,090,552	41,403
Other current expense	510,049	446,118	562,248	276,144	258,813	507,117	7,842	2,568,331	70,512
Materials (cost of goods sold)	3,239,931	258,009	-	1,079,180	152,496	-	-	4,729,616	-
Depreciation/amortization	722,763	331,058	620,130	9,087	45,421	425,501	3,583	2,157,543	403,642
Total operating expenses	5,407,088	1,640,325	1,665,839	1,364,411	855,843	1,495,485	117,051	12,546,042	515,557
Operating income (loss)	2,405,535	216,468	356,371	232,226	(207,884)	367,815	8,935	3,379,466	123,171
Nonoperating revenue (expense)									
Interest earned	227,067	17,978	32,058	912	9,047	22,318	641	310,021	11,962
Rental revenue	-	3,433	-	-	68,070	-	-	71,503	-
Intergovernmental Revenue	-	3,043	-	-	-	-	-	3,043	169,932
Interest expense and fiscal charges	(442,092)	(94,525)	(156,879)	-	-	(51,496)	(147)	(745,139)	-
Gain(loss) on discarded equipment	(14,870)	(750)	(33,274)	(282)	(2,436)	-	-	(51,612)	31,283
Total nonoperating revenue (expense)	(229,895)	(70,821)	(158,095)	630	74,681	(29,178)	494	(412,184)	213,177
Income (Loss) before contributions, special items and transfers	2,175,640	145,647	198,276	232,856	(133,203)	338,637	9,429	2,967,282	336,348
Capital contributions	22,500	28,707	203,428	-	-	-	10,000	264,635	-
Special Item Change in SDPAA Reserve	41,561	22,828	17,340	9,509	4,840	7,769	611	104,458	
Transfer in	9,000	-	-	-	-	-	-	9,000	-
Transfer out	(884,950)	(38,583)	(28,679)	(194,200)	-	-	-	(1,146,412)	-
Change in net position	1,363,751	158,599	390,365	48,165	(128,363)	346,406	20,040	2,198,963	336,348
Total net position - beginning	15,815,424	7,805,906	9,077,936	331,063	3,697,982	5,052,666	104,348		3,965,806
Reclassification Adjustment	34,608	14,155	13,540	8,346	3,211	6,250	411		-
Adjusted Net Position Beginning	15,850,032	7,820,061	9,091,476	339,409	3,701,193	5,058,916	104,759		3,965,806
Total net position - ending	$ 17,213,783	$ 7,978,660	$ 9,481,841	$ 387,574	$ 3,572,830	$ 5,405,322	$ 124,799		$ 4,302,154

Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities	50,685
Change in Net Position of Business-type Activities (page 20)	$ 2,249,648

See Accompanying Notes to Financial Statements

EXHIBIT 7

CITY OF VERMILLION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities-Enterprise Funds								Governmental Activities-Internal Service Funds
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash received from customers	$ 7,235,964	$ 1,825,699	$ 2,011,189	$ 1,619,160	$ 719,106	$ 1,848,129	$ 124,751	$ 15,383,998	$ 639,647
Cash received from interfund services provided	404,937	41,422	12,662	-	-	-	-	459,021	-
Cash paid for personal services	(862,896)	(585,737)	(446,095)	-	(375,248)	(531,128)	(99,417)	(2,900,521)	(36,800)
Cash paid for interfund services	(1,762)	(86,928)	(118,443)	(7,428)	(26,816)	(7,382)	-	(248,759)	-
Cash paid to suppliers	(3,853,394)	(567,031)	(485,399)	(1,365,605)	(382,045)	(449,199)	(8,069)	(7,110,742)	(70,925)
Net cash provided by (used for) operating activities	2,922,849	627,425	973,914	246,127	(65,003)	860,420	17,265	5,582,997	531,922
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(2,152,500)	(231,090)	(872,727)	(9,010)	(21,256)	(64,800)	(21,773)	(3,373,156)	(374,955)
Capital Contributions	-	28,707	288,114	-	-	-	10,000	326,821	-
Proceeds from sale of assets	708	-	-	-	-	-	-	708	49,046
Proceeds from sale of bonds	-	-	381,646	-	-	-	10,000	391,646	-
Principal paid on bonds and capital leases	(370,000)	(327,618)	(403,262)	-	-	(234,196)	(956)	(1,336,032)	-
Interest paid on bonds and capital leases	(476,834)	(94,525)	(139,326)	-	-	(51,828)	(132)	(762,645)	-
Net cash (used for) capital and related financing activities	(2,998,626)	(624,526)	(745,555)	(9,010)	(21,256)	(350,824)	(2,861)	(4,752,658)	(325,909)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES									
Due from other funds	(224,909)	-	-	-	-	-	-	(224,909)	-
Advances to Other Funds	6,989	-	-	-	-	-	-	6,989	-
Intergovernmental Revenue	-	3,043	-	-	-	-	-	3,043	-
Transfer in	9,000	-	-	-	-	-	-	9,000	-
Transfer (out)	(884,950)	(38,583)	(28,679)	(194,200)	-	-	-	(1,146,412)	-
Net cash (used for) non-capital financing activities	(1,093,870)	(35,540)	(28,679)	(194,200)	-	-	-	(1,352,289)	-
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest on investments	188,194	12,312	19,685	1,388	9,188	14,672	683	246,122	8,747
Purchase of investments	(1,254,431)	-	(200,000)	-	-	(500,000)	-	(1,954,431)	(225,600)
Sale of investments	-	25,000	-	50,000	150,000	-	-	225,000	
Net cash provided by (used for) investing activities	(1,066,237)	37,312	(180,315)	51,388	159,188	(485,328)	683	(1,483,309)	(216,853)
Net increase (decrease) in cash and cash equivalents	(2,235,884)	4,671	19,365	94,305	72,929	24,268	15,087	(2,005,259)	(10,840)
Cash and cash equivalents beginning of year	2,815,101	213,465	550,554	14,223	24,165	673,228	10,766	4,301,502	44,821
Cash and cash equivalents end of year	$ 579,217	$ 218,136	$ 569,919	$ 108,528	$ 97,094	$ 697,496	$ 25,853	$ 2,296,243	$ 33,981
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES									
Operating income (loss)	$ 2,405,535	$ 216,468	$ 356,371	$ 232,226	$ (207,884)	$ 367,815	$ 8,935	$ 3,379,466	$ 123,171
Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities:									
Depreciation	722,763	331,058	620,130	9,087	45,421	425,501	3,583	2,157,543	403,642
Rental revenue	-	3,433	-	-	68,070	-	-	71,503	-
Accounts receivable	(4,145)	7,149	1,641	22,523	3,077	(7,075)	(1,235)	21,935	919
Due from other governments	-	-	-	-	-	(8,096)	-	(8,096)	-
Inventory	(52,967)	(3,368)	2,458	(13,710)	327	(11,078)	-	(78,338)	-
Prepaid expenses	(5,170)	297	(1,758)	(1,461)	33	(543)	(6)	(8,608)	-
Net Pension Asset	2,603	1,451	1,039	-	773	1,353	253	7,472	179
Deferred Outflows of Resources	68,251	38,691	27,512	-	21,176	35,674	6,456	197,760	6,209
Deferred Inflows of Resources	(2,133)	2,852	2,685	-	(3,044)	(3,692)	(589)	(3,921)	(1,834)
Accounts payable	(214,110)	53,239	(42,294)	(2,538)	2,088	37,525	(221)	(166,311)	(413)
Leave liability	2,728	(23,591)	-	-	4,960	(1,596)	89	(17,410)	49
Closure liability	-	-	6,130	-	-	24,632	-	30,762	-
Customer deposits	(506)	(254)	-	-	-	-	-	(760)	-
Net cash provided by (used for) operating activities	$ 2,922,849	$ 627,425	$ 973,914	$ 246,127	$ (65,003)	$ 860,420	$ 17,265	$ 5,582,997	$ 531,922
Noncash investing, capital and financing activities:									
Capital Contributions	$ 22,500	$ -	$ -	$ -	$ -	$ -	$ -	$ 22,500	$ -
Exchange of payables for capital assets	-	-	189,764	-	-	-	-	189,764	-
Gain (loss) on disposal of capital assets not affecting operating income	(14,870)	(750)	(33,274)	(282)	(2,436)	-	-	(51,612)	31,283
Total noncash investing, capital and financing activities	$ 7,630	$ (750)	$ 156,490	$ (282)	$ (2,436)	$ -	$ -	$ 160,652	$ 31,283
Reconciliation of cash and cash equivalents:									
Unrestricted	$ 226,169	$ 83,600	$ 65,763	$ 108,528	$ 97,094	$ 226,461	$ 25,677	$ 833,292	$ 33,981
Restricted	353,048	134,536	504,156	-	-	471,035	176	1,462,951	-
Total reconciliation of cash & cash equivalents	$ 579,217	$ 218,136	$ 569,919	$ 108,528	$ 97,094	$ 697,496	$ 25,853	$ 2,296,243	$ 33,981

See Accompanying Notes to Financial Statements

Note 1- Summary of Significant Accounting Policies

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

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

A. Reporting Entity

The City of Vermillion consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its City Council appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or to impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Housing and Redevelopment Commission of the City of Vermillion, South Dakota (Commission) is a proprietary fund-type, and is required to be reported as a discretely presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the City Council, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The City Council, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the City Council the ability to impose its will on the Commission. The commission operates on a fiscal year, therefore financial statements presented herein are reported for the year ended June 30th, 2018. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained by writing to the Commission at PO Box 362, Vermillion, SD 57069.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

B. Government-wide and fund financial statements

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

Note 1 – Summary of Significant Accounting Policies (Continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City can electively add a fund, as a major fund, which has a specific community focus. The nonmajor funds are combined in a column in the fund financial statements. The various funds reported in the financial statements are grouped into fund types as follows:

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

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

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.

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.

The City reports the following major enterprise funds:

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City is 30 days. The revenues which are accrued at December 31, 2018 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

E. Deposits and Investments

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Deposits

The City's deposits at December 31, 2018 consist of bank deposits that are covered by Federal depository insurance or for the accounts that exceed deposit insurance eligible collateral or revocable standby letter of credit as required by SDCL 4-6A-3 were maintained to insure there would be no loss of public funds. Deposits also consist of nonnegotiable certificate of deposits with a carrying value of $20,700,000. The City's bank deposits, per banks, at December 31, 2018 were $21,925,152 and $63,923 in deposits of the Vermillion Housing and Redevelopment Commission for total bank deposits of $21,989,075.

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 we no limitations or restrictions on withdrawals for the SDFIT investments. The investment in SDFIT is unrated. The City's SDFIT balance at December 31, 2018 was $1,778,162.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

Credit Risk

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

Custodial Risk – Deposits

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

Custodial Risk – Investment

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

Assignment of Investment Income

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

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	$ 292,569
Prentis Park Improvements Debt Service	Bond Covenants	48,534
City Hall Debt Service Fund	External Parties	270,460
Electric Fund	Bond Covenants	927,942
Water Fund	Bond Covenants	134,536
Wastewater Fund	Bond Covenants	504,156
Joint Powers-Landfill Fund	Bond Covenants	17,972
Joint Powers-Landfill Fund	State Agency	453,063
Curbside Recyling	State Agency	176
Total Restricted Cash and Investments		$ 2,649,408

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

Restricted Investments	Amount
U.S. Treasury Note	$ 831,069

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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 $831,069 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, 2018, 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 $261,820 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, 2018 is as follows:

	Short-term Interfund Receivables	Short-term Interfund Payables
General Fund	$ -	$ 74,020
Special Revenue Funds:		
911 Fund	-	150,285
Enterprise Funds:		
Electric	244,787	-
Capital Projects Funds:		
Airport	-	12,792
Debt Service Funds:		
Special Assessments	-	7,690
	$ 244,787	$ 244,787

Note 1 – Summary of Significant Accounting Policies (Continued)

The composition of long-term advances as of December 31, 2018, is as follows:

	Advance to	Advance (from)
Enterprise		
Electric	$ 34,362	$ -
Debt Service		
TIF District No. 6	-	163,175
Special Assessment	-	34.362
Special Revenue		
Sales Tax	163,175	-
	$ 197,537	$ 197,537

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, 2018 are recorded as prepaid items in the government-wide financial statements and in the proprietary funds financial statements.

I. Deferred Outflow/Inflows of Resources

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has

Note 1 – Summary of Significant Accounting Policies (Continued)

only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue,* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from five sources: sales tax, special assessments, interest income, property taxes, and stormwater fees. Deferred inflows of resources in the statement of Net Position consist of pension related revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Cash Flows

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

K. Interfund Transactions

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

L. Capital Assets

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

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

Interest costs for capital asset construction within enterprise funds are capitalized. However, all other interest costs are recorded in the debt service fund. Interest costs incurred during 2018 were $966,043 of which $26,488 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

Vested or accumulated vacation and sick leave including related employee benefits that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. Amounts of vested or accumulated vacation and sick leave including related employee benefits that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. Vested or accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The accrued leave payable has been computed base on rates of pay in effect of December 31, 2018. 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".

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Fund Balance Classification Policies and Procedures

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

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

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

The City Council 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.

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, 2018.

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, 2018 was $5.891 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	$	39,105
Uncollectibles related to ambulance charges		40,943
Uncollectibles related to mobile home fees		248
Uncollectibles related to miscellaneous fees		1,318
Uncollectibles related to electric charges		26,283
Uncollectibles related to water charges		5,980
Uncollectibles related to wastewater charges		5,019
Uncollectibles related to golf course charges		6,615
Uncollectibles related to curbside recycling charges		590
	$	126,101

Amounts due from other governments include $522,808 from the State of South Dakota, $171,315 due from Clay County, $50,606 due from the City of Yankton, and $39,482 due from the Federal Government.

Note 4 – Capital Assets

A summary of the changes in the capital assets for the year ended December 31, 2018, is as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
Governmental Activities:				
Capital Assets, not being depreciated				
Land	$ 1,231,441	$ -	$ -	$ 1,231,441
Infrastructure Land	401,374	-	-	401,374
Construction in Progress	838,126	1,265,964	(2,074,997)	29,093
Total capital assets, not being depreciated	2,470,941	1,265,964	(2,074,997)	1,661,908
Capital Assets, being depreciated				
Buildings	25,232,971	1,184,114	-	26,417,085
Furniture & Equipment	9,282,159	914,241	(373,860)	9,822,540
Books	1,808,869	93,437	(157,171)	1,745,135
Infrastructure	22,352,243	890,883	(64,787)	23,178,339
Total capital assets, being depreciated	58,676,242	3,082,675	(595,818)	61,163,099
Less: Accumulated Depreciation for:				
Buildings	(6,157,015)	(793,812)	-	(6,950,827)
Furniture & Equipment	(4,905,944)	(654,850)	293,992	(5,266,802)
Books	(678,118)	(35,540)	129,530	(584,128)
Infrastructure	(12,376,096)	(749,323)	51,630	(13,073,789)
Total Accumulated Depreciation	(24,117,173)	(2,233,525)	475,152	(25,875,546)
Total Capital Assets, being depreciated, net	34,559,069	849,150	(120,666)	35,287,553
Governmental activities capital assets, net	$ 37,030,010	$ 2,115,114	$ (2,195,663)	$ 36,949,461

The following commitments are included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2018
Culture & Recreation:		
Anderson Improvements	$ 25,350	$ 5,264
Cotton Park Bathroom	98,265	13,295
Bike Path	87,000	10,534
	$ 210,615	$ 29,093

Note 4 – Capital Assets (Continued)

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
Business-Type Activities:				
Capital Assets, not being depreciated				
Land and Improvements	$ 2,567,673	$ 22,500	$ -	$ 2,590,173
Construction in Progress	3,367,864	2,332,875	(5,282,118)	418,621
Total capital assets, not being depreciated	5,935,537	2,355,375	(5,282,118)	3,008,794
Capital Assets, being depreciated				
Buildings	33,497,729	2,872,252	(79,133)	36,290,848
Improvements Other than Buildings	28,699,875	2,409,866	(31,794)	31,077,947
Furniture & Equipment	6,053,028	174,681	(190,661)	6,037,048
Total capital assets, being depreciated	68,250,632	5,456,799	(301,588)	73,405,843
Less: Accumulated Depreciation for:				
Buildings	(11,866,757)	(927,707)	53,893	(12,740,571)
Improvements Other than Buildings	(10,739,678)	(964,863)	21,300	(11,683,241)
Furniture & Equipment	(4,347,798)	(264,973)	156,880	(4,455,891)
Total Accumulated Depreciation	(26,954,233)	(2,157,543)	232,073	(28,879,703)
Total Capital Assets, being depreciated, net	41,296,399	3,299,256	(69,515)	44,526,140
Business-type activities capital assets, net	$ 47,231,936	$ 5,654,631	$ (5,351,633)	$ 47,534,934

The following commitments are included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2018
Golf Course Housing Sites	$ 252,804	$ 43,973
Wastew ater Boiler	1,094,162	373,148
Electric	1,500	1,500
	$ 1,348,466	$ 418,621

Note 4 – Capital Assets (Continued)

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

Governmental Activities:		
General Government	$	203,105
Public Safety		166,634
Public Works		934,060
Health & Welfare		21,632
Culture & Recreation		504,452
Total depreciation expense		
- Governmental Activities		1,829,883
- Internal Service Funds		403,642
	$	2,233,525
Business-Type Activities:		
Electric	$	722,763
Water		331,058
Wastewater		620,130
Liquor		9,087
Golf Course		45,421
Joint Powers Landfill		425,501
Curbside Recycling		3,583
Total depreciation expense		
- Business-Type Activities	$	2,157,543

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

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

Reconciliation of Net Investment in Capital Assets:

	Governmental	Business-Type
Land and Improvements	$ 1,632,814	$ 2,590,173
Construction in Progress	29,094	418,621
Capital Assets (Net of Accumulated Depreciation)	35,287,553	44,526,140
Less:		
Retainage Payable	(386,349)	(25,724)
General Obligation Bond	(2,671,505)	-
Revenue Bonds	(1,691,699)	(19,524,347)
Notes Payable	-	(194,650)
Capital Leases	(2,415,000)	-
Net Investment in Capital Assets	$ 29,784,908	$ 27,790,213

Note 5 – Long-Term Debt

Notes Payable

The City currently has three notes payable outstanding. The first was entered into in 2010 with the Solid Waste Management Program for purchase of Landfill Baler in the amount of $255,519. The rate on this loan is 2.25%; repayment began on June 1, 2011 and matures December 1, 2020.

The second was entered into in 2017 with the Solid Waste Management Program for purchase of Landfill Dozer in the amount of $150,000. The rate on this loan is 2.00%; repayment began on June 1, 2018 and matures December 1, 2024.

The third was entered in 2018 with the Solid Waste Management Program for purchase of a Curbside Recycling Trailer in the amount of $10,000. The rate on this loan is 2.00%, repayment began on June 1, 2018 and matures June 1, 2023.

Notes Payable outstanding at December 31, 2018 is as follows:

Purpose	Interest Rate	Outstanding Amounts
Solid Waste Management-2010-203	2.25%	$ 55,777
Solid Waste Management-2017-401	2.00%	129,829
Solid Waste Management-2018-401	2.00%	9,044
		$ 194,650

Annual debt service requirements to maturity are as follows:

Year Ending December 31	Business-Type Activities Principal	Business-Type Activities Interest
2019	$ 50,093	$ 3,766
2020	51,169	2,690
2021	23,431	1,751
2022	23,902	1,280
2023	23,327	800
2024	22,728	342
Total	$ 194,650	$ 10,629

Revenue Bonds

SRF Loans

On August 19, 2002 the City entered into a loan agreement with the South Dakota Conservancy District for $1,510,000 of State Revolving Fund loan (SRF) for Phase II of the water treatment facility improvements, The loan is for 3.5% for twenty (20) years and repayment started in July 2004.

On April 24, 2003 the City entered into a loan agreement with the South Dakota Conservancy District for $456,000 of State Revolving Fund Loan (SRF) for the Princeton Street Lift Station Improvements. The loan is for 3.5% for twenty (20) years, repayment started in July 2004.

On January, 2006 the City entered into a loan agreement with the South Dakota conservancy District for $3,772,500 of State Revolving Fund Loan (SRF) for Phase III of the water treatment facility improvements. The loan is for 2.50% for twenty (20) years, repayment started in January 2008.

On September 30, 2008 The City entered into a loan with the South Dakota Conservancy District for $4,851,000 of State Revolving Fund Loan (SRF) for Phase II of the Wastewater facility improvements. The loan is for 3.25% for twenty (20) years with repayment started July 2010.

Note 5 – Long-Term Debt (Continued)

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

On November 25, 2009 the city issued $760,000 Electric Revenue Bonds, Series 2009A and $6,460,000 taxable Electric Revenue Bonds Series 2009B (Build America Bonds—Direct payment Option) in order to finance a portion of the cost of acquiring and constructing improvements to the electrical facilities of the electric utility, consisting of the construction of approximately twenty (20) miles of 115kV electric transmission line, the expansion of the Western Area Power Administration Spirit Mound 115kV substation buswork, modification of the City of Vermillion substation 115kV buswork, and related improvements. The city has budgeted $2,000,000 of electric utility funds to finance the balance of the improvements. The interest rate on the bonds is 5.00% to 6.25% and matures in December 2036. A surcharge fee was established on the electric sales to repay the bonds with the first payment paid in June 2010.

On January 17, 2013, The City refunded the State Revolving Fund loan, Wastewater System Revenue Bond, Series 2005 in the amount of $2,481,847 by issuing Wastewater Refunding Bond Series 2013 in the amount of $2,550,000. The refunding will reduce the total debt payments over fourteen (14) years by $146,034 and obtain an economic gain of $146,034. The 2013 refunding bond has a variable rate from 1.55%-2.45% for fourteen (14) years with repayment started in July 2013.

On May 15, 2013, the City entered into a $1,532,000 loan with the South Dakota Conservancy District of State Revolving Fund Loan (SRF) funds for construction of a new water tower. The loan is for 2.25% for twenty (20) years with repayment started in April 2014.

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 began May 2015.

On December 6, 2016, the city issued up to $812,000 loan with the South Dakota Conservancy District of State Revolving Fund Loan (SRF) funds to replace the Prentis Street sanitary sewer lift station and related sewer mains. Drawdown on the loan totaled $751,900. The loan is for 3.0% for twenty (20) years with repayment starting April 1, 2019.

On January 26, 2017, the City issued a $3,895,000 Electric Surcharge Bond at a premium of $99,121 with the proceeds to be used for the NE Substation construction and related transmission line. The interest rate on the bond varies from 1.85% to 4% with final payment due December, 2036. The repayment began June 2017.

TIF Bonds

On December 19, 2013, the City issued a new TIF Incremental Revenue Bond in the amount of $1,732,000 for the development of Tax Incremental District Number Six – Bliss Pointe Development. The bonds have an interest rate of 3.5% that adjusts every 5 years to the 20 year Treasury note plus 50 basis points but may not be adjusted greater than 1% per adjustment nor above 5.5%. The interest rate adjusted December 15, 2018 to 3.53%. All tax increment payments received will be used to pay down the debt as it becomes available to the City. The bond provides for principal payments to be made semiannually when there is excess tax investment to interest due. $40,301 of principal was retired in 2018.

Note 5 – Long-Term Debt (Continued)

General Obligation Bonds

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

A detail of bonds outstanding follows:

Purpose	Interest Rate	Maturity Date	Amounts
Governmental Activities:			
TIF Incremental Revenue Bonds	3.53%	6/15/2025	$ 1,691,699
General Obligation Bonds, Series 2016	1.00%-3.50%	12/1/2035	2,671,505
			$ 4,363,204
Business-Type Activities:			
Electric Surcharge Bond, 2016	1.85%-4.00%	12/1/2036	$ 3,659,822
Electric Revenue Bond, Series 2009 A & B	5.0%-6.25%	12/1/2035	5,625,000
Wastewater System Revenue Bond, Series 2003 (SRF)	3.50%	9/1/2024	99,114
Wastewater System Revenue Bond, Series 2008 (SRF)	3.25%	9/1/2030	2,783,082
Wastewater System Revenue Bond, Series 2009 (SRF)	2.50%	1/1/2030	167,117
Wastewater System Revenue Refunding Bond, Series 2013 (SRF)	1.55%-2.45%	7/1/2026	1,585,000
Wastewater System Revenue Refunding Bond, Series 2017 (SRF)	3.00%	2/15/2039	751,900
Joint Powers Revenue Bond 2013 (SRF)	3.00%	2/15/2035	1,401,373
Water Utility Bond, Series 2002 (SRF)	3.50%	4/1/2024	523,362
Water Utility Bond, Series 2006 (SRF)	2.50%	1/1/2028	1,894,064
Water Utility Bond, Series 2013 (SRF)	2.25%	10/1/2033	1,034,513
Total Business-Type Activities			$ 19,524,347

Bond debt service requirements to maturity are as follows:

Year Ending	Government		Enterprise	
December 31:	Principal	Interest	Principal	Interest
2019	$ 244,842	$ 128,423	$ 1,081,703	$ 671,958
2020	290,950	121,333	1,253,526	705,091
2021	340,895	112,659	1,288,746	666,472
2022	388,205	102,276	1,329,580	624,797
2023	400,182	91,209	1,366,049	580,986
2024-2028	1,416,625	293,992	6,296,876	2,221,495
2029-2033	840,000	147,075	4,436,552	1,157,673
2034-2038	375,000	19,775	2,374,054	240,872
2039	-	-	12,438	93
Total	$ 4,296,699	$ 1,016,742	$ 19,439,524	$ 6,869,437

The Governmental General Obligation Bonds and Electric Surcharge Bonds are shown net of unamortized premium $66,505 and $84,823 respectively on the Statement of Net Position.

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 lease purchase was refunded December 15, 2016. The Series 2015 Certificate in participation in lease-purchase with interest rates varies between 1.45% and 2.80% with final payment due December 15, 2026. As a result of the refunding, the City reduced its debt service payments over the remaining life of the certificates by $127,122 and obtained an economic gain of $111,073. 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 final payment was made prior to December 31, 2018 thus the year end 2018 principal balance is zero. The equipment is recorded at $266,019 less accumulated depreciation at yearend of $239,417.

A detail of capital lease outstanding follows:

Purpose		Outstanding Amounts
Building	$	5,153,749
Less: Accumulated Depreciation		(1,483,655)
	$	3,670,094

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, 2018.

	Governmental Activities		
Year Ending December 31	Principal	Interest	Total
2019	$ 280,000	$ 54,810	$ 334,810
2020	285,000	50,330	335,330
2021	290,000	45,200	335,200
2022	300,000	39,400	339,400
2023	305,000	32,800	337,800
2024-2026	955,000	52,028	1,007,028
Totals	2,415,000	274,568	
Minimum Lease Payments			2,689,568
Less:			
Amount Representing Interest			(274,568)
Present Value of Minimum Lease Payments			$ 2,415,000

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

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

The $368,472 reported as landfill closure and post closure care liability at December 31, 2018, represents the cumulative amount reported to date based on the use of 21.58 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of $1,339,238 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2018. The City expects to close the landfill in the year 2076. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The City reports the closure and postclosure care funds as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on theses annual contributions. However, if interest earning are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenues.

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

Changes in Long-Term Liabilities are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue Bonds Payable	$ 1,732,000	$ -	$ 40,301	$ 1,691,699	$ 119,842
Capital Leases	2,695,000	-	280,000	2,415,000	280,000
General Obligation	2,730,000	-	125,000	2,605,000	125,000
Unaccreted Bond Premium	74,041	-	7,536	66,505	-
Compensated Absences	459,000	206,406	194,323	471,083	205,627
Governmental Activities Long-Term Liabilities	$ 7,690,041	$ 206,406	$ 647,160	$ 7,249,287	$ 730,469
Business-Type Activities:					
Revenue Bonds Payable	$ 20,224,752	$ 381,646	$ 1,166,874	$ 19,439,524	$ 1,081,703
Unaccreted Bond Premium	91,972	-	7,149	84,823	-
Notes Payable	232,743	10,000	48,093	194,650	50,093
Capital Leases	121,065	-	121,065	-	-
Closure/Postclosure Liability	343,840	24,632	-	368,472	-
Compensated Absences	355,039	139,031	150,311	343,759	143,252
Business-Type Activities Long-Term Liabilities	$ 21,369,411	$ 555,309	$ 1,493,492	$ 20,431,228	$ 1,275,048

For the governmental activities, compensated absences are generally liquidated by the general fund, the revenue bonds will be repaid by the tax incremental property taxes, the city hall capital lease will be paid out of the sales tax fund. The General Obligation bond will be repaid by general fund malt beverage markup and second penny sales tax.

Note 6 – Leases

The City has the following operating leases:

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

The liquor store building is leased with the current lease expiring in December 2019. The following is the amount of current lease payments:

Year	Amount
2019	$ 11,250

Note 7 – Deficit Fund Equity

As of December 31, 2018, the following funds had deficit fund equity in the amount of:

Debt Service Funds:	
TIF District No. 6 Bonds	$ 163,175
Capital Projects Funds:	
Prentis Park	342,644

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 Parks Improvements will be replenished with transfers in from the general fund and second penny sales tax fund.

Note 8 – Transfers

The following is a summary of transfers between funds:

	Governmental Fund Types		Business-Fund Type	
	General	Nonmajor Governmental Funds	Electric	Total Transfers Out
General	$ -	$ 1,471,757	$ -	$ 1,471,757
Sales Tax	-	566,410	-	566,410
Electric	884,950	-	-	884,950
Water	29,583	-	9,000	38,583
Wastew ater	28,679	-	-	28,679
Liquor	194,200	-	-	194,200
Nonmajor Govermental Funds	2,725	4,936	-	7,661
Total Transfers In	$ 1,140,137	$ 2,043,103	$ 9,000	$ 3,192,240

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 9 – Restricted Net Position

Restricted Net Position for the year ended December 31, 2018 was as follows:

Major Purposes:		
BBB Sales - Enabling Legislation	$ 252,804	
Debt Service – External Creditors	2,172,447	
Stormwater – Enabling Legislation	1,217,075	
Library – Enabling Legislation	56,781	
Business Improvement District – Enabling Legislation	30,000	
Total Major Purposes		$ 3,729,107
Other Purposes:		
Parks Capital	$ 30,957	
Landfill closure postclosure	84,591	
Cumulative reserve - SDPAA	374,755	
SDRS Pension	1,660,474	
Total Other Purposes		2,150,777
Total Restricted Net Position		$ 5,879,884

Note 10 – Risk Management

The municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2018, the municipality managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for: general liability, property, inland marine, automobile liability, official's liability, law enforcement liability, boiler and liquor liability coverage.

Note 10 – Risk Management (Continued)

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

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

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

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

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

As of December 31, 2018, the Municipality's balance available to be refunded per the SDPAA was $374,755, which was an increase of $216,695 from the previous year. The change in the amount available for refund was reported as special item in the current period due to the change in the methodology of determining the amount available for refund. In future periods the change in the amount available for refund will be accounted for as an increase or decrease in the insurance expenditure/expenses.

The Municipality carries a $ 5,000 deductible for the officials liability; $3,000 deductible for law enforcement liability coverage; zero deductible for general liability; $1,000 deductible for buildings, contents, miscellaneous property and EDP hardware; automobile liability with $100 deductible for comprehensive and $500 deductible for auto collision and liquor liability coverage.

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

Workmen's Compensation:

The municipality has been unable to obtain workmen's compensation coverage at a cost it considered to be economically justifiable. The Municipality joined the South Dakota Municipal League Worker Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's

Note 10 – Risk Management (Continued)

compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statue. The pool pays the first $650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of $2,000,000 per incident.

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

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 $12,565 for the payment of future unemployment benefits. During the current year ended December 31, 2018, the City paid no unemployment benefits. No material claims are anticipated in the next fiscal year.

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

Note 11 – Pension Plan

Plan Information:
All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at http://www.sdrs.sd.gov/publications/.aspx or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

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

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

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with

Note 11 – Pension Plan (Continued)

three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

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. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2018, 2017, and 2016, equal to required contributions each year, we as follows:

Year	Amount
2018	$ 363,515
2017	$ 343,297
2016	$ 329,680

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

At June 30, 2018, SDRS is 100.02% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2018 and reported by the Municipality as of December 31, 2018 are as follows:

Proportionate share of total pension liability	$34,524,967
Less Proportionate share of net position restricted for pension benefits	34,531,550
Proportionate share of net pension asset	$ (6,583)

Note 11 – Pension Plan (Continued)

At December 31, 2018, the Municipality reported an asset of $6,583 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018 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, 2018, the Municipality's proportion was 0.2822192%, which is a decrease of 0.0031247% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality recognized a reduction of pension expense of $514,267. At December 31, 2018 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.	$ 248,776	$ -
Changes in assumption.	1,671,056	-
Net Difference between projected and actual earnings on pension plan investments.	-	497,446
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	67,664	27,359
Municipality contributions subsequent to the measurement date.	191,200	-
TOTAL	$2,178,696	$ 524,805

$191,200 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2019	$ 917,744
2020	680,351
2021	(81,761)
2022	(53,643)
TOTAL	$ 1,462,691

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Note 11 – Pension Plan (Continued)

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

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, 2017 (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	2.0%	0.7%
Total	100%	

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

Note 11 – Pension Plan (Continued)

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)	$4,971,259	$(6,583)	$(4,055,786)

Pension Plan Fiduciary Net Position:
Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

Note 12 - Tax Abatements

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

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

For the year ended December 31, 2018, the City abated $13,959 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, 2018 the City abated $24,000 of municipal retail occupation sales and service tax under said agreement.

Note 13 – Economic Development Agreements

The City has entered into a development agreement for an economic development project. The agreement required the City to rebate portions of the incremental property tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial project by the developer. The total to be paid by the City under the agreements is not to exceed $1,475,677 principal with interest at a rate not to exceed 3.36 percent. The January 1, 2018 balance on this agreement was principal of $1,475,677 plus accrued interest of $107,194.

During the year ended December 31, 2018, the City rebated $56,525 of incremental property tax to the developer, which was all applied to interest which was accrued during the year of $50,195 and $6,330. The outstanding balance on the agreement at December 31, 2018 was principal of $1,475,677 plus accrued interest of $100,864.

Note 14 – Commitments

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

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

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

In 2018, the City pledged $100,000 per year for seven years to the National Music Museum for renovations.

Note 15 – Contingency

The City receives significant financial assistance from the U.S. government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of December 31, 2018, the City estimates that no material liabilities will result from such audits.

Note 16 – Reclassification Adjustment

The SDPAA Cumulative Reserve vested balance has been reported in the general fund and should have been allocated to the individual funds that expended the premiums. Based on premiums paid the vested balance of the cumulative reserve was reclassified between the general fund and the individual proprietary funds. The reclassification adjustment reduced the governmental activities net position by $80,521 and in the business-type activities increased the net position by $80,521

Governmental Activities	General Fund
Fund balance December 31, 2017 as previously reported	$ 4,145,515
Reclassification Adjustment	(80,521)
Adjusted fund balance - beginning	$ 4,064,994

Business-type Activities	Electric	Water	Wastewater	Liquor
Total net position December 31, 2017 as previously reported	$ 15,815,424	$ 7,805,906	$ 9,077,936	$ 331,063
Reclassification Adjustment	34,608	14,155	13,540	8,346
Adjusted Net Position Beginning	$ 15,850,032	$ 7,820,061	$ 9,091,476	$ 339,409

Business-type Activities (Continued)	Golf Course	Joint Powers Landfill	Curbside Recycling	Totals
Total net position December 31, 2017 as previously reported	$ 3,697,982	$ 5,052,666	$ 104,348	$ 41,885,325
Reclassification Adjustment	3,211	6,250	411	80,521
Adjusted Net Position Beginning	$ 3,701,193	$ 5,058,916	$ 104,759	$ 41,965,846

CITY OF Vermillion SOUTH DAKOTA

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REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

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

EXHIBIT 8

CITY OF VERMILLION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual Amounts	Variance Amended Budget Favorable
	Original	Final	(Budgetary Basis)	(Unfavorable)
Revenue				
Taxes				
General Property Taxes	$ 2,306,400	$ 2,305,600	$ 2,298,421	$ (7,179)
General Sales & Use Taxes	1,908,000	1,873,000	1,867,748	(5,252)
Penalties & Interest on Delinquent Taxes	7,500	6,000	4,504	(1,496)
Licenses & Permits:	266,250	329,850	308,989	(20,861)
Intergovernmental Revenue:	752,940	785,910	793,910	8,000
Charges for Goods & Services	756,600	735,010	747,137	12,127
Fines & Forfeits:	45,650	49,850	47,378	(2,472)
Special Assessments	100	100	78	(22)
Investment Earnings	30,000	30,000	30,695	695
Rentals	24,000	21,490	21,490	-
Contributions & Donations from Private Sources	15,000	25,700	26,210	510
Other	171,600	199,860	197,949	(1,911)
Total Revenue	6,284,040	6,362,370	6,344,509	(17,861)
Expenditures:				
Current				
General Government:				
Executive	558,978	557,175	519,953	37,222
Financial Administration	187,102	188,583	182,786	5,797
Other	622,163	623,798	541,249	82,549
Total General Government	1,368,243	1,369,556	1,243,988	125,568
Public Safety:				
Police	1,950,992	1,933,423	1,838,584	94,839
Fire	306,370	362,542	335,618	26,924
Other Protection	2,200	2,950	2,441	509
Total Public Safety	2,259,562	2,298,915	2,176,643	122,272
Public Works:				
Highways & Streets	817,408	821,788	760,078	61,710
Sanitation	137,226	142,994	130,511	12,483
Airport	91,739	89,639	72,619	17,020
Total Public Works	1,046,373	1,054,421	963,208	91,213
Health and Welfare:				
Health	244,748	242,914	230,314	12,600
Ambulance	430,744	457,134	423,589	33,545
Total Health and Welfare	675,492	700,048	653,903	46,145
Culture-Recreation:				
Recreation	430,327	457,336	444,142	13,194
Parks	353,294	361,700	334,319	27,381
Libraries	653,279	651,567	497,048	154,519
Armory	50,479	49,378	47,835	1,543
Total Culture-Recreation	1,487,379	1,519,981	1,323,344	196,637
Conservation and Development	55,000	67,000	59,642	7,358
Total Current Expenditures	6,892,049	7,009,921	6,420,728	589,193
Capital Outlay:				
Executive	-	-	1,700	(1,700)
Other	-	-	30,793	(30,793)
Police	-	-	8,800	(8,800)
Fire	-	-	35,545	(35,545)
Highways & Streets	-	-	2,728	(2,728)
Ambulance	-	-	2,777	(2,777)
Recreation	-	-	3,319	(3,319)
Libraries	-	-	107,728	(107,728)
Total Capital Outlay	-	-	193,390	(193,390)
Total Expenditures	6,892,049	7,009,921	6,614,118	395,803
Other Financing Sources (Uses):				
Operating Transfers In	1,150,712	1,139,512	1,140,137	625
Operating Transfers Out	(1,218,780)	(1,544,952)	(1,471,757)	73,195
Total Other Financing Sources (Uses)	(68,068)	(405,440)	(331,620)	73,820
Special Item				
Change in SDPAA reserve	-	-	112,237	112,237
Net Change in Fund Balances	(676,077)	(1,052,991)	(488,992)	563,999
Fund Balance -beginning	4,145,515	4,145,515	4,145,515	-
Reclassification Adjustment	-	-	(80,521)	(80,521)
Adjusted Fund Balance - beginning	4,145,515	4,145,515	4,064,994	(80,521)
Change in inventory	-	-	(2,657)	(2,657)
Fund Balance - ending	$ 3,469,438	$ 3,092,524	$ 3,573,345	$ 480,821

EXHIBIT 9

CITY OF VERMILLION
MAJOR SPECIAL REVENUE FUNDS
SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	(Budgetary Basis)	(Unfavorable)
REVENUES				
Taxes:				
General sales & use taxes	$ 1,907,400	$ 1,871,000	$ 1,866,236	$ (4,764)
Intergovernmental Revenue				
State Grant	60,000	-	-	-
Federal Grant	-	7,000	7,000	-
Miscellaneous revenue:				
Interest earned	27,500	26,700	26,719	19
Contributions & Donations	5,000	12,000	10,000	(2,000)
Total revenue	1,999,900	1,916,700	1,909,955	(6,745)
EXPENDITURES				
Current:				
Public safety	95,500	120,550	17,661	102,889
Public works	468,800	275,050	163,227	111,823
Health and welfare	64,000	64,000	901	63,099
Culture-recreation	335,000	463,000	65,653	397,347
Conservation & development	50,000	40,725	40,707	18
Total current exp	1,013,300	963,325	288,149	675,176
Capital Outlay:				
General	-	-	4,168	(4,168)
Public safety	-	-	97,993	(97,993)
Public works	-	-	29,080	(29,080)
Health and welfare	-	-	59,072	(59,072)
Culture-recreation	-	-	150,043	(150,043)
Total capital outlay	-	-	340,356	(340,356)
Total expenditures	1,013,300	963,325	628,505	334,820
OTHER FINANCING SOURCES (USES)				
Transfers out	(678,343)	(594,104)	(566,410)	27,694
Total other financing sources (uses)	(678,343)	(594,104)	(566,410)	27,694
Net change in fund balance	308,257	359,271	715,040	355,769
Fund balance - beginning	3,966,799	3,966,799	3,966,799	-
Fund balance - ending	$ 4,275,056	$ 4,326,070	$ 4,681,839	$ 355,769

CITY OF VERMILLION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY REPORTING
DECEMBER 31, 2018

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 2018, 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 2017. 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, 2018

General Fund		
Expenditures:		
General Government	$	1,313
Public Safety		39,353
Public Works		8,048
Health and Welfare		24,556
Culture-Recreation		32,602
Conservation & Development		12,000
Transfers Out		(326,172)
Special Revenue Fund		
Sales Tax Fund		
Expenditures:		
Public Safety	$	25,050
Public Works		(193,750)
Culture-Recreation		128,000
Conservation & Development		(9,275)
Transfers Out		(84,239)

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, 2018

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.

EXHIBIT 11

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

Last 5 Fiscal Years *
(Dollar amounts in thousands)

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

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.

EXHIBIT 12

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

	2018	2017	2016	2015	2014
Contractually required contribution	$ 364	$ 343	$ 330	$ 333	$ 326
Contributions in relation to the contractually required contribution	(364)	(343)	(330)	(333)	(326)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Municipality's covered payroll	$ 5,584	$ 5,299	$ 5,129	$ 5,191	$ 5,060
Contributions as a percentage of covered payroll	6.52%	6.47%	6.43%	6.41%	6.44%

	2013	2012	2011	2010	2009
Contractually required contribution	$ 310	$ 300	$ 286	$ 290	$ 276
Contributions in relation to the contractually required contribution	(310)	(300)	(286)	(290)	(276)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Municipality's covered payroll	$ 4,831	$ 4,699	$ 4,482	$ 4,527	$ 4,322
Contributions as a percentage of covered payroll	6.42%	6.38%	6.38%	6.41%	6.39%

Note to Schedule:

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

CITY OF Vermillion SOUTH DAKOTA

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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:

Non-Major Funds:

Special Assessment Project Funds - This fund is used to account for receipt and disbursements of monies used for the construction of capital improvements, which are to be assessed to property owners and for projects funded by the State Transportation Improvement Program (STIP) funds. The projects are financed by the sale of special assessment bonds reported as a transfer in from the debt service fund and payments received from the property owners. The sidewalk project was completed in 2017 but the project was not assessed until 2018. During 2018 the Jefferson Street reconstruction was completed that was funded from STIP funds transferred from General Fund and engineering began on Anderson Street reconstruction planned for 2019.

Bike Path Fund - This fund is used to account for the receipts and disbursements of monies used for the construction of bike paths with the use of the federal matching funds. The engineering department is working with the Department of Transportation on options for the trail along the Vermillion River.

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

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

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

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

Non-Major Funds:

Special Assessment Bonds - This fund accounts for the accumulation of monies for payment of special assessment bonds. The collection of the special assessments levied against the properties benefiting from the improvements from 2001 through 2015 is recorded in this fund. As the special assessment bonds were purchased by the electric utility the current portion of the inter fund loan is reported as"Due to other funds" and the long term portion is reported as "Advance from other funds". The principal payment for the inter fund loan reduces the liability and the interest is reported as a fund expenditure. The transfer out is the 8% fiscal fee for engineering services transferred to the general fund.

City Hall Bonds - This fund accounts for the reserve and the accumulation of monies for payment of the principal and interest on the certificates of participation in a lease-purchase agreement issued to build the new city hall. The certificates of participation were issued September 15, 2007 with the reserve and capitalized interest being recorded in this fund. The city has pledged sales tax revenues for the principal and interest payments through December 15, 2026. Refunding Certificates of Participation in a Lease-Purchase Agreement in the amount of $2,695,000 were issued on December 30, 2015 as an advance crossover refunding for the original certificates that were retired on December 15, 2017.

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

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

CITY OF Vermillion SOUTH DAKOTA

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CITY OF VERMILLION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue Funds							
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Business Improvement District	TIF District No. 5	Total
ASSETS								
Cash and cash equivalents	$ 23,673	$ -	$ 24,915	$ 30,957	$ 56,781	$ 40,278	$ -	$ 176,604
Investments	200,000	-	1,175,000	-	-	-	-	1,375,000
Receivables (net, where applicable, of allowance for uncollectibles)								
Accounts receivable	-	-	4,736	1,410	-	3,850	-	9,996
Special assessment receivable	-	-	-	-	-	-	-	-
Interest receivable	1,653	-	14,078	-	-	-	-	15,731
Due from other governments	27,478	161,115	564	-	-	-	-	189,157
Restricted assets:								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
Total assets	252,804	161,115	1,219,293	32,367	56,781	44,128	-	1,766,488
LIABILITIES, DEFEERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Accounts payable	-	10,830	2,218	1,410	-	14,128	-	28,586
Due to other funds	-	150,285	-	-	-	-	-	150,285
Revenue collected in advance	-	-	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-
Total liabilities	-	161,115	2,218	1,410	-	14,128	-	178,871
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-sales tax	4,504	-	-	-	-	-	-	4,504
Unavailable revenue- interest	1,653	-	14,078	-	-	-	-	15,731
Unavailable revenue- stormwater fee	-	-	4,736	-	-	-	-	4,736
Unavailable revenue-special assessments and interest	-	-	-	-	-	-	-	-
Total deferred inflows of resources	6,157	-	18,814	-	-	-	-	24,971
FUND BALANCES:								
Restricted	246,647	-	1,198,261	30,957	56,781	30,000	-	1,562,646
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	246,647	-	1,198,261	30,957	56,781	30,000	-	1,562,646
Total liabilities, deferred inflows of recources, and fund balances	$ 252,804	$ 161,115	$ 1,219,293	$ 32,367	$ 56,781	$ 44,128	$ -	$ 1,766,488

Capital Project Funds					Debt Service Funds					Total
Special Assessment Projects	Bike Path	Airport	Prentis Park	Total	Special Assessment Bonds	City Hall Bonds	TIF District No. 6 Bonds	Prentis Park Improvements	Total	Nonmajor Governmental Funds
$ 46,516	$ 9,585	$ -	$ 30,000	$ 86,101	$ -	$ -	$ -	$ -	$ -	$ 262,705
-	-	-	-	-	-	-	-	-	-	1,375,000
-	-	-	-	-	-	-	-	-	-	9,996
-	-	-	-	-	67,432	-	-	-	67,432	67,432
-	-	-	-	-	14,006	-	-	-	14,006	29,737
-	-	12,792	-	12,792	-	-	-	-	-	201,949
-	-	-	-	-	17,569	4,393	-	48,534	70,496	70,496
-	-	-	-	-	275,000	266,067	-	-	541,067	541,067
-	-	-	-	-	3,877	476	-	-	4,353	4,353
46,516	9,585	12,792	30,000	98,893	377,884	270,936	-	48,534	697,354	2,562,735
46,516	-	-	372,644	419,160	-	-	-	-	-	447,746
-	-	12,792	-	12,792	7,690	-	-	-	7,690	170,767
-	9,585	-	-	9,585			-	-	-	9,585
-	-	-	-	-	34,362	-	163,175	-	197,537	197,537
46,516	9,585	12,792	372,644	441,537	42,052	-	163,175	-	205,227	825,635
-	-	-	-	-	-	-	-	-	-	4,504
-	-	-	-	-	3,877	476	-	-	4,353	20,084
-	-	-	-	-	-	-	-	-	-	4,736
-	-	-	-	-	30,951	-	-	-	30,951	30,951
-	-	-	-	-	34,828	476	-	-	35,304	60,275
-	-	-	-	-	301,004	270,460	-	48,534	619,998	2,182,644
-	-	-	(342,644)	(342,644)	-	-	(163,175)	-	(163,175)	(505,819)
-	-	-	(342,644)	(342,644)	301,004	270,460	(163,175)	48,534	456,823	1,676,825
$ 46,516	$ 9,585	$ 12,792	$ 30,000	$ 98,893	$ 377,884	$ 270,936	$ -	$ 48,534	$ 697,354	$ 2,562,735

CITY OF VERMILLION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue Funds							
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Business Improvement District	TIF District No. 5	Total
REVENUES								
Taxes:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 56,525	$ 56,525
General sales & use	331,304	-	-	-	-	-	-	331,304
Stormwater fees	-	-	240,222	-	-	-	-	240,222
Business Improvement Dist. Fees	-	-	-	-	-	59,044	-	59,044
Penalties & interest	-	-	605	-	-	-	-	605
Intergovernmental:								
Federal grant	-	-	-	-	-	-	-	-
State grant	-	-	-	-	-	-	-	-
County shared revenue	-	306,724	-	-	4,000	-	-	310,724
Charges for goods & services								
Culture & recreation	-	-	-	13,000	-	-	-	13,000
Fines & forfeits:								
Library	-	-	-	-	3,447	-	-	3,447
Miscellaneous:								
Public payments for improvements	-	-	-	-	-	-	-	-
Interest earned	3,155	-	12,189	15	50	-	-	15,409
Contributions & donations from private sources	-	-	-	8,296	7,733	-	-	16,029
Special assessments (principal & interest)	-	-	-	-	-	-	-	-
Other	-	-	-	-	6,262	-	-	6,262
Total revenue	334,459	306,724	253,016	21,311	21,492	59,044	56,525	1,052,571
EXPENDITURES								
Current								
Public safety	-	585,340	-	-	-	-	-	585,340
Public works	-	-	21,810	-	-	-	-	21,810
Culture-recreation	-	-	-	3,749	11,161	-	-	14,910
Conservation & development	429,453	-	-	-	-	50,911	56,525	536,889
Capital outlay:								
Public safety	-	14,054	-	-	-	-	-	14,054
Public works	-	-	42,186	-	-	-	-	42,186
Culture & recreation	-	-	-	7,533	1,515	-	-	9,048
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest & fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	429,453	599,394	63,996	11,282	12,676	50,911	56,525	1,224,237
Excess (deficiency) of revenues over (under) expenditures	(94,994)	(292,670)	189,020	10,029	8,816	8,133	-	(171,666)
OTHER FINANCING SOURCES(USES)								
Transfer in	-	292,670	-	-	-	-	-	292,670
Transfer out	-	-	-	-	-	(1,181)	-	(1,181)
Total other financing sources(uses)	-	292,670	-	-	-	(1,181)	-	291,489
Net change in fund balances	(94,994)	-	189,020	10,029	8,816	6,952	-	119,823
Fund balances - beginning	341,641	-	1,009,241	20,928	47,965	23,048	-	1,442,823
Fund balances - ending	$ 246,647	$ -	$ 1,198,261	$ 30,957	$ 56,781	$ 30,000	$ -	$ 1,562,646

Capital Project Funds					Debt Service Funds					
Special Assessment Projects	Bike Path	Airport	Prentis Park	Total	Special Assessment Bonds	City Hall Bonds	TIF District No. 6 Bonds	Prentis Park Improvements	Total	Total Nonmajor Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 100,588	$ -	$ 100,588	$ 157,113
-	-	-	-	-	-	-	-	-	-	331,304
-	-	-	-	-	-	-	-	-	-	240,222
-	-	-	-	-	-	-	-	-	-	59,044
-	-	-	-	-	-	-	-	-	-	605
-	-	7,597	-	7,597	-	-	-	-	-	7,597
-	-	422	-	422	-	-	-	-	-	422
-	-	-	-	-	-	-	-	-	-	310,724
-	-	-	-	-	-	-	-	-	-	13,000
-	-	-	-	-					-	3,447
6,224	-	-	-	6,224	-		-	-	-	6,224
-	-	-	-	-	2,751	3,484	-	-	6,235	21,644
-	-	-	-	-	-	-	-	-	-	16,029
-	-	-	-	-	27,971	-	-	-	27,971	27,971
-	-	-	-	-	-	-	-	-	-	6,262
6,224	-	8,019	-	14,243	30,722	3,484	100,588	-	134,794	1,201,608
-	-	-	-	-	-	-	-	-	-	585,340
9,616	-	-	-	9,616	-	-	-	-	-	31,426
-	-	-	-	-	-	-	-	-	-	14,910
-	-	-	-	-	-	-	-	-	-	536,889
-	-	-	-	-	-	-	-	-	-	14,054
853,961	-	8,711	-	862,672	-	-	-	-	-	904,858
-	7,235	-	195,704	202,939	-	-	-	-	-	211,987
-	-	-	-	-	-	280,000	40,301	125,000	445,301	445,301
-	-	-	-	-	1,842	60,870	60,287	71,417	194,416	194,416
863,577	7,235	8,711	195,704	1,075,227	1,842	340,870	100,588	196,417	639,717	2,939,181
(857,353)	(7,235)	(692)	(195,704)	(1,060,984)	28,880	(337,386)	-	(196,417)	(504,923)	(1,737,573)
858,897	7,741	692	335,170	1,202,500	-	333,312	-	214,621	547,933	2,043,103
(1,544)	-	-	-	(1,544)	(4,936)	-	-	-	(4,936)	(7,661)
857,353	7,741	692	335,170	1,200,956	(4,936)	333,312	-	214,621	542,997	2,035,442
-	506	-	139,466	139,972	23,944	(4,074)	-	18,204	38,074	297,869
-	(506)	-	(482,110)	(482,616)	277,060	274,534	(163,175)	30,330	418,749	1,378,956
$ -	$ -	$ -	$ (342,644)	$ (342,644)	$ 301,004	$ 270,460	$ (163,175)	$ 48,534	$ 456,823	$ 1,676,825

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, 2018

	Liquor, Lodging, Dining Tax			911			Stormwater Fee		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES									
Taxes:									
General sales & use	$ 363,300	$ 331,304	$ (31,996)	$ -	$ -	$ -	$ -	$ -	$ -
Property taxes	-	-	-	-	-	-	-	-	-
Stormwater fees	-	-	-	-	-	-	239,300	240,222	922
Penalties & interest	-	-	-	-	-	-	500	605	105
Intergovernmental :									
County shared revenue	-	-	-	326,009	306,724	(19,285)	-	-	-
Charges for goods & services									
Culture & recreation	-	-	-	-	-	-	-	-	-
Fines & forfeits:									
Library	-	-	-	-	-	-	-	-	-
Miscellaneous:					-				
Interest earned	3,150	3,155	5	-	-	-	12,100	12,189	89
Contributions & donations from private sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenue	366,450	334,459	(31,991)	326,009	306,724	(19,285)	251,900	253,016	1,116
EXPENDITURES									
Current									
Public safety	-	-	-	638,018	599,394	38,624	-	-	-
Public works	-	-	-	-	-	-	112,350	63,996	48,354
Culture-recreation	-	-	-	-	-	-	-	-	-
Conservation & development	432,350	429,453	2,897	-	-	-	-	-	-
Total expenditures	432,350	429,453	2,897	638,018	599,394	38,624	112,350	63,996	48,354
Excess (deficiency) of revenues over (under) expenditures	(65,900)	(94,994)	(29,094)	(312,009)	(292,670)	19,339	139,550	189,020	49,470
OTHER FINANCING SOURCES (USES)									
Operating Transfers In	-	-	-	312,009	292,670	(19,339)	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	312,009	292,670	(19,339)	-	-	-
Net change in fund balances	$ (65,900)	(94,994)	$ (29,094)	$ -	-	$ -	$ 139,550	189,020	$ 49,470
Fund balances - beginning		341,641			-			1,009,241	
Fund balances - ending		$ 246,647			$ -			$ 1,198,261	

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	59,044	(5,956)	56,525	56,525	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	4,000	4,000	-	-	-	-	-	-	-
16,103	13,000	(3,103)	-		-	-	-	-	-	-	-
-	-	-	3,000	3,447	447	-	-	-	-	-	-
10	15	5	20	50	30	-	-	-	-	-	-
8,265	8,296	31	3,500	7,733	4,233	-	-	-	-	-	-
-	-	-	5,000	6,262	1,262	-	-	-	-	-	-
24,378	21,311	(3,067)	15,520	21,492	5,972	65,000	59,044	(5,956)	56,525	56,525	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
12,395	11,282	1,113	11,500	12,676	(1,176)	-	-	-	-	-	-
-	-	-	-	-	-	56,748	50,911	5,837	56,525	56,525	-
12,395	11,282	1,113	11,500	12,676	(1,176)	56,748	50,911	5,837	56,525	56,525	-
11,983	10,029	(1,954)	4,020	8,816	4,796	8,252	8,133	(119)	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(1,300)	(1,181)	-	-	-	-
-	-	-	-	-	-	(1,300)	(1,181)	-	-	-	-
$ 11,983	10,029	$ (1,954)	$ 4,020	8,816	$ 4,796	$ 6,952	$ 6,952	$ -	$ -	-	$ -
	20,928			47,965			23,048			-	
	$ 30,957			$ 56,781			$ 30,000			$ -	

CITY OF VERMILLION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Assessments			Bike Path		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Intergovernmental :						
Federal grant	$ -	$ -	$ -	$ 22,950	$ -	$ (22,950)
State grant	-	-	-	-	-	-
Miscellaneous:						
Public payments for improvements	-	6,224	6,224	-	-	-
Total revenue	-	6,224	6,224	22,950	-	(22,950)
EXPENDITURES						
Current						
Public works	915,000	863,577	51,423	-	-	-
Culture & recreation	-	-	-	53,000	7,235	45,765
Total expenditures	915,000	863,577	51,423	53,000	7,235	45,765
Excess (deficiency) of revenues over (under) expenditures	(915,000)	(857,353)	57,647	(30,050)	(7,235)	22,815
OTHER FINANCING SOURCES(USES)						
Transfer in	915,800	858,897	(56,903)	30,050	7,741	(22,309)
Transfer out	(800)	(1,544)	(744)	-	-	-
Total other financing sources(uses)	915,000	857,353	(57,647)	30,050	7,741	(22,309)
Net change in fund balances	$ -	-	$ -	$ -	506	$ 506
Fund balances - beginning		-			(506)	
Fund balances - ending		$ -			$ -	

EXHIBIT A-4

Airport			Prentis Park		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
$ 27,990	$ 7,597	$ (20,393)	$ -	$ -	$ -
1,555	422	(1,133)	-	-	-
-	-	-	-	-	-
29,545	8,019	(21,526)	-	-	-
31,100	8,711	22,389	-	-	-
-	-	-	195,000	195,704	(704)
31,100	8,711	22,389	195,000	195,704	(704)
(1,555)	(692)	863	(195,000)	(195,704)	(704)
1,555	692	(863)	337,054	335,170	(1,884)
-	-	-	-	-	-
1,555	692	(863)	337,054	335,170	(1,884)
$ -	$ -	$ -	$ 142,054	139,466	$ (2,588)
	-			(482,110)	
	$ -			$ (342,644)	

CITY OF Vermillion SOUTH DAKOTA

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CITY OF VERMILLION
COMBINING STATEMENTS
INTERNAL SERVICE FUNDS

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

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

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

EXHIBIT B-1

CITY OF VERMILLION
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2018

	Copier-Fax-Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
ASSETS:					
Current assets:					
Cash	$ 9,248	$ 48	$ 14,034	$ 10,651	$ 33,981
Investments	-	12,500	825,000	-	837,500
Accounts receivable	3,244	-	-	-	3,244
Interest receivable	-	17	9,089	-	9,106
Total current assets	12,492	12,565	848,123	10,651	883,831
Net Pension Asset	-	-	-	29	29
Capital assets:					
Machinery & equipment	8,987	-	6,222,120	1,787	6,232,894
less accumulated depreciation	(8,987)	-	(2,785,370)	(1,697)	(2,796,054)
Total capital assets	-	-	3,436,750	90	3,436,840
Total assets	12,492	12,565	4,284,873	10,770	4,320,700
DEFERRED OUTFLOWS OF RESOURCES:					
Pension Related Deferred Outflows	-	-	-	16,105	16,105
LIABILITIES					
Current liabilities:					
Accounts payable	290	-	21,430	4,713	26,433
Accrued leave payable	-	-	-	2,520	2,520
Total current liabilities	290	-	21,430	7,233	28,953
Noncurrent liabilities:					
Accrued leave payable	-	-	-	3,527	3,527
Total non current liabilities	-	-	-	3,527	3,527
Total liabilities	290	-	21,430	10,760	32,480
DEFERRED INFLOWS OF RESOURCES:					
Pension Related Deferred Inflows	-	-	-	2,171	2,171
NET POSITION					
Investment in capital assets	-	-	3,436,750	90	3,436,840
SDRS Pension Purposes	-	-	-	13,963	13,963
Unrestricted	12,202	12,565	826,693	(109)	851,351
Total net position	$ 12,202	$ 12,565	$ 4,263,443	$ 13,944	$ 4,302,154

EXHIBIT B-2

CITY OF VERMILLION
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	Copier-Fax-Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
Operating Revenues:					
Charges for goods and services	$ 16,187	$ -	$ 530,624	$ 91,917	$ 638,728
Total operating revenue	16,187	-	530,624	91,917	638,728
Operating expenses:					
Personnel services	-	-	-	41,403	41,403
Other current expenses	16,681	-	-	53,831	70,512
Depreciation	1,123	-	402,341	178	403,642
Total operating expenses	17,804	-	402,341	95,412	515,557
Operating income(loss)	(1,617)	-	128,283	(3,495)	123,171
Nonoperating revenue:					
Interest earned	-	169	11,793	-	11,962
Gain on disposition of assets	-	-	31,283	-	31,283
Total nonoperating revenue	-	169	43,076	-	43,245
Income (Loss) before contributions and transfers	(1,617)	169	171,359	(3,495)	166,416
Capital Contributions	-	-	169,932	-	169,932
Change in net position	(1,617)	169	341,291	(3,495)	336,348
Net position - beginning	13,819	12,396	3,922,152	17,439	3,965,806
Net position - ending	$ 12,202	$ 12,565	$ 4,263,443	$ 13,944	$ 4,302,154

EXHIBIT B-3

CITY OF VERMILLION
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Copier-Fax-Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 16,752	$ 354	$ 530,624	$ 91,917	$ 639,647
Cash paid for personal services	-	-	-	(36,800)	(36,800)
Cash paid to suppliers	(16,391)	-	-	(54,534)	(70,925)
Net cash provided operating activities	361	354	530,624	583	531,922
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	-	-	(374,955)	-	(374,955)
Proceeds from sale of assets	-	-	49,046	-	49,046
Net cash (used for) capital and related financing activities	-	-	(325,909)	-	(325,909)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	-	215	8,532	-	8,747
Purchase and sale of investments	-	(600)	(225,000)	-	(225,600)
Net cash (used for) investing activities	-	(385)	(216,468)	-	(216,853)
Net increase (decrease) in cash and cash equivalents	361	(31)	(11,753)	583	(10,840)
Cash and cash equivalents beginning of year	8,887	79	25,787	10,068	44,821
Cash and cash equivalents end of year	$ 9,248	$ 48	$ 14,034	$ 10,651	$ 33,981
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	$ (1,617)	$ -	$ 128,283	$ (3,495)	$ 123,171
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:					
Depreciation	1,123	-	402,341	178	403,642
(Increase) decrease in assets and increase (decrease) in liabilities:					
Accounts receivable	565	354	-	-	919
Net Pension Asset	-	-	-	179	179
Deferred Outflows of Resources	-	-	-	6,209	6,209
Deferred Inflows of Resources	-	-	-	(1,834)	(1,834)
Accounts payable	290	-	-	(703)	(413)
Accrued leave payable	-	-	-	49	49
Net cash provided by operating activities	$ 361	$ 354	$ 530,624	$ 583	$ 531,922
Noncash investing, capital and financing activities:					
Exchange of payables for capital assets	$ -	$ -	$ 21,430	$ -	$ 21,430
Capital Contributions	-	-	169,932	-	169,932
Gain on disposal of fixed assets	-	-	31,283	-	31,283
Total noncash investing, capital and financing activities	$ -	$ -	$ 222,645	$ -	$ 222,645

CITY OF Vermillion SOUTH DAKOTA

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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 76-83

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 83-88

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

Debt Capacity 89-93

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 94-96

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 97-98

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[1]
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	$ 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	$ 29,784,908
Restricted for:										
BBB	125,799	144,278	175,308	180,503	217,605	255,754	288,296	325,345	353,447	252,804
Capital Projects	-	-	-	-	-	45,973	-	-	-	-
Debt Service	1,600,924	940,546	595,352	899,886	629,942	640,090	3,497,320	3,305,738	629,167	644,721
Parks Capital	-	-	-	-	14,030	11,414	82,738	18,356	20,928	30,957
Library	-	-	106,132	21,397	16,141	23,366	28,170	35,245	47,965	56,781
Business Improvement District	-		-	-	-	24,061	31,838	26,070	23,048	30,000
SDRS Pension Purposes	-	-	-	-	-	-	996,939	773,407	1,342,310	1,029,353
Stormwater	366,220	490,302	659,022	823,145	912,911	802,684	1,003,863	1,126,475	1,024,296	1,217,075
Cumulative Reserve	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060	189,776
Unrestricted	4,116,964	4,255,996	5,796,886	4,587,553	4,617,995	3,307,966	5,476,685	7,105,566	7,996,262	8,387,491
Total Governmental Activities Net Position	$ 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	$ 41,623,866
Business-Type Activities										
Net Investment in Capital Assets	$ 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	$ 27,790,213
Restricted for:										
Debt Service	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	1,527,726
Landfill Closure Postclosure	210,879	207,915	196,362	186,161	180,017	130,851	122,863	107,670	94,128	84,591
SDRS Pension Purposes	-	-	-	-	-	-	632,798	489,568	832,432	631,121
Cumulative Reserve	-	-	-	-	-	-	-	-	-	184,979
Unrestricted	8,006,051	8,808,530	9,615,384	10,929,279	11,892,563	9,971,067	9,854,143	10,817,828	10,040,260	14,207,999
Total Business-Type Activities Net Position	$ 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	$ 44,426,629
Primary Government										
Net Investment in Capital Assets	$ 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	$ 57,575,121
Restricted for:										
BBB	125,799	144,278	175,308	180,503	217,605	255,754	288,296	325,345	353,447	252,804
Capital Projects	-	-	-	-	-	45,973	-	-	-	-
Debt Service	3,045,184	2,462,377	2,139,965	2,415,695	1,738,485	1,815,173	4,676,228	4,568,270	4,204,834	2,172,447
Parks Capital	-	-	-	-	14,030	11,414	82,738	18,356	20,928	30,957
Library	-	-	106,132	21,397	16,141	23,366	28,170	35,245	47,965	56,781
Business Improvement District	-	-	-	-	-	24,061	31,838	26,070	23,048	30,000
Stormwater	366,220	490,302	659,022	823,145	912,911	802,684	1,003,863	1,126,475	1,024,296	1,217,075
Landfill Closure Postclosure	210,879	207,915	196,362	186,161	180,017	130,851	122,863	107,670	94,128	84,591
Cumulative Reserve	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060	374,755
SDRS Pension Purposes	-	-	-	-	-	-	1,629,737	1,262,975	2,174,742	1,660,474
Unrestricted	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	22,595,490
Total Primary Government Net Position	$ 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	$ 86,050,495

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

TABLE 2

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General Government	$ 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	$ 1,483,819
Public Safety	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	3,136,600
Public Works	1,561,217	1,656,337	1,714,248	1,630,835	1,767,762	1,885,352	1,988,965	1,974,166	1,939,284	2,093,258
Health & Welfare	415,740	412,409	424,263	443,581	491,543	491,071	549,156	565,800	561,700	697,117
Culture & Recreation	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	1,976,590
Conservation & Development	708,482	368,202	397,229	498,825	526,765	2,485,337	492,999	612,599	542,244	637,238
Interest on Long-term debt	301,118	272,722	241,902	202,154	183,194	208,517	261,125	305,754	309,347	192,464
Total Governmental Activities Expenses	7,402,094	7,342,315	7,292,611	7,458,478	7,919,684	10,335,898	8,478,283	9,204,766	8,713,460	10,217,086
Business-Type Activities:										
Electric	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	5,841,559
Water	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	1,731,838
Wastewater	1,336,169	1,345,153	1,605,314	1,694,154	1,789,908	1,723,732	1,758,756	1,737,489	1,768,360	1,843,525
Liquor	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	1,364,693
Golf	840,409	834,736	841,741	838,399	786,751	788,147	800,842	832,107	761,857	846,875
Joint Powers Landfill	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	1,547,072
Curbside Recycling	33,407	98,197	93,047	99,467	95,813	100,321	97,913	107,130	100,286	116,546
Total Business-Type Activities Expenses	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	13,292,108
Total Primary Government Expenses	$ 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	$ 23,509,194
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	$ 249,372	$ 294,330	$ 260,385	$ 211,495	$ 266,391	$ 324,531	$ 377,732	$ 162,156	$ 158,316	$ 150,183
Public Safety	43,573	44,364	258,152	262,610	36,873	38,267	49,694	265,945	283,009	294,324
Public Works	402,603	563,566	359,478	378,820	538,981	503,841	357,524	394,187	364,141	379,088
Health & Welfare	344,652	339,053	360,623	321,131	378,785	448,062	538,048	497,335	531,481	672,451
Culture & Recreation	63,524	75,146	79,117	75,728	74,339	70,352	60,700	70,882	171,080	174,115
Operating Grants & Contributions	64,553	89,[illegible]	71,739	104,314	349,201	287,861	313,523	350,812	403,258	397,074
Capital Grants & Contributions	3,677,885	223,818	944,239	1,988,284	719,768	1,545,892	1,483,803	833,179	954,883	585,008
Total Governmental Activities Program Revenues	4,846,162	1,629,302	2,333,759	3,342,382	2,364,338	3,218,806	3,181,024	2,574,496	2,866,168	2,652,243
Business-Type Activities:										
Charges for Services:										
Electric	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	7,812,623
Water	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	1,856,793
Wastewater	1,420,454	1,493,778	1,647,990	1,737,914	1,761,639	1,828,085	1,853,034	1,920,568	1,960,026	2,022,210
Liquor	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	1,596,637
Golf	683,709	609,291	624,007	654,510	638,437	623,510	610,115	624,018	649,373	647,959
Joint Powers Landfill	1,088,488	1,236,897	1,241,842	1,151,985	1,080,270	1,107,835	1,315,471	1,468,979	1,657,264	1,863,300
Curbside Recycling	29,941	111,838	116,759	110,249	109,789	100,223	108,267	115,386	123,824	125,986
Operating Grants & Contributions	1,972	93,886	100	100	-	-	7,000	113,459	-	3,043
Capital Grants & Contributions	1,198,705	775,438	14,473	118,970	371,637	1,011,477	30,291	-	466,162	264,635
Total Business-Type Activities Program Revenues	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	16,193,186
Total Primary Government Program Revenues	$ 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	$ 18,845,429
Net(Expense)/Revenue[1]										
Governmental Activities	(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)	(7,564,843)
Business-Type Activities	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	2,901,078
Total Primary Government Net Revenues (Expenses)	$ 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)	$ (4,663,765)

TABLE 2 (continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues										
Governmental Activities:										
Property Taxes	$ 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	$ 2,463,143
Sales Taxes	3,108,356	3,422,702	3,331,784	3,407,050	3,500,823	3,634,580	4,006,345	3,854,068	4,007,769	4,117,042
Unrestricted State/County Shared Revenue	74,396	72,312	70,970	72,704	77,480	78,564	65,935	68,939	68,682	64,622
Unrestricted Investment Earnings	251,231	136,313	125,594	77,802	54,889	33,287	58,413	98,193	124,778	154,005
Miscellaneous Revenue	58,729	53,709	76,419	83,276	55,585	83,464	331,373	247,972	261,987	284,745
Gain on sale of capital assets	11,951	28,362	72,492	11,274	1,143	195,441	5,577	40,348	19,472	31,283
Special Item change in SDPAA reserve	-	-	-	-	-	-	-	-	-	112,237
Transfers	911,657	937,999	937,412	931,586	1,037,412	1,147,057	1,137,412	1,165,330	1,139,912	1,137,412
Total Governmental Activities	6,244,244	6,523,888	6,508,494	6,562,878	6,751,862	7,249,511	7,770,007	7,718,116	7,938,548	8,364,489
Business-Type Activities										
Property Taxes	435,805	480,052	505,713	501,007	498,282	-	-	-	-	-
Unrestricted Investment Earnings	164,057	145,933	249,674	227,946	187,143	174,616	172,961	191,590	244,975	310,021
Miscellaneous Revenue	44,012	60,741	60,988	61,736	81,414	81,840	77,229	188,882	71,052	71,503
Gain on sale of capital assets	-	-	490	30,245	30,047	-	-	-	56,553	-
Insurance recovery net of fire loss	-	-	-	608,209	435,515	-	-	-	-	-
Special Item change in SDPAA reserve	-	-	-	-	-	-	-	-	-	104,458
Transfers	(911,657)	(937,999)	(937,412)	(931,586)	(1,037,412)	(1,147,057)	(1,137,412)	(1,165,330)	(1,139,912)	(1,137,412)
Total Business-Type Activities	(267,783)	(251,273)	(120,547)	497,557	194,989	(890,601)	(887,222)	(784,858)	(767,332)	(651,430)
Total Primary Government	$ 5,976,461	$ 6,272,615	$ 6,387,947	$ 7,060,435	$ 6,946,851	$ 6,358,910	$ 6,882,785	$ 6,933,258	$ 7,171,216	$ 7,713,059
Change in Net Position										
Governmental Activities	$ 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	$ 799,646
Business-Type Activities	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	2,249,648
Total Primary Government	$ 6,191,239	$ 2,865,078	$ 2,708,932	$ 4,489,885	$ 3,090,657	$ 1,370,680	$ 3,022,918	$ 1,788,364	$ 4,626,240	$ 3,049,294

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

TABLE 3

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

Fiscal Year	Property Taxes	General Sales Tax 1st Penny	Capital Improvement Sales Tax 2nd Penny	Liquor Lodging & Dining Tax 3rd Penny	Liquor Tax	Total Taxes
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	1,566,756	326,314	68,315	5,593,668
2014	2,077,118	1,655,401	1,656,328	322,851	64,117	5,775,815
2015	2,164,952	1,835,176	1,833,292	337,878	65,935	6,237,233
2016	2,243,266	1,755,050	1,754,076	344,942	68,939	6,166,273
2017	2,315,948	1,825,964	1,825,110	356,695	68,682	6,392,399
2018	$ 2,463,143	$ 1,896,481	$ 1,894,907	$ 325,654	$ 64,622	$ 6,644,807

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

Fiscal Year	Agriculture Forestry & Fishing	Construction	Manufacturing	Transportation Communications Electric, Gas & Sanitary Services	Wholesale Trade	Retail Trade	Finance Insuance & Real Estate	Services	Public Adm.	Other	Total
2009	$ 1,021	$ 5,846	$ 5,737	$ 17,653	$ 6,135	$ 113,188	$ 1,536	$ 18,586	$ 7	$ 9	$ 169,718
2010	1,048	1,887	3,404	21,126	9,940	115,964	1,660	20,455	13	84	175,581
2011	824	2,716	4,286	19,001	6,884	121,996	1,553	19,579	18	374	177,231
2012	689	5,536	4,935	18,610	6,370	124,460	2,012	20,563	n/a	588	183,763
2013	1,401	5,185	3,757	19,413	6,835	126,517	2,364	21,689	n/a	67	187,228
2014	1,494	3,894	4,956	20,755	11,935	102,286	2,292	19,036	n/a	85	166,733
2015	1,751	7,832	6,883	20,089	11,826	140,734	2,310	23,098	n/a	79	214,602
2016	1,764	5,149	6,698	20,680	9,434	144,676	2,843	22,720	9	52	214,025
2017	1,747	5,855	5,743	21,146	8,941	116,227	3,113	20,988	n/a	6	183,766
2018	$ 1,785	$ 3,871	$ 8,381	$ 21,470	$ 7,794	$ 118,692	$ 3,628	$ 22,616	$ n/a	$ -	$ 188,437

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	$ 191,878	$ 204,520	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	2,173,805	2,305,886	-	-	-	-	-	-	-	-
Nonspendable[2]	-	-	201,366	200,626	203,072	224,966	211,386	241,102	243,685	272,744
Restricted[2]	-	-	-	-	-	-	559,241	1,035,457	1,132,126	635,159
Committed[2]	-	-	-	-	500,000	500,000	500,000	500,000	-	-
Assigned[2]	-	-	178,135	215,396	210,282	232,220	758,914	1,381,962	232,667	331,628
Unassigned[2]	-	-	2,331,213	2,451,984	2,077,878	2,137,148	2,048,052	1,728,756	2,537,037	2,333,814
Total General Fund	2,365,683	2,510,406	2,710,714	2,868,006	2,991,232	3,094,334	4,077,593	4,887,277	4,145,515	3,573,345
All Other Governmental Funds										
Reserved	1,089,107	497,633	-	-	-	-	-	-	-	-
Unreserved reported in:										
Special Revenue Fund	2,112,502	2,457,459	-	-	-	-	-	-	-	-
Capital Projects Fund[1]	(57,251)	(52,750)	-	-	-	-	-	-	-	-
Nonspendable[2]	-	-	-	-	-	-	-	-	-	-
Restricted[2]	-	-	1,510,490	1,646,030	1,488,921	1,497,755	4,474,845	4,596,863	2,024,747	2,182,644
Committed[2]	-	-	3,098,047	2,099,534	2,073,848	2,551,614	3,186,983	4,000,498	3,966,799	4,681,839
Assigned[2]	-	-	22,344	8,255	14,030	11,414	-	-	-	-
Unassigned[2]	-	-	(337,391)	(479,396)	(33,233)	(344,496)	(250,396)	(765,612)	(645,791)	(505,819)
Total All Other Governmental Funds	3,144,358	2,902,342	4,293,490	3,274,423	3,543,566	3,716,287	7,411,432	7,831,749	5,345,755	6,358,664
Total Governmental Funds										
Reserved	1,280,985	702,153	-	-	-	-	-	-	-	-
Unreserved, reported in:										
General Fund	2,173,805	2,305,886	-	-	-	-	-	-	-	-
Special Revenue Funds	2,112,502	2,457,459	-	-	-	-	-	-	-	-
Capital Projects Funds	(57,251)	(52,750)	-	-	-	-	-	-	-	-
Nonspendable[2]	-	-	201,366	200,626	203,072	224,966	211,386	241,102	243,685	272,744
Restricted[2]	-	-	1,510,490	1,646,030	1,488,921	1,497,755	5,034,086	5,632,320	3,156,873	2,817,803
Committed[2]	-	-	3,098,047	2,099,534	2,573,848	3,051,614	3,686,983	4,500,498	3,966,799	4,681,839
Assigned[2]	-	-	200,479	223,651	224,312	243,634	758,914	1,381,962	232,667	331,628
Unassigned[2]	-	-	1,993,822	1,972,588	2,044,645	1,792,652	1,797,656	963,144	1,891,246	1,827,995
Total Governmental Funds	$ 5,510,041	$ 5,412,748	$ 7,004,204	$ 6,142,429	$ 6,534,798	$ 6,810,621	$ 11,489,025	$ 12,719,026	$ 9,491,270	$ 9,932,009

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

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

TABLE 5

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	$ 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	$ 6,825,197
Licenses & Permits	215,277	219,374	220,361	230,068	234,552	245,127	309,643	259,879	257,068	308,989
Intergovernmental Revenue	4,138,907	743,632	586,907	2,429,826	889,783	843,707	1,647,009	1,446,020	1,626,056	1,119,653
Charges for Goods & Services	454,080	495,782	486,226	380,372	491,692	526,061	537,570	529,998	672,814	760,137
Fines & Forfeits	41,480	41,336	38,715	35,544	36,728	37,644	46,860	46,913	53,920	50,825
Public Payments for Improvements	-	14,999	59,949	10,408	77,420	7,431	97,712	-	-	-
Investment Earnings	202,694	89,130	88,262	57,589	37,647	34,381	27,569	82,936	120,154	79,058
Rentals	12,670	15,891	18,112	15,207	15,082	17,612	23,709	23,990	23,740	21,490
Special Assessments	168,406	196,310	153,294	157,952	109,544	138,018	47,345	265,888	211,784	34,273
Contributions & Donations	20,275	15,170	840,927	213,255	241,789	40,639	134,998	53,676	64,254	52,239
Miscellaneous	58,194	53,354	59,806	46,394	44,404	47,170	113,360	171,654	184,569	204,211
Total Revenues	10,300,748	7,253,540	7,878,994	9,074,921	7,805,115	7,899,526	9,367,496	9,354,059	9,805,711	9,456,072
Expenditures										
General Government	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	1,243,988
Public Safety	1,910,230	2,001,762	1,927,998	2,095,628	2,200,059	2,392,627	2,400,431	2,437,905	2,644,590	2,779,644
Public Works	857,217	908,703	942,093	889,157	1,002,231	1,055,311	1,072,502	1,118,983	1,121,661	1,157,861
Health and Welfare	399,563	403,645	404,509	418,653	468,088	462,862	523,881	522,535	561,360	654,804
Culture-Recreation	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	1,403,907
Conservation and Development	708,482	368,202	397,229	498,825	526,765	2,463,201	492,999	585,343	542,244	637,238
Debt Service										
Principal	499,290	412,156	560,000	226,570	557,356	207,355	215,785	370,000	2,920,000	445,301
Interest	283,218	262,297	232,991	202,154	184,811	191,470	266,768	339,215	322,121	194,416
Bond Issuance Costs	-	-	-	-	-	15,000	-	64,623	-	-
Capital Outlay	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	1,664,645
Total Expenditures	11,734,861	7,483,560	7,021,158	10,873,368	8,352,604	10,418,000	8,501,924	12,364,518	14,173,462	10,181,804
Excess of Revenues over (under) Expenditures	(1,434,113)	(230,020)	857,836	(1,798,447)	(547,489)	(2,518,474)	865,572	(3,010,459)	(4,367,751)	(725,732)
Other Financing Sources (Uses)										
Transfer In	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	3,183,240
Transfer Out	(1,792,755)	(820,501)	(587,029)	(1,863,947)	(1,490,286)	(1,012,082)	(1,554,632)	(975,568)	(3,288,438)	(2,045,828)
Proceeds from Sale of Bonds	-	-	-	-	-	1,732,000	2,695,000	3,095,132	-	-
Total Other Financing Sources (Uses)	861,657	837,412	924,518	937,412	937,412	2,870,557	3,826,412	4,210,744	1,137,412	1,137,412
Special Item:										
Change in SDPAA reserve	-	-	-	-	-	-	-	-	-	112,237
Net Change in Fund Balances	$ (572,456)	$ 607,392	$ 1,782,354	$ (861,035)	$ 389,923	$ 352,083	$ 4,691,984	$ 1,200,285	$ (3,230,339)	$ 523,917
Change in Inventory	$ (7,640)	$ 12,642	$ (3,154)	$ (740)	$ 2,446	$ 21,894	$ (13,580)	$ 29,716	$ 2,583	$ (2,657)
Debt Service as a percentage of non-capital expenditures	11.59%	10.37%	11.99%	6.60%	10.40%	4.38%	6.63%	9.11%	30.64%	7.51%

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
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%
2018	$ 225,343,435	$ 191,894,601	$ 417,238,036	$ 5.891	$ 490,868,278	85%

Received from Clay County Treasurer.

TABLE 7

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

		City of Vermillion			Overlapping Rates							
					Clay County			Vermillion School District				Total
Fiscal Year		Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	Direct and Overlapping Rates
2009	a	6.380	-	6.380	5.470	-	5.470	16.637	0.572	17.209	0.044	29.103
	b	6.380	-	6.380	5.470	-	5.470	10.284	0.572	10.856	0.044	22.750
2010	a	6.185	-	6.185	5.366	-	5.366	16.335	0.565	16.900	0.044	28.495
	b	6.185	-	6.185	5.366	-	5.366	10.142	0.565	10.707	0.044	22.302
2011	a	6.016	-	6.016	5.193	-	5.193	16.552	0.542	17.094	0.042	28.345
	b	6.016	-	6.016	5.193	-	5.193	10.275	0.542	10.817	0.042	22.068
2012	a	6.290	-	6.290	5.214	-	5.214	16.698	0.544	17.242	0.041	28.787
	b	6.290	-	6.290	5.214	-	5.214	10.343	0.544	10.887	0.041	22.432
2013	a	6.064	-	6.064	4.872	-	4.872	16.636	0.474	17.110	0.039	28.085
	b	6.064	-	6.064	4.872	-	4.872	10.355	0.474	10.829	0.039	21.804
2014	a	6.210	-	6.210	4.681	-	4.681	16.321	0.424	16.745	0.034	27.670
	b	6.210	-	6.210	4.681	-	4.681	10.168	0.424	10.592	0.034	21.517
2015	a	6.114	-	6.114	4.445	-	4.445	15.991	0.398	16.389	0.031	26.979
	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
	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
	b	5.869	-	5.869	4.172	-	4.172	8.935	0.364	9.299	0.030	19.370
2018	a	5.891	-	5.891	4.175	-	4.175	13.576	-	13.576	0.030	23.672
	b	5.891	-	5.891	1.750	-	1.750	8.848	-	8.848	0.030	16.519

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

	2018			2009		
Taxpayer	Assessed Valuation	Rank	Percentage of Total Assessed Valuations	Assessed Valuation	Rank	Percentage of Total Assessed Valuations
Polaris Industries, Inc.	$ 11,980,059	1	2.44%	$ 8,310,158	1	2.61%
Walmart Stores, Inc	6,889,661	2	1.40%	6,995,437	2	2.20%
JH Investments	6,143,216	3	1.25%	4,908,673	3	1.54%
William R. Wood	3,479,915	4	0.71%	-		-
Vermillion Area Chamber & Development	6,149,371	5	1.25%	-		-
Three Sisters LLC	4,155,870	6	0.85%	-		-
Noem Co LLC	3,082,685	7	0.63%			
Hatle Investments	3,002,354	8	0.61%	-		-
Hogen Hause Properties LLC	3,699,178	9	0.75%	-		-
Paragon Apartments LLC	3,359,552	10	0.68%			
505 W Main Limited Partnership	-	-	-	2,873,230	4	0.90%
TMBL LLC	-	-	-	2,619,276	5	0.82%
Hy-vee Food Store Inc	-	-	-	2,597,479	6	0.82%
East River Properties LLC	-	-	-	2,535,149	7	0.80%
Radha INC	-	-	-	1,752,492	8	0.55%
Kirk & Elizabeth Hogen	-	-	-	1,739,608	9	0.55%
Qwest	-	-	-	1,538,660	10	0.48%
Total Principal Taxpayers	51,941,861		10.57%	35,870,162		11.27%
All Other Taxpayers	438,926,417		89.43%	282,474,905		88.73%
Total Assessed Valuation	$ 490,868,278		100%	$ 318,345,067		100%

Received from Clay County Treasurer.

TABLE 9

CITY OF VERMILLION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Subsequent Years Tax Collections	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Outstand. Delinquent Taxes	Percentage of Delinq. Taxes to Tax Levy
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%	17,046	1,646,848	99.78%	38,794	2.35%
2012	1,718,031	1,690,684	98.41%	25,702	1,716,386	99.90%	58,470	3.40%
2013	1,792,285	1,762,017	98.31%	29,566	1,791,583	99.96%	74,217	4.14%
2014	2,064,257	2,033,514	98.51%	29,235	2,062,749	99.93%	80,760	3.91%
2015	2,138,526	2,114,001	98.85%	23,051	2,137,052	99.93%	49,554	2.32%
2016	2,188,390	2,168,494	99.09%	9,469	2,177,963	99.52%	33,899	1.55%
2017	2,233,128	2,216,302	99.25%	6,991	2,223,293	99.56%	29,780	1.33%
2018	$ 2,386,500	$ 2,276,048	95.37%	$ -	$ 2,276,048	95.37%	$ 32,280	1.35%

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*
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
2018	$ 118,781	$ 12,243	10.31%	$ 106,538

* 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			
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
2018	$ 1,691,699	$ 2,671,505	$ 2,415,000	$ 19,524,347	$ 194,650	$ -	$ 26,497,201	7.89%	2,458

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, 2018

Jurisdiction	Net General Obligation Debt Outstanding	Percentage Applicable To This Governmental Unit[1]	City's Share of Debt
School District	$ 255,000	49.39%	$ 125,946
City of Vermillion direct debt			6,778,204
Total Direct and Overlapping Debt			$ 6,904,150

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

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

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

TABLE 13

CITY OF VERMILLION
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	$ 15,917,253	$ 17,509,630	$ 18,657,474	18,631,713	$ 20,044,403	$ 20,284,312	$ 21,185,414	$ 22,174,232	$ 23,516,099	$ 24,543,414
Total, net debt applicable to limit	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	9,536,824
Legal Debt Margin	$ 8,680,613	$ 10,530,426	$ 12,788,825	14,080,421	$ 14,790,007	$ 12,066,021	$ 13,400,123	$ 11,981,988	$ 13,710,550	$ 15,006,590
Total net debt applicable to limit as a percentage of debt limit	45.46%	39.86%	31.45%	24.43%	26.21%	40.52%	36.75%	45.96%	41.70%	38.86%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2018

Total 2018 Taxable Value		$ 417,238,036
Assessed Value		490,868,278
Debt Limit - 5% of Assessed Value		24,543,414
AMOUNT OF DEBT APPLICABLE TO LIMIT		
Total Bonded Debt and Long-Term Notes Payable		23,930,873
Less		
Amount set aside for repayment of debt		
Joint Powers Revenue Bonds	(17,972)	
Prenstis Park Improvement Reserve	(48,534)	
Wastewater Revenue Bonds	(450,221)	
Curbside Utility Note Payable	(176)	
Bonds funded with a surcharge fee		
Electric Surcharge Bond, 2016	(3,575,000)	
Electric Revenue Bond, Series 2009	(5,625,000)	
Wastewater Revenue Bond, Series 2008 (SRF)	(2,783,082)	
Water Utility Bond,Series 2006 (SRF)	(1,894,064)	
		(14,394,049)
DEBT APPLICABLE TO DEBT LIMIT		9,536,824
LEGAL DEBT MARGIN		$ 15,006,590

Table 14

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

Fiscal Year	Net Revenue	Direct Operating Expenses	Depreciation Included in Expenses	Net Revenue Available for Debt Service	Payments on Principal	Payments For Interest	Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
2009 [2]	$ 5,158,478	$ 4,004,115	$ 311,894	$ 1,466,257	$ -	$ -	$ -	n/a	$ 1,778,151	n/a
2010 [3]	517,889	-	-	517,889	-	391,211	391,211	1.32	517,889	1.32
2011 [3]	738,404	-	-	738,404	185,000	384,797	569,797	1.30	738,404	1.30
2012 [3]	743,301	-	-	743,301	190,000	382,485	572,485	1.30	743,301	1.30
2013 [3]	734,806	-	-	734,806	195,000	385,533	580,533	1.27	734,806	1.27
2014 [3]	715,396	-	-	715,396	195,000	375,550	570,550	1.25	715,396	1.25
2015 [3]	717,330	-	-	717,330	200,000	371,163	571,163	1.26	717,330	1.26
2016 [3]	728,564	-	-	728,564	205,000	367,463	572,463	1.27	728,564	1.27
2017 [3]	697,522	-	-	697,522	210,000	354,045	564,045	1.24	697,522	1.24
2017 [4]	332,464	-	-	332,464	170,000	109,590	279,590	1.19	332,464	1.19
2018 [3]	734,927	-	-	734,927	220,000	344,490	564,490	1.30	734,927	1.30
2018 [4]	$ 350,292	$ -	$ -	$ 350,292	$ 150,000	$ 127,143	$ 277,143	1.26	$ 350,292	1.26

[1] GAAP Basis
[2] General Obligation Bonds were paid off in 2009
[3] Starting in 2010 a surcharge fee was pledged for the debt service
[4] Starting in 2016 a surcharge fee was pledged for debt service

Table 15

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

Fiscal Year		Net Revenue	Direct Operating Expenses	Depreciation Included in Expenses	Net Revenue Available for Debt Service	Payments on Principal	Payments For Interest	Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
2009	2	1,250,755	1,172,310	232,343	78,445	98,331	69,832	168,163	0.47	310,788	1.85
2009	3	263,810	-	-	263,810	147,946	87,413	235,359	1.12	263,810	1.12
2010	2	1,240,161	1,189,028	241,817	51,133	102,381	65,621	168,002	0.30	292,950	1.74
2010	3	266,174	-	-	266,174	151,896	83,772	235,668	1.13	266,174	1.13
2011	2	1,326,700	1,246,547	247,878	80,153	106,603	63,412	170,015	0.47	328,031	1.93
2011	3	261,909	-	-	261,909	155,729	79,939	235,668	1.11	261,909	1.11
2012	2	1,507,777	1,319,913	253,851	187,864	503,868	40,574	544,442	0.35	441,715	0.81
2012	3	264,576	-	-	264,576	159,659	76,009	235,668	1.12	264,576	1.12
2013	2	1,425,754	1,305,751	257,677	120,003	71,275	33,748	105,023	1.14	377,680	3.60
2013	3	263,339	-	-	263,339	163,689	71,981	235,670	1.12	263,339	1.12
2014	2	1,420,638	1,353,254	288,192	67,384	112,038	67,569	179,607	0.38	355,576	1.98
2014	3	266,357	-	-	266,357	167,819	55,435	223,254	1.19	266,357	1.19
2015	2	1,472,537	1,425,059	320,596	47,478	130,052	56,423	186,475	0.25	368,074	1.97
2015	3	272,428	-	-	272,428	172,054	63,615	235,669	1.16	272,428	1.16
2016	2	1,556,304	1,425,552	323,480	130,752	134,570	52,532	187,101	0.70	454,232	2.43
2016	3	266,619	-	-	266,619	176,396	59,273	235,669	1.13	266,619	1.13
2017	2	1,624,652	1,365,670	324,855	258,982	138,029	48,445	186,474	1.39	583,837	3.13
2017	3	266,591	-	-	266,591	180,847	54,821	235,668	1.13	266,591	1.13
2018	2	1,588,495	1,640,325	331,058	(51,830)	142,208	44,267	186,475	(0.28)	279,228	1.50
2018	3	$ 268,298	$ -	$ -	$ 268,298	$ 185,410	$ 12,130	$ 197,540	1.36	$ 268,298	1.36

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

Table 16

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

Fiscal Year	Net Revenue	Direct Operating Expenses	Depreciation Included in Expenses	Net Revenue Available for Debt Service	Payments on Principal	Payments For Interest	Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
2009	$ 1,420,454	$ 1,230,161	$ 387,288	$ 190,293	$ 149,498	$ 105,646	$ 255,144	0.75	$ 577,581	2.26
2010 [2]	1,348,647	1,236,230	413,192	112,417	154,426	140,768	295,194	0.38	525,609	1.78
2010 [3]	145,131	-	-	145,131	41,335	49,870	91,205	1.59	145,131	1.59
2011 [2]	1,347,731	1,435,127	509,019	(87,396)	168,769	104,201	272,970	(0.32)	421,623	1.54
2011 [3]	300,259	-	-	300,259	138,513	124,963	263,476	1.14	300,259	1.14
2012 [2]	1,416,774	1,464,328	592,300	(47,554)	176,377	97,582	273,959	(0.17)	544,746	1.99
2012 [3]	321,140	-	-	321,140	160,945	128,744	289,689	1.11	321,140	1.11
2013 [2]	1,439,033	1,554,596	597,771	(115,563)	107,677	57,988	165,665	(0.70)	482,208	2.91
2013 [3]	322,606	-	-	322,606	167,184	123,829	291,013	1.11	322,606	1.11
2014 [2]	1,502,652	1,554,258	604,768	(51,606)	198,431	54,718	253,149	(0.20)	553,162	2.19
2014 [3]	325,433	-	-	325,433	172,684	118,329	291,013	1.12	325,433	1.12
2015 [2]	1,522,200	1,597,135	608,699	(74,935)	199,209	52,622	251,831	(0.30)	533,764	2.12
2015 [3]	330,834	-	-	330,834	178,365	112,648	291,013	1.14	330,834	1.14
2016 [2]	1,588,446	1,579,871	603,434	8,575	200,377	50,132	250,509	0.03	612,009	2.44
2016 [3]	332,122	-	-	332,122	184,233	106,780	291,013	1.14	332,122	1.14
2017 [2]	1,624,450	1,623,121	606,665	1,329	200,847	47,279	248,126	0.01	607,994	2.45
2017 [3]	335,576	-	-	335,576	190,294	100,720	291,014	1.15	335,576	1.15
2018 [2]	1,685,574	1,665,839	620,130	19,735	206,707	44,168	250,875	0.08	639,865	2.55
2018 [3]	$ 336,636	$ -	$ -	$ 336,636	$ 196,555	$ 94,459	$ 291,014	1.16	$ 336,636	1.16

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

Table 17

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

Fiscal Year	Net Revenue	Direct Operating Expenses	Depreciation Included in Expenses	Net Revenue Available for Debt Service	Payments on Principal	Payments For Interest	Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
2010	$ 111,838	$ 92,905	$ 7,337	$ 18,933	$ 7,110	$ 1,421	$ 8,531	2.22	$ 26,270	3.08
2011	116,759	88,143	7,338	28,616	7,288	1,119	8,407	3.40	35,954	4.28
2012	110,249	98,546	7,338	11,703	7,472	936	8,408	1.39	19,041	2.26
2013	109,789	95,081	7,337	14,708	7,660	748	8,408	1.75	22,045	2.62
2014	100,223	99,781	4,916	442	7,852	556	8,408	0.05	5,358	0.64
2015	108,267	97,575	2,495	10,692	8,050	358	8,408	1.27	13,187	1.57
2016	115,386	106,990	2,495	8,396	8,253	155	8,408	1.00	10,891	1.30
2017	123,824	100,927	2,495	22,897	-	-	-	-	25,392	-
2018	$ 125,986	$ 117,051	$ 3,583	$ 8,935	$ 956	$ 132	$ 1,088	8.21	$ 12,518	11.51

[1] GAAP Basis
First Payment 2010

Table 18

CITY OF VERMILLION
PRINCIPAL EMPLOYERS
DECEMBER 31, 2018 and DECEMBER 31, 2009

		2018			2009		
Employer	Type of Business	# of Employees	Rank	Percentage of Total City Employees	# of Employees	Rank	Percentage of Total City Employees
University of South Dakota	Higher Education	1,428	1	24.09%	1,233	1	20.20%
Sanford Vermillion Medical Center	Medical	268	2	4.52%	-	-	-
Aramark	Food	220	3	3.71%	-	-	
Wal-Mart	Retail	200	4	3.37%	225	4	3.69%
Hy Vee Food Stores	Retail	199	5	3.36%	166	5	2.72%
Polaris Industries	Parts Distribution	187	6	3.15%	100	9	1.64%
Vermillion Public Schools	Education	157	7	2.65%	160	6	2.62%
Masaba Mining Equipment	Manufacturing	143	8	2.41%	85	10	1.39%
SESDAC	Education/Training	132	9	2.23%	140	7	2.29%
City of Vermillion	Government	110	10	1.86%	110	8	1.80%
eTelecare Global Solutions, Inc	Call Center	-		-	315	2	5.16%
Sioux Valley Vermillion Medical Center	Medical	-		-	233	3	3.82%
Totals		3,044		51.35%	2,767		45.33%
Other Employers		2,884		48.65%	3,338		54.67%
Total Employers		5,928		100%	6,105		100%

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

TABLE 19

CITY OF VERMILLION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

Calendar Year	Population[1]	Total Personal Income	Per Capita Personal Income[2]	Educational Attainment Bachelor's Degree or Higher[1]	Median Age[1]	Public School Enrollment[3]	University of South Dakota Enrollment[4]	Unemployment Rate[1]
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%
2018	10,778	$ 335,788,590	$ 31,155	n/a	23.0	1,200	9,493	3.40%

[1] State of South Dakota website

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

[3] Vermillion Public School Business Office

[4] USD website. Fall Semester enrollment figures

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

TABLE 20

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General										
Executive	3.63	3.88	3.31	3.01	3.00	2.95	3.20	2.36	2.48	2.87
Finance	6.02	5.94	6.00	6.00	6.00	6.00	6.00	5.75	6.00	5.86
Engineering	4.22	4.71	4.73	4.38	4.30	4.22	3.88	4.14	4.01	3.95
Service Center	2.54	2.56	2.53	2.24	2.25	2.50	2.16	1.86	1.95	2.09
Public Safety										
Police Administration	5.10	5.67	5.26	4.98	4.86	4.91	4.69	3.29	4.97	4.88
Police Patrol	15.57	16.44	15.77	17.40	15.70	17.22	16.36	15.19	18.57	16.38
Communications	7.43	8.01	8.33	8.39	7.81	8.24	7.94	7.84	8.07	8.51
Fire	1.00	1.00	1.00	0.46	1.00	1.00	1.34	1.16	1.98	1.98
Public Works										
Street Department	6.71	6.69	6.48	5.89	6.33	6.70	7.32	7.64	7.83	8.32
Carpentry	1.04	1.05	1.04	1.05	1.04	0.57	0.24	0.00	0.00	0.00
Health & Welfare										
Code Compliance	3.01	2.91	3.25	2.73	3.04	3.00	3.00	2.70	2.95	2.87
Ambulance	3.02	3.06	3.44	3.14	3.15	5.06	5.72	3.61	3.65	5.30
Culture-Recreation										
Pool	5.06	4.65	4.83	4.07	4.01	4.69	4.06	3.48	11.70	11.18
Recreation	4.53	4.01	4.25	3.83	3.62	3.83	3.68	4.53	4.10	5.51
Libraries	8.56	8.84	8.56	8.01	7.87	7.95	7.77	8.24	8.10	8.06
Parks	4.43	4.49	4.30	4.17	4.29	3.98	3.75	4.23	4.26	4.67
Electric	11.15	10.85	10.91	10.61	10.73	10.41	10.49	10.64	10.66	10.29
Water	8.56	8.70	8.35	8.58	8.46	8.47	8.18	8.36	8.44	8.15
Wastewater	7.15	6.98	6.95	6.78	6.91	7.08	6.04	5.75	6.31	6.66
Golf	9.65	9.85	9.32	9.33	9.35	9.15	9.50	9.67	9.17	9.18
Joint Powers	9.95	9.95	9.76	10.00	9.81	10.17	10.20	9.88	10.13	10.59
Curbside Recycling	0.72	1.96	1.95	2.00	1.91	2.00	2.00	2.07	1.92	1.94
Internal Service										
Custodial	2.01	2.16	2.14	2.14	2.32	2.39	2.34	2.56	1.16	0.98
	131.05	134.36	132.46	129.19	127.76	132.49	129.86	124.95	138.41	140.22

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

Table 21

CITY OF VERMILLION
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Non Traffic Violations	821	747	561	493	338	573	530	406	513	502
Traffic Violations	906	1,219	660	709	689	839	812	577	638	805
Parking Violations	1,839	1,865	1,399	1,275	1,328	1,412	1,825	1626	1,965	1742
Fire										
Structure Fires	12	12	14	22	15	13	7	12	11	7
Other Fires & Incidents Calls	104	102	92	123	145	177	181	188	189	190
Ambulance										
Total Calls	771	740	727	795	712	865	870	770	950	1105
Total Stand-By	44	45	52	68	95	68	50	20	40	37
Code Compliance										
Rental Housing Inspections	970	1,105	1,086	959	1,215	980	1,128	1,181	1,266	1 432
Building Permits-Single Family	11	10	9	15	9	4	16	24	20	10
Building Permits-Multiple Family	1	7	4	2	2	18	10	3	2	10
Building Permits-Commercial	13	6	3	3	4	5	6	1	-	3
Value of New Construction	$ 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	$ 41,235,246
Municipal Garage										
Service Jobs	243	248	241	234	204	216	193	215	194	205
Repairs	353	376	368	294	291	257	336	363	222	371
Library										
Circulation	77,979	79,168	78,344	75,236	73,460	83,800	107,797	93,256	85,075	57,625
Number of Card Holders	7,634	7,158	4,763	5,357	6,056	6,355	4,653	5,242	5,707	6,315
Swimming Pool										
Swim Lesson Participation	402	427	406	325	325	340	314	314	357	373
Lap Swim/ Water Walking	-	-	-	-	-	-	-	-	3,200	4,091
Open Swim Participants	13,090	12,320	12,320	13,200	13,200	13,200	13,600	10,400	37,510	33,055
Parks & Recreation										
Fall/Winter Participants	3,657	3,009	2,799	2,144	1,489	1,494	1,363	1,342	1,333	1,425
Summer Participants	2,048	2,130	2,034	1,950	1,985	2,420	2,386	1,284	1,348	1,293
Electric										
Total Number Meters	4,414	4,431	4,447	4,474	4,491	4,526	4,617	4,689	4,699	4,700
Total Metered Kilowatts	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	68,684,798
Summer Peak Demand Kilowatts	14,620	15,619	16,720	17,051	16,562	15,393	14,915	15,966	16,261	16,610
Winter Peak Demand Kilowatts	11,059	11,148	11,240	10,836	11,218	11,079	11,099	10,959	10,783	11,983
Water										
Number of Connections	2,826	2,856	2,875	2,944	2,967	3,022	3,079	3,183	3,229	3347
Average Daily Consumption	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	1,046,668
Daily Peak Demand	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	1,003,784
Wastewater										
Number of Connections	2,761	2,763	2,809	2,862	2,917	2,955	3,000	3,107	3,156	3,247
Average Daily Flow	1,033,000	1,248,000	1,374,000	831,000	832,000	912,000	969,000	1,227,000	1,122,000	1,337,000
Daily Peak Demand	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	4,202,000
Joint Powers										
Tonnage in Landfill Trenches	35,420	36,488	34,813	34,187	34,494	34,854	37,007	38,085	39,670	40,840
Tonnage Recycled	1,805	1,085	1,086	1,077	1,035	828	830	1,291	1,050	1,123
Curbside Recycling										
Tonnage Collected	-	-	136	144	160	175	178	179	164	170
Bluff's Golf Course										
Rounds of Golf	23,012	21,476	20,703	22,799	19,808	23,222	23,500	22,000	23,000	23,000
Liquor Store										
Gross Sales	$ 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	$ 1,596,455
Gross Profit %	30.93%	31.17%	30.97%	31.06%	30.86%	30.35%	29.92%	28.99%	27.45%	31.40%
Street Department										
Tons of Sand for Ice	630	767	450	350	368	295	480	470	620	510
Truckloads of Snow Hauled	713	1,874	316	226	169	112	567	570	258	1,152

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles	5	5	5	5	5	5	5	7	7	7
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Engines/Trucks	6	6	6	6	6	10	10	10	10	10
Hydrants	392	398	398	397	401	417	417	419	432	436
Ambulance										
Ambulances	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	46.94	46.94	47.39	47.39	47.39	53.70	53.70	53.70	53.70	53.7
Streetlights	1,285	1,243	1,243	1,259	1,281	1,289	1,289	1,324	1,331	1382
Culture & Recreation										
Parks (acres)	115.50	115.50	115.50	115.50	115.50	130.00	130.00	130.5	130.5	130.5
Parks	7	7	7	7	7	7	7	8	8	8
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Softball Diamonds	2	2	2	2	2	2	2	2	2	2
Baseball Diamonds	3	3	3	3	3	3	3	3	3	3
Golf Courses	1	1	1	1	1	1	1	1	1	1
Electric										
Total Transformers on 13.8 kV Line	664	661	675	665	669	686	705	695	694	705
Total miles of 3 phase on 13.8 kV Line	47.60	48.53	49.83	49.61	49.82	50.82	51.33	51.89	53.79	55.03
Total Miles of 115kV Transmission Line	-	-	-	21.25	21.97	21.97	21.97	21.97	21.97	25.57
Water										
Water Mains (miles)	63.41	64.01	64.69	64.86	64.94	66.26	66.26	66.26	66.38	66.61
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)	58.15	58.18	58.27	58.36	58.36	59.42	59.42	59.42	59.42	59.42
Stormwater Sewer (miles)	6.81	6.82	6.84	6.84	6.89	8.01	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

CITY OF Vermillion SOUTH DAKOTA

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CITY OF VERMILLION
COMPLIANCE SECTION

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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, 2018, 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 17, 2019. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as 2018-001 that we consider to be a material weakness.

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. The City of Vermillion's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

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

Williams & Company PC

Certified Public Accountants

Le Mars, Iowa
June 17, 2019

CITY OF VERMILLION, SOUTH DAKOTA
Schedule of Findings
For the Year Ended December 31, 2018

Part I: Summary of the Independent Auditors' Results

(a) An unmodified opinion was issued on the financial statements.
(b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
(c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:
No matters were noted.

Material Weakness:

2018-001 - Financial Reporting

Condition and Criteria – The auditors were required to propose and have management post an adjusting journal entry to fund financial statements relating to the SDPAA deposits in order for the financial statement to conform with U.S. generally accepted accounting principles. Management is responsible for the preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Effect – The financial statements provided by management are not presented entirely in accordance with U.S. generally accepted accounting principles.

Cause – With a limited number of personnel and current staff workload, the time constraints do not provide management absolute assurance all year end U.S. GAAP adjusting journal entries will be posted.

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

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. The City will attempt to implement these processes for the 2019 calendar year report.