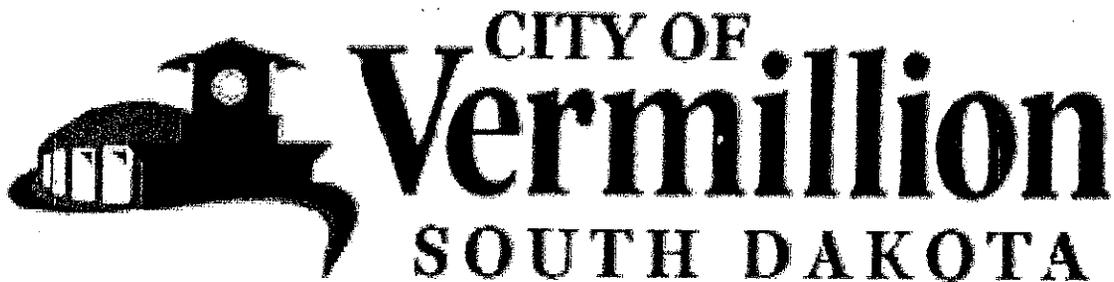


Comprehensive Annual Financial Report



Prepared by THE CITY FINANCE OFFICE-----Michael Carlson, Finance Officer
FISCAL YEAR: January 1, 2015-----December 31, 2015

CITY OF VERMILLION
AUDITED FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

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**CITY OF VERMILLION
INTRODUCTORY SECTION**



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www.vermillion.us

July 22, 2016

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, 2015.

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

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

The City's financial statements have been audited by Williams & Company, P.C. a firm of certified public accounts authorized by the State of South Dakota Department of Legislative Audit to conduct the audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Vermillion for the year ended December 31, 2015, 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, 2015, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile of the City of Vermillion

The City of Vermillion was founded in 1859, located in the southeastern corner of South Dakota, 6 miles west of I-29 between Sioux Falls, SD and Sioux City, IA. Vermillion is situated atop a bluff of the Vermillion River and also overlooks the mighty, natural Missouri River, which contains the red clay that prompted our county name of Clay County. Vermillion is home to the University of South Dakota with enrollment of 9,971 offering majors in 206 undergraduate programs and 66 graduate programs, and Division I athletics. The 2010 census had the city population increasing 3% over 2000 to 10,571.

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

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

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

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

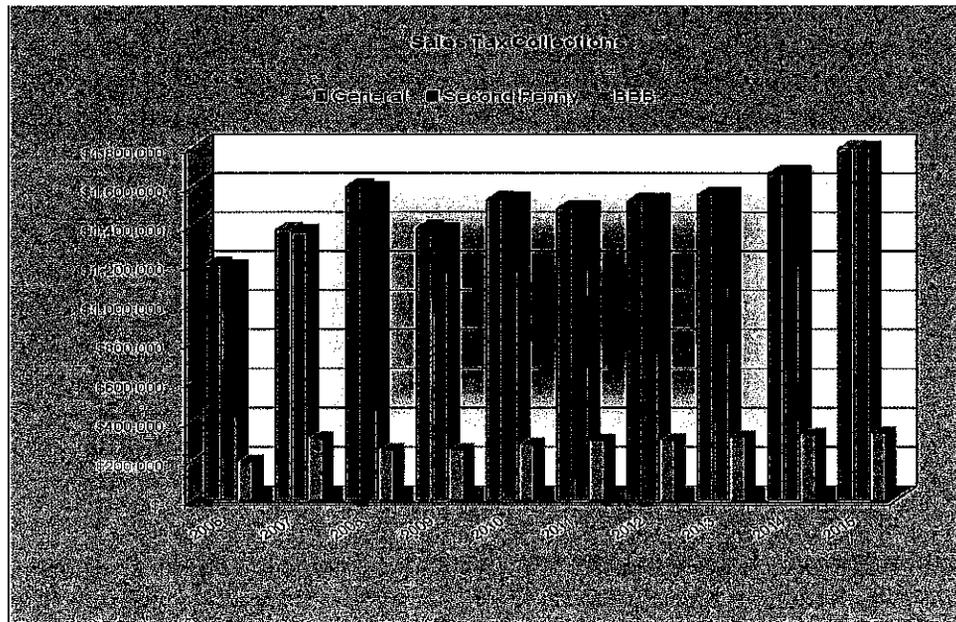
Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons, presented on pages 58-62 as part of the required supplemental information and supplementary information.

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.

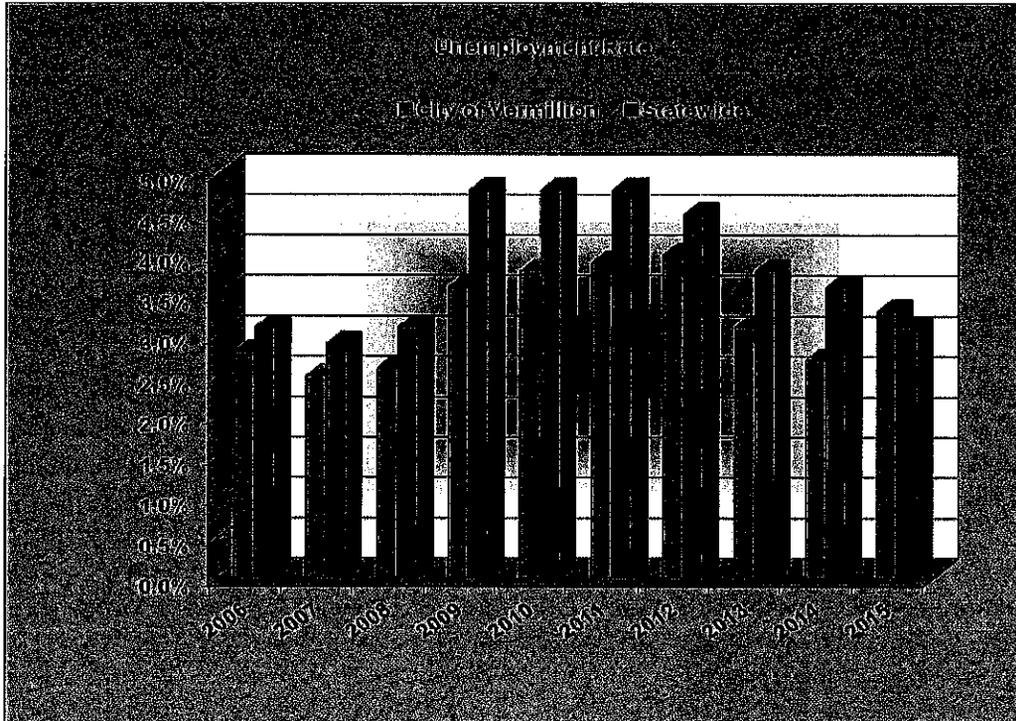
Local economy.

The economy in Vermillion as reflected in the sales tax collections saw an increase in 2015. The total City sales tax revenues increased \$259,681 or 7.10% over 2014. This would include the first cent used for general fund, the second penny sales tax used for capital projects increasing \$255,969 while the BBB sales tax used for advertising and promotion of the City increased \$3,712 or 1.12% over 2014. As the South Dakota Department of Revenue collects the sales tax on behalf of the City information as to the individual areas of the increase are not available. For the first four months of 2016 total City sales tax revenue increased 15.4%, \$188,481 over 2015. The sales tax receipts will be monitored and the budget will be reviewed in August 2016 to determine if adjustments are needed.



The unemployment rate for the City of Vermillion decreased during 2015 from 3.5% to 2.7% while the state unemployment rate decreased from 4.0% to 3.3%. The unemployment rate for

the City of Vermillion saw a high in July 2015 of 4.0% but decreased the rest of the year to 2.7% at year end. The state unemployment rate was as high as 4.0% early in the year but continued to decrease the rest of the year. With the higher state rate than city rate it appears that individuals are attracted to the community for the job availability.



The City of Vermillion is home to the University of South Dakota that has been ranked among the top doctoral institutions in the country. It is the home to South Dakota’s 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 0.9% from 10,061 for 2014 to 9,971 for 2015.

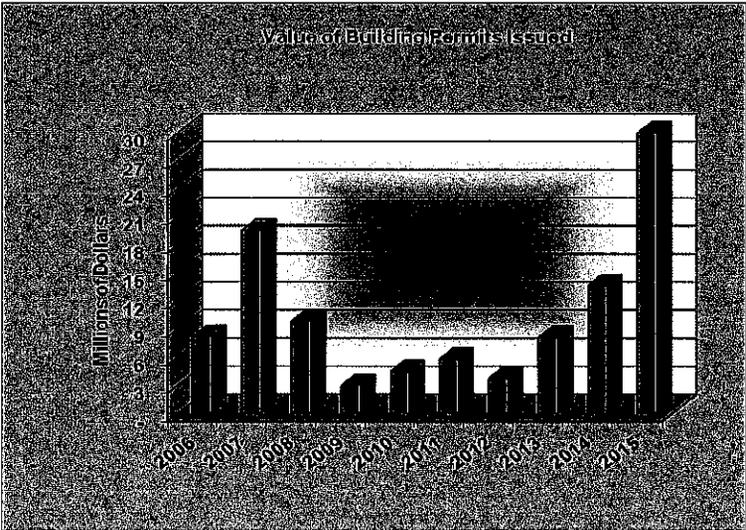
The University moved to Division I for all athletics in 2008 increasing the athletic scholarships offered along with additional fundraising to support programs at that level. Construction began in late 2014 on a \$66 million Sports Performance Enhancement Facility Arena, a Science, Health and Research Lab and an Outdoor Track and Soccer Complex all located on the north side of campus near the Dakota Dome. The project consists of a 6,000 seat arena for basketball and volleyball, an outdoor facility for soccer and track and a science, health and research laboratory. This project is scheduled to be completed in 2016. There are a number of other projects in the planning and design phase on the campus.

Sanford Vermillion operates a 25-bed acute care hospital, medical clinic, 66 bed care center and 23 unit senior living complex. The Sanford Vermillion Clinic contracted with the University of South Dakota to provide student health services starting in the fall of 2002. The Sanford Vermillion Clinic, Vermillion Medical Clinic, and Olson Medical Clinic have been instrumental in increasing the availability of medical care in the community. In addition, all clinics are providing outreach programs bringing specialists into the community. In February 2014, Dakota

Hospital Foundation and Sanford Health announced that Sanford Health will make a \$12 million investment in Sanford Vermillion’s medical facilities over the next five years. 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 phase II. 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 2015 totaled \$29,966,297 up from \$13,611,697 in 2014. The number of single family dwellings constructed totaled eleven in 2015, an increase of seven, with thirteen new multi-family structures consisting of 46 units and six commercial permits. Through May 2016 the value of building permits issued is \$8,041,424 for seventeen single family dwellings 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.

Construction was completed in 2014 on a 500,000 gallon water tower that was placed in service. The project is funded by a South Dakota Board of Water and Natural Resources, Drinking Water State Revolving Loan in the amount of \$1,532,000 that includes 10% principal forgiveness as a grant from the State. The existing 100,000 gallon water tower that is over 100 years old was retired and was removed in 2015.

The City of Vermillion and Vermillion Chamber of Commerce and Development Company (VDCD) commissioned a Talent Attraction Strategy and Workforce Housing Solutions study prepared by Community Housing Laboratory, LLC in October 2012. The major finding of the report was the need to solve the chronic workforce housing problem and implement a long-term talent attraction strategy. Due to the lack of available housing sites the (VDCD) has acquired 50 acres adjoining the city that has been annexed into the city. The development labeled Bliss Pointe will be developed in phases with the first phase completed in late 2014 with over 60 housing sites. The balance of the development will have an additional 70 housing sites when fully developed. To assist the VDCD with the infrastructure development the City created Tax Incremental District Number 6 and sold a TIF bond for \$1,732,000. In 2015 the VDCD has marketed six residential housing sites and one commercial lot and so far in 2016 six more residential housing sites have been sold.

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 2015 the occupancy tax generated \$59,306 of which \$50,410 was expended to the Vermillion Area Chamber of Commerce and Development Company (VDCD) for promotion of the community. The BID Board approved the 2016 budget with 85% of the occupancy tax collected being expended to the VDCD for advertising and promotion.

The equipment replacement fund added the following equipment during 2015; a police vehicle, workman, two pickups, car and snow blower totaling \$234,422.

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 a small portion of grant funds remaining that the City is working with the Department of Transportation to make

improvements to existing bike paths with the 2016 budget including \$200,000 of sales tax funding and are currently awaiting approval for these projects.

The Joint Powers Landfill completed the leachate detention pond during 2014 and construction of cell 5 was completed in 2015. These two projects were being funded by a State Revolving Loan of \$1,639,000, a South Dakota Board of Water and Natural Resources Solid Waste Grant of \$522,210 and \$200,000 of local funds.

As the existing swimming pool is reaching the end of its useful life, a committee was appointed charged with providing the City Council information as to what type of swimming pool would best fit the community's needs going forward. The city contracted with a pool consultant to work with the committee in developing designs for the new pool. The committee held public meetings to review the project designs to refine the project. The City Council on September 16, 2013 adopted a resolution for capital outlay accumulation designating \$500,000 of the General Fund balance for funding of the pool project. During 2013 the City Council approved a master planning process for Prentis Park that includes the swimming pool. The City Council approved a funding package for the Prentis Park improvements consisting of \$1 million of General Fund Reserves, \$1 million of Second Penny Sales Tax Reserves, grants and donations of \$250,000 and a General Obligation Bond of \$3 million. The General Obligation Bond was approved by over 75% of the voters in November 2014 election. The City Council in an effort to reduce the impact of the bond repayment on property taxes adopted an ordinance that imposed a 5% markup on the wholesale purchase price of malt beverages. Following adoption of the ordinance an initiated petition was received to repeal the markup ordinance. A special election was set for June 30, 2015 at which time the initiated measure failed 37% to 63%. In February, 2016 the City issued general obligation bonds, series 2016 face amount of \$3,005,000 at a premium of \$90,132 for a portion of the funding for the Prentis Park Improvements. This was a 20 year bond with interest rates ranging from 1% to 3.5%. Also in February, 2016 the City approved contracts for pool construction totaling \$5,248,149. The contractor began construction in May 2016 and contracts call for the pool portion of the contracts to be completed by June 2017.

The 5% malt beverage markup was implemented after passing the referendum July 1, 2015 with revenues in 2015 of \$63,079 in six months and \$47,924 for the first five months in 2016.

The 2016 budget included \$689,500 for equipment replacement in the equipment replacement fund, \$30,000 for airport improvement, \$75,000 for Bliss Pointe park equipment, \$110,000 fire department breathing apparatus, \$95,000 library materials, \$58,000 to replace Lions Park bathroom, \$176,000 for street construction and miscellaneous concrete projects, and \$40,000 for fire department roof replacement. 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, 2014. This was the ninth 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**

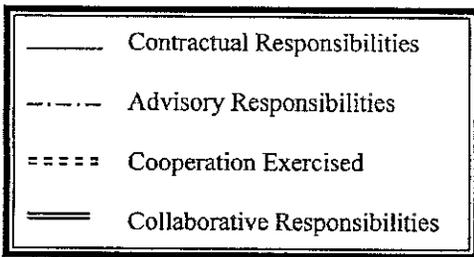
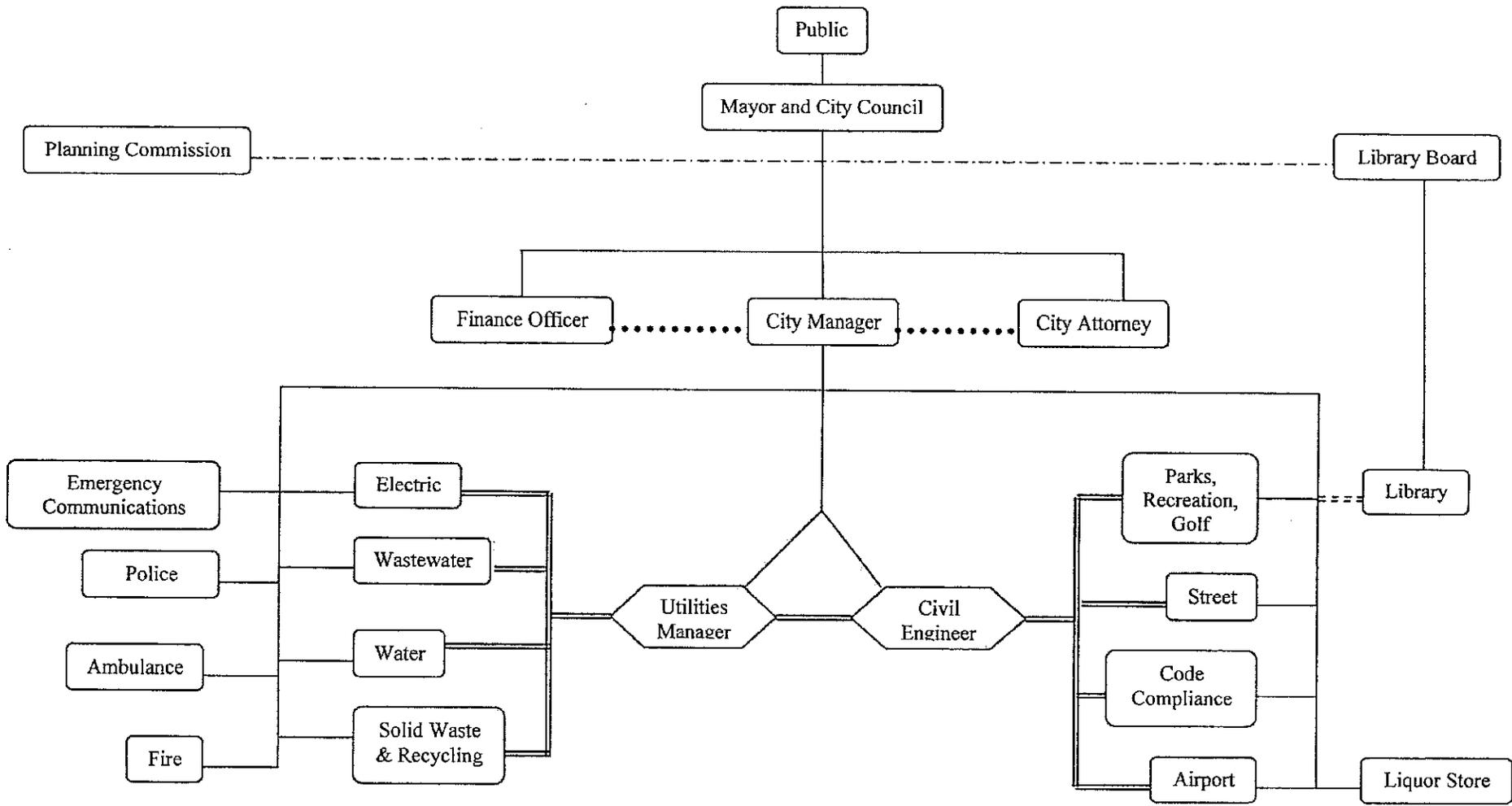
Presented to

**City of Vermillion
South Dakota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO



CITY OF VERMILLION MUNICIPAL OFFICIALS

For the Period January 1, 2015 through December 31, 2015

Mayor

John E. (Jack) Powell

Alderman Central Ward

Kelsey Collier-Wise

Katherine Price

Alderman Northeast Ward

Clarene Meins

Holly Meins

Alderman Northwest Ward

Howard Willson

Parker Erickson

Alderman Southeast Ward

Steve Ward

Rich Holland

City Manager

John Prescott



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**CITY OF VERMILLION
FINANCIAL SECTION**



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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, 2015, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Vermillion Housing and Redevelopment Commission (a discretely presented component unit), which statements reflect total assets of \$24,563 and total revenues of \$905,367 as of and for the year ended June 30, 2015. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the Vermillion Housing and Redevelopment Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with 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 of material misstatement.

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

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

Opinions

In our opinion, 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, 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the City of Vermillion, South Dakota adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension asset, and schedule of the City's contributions to the South Dakota Retirement System on pages 5 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 and individual 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 and individual 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 and individual 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 July 22, 2016, on our consideration of the City of Vermillion's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Vermillion's internal control over financial reporting and compliance.

Williams & Langney P.C.
Certified Public Accountants

Le Mars, Iowa
July 22, 2016

Management's Discussion and Analysis December, 31, 2015

As management of the City of Vermillion, we offer readers of the City of Vermillion's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which can be found on pages i-viii of this report, as well as the separately issued financial statements of the Vermillion Housing and Redevelopment Commission, a discretely presented component unit of the City.

FINANCIAL HIGHLIGHTS

- The net position of the City increased by \$3,022,918 as a result of the current year's operations. The net position of our governmental activities increased by \$2,472,748 or 7.19% and the net position of our business-type activities also increased by \$550,170 or 1.46%.
- Total revenues from all sources increased in 2015 by \$200,981 to \$23,544,345. In 2015, charges for services increased \$735,604, operating grants & contributions increased \$98,597, capital grants & contributions decreased \$1,043,275, property taxes increased \$87,834, sales tax increased \$371,765, other general revenues decreased by \$49,544.
- Total cost of all programs was \$20,521,427 for 2015. This is a decrease of \$1,451,257 or 6.60% over 2014.
- The City's long-term debt/capital leases increased \$1,407,203 from 2014 due to repayment of existing bond issues and issuance of \$2,695,000 of crossover refunding bonds for the city hall capital lease of which \$2,638,275 is being held in escrow.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

**City of Vermillion
Comprehensive Annual Financial Report
December 31, 2015**

Management's Discussion and Analysis

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

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

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

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

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

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

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

Management's Discussion and Analysis

facilitate the comparison between the governmental funds and the government-wide financial statements.

The City maintains nineteen 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 seventeen 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

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information. Combining and individual fund statements and schedules can be found on pages 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, 2015 with comparative data for the fiscal year ended December 31, 2014. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$76,637,252 at the close of the most recent fiscal year.

	City of Vermillion Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)
Current and Other Assets	\$ 13,926,979	\$ 7,881,789	\$ 13,172,432	\$ 13,078,252	\$ 27,099,411	\$ 20,960,021
Capital Assets	31,871,730	32,340,123	45,568,380	46,040,544	77,440,110	78,380,667
Total Assets	45,798,709	40,221,892	58,740,812	59,118,796	104,539,521	99,340,688
Deferred outflows of resources	1,383,457	-	857,783	-	2,241,240	-
Long-term Liabilities Outstanding	7,492,310	5,006,176	18,074,557	19,078,398	25,566,867	24,084,574
Other Liabilities	787,542	837,010	1,897,657	2,240,344	2,685,199	3,077,354
Total Liabilities	8,279,852	5,843,186	19,972,214	21,318,742	28,252,066	27,161,928
Deferred inflows of Resources	1,176,675	-	714,768	-	1,891,443	-
Net Position:						
Net Investment in Capital Assets,	26,161,730	29,109,338	27,122,901	26,523,053	53,284,631	55,632,391
Restricted	6,087,224	1,961,402	1,934,569	1,305,934	8,021,793	3,267,336
Unrestricted	5,476,885	3,307,966	9,854,143	9,971,067	15,330,828	13,279,033
Total Net Position	\$ 37,725,639	\$ 34,378,706	\$ 38,911,613	\$ 37,800,054	\$ 76,637,252	\$ 72,178,760

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	City of Vermillion Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,383,698	\$ 1,385,053	\$ 13,491,130	\$ 12,754,171	\$ 14,874,828	\$ 14,139,224
Operating Grants & Contributions	313,523	287,861	7,000	-	386,458	287,861
Capital Grants & Contributions	1,483,803	1,545,892	30,291	1,011,477	1,514,094	2,557,369
General Revenues:						
Property Taxes	2,164,952	2,077,118	-	-	2,164,952	2,077,118
Other Taxes	4,072,280	3,634,580	-	-	4,006,345	3,634,580
Other	395,363	390,756	250,190	256,456	645,553	647,212
Total Revenues	<u>9,813,619</u>	<u>9,321,260</u>	<u>13,778,611</u>	<u>14,022,104</u>	<u>23,592,230</u>	<u>23,343,364</u>
Expenses:						
General Government	1,373,494	1,410,726	-	-	1,373,494	1,410,726
Public Safety	2,430,332	2,529,195	-	-	2,430,332	2,529,195
Public Works	1,988,965	1,885,352	-	-	1,988,965	1,885,352
Health & Welfare	549,156	491,071	-	-	549,156	491,071
Culture & Recreation	1,382,212	1,325,700	-	-	1,382,212	1,325,700
Conservation & Development	492,999	2,485,337	-	-	492,999	2,485,337
Interest on Long-term Debt	261,125	208,517	-	-	261,125	208,517
Electric	-	-	5,159,008	5,055,658	5,159,008	5,055,658
Water	-	-	1,542,802	1,474,754	1,542,802	1,474,754
Wastewater	-	-	1,758,756	1,723,732	1,758,756	1,723,732
Liquor	-	-	1,293,291	1,065,297	1,293,291	1,065,297
Golf	-	-	800,842	788,147	800,842	788,147
Joint Powers Landfill	-	-	1,438,417	1,428,877	1,438,417	1,428,877
Curbside Recycling	-	-	97,913	100,321	97,913	100,321
Total Expenses	<u>8,478,283</u>	<u>10,335,898</u>	<u>12,091,029</u>	<u>11,636,786</u>	<u>20,569,312</u>	<u>21,972,684</u>
Increase(Decrease) in Net Position						
Before Transfers	1,335,336	(1,014,638)	1,687,582	2,385,318	3,022,918	1,370,680
Transfers	1,137,412	1,147,057	(1,137,412)	(1,147,057)	-	-
Increase in Net Position	2,472,748	132,419	550,170	1,238,261	3,022,918	1,370,680
Net Position January 1	34,378,706	34,246,287	37,800,054	36,561,793	72,178,760	70,808,080
Prior period adjustment	874,185	-	561,389	-	1,435,574	-
Adjusted Net Position beginning	<u>35,252,891</u>	<u>34,246,287</u>	<u>38,361,443</u>	<u>36,561,793</u>	<u>73,614,334</u>	<u>70,808,080</u>
Net Position December 31	<u>\$ 37,725,639</u>	<u>\$ 34,378,706</u>	<u>\$ 38,911,613</u>	<u>\$ 37,800,054</u>	<u>\$ 76,637,252</u>	<u>\$ 72,178,760</u>

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By far the largest portion of the City's net position (69.54%) reflects its investment in capital assets (e.g. land, building, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position \$8,021,793 (10.48%) represents resources that are subject to external restriction on how they may be used. Restricted net position includes the amounts restricted for debt service of \$4,684,325 (an increase of \$2,869,152), Stormwater construction of \$1,003,863 (an increase of \$201,179), Landfill Closure/Postclosure of \$122,863 (a decrease of \$7,988), Cumulative reserve of \$158,060, Library \$28,170 (an increase of \$4,804), parks capital \$82,738 (an increase of \$71,324), business improvement district of \$31,838 (an increase of \$7,777), SDRS Pension Purposes \$1,629,737 and other restrictions of \$288,296 (an increase of \$32,542). The remaining balance of unrestricted net position of \$15,330,828 may be used to meet the government's ongoing obligations to citizens and creditors.

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

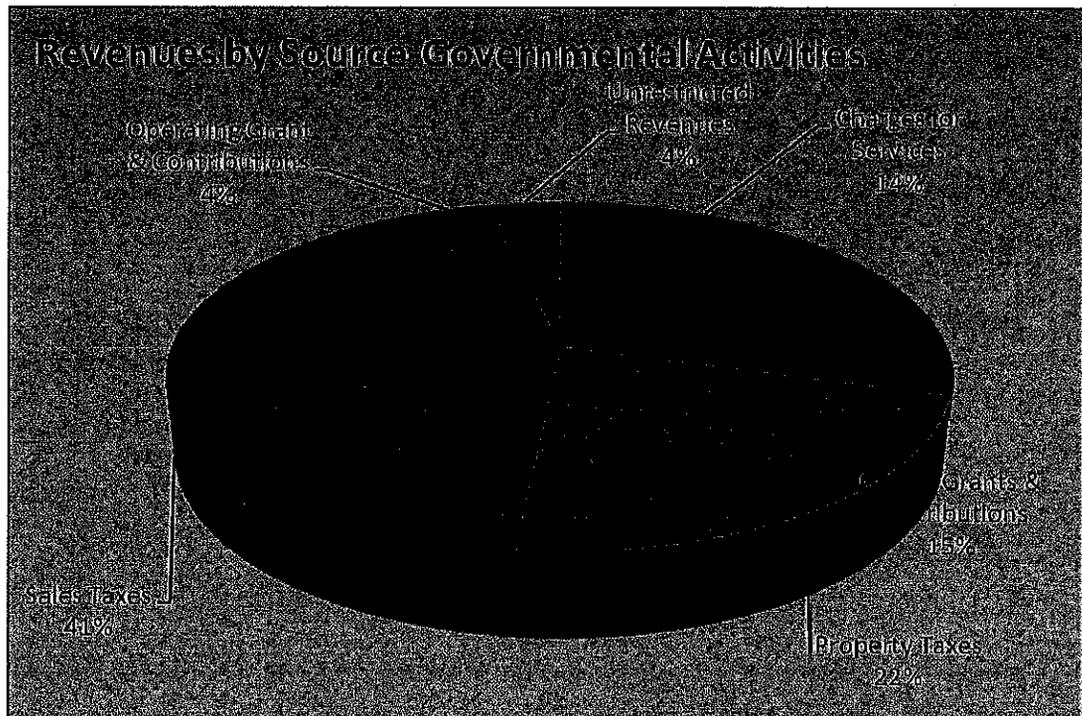
Governmental activities: Governmental activities increased the City's net position by \$2,472,748, thereby accounting for 81.8% of the total growth in the net position of the City Vermillion. Elements of this increase are as follows:

- Charges for goods & services decreased \$1,355 in 2015. General Government increased \$53,201 which is attributable to an increase in the licenses and permits of \$5,961 and increase storm drainage fee of \$12,602. Public Safety increased \$11,427 which is attributable to an increase in parking ticket fees of \$8,074. Public Works decreased \$146,317 which is attributable to the decrease in special assessment collections and public payments for improvements and decrease in state highway and bridge revenue of \$21,564. Health and Welfare increased \$89,986 due to an increase in ambulance collections of \$32,395 from increased call volume.
- Operating Grants and contributions increased \$25,662 in 2015. For 2015, public safety operating grants increased \$10,409 which is attributed E911 state grant of \$ 36,020 and a decrease in county contribution for E911 Communications of \$24,318.
- Capital grants and contributions decreased by \$62,089 in 2015. For 2015 capital grants and contributions consist of public works \$397,278 for the West Cherry mill, airport project grant \$27,818, State Transportation Improvement Program funding of \$559,241 and public payments for special assessment improvements of \$499,466.
- Property taxes increased by \$87,834 or 4.22% during the year. This increase is from growth or new property added to the tax rolls and the State limit on property tax increase of 1.4%.

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- Sales Taxes increased by \$356,738 or 10.77%. This would include the first penny sales tax used for general fund and the second penny sales tax used for capital projects. As the South Dakota Department of Revenue collects the sales tax on behalf of the City, information as to the individual area of the increase/decrease is not available.
- Sales taxes for special revenues increased \$15,027 or 4.65%. This special sales tax is referred to as BBB sales tax used for advertising and promotion of the City.
- Other General Revenues decreased \$4,607 or 1.48%. Contributing to this increase is a increase in investment earnings of \$25,126, an increase in other revenue of \$169,345, and a decrease in the gain on sale of assets of \$189,864.



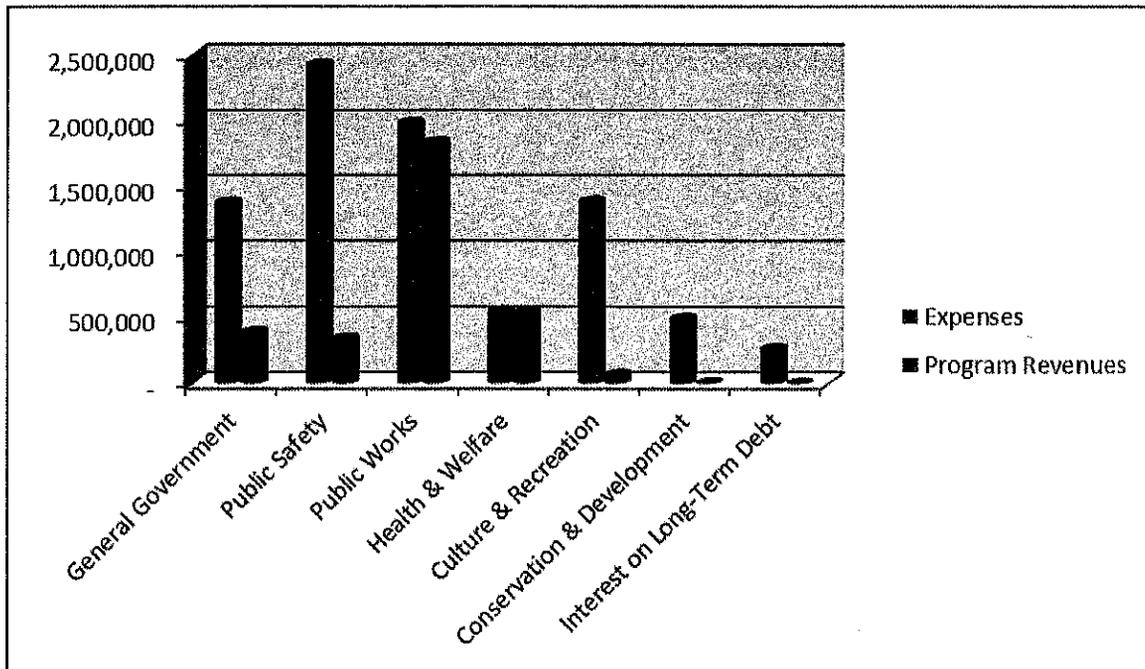
- General Government expenses decreased by \$37,232 or 2.64%. The net effect of the pension adjustment decreased expenses \$23,464 and general government professional fees were down \$13,000 for onetime expense of audio visual equipment and updating ordinance books.
- Public Safety expenses decreased by \$98,863 or 3.90%. The net effect of the pension adjustment decreased expenses \$51,249 and vacant positions in police and communications.
- Public works expenses increased \$103,613 or 5.50%. The net effect of the pension adjustment decreased expenses \$11,946 with a \$28,256 increase in street department wages and \$11,694 increase in snow removal costs.
- Health and Welfare expenses increased \$58,085 or 11.83%. The net effect of the pension adjustment decreased expenses \$6,508 and an increase in ambulance department wages of \$47,869 attributed to full year of director and increased call volumes.

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- Culture and Recreation expenses increased \$56,512 or 1.04% The net effect of the pension adjustment decreased expenses \$16,141 and a loss of sale of fixed assets increased expenses by \$38,866. The other expenses were similar to prior year.
- Conservation and development expenses decreased \$1,992,338 from the City's continued support of various programs. The City continued to support numerous organizations but during 2014 provided onetime funding of \$1,983,036 of TIF #5 bond proceeds to the Vermillion Chamber and Development Company for their residential development expenses for phase 1 of the Bliss Pointe.

Expenses & Program Revenues – Governmental Activities



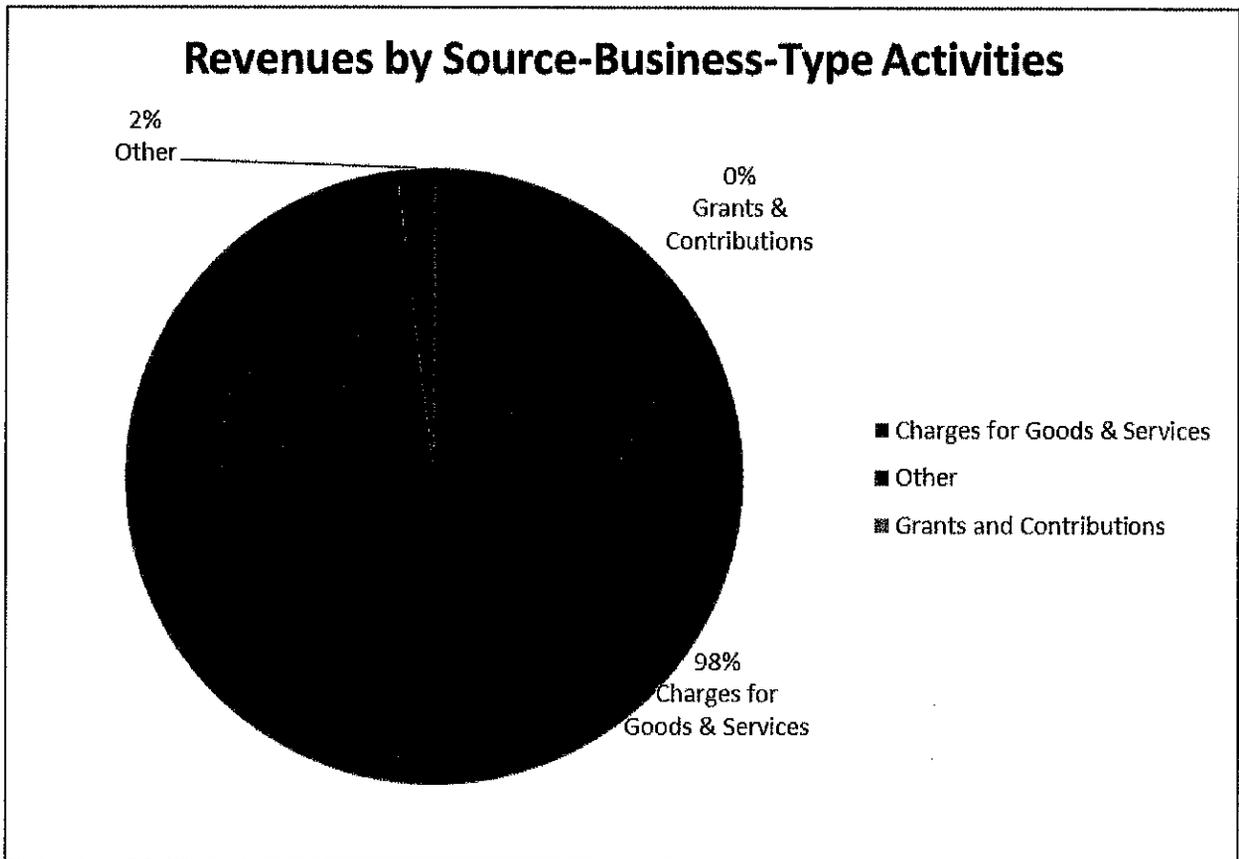
Business-type activities: Business-type activities increased the City of Vermillion's net position by \$550,170, accounting for 18.2% of the total growth in the government's net position. Key elements of this increase are as follows:

- Charges for services increased by 5.77% or \$736,959. The Electric Fund charges for services increased 3.24% or \$199,783. Electric kwh sales also decreased .15% during 2015, which is attributed to the cool summer and warmer winter weather. Electric rates were increased to offset increase in supplemental power costs. This was the fourth year of seasonal electric charges. Water Fund charges for services increased 3.44% or 57,970. Water rates were increased 2.5% in December 2014 to meet the debt service on the water tower bond. Wastewater Fund revenues increased by \$24,949. Wastewater rates were not increased for 2015. The Liquor Fund sales increased 20.22% or \$251,972 over 2014. The liquor store was relocated to a larger location in January 2015 and a growler station was added in the fall of 2015. The Joint Powers-Landfill revenue increased \$207,636 over 2014. The landfill revenues increased \$233,464 from an increase in volume of materials received and a rate increase effective December 1, 2014 along with a smaller rate increase effective December 1, 2015 while the sale of recycling materials revenues portion of the Joint Powers decreased \$30,049 due to decreased

Management's Discussion and Analysis

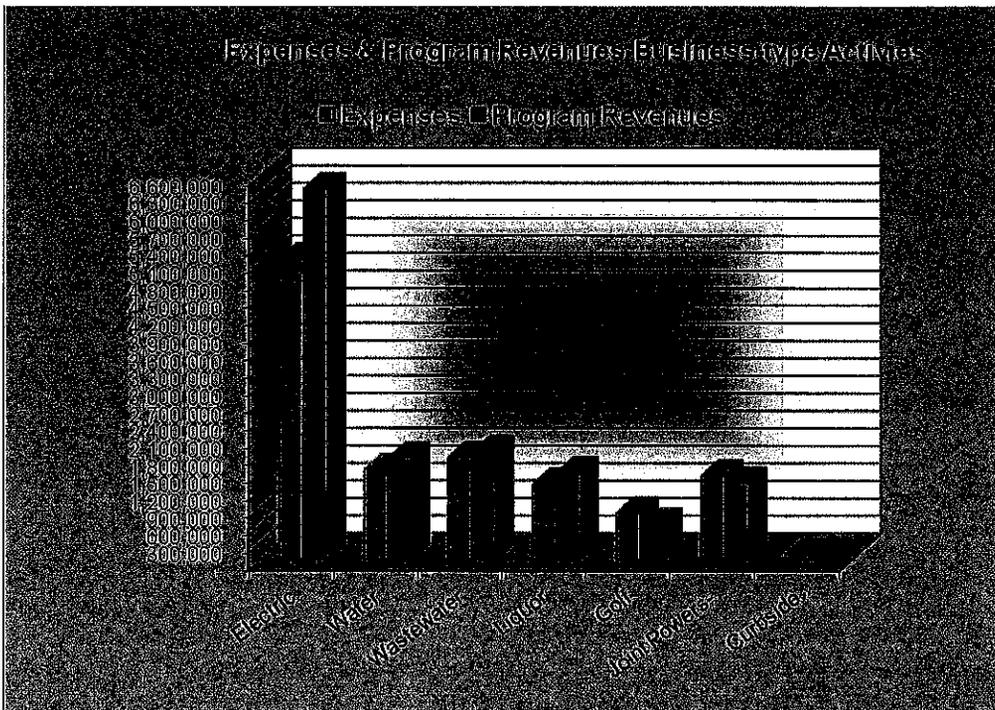
market rates for materials being sold. The Golf Fund revenues decreased \$13,395, with green fees decreasing \$7,437 and season pass sales decreasing \$5,388. These decreases are attributed to a cool, wet spring and summer. An increase in the Curbside Recycling program revenues of \$8,044 resulted from an increase in volume and revenue sharing on increased materials.

- Capital grants and contributions decreased \$981,186 in 2015. During 2015 a state grant of \$30,291 was received for baler building.



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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 \$11,489,025, as shown on Exhibit 3, which is an increase of \$4,678,404 in comparison with the prior year. Approximately 15.65% of this total amount, or \$1,797,656, constitutes *unassigned fund balance* which is available for spending at the government's discretion. The remainder of fund balance is either 1) *nonspendable* \$211,386, \$53,326 for inventory and \$158,060 in cumulative reserve 2) *restricted* \$5,034,086 consisting of \$277,898 in Bed, Board & Booze sales tax, \$995,786 in storm water fees, \$28,170 for library, \$559,241 for Surface Transportation Program, \$82,723 for parks capital, \$31,838 for Business Improvement District and \$3,058,430 for debt service 3) *committed* \$3,686,983 with \$3,186,983 in sales tax and \$500,000 for capital projects which is for a future swimming pool project or 4) assigned \$758,914 for the 2016 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 \$2,048,052, as shown in Exhibit 3, while total fund balance reached \$4,077,593. 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

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expenditures. Unassigned fund balance represents 35.31% of total general fund expenditures, while total fund balance represents 70.30% of the same amount.

The fund balance of the City's general fund increased \$983,259 during the current fiscal year, as shown in Exhibit 4. Factors in this increase are as follows:

- An increase in property taxes of \$113,792 or 5.51% and an increase sales tax collection of \$128,465 or 7.72%.
- License and Permits revenues increased \$64,516 with the majority being from increased building permits fees of \$61,427.
- Intergovernmental revenues increased \$548,302 due to State Surface Transportation funding being passed directly to the city in the amount of \$559,302.
- Charges for goods and services increased \$12,868. Ambulance revenues were up \$32,395 based upon increased call volume, decreases in swimming pool and recreation fees of \$13,253 and decrease in street repairs of \$5,604.
- Expenditures in the General Fund increased \$55,764 or less than 1%. General Government decreased \$20,813 mainly professional services in general government for audio visual equipment and finance office publishing costs. Public Safety increased \$41,887, with the increase in Police personal services being at full staff and hiring of a part-time fire inspector for 2015. Public Works decreased \$6,601 with many smaller items increasing and decreasing. Health and Welfare increased \$59,019 with the largest item being the EMS director position filled for a full year. Culture and recreation increased \$6,549 due to a number of factors increasing and decreasing with no significant items. Conservation and Development decreased \$10,207 with the major decrease being the VCDC reinvestment program for reimbursement of local sales tax.

The sales tax fund has a total fund balance \$3,186,983, all of which is committed for capital outlay and debt service. The net increase in fund balance during the current year is \$635,369. Revenues during this period increased by \$127,307 compared to the prior year. This is due to an increase in sales tax revenue of \$127,504 and a decrease in investment earnings of \$197. Expenditures decreased during this period by \$219,376, which is largely due to the decrease in capital outlay. Transfers out increased by \$189,444 to \$806,845. The major item of the increase is \$327,326 to the Prentis Park Pool capital projects and \$94,758 to the Mill and Overlay capital projects and decrease in the transfer to the Bliss Pointe capital project.

Proprietary funds. The City of Vermillion's proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail.

Unrestricted net positions of the proprietary funds are as follows, Electric \$5,667,954, Water \$1,002,982, Wastewater \$1,316,245, Liquor \$252,401, Golf Course \$902,030, Joint Powers-Landfill \$510,275 and Curbside Recycling \$77,974. The total growth in net position for all funds in the current year was \$524,108. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City of Vermillion adopted a revised budget in September of 2015 and a supplemental budget in December of 2015 to refine the budget numbers adopted a year earlier. The revenue was increased by \$198,320 (3.91% of the original budget). Expenditures were increased by \$59,440 (.96% of the original budget) and transfers out increased \$59,343. The original and final budgets are reported on Exhibit 8 on page 58.

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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, 2015 amount to \$77,440,110 (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 2015 there was \$1,498,000 of additions to the governmental capital assets while the depreciation for the year was \$1,870,647 and \$318,969 of capital assets were disposed.

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

- Construction continued on the electric department substation upgrade project with \$610,761 expended in 2015 and engineering began on the northeast substation with \$37,331 expended in 2015.
- Construction was completed on the landfill cell 5 totaling \$1,320,814 with \$136,814 expended in 2015.
- Engineering continued on the Prentis Park improvements with \$340,546 expended in 2015.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,622,815	\$ 1,622,815	\$ 2,487,229	\$ 2,487,229	\$ 4,110,044	\$ 4,110,044
Building & Structure	14,209,374	14,550,810	25,127,456	26,033,909	39,336,830	40,584,719
Improvements other buildings	-	-	15,221,103	13,990,281	15,221,103	13,990,281
Furniture & Equipment	3,799,256	3,998,343	1,568,464	1,808,354	5,367,720	5,806,697
Infrastructure & books	11,813,564	12,037,228	-	-	11,813,564	12,037,228
Construction in Progress	426,721	130,927	1,164,128	1,720,771	1,590,849	1,851,698
Total	\$ 31,871,730	\$ 32,340,123	\$ 45,568,380	\$ 46,040,544	\$ 77,440,110	\$ 78,380,667

Additional information on the City of Vermillion's capital assets can be found in Note 4 on pages 41-44 of this report.

Long-term debt. At the end of the current fiscal year, the City of Vermillion had a total long-term debt outstanding of \$25,887,479. Total note and bonded debt outstanding totaled \$20,010,877 with the remainder being capital leases of \$5,876,602.

The City's total outstanding debt increased by \$1,407,203 or 5.75% during the 2015 fiscal year. The City issued \$2,695,000 in Refunding Certificates of Participation in a Lease-Purchase Agreement Series 2015 bonds for the crossover refunding of the current Certificates of Participation in a Lease-Purchase Series 2007. The Series 2015 bonds will be held in escrow until the bonds can be called in December 2017.

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City of Vermillion's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue Bonds	\$ 1,732,000	\$ 1,732,000	\$ 18,075,352	\$ 19,000,452	\$ 19,807,352	\$ 20,732,452
Notes Payable	-	-	203,525	328,738	203,525	328,738
Capital Lease	5,710,000	3,230,785	166,602	188,301	5,876,602	3,419,086
Total	\$ 7,442,000	\$ 4,962,785	\$ 18,445,479	\$ 19,517,491	\$ 25,887,479	\$ 24,480,276

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 increased by \$996,839 to \$4,077,593. The final budget for 2015 had projected the fund balance to decrease by \$161,320. The City has appropriated \$758,914 of the general fund, fund balance for spending in the 2016 fiscal year of which \$500,000 is for the Prentis Park pool improvements.

Utility rates were increased for electric in December 2015 to pass along increased purchase of power costs. Water rates were increased in January 2016 and wastewater rates were adjusted in April 2015. Landfill rates were adjusted in December 2015. The storm water drainage fee was increased for 2014 by 4%.

Request for Information

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



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**CITY OF VERMILLION
BASIC FINANCIAL STATEMENTS**

CITY OF VERMILLION
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government			Component Unit Housing & Redevelopment
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash & cash equivalents	\$ 367,974	\$ 1,126,002	\$ 1,493,976	\$ 10,265
Investments	8,385,000	6,565,000	14,950,000	-
Receivables (net, where applicable, of allowance for uncollectibles)				
Taxes receivables	48,554	-	48,554	-
Accounts receivable	153,492	844,653	998,145	6,132
Unbilled accounts receivable	-	444,451	444,451	-
Special assessments receivable	466,143	953	467,096	-
Interest receivable	41,821	23,673	65,494	-
Due from insurance company	-	8,373	8,373	-
Due from other governments	637,906	31,830	669,736	-
Internal balances	(552,913)	552,913	-	-
Inventories	53,326	1,396,235	1,449,561	-
Net Pension Asset	790,157	489,783	1,279,940	-
Prepaid expenses	67,667	60,024	127,691	2,068
Deposits	158,060	-	158,060	-
Restricted assets:				
Cash	12,952	1,044,682	1,057,634	6,098
Investments	3,295,478	572,071	3,867,549	-
Interest receivable	1,362	11,789	13,151	-
Capital assets:				
Land and construction in progress	2,049,536	3,651,357	5,700,893	-
Other capital assets, net of depreciation	29,822,194	41,917,023	71,739,217	-
Total capital assets	31,871,730	45,568,380	77,440,110	-
Total assets	45,798,709	58,740,812	104,539,521	24,563
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	1,383,457	857,783	2,241,240	-
LIABILITIES				
Accounts payable	352,922	696,448	1,049,370	10,108
Customer deposits	-	90,675	90,675	-
Accrued interest payable	7,889	37,576	45,465	-
Revenue collected in advance	14,499	10,693	25,192	47
Noncurrent liabilities:				
Due within one year:				
Bonds payable	-	834,119	834,119	-
Notes payable	-	63,888	63,888	-
Capital lease	220,000	-	220,000	-
Accrued leave payable	192,232	164,258	356,490	3,825
Due in more than one year:				
Bonds payable	1,732,000	17,241,233	18,973,233	-
Notes payable	-	139,637	139,637	-
Capital lease	5,490,000	166,602	5,656,602	-
Closure - postclosure liability	-	296,111	296,111	-
Accrued leave payable	270,310	230,974	501,284	2,541
Total liabilities	8,279,852	19,972,214	28,252,066	16,521
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	1,176,675	714,768	1,891,443	-
NET POSITION				
Net investment in capital assets	26,161,730	27,122,901	53,284,631	-
Restricted for:				
BBB tax	288,296	-	288,296	-
Debt service	3,497,320	1,178,908	4,676,228	-
Stormwater	1,003,863	-	1,003,863	-
Parks Capital	82,738	-	82,738	-
Library	28,170	-	28,170	-
Business Improvement District	31,838	-	31,838	-
Landfill closure postclosure	-	122,863	122,863	-
Cumulative reserve-SDPAA	158,060	-	158,060	-
SDRS Pension Purposes	996,939	632,798	1,629,737	-
Other purposes	-	-	-	6,098
Unrestricted	5,476,685	9,854,143	15,330,828	1,944
Total Net Position	\$ 37,725,639	\$ 38,911,613	\$ 76,637,252	\$ 8,042

CITY OF VERMILLION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Housing & Redevelopment
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 1,373,494	\$ 377,732	\$ 12,856	\$ -	\$ (982,906)	\$ -	\$ (982,906)	\$ -
Public safety	2,430,332	49,694	292,077	-	(2,088,561)	-	(2,088,561)	-
Public works	1,988,965	357,524	-	1,483,803	(147,638)	-	(147,638)	-
Health & welfare	549,156	538,048	-	-	(11,108)	-	(11,108)	-
Culture & recreation	1,382,212	60,700	4,770	-	(1,316,742)	-	(1,316,742)	-
Conservation & development	492,999	-	3,820	-	(489,179)	-	(489,179)	-
Interest on long-term debt	261,125	-	-	-	(261,125)	-	(261,125)	-
Total governmental activities	8,478,283	1,383,698	313,523	1,483,803	(5,297,259)	-	(5,297,259)	-
Business-type activities:								
Electric	5,159,008	6,360,888	-	-	-	1,201,880	1,201,880	-
Water	1,542,802	1,744,965	7,000	-	-	209,163	209,163	-
Wastewater	1,758,756	1,853,034	-	-	-	94,278	94,278	-
Liquor	1,293,291	1,498,390	-	-	-	205,099	205,099	-
Golf	800,842	610,115	-	-	-	(190,727)	(190,727)	-
Joint powers landfill	1,438,417	1,315,471	-	30,291	-	(92,655)	(92,655)	-
Curbside recycling	97,913	108,267	-	-	-	10,354	10,354	-
Total business-type activities	12,091,029	13,491,130	7,000	30,291	-	1,437,392	1,437,392	-
Total primary government	\$ 20,569,312	\$ 14,874,828	\$ 320,523	\$ 1,514,094	\$ (5,297,259)	\$ 1,437,392	\$ (3,859,867)	\$ -
Component Unit Housing & redevelopment	954,780	11,402	893,861	-	-	-	-	(49,517)
Total component unit	\$ 954,780	\$ 11,402	\$ 893,861	\$ -	\$ -	\$ -	\$ -	\$ (49,517)
General revenues:								
Taxes:								
Property taxes - levied for general purposes					2,164,952	-	2,164,952	-
Sales taxes					3,668,467	-	3,668,467	-
Sales taxes for special revenues					337,878	-	337,878	-
Other state taxes					65,935	-	65,935	-
Unrestricted investment earnings					58,413	172,961	231,374	104
Miscellaneous revenue					331,373	77,229	408,602	-
Gain on sale of capital assets					5,577	-	5,577	-
Transfers					1,137,412	(1,137,412)	-	-
Total general revenues & transfers					<u>7,770,007</u>	<u>(887,222)</u>	<u>6,882,785</u>	<u>104</u>
Change in net position					2,472,748	550,170	3,022,918	(49,413)
Net position - beginning					34,378,706	37,800,054	72,178,760	57,455
Prior Period Adjustment					874,185	561,389	1,435,574	-
Adjusted Net Position-Beginning					<u>35,252,891</u>	<u>38,361,443</u>	<u>73,614,334</u>	<u>57,455</u>
Net position - ending					\$ 37,725,639	\$ 38,911,613	\$ 76,637,252	\$ 8,042



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CITY OF VERMILLION
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2015

	General	Sales Tax	Other Governmental Funds	2015 Total
ASSETS				
Cash and cash equivalents	\$ 93,221	\$ 27,177	\$ 223,527	\$ 343,925
Investments	3,600,000	2,958,000	1,190,000	7,748,000
Receivables (net, where applicable, of allowance for uncollectibles)				
Property taxes: delinquent	48,554	-	-	48,554
Accounts receivable	141,656	-	9,322	150,978
Special assessment receivable	-	-	466,143	466,143
Interest receivable	13,505	12,271	15,011	40,787
Due from other governments	286,445	213,352	138,109	637,906
Due from other funds	-	-	93,259	93,259
Inventory of supplies	43,592	-	-	43,592
Inventory of stores purchased for resale	9,734	-	-	9,734
Deposits	158,060	-	-	158,060
Advances to other funds	-	91,207	-	91,207
Restricted assets:				
Cash and cash equivalents	-	-	12,952	12,952
Investments	-	-	3,295,478	3,295,478
Interest receivable	-	-	1,362	1,362
Total assets	4,394,767	3,302,007	5,445,163	13,141,937
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	185,931	35,765	129,828	351,524
Due to other funds	-	-	125,289	125,289
Grant revenue collected in advance	2,187	-	12,312	14,499
Advance from other funds	-	-	487,808	487,808
Total liabilities	188,118	35,765	755,237	979,120
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-sales tax and interest	80,502	79,259	12,732	172,493
Unavailable revenue-delinquent property tax and interest	48,554	-	-	48,554
Unavailable revenue-delinquent stormwater fees	-	-	5,966	5,966
Unavailable revenue-special assessments and interest	-	-	446,779	446,779
Total deferred inflows of resources	129,056	79,259	465,477	673,792
Fund balances:				
Nonspendable:				
Inventory	53,326	-	-	53,326
Cumulative Reserve-SDPAA	158,060	-	-	158,060
Restricted:				
Surface Transportation Program	559,241	-	-	559,241
BBB Purposes	-	-	277,898	277,898
Stormwater	-	-	995,786	995,786
Parks Capital	-	-	82,723	82,723
Library	-	-	28,170	28,170
Business Improvement District	-	-	31,838	31,838
Debt Service Funds	-	-	3,058,430	3,058,430
Committed				
Sales Tax Purposes	-	3,186,983	-	3,186,983
Capital Projects	500,000	-	-	500,000
Assigned:				
Next Year's Budget	758,914	-	-	758,914
Unassigned	2,048,052	-	(250,396)	1,797,656
Total fund balances	4,077,593	3,186,983	4,224,449	11,489,025
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,394,767	\$ 3,302,007	\$ 5,445,163	\$ 13,141,937

CITY OF VERMILLION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2015

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

Total fund balance - governmental Funds (page 20)	\$ 11,489,025
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	28,929,618
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	\$ (1,732,000)
Capital Lease	(5,710,000)
Accrued leave payable	<u>(451,085)</u>
	(7,893,085)
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.	673,792
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	67,667
Accrued interest expense from the balance sheet that require current financial resources from governmental activities.	(7,889)
Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	777,689
Pension related deferred outflows are components of pension assets and therefore are not reported in the funds.	1,361,457
Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.	(1,158,831)
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets, deferred inflows and outflows, and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>3,486,196</u>
Total net position - governmental activities (page 18)	<u>\$ 37,725,639</u>

CITY OF VERMILLION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Sales Tax	Other Governmental Funds	2015 Total
Revenue:				
Taxes:				
General property taxes	\$ 2,177,817	\$ -	\$ 4,979	\$ 2,182,796
General sales & use taxes	1,792,980	1,791,080	333,965	3,918,025
Business Improvement District Fees	-	-	59,306	59,306
Stormwater fees	-	-	207,232	207,232
Penalties & interest on delinquent taxes	13,424	-	938	14,362
Licenses & permits	309,643	-	-	309,643
Intergovernmental revenue	925,836	-	721,173	1,647,009
Charges for goods & services	535,636	-	1,934	537,570
Fines & forfeits	43,707	-	3,153	46,860
Public payments for improvements	-	-	97,712	97,712
Investment earnings	9,786	8,661	9,122	27,569
Rentals	23,709	-	-	23,709
Special assessments	155	-	47,190	47,345
Contributions & donations from private sources	19,961	-	115,037	134,998
Other	109,200	-	4,160	113,360
Total revenue	<u>5,961,854</u>	<u>1,799,741</u>	<u>1,605,901</u>	<u>9,367,496</u>
Expenditures:				
Current:				
General government	1,195,756	7,637	-	1,203,393
Public safety	1,879,865	9,921	510,645	2,400,431
Public works	954,945	28,742	88,815	1,072,502
Health and welfare	521,881	2,000	-	523,881
Culture-recreation	1,080,176	5,918	13,981	1,100,075
Conservation and development	68,153	22,332	402,514	492,999
Debt service:				
Principal	785	-	215,000	215,785
Interest	-	-	266,768	266,768
Capital outlay:				
General government	550	-	-	550
Public safety	-	35,379	37,489	72,868
Public works	-	14,925	468,138	483,063
Health and welfare	1,200	34,506	340,546	376,252
Culture-recreation	97,190	196,167	-	293,357
Total expenditures	<u>5,800,501</u>	<u>357,527</u>	<u>2,343,896</u>	<u>8,501,924</u>
Excess (deficiency) of revenues over (under) expenditures	<u>161,353</u>	<u>1,442,214</u>	<u>(737,995)</u>	<u>865,572</u>
Other financing sources (uses):				
Transfers in	1,155,543	-	1,530,501	2,686,044
Transfers out	(320,057)	(806,845)	(427,730)	(1,554,632)
Proceeds from sale of bonds	-	-	2,695,000	2,695,000
Total other financing sources (uses)	<u>835,486</u>	<u>(806,845)</u>	<u>3,797,771</u>	<u>3,826,412</u>
Net change in fund balances	996,839	635,369	3,059,776	4,691,984
Fund balance - beginning	3,094,334	2,551,614	1,164,673	6,810,621
Change in inventory	(13,580)	-	-	(13,580)
Fund balance - ending	<u>\$ 4,077,593</u>	<u>\$ 3,186,983</u>	<u>\$ 4,224,449</u>	<u>\$ 11,489,025</u>

See Accompanying Notes to Financial Statements

CITY OF VERMILLION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2015

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

Net change in fund balances - total governmental funds (page 22)		\$ 4,691,984
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.		(13,580)
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	\$ 1,226,090	
Depreciation expense	<u>(1,493,737)</u>	(267,647)
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.		(47,885)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The amount by which proceeds exceeded repayments in the current year is as follows:		
Repayment of long-term debt	\$ 215,785	
Proceeds from issuance of long-term debt	<u>(2,695,000)</u>	(2,479,215)
Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied.		359,705
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.		(17,575)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.		83,484
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.		(10,932)
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		347
Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.		120,863
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.		53,199
Change in net position of governmental activities (page 19)		<u>\$ 2,472,748</u>

CITY OF VERMILLION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	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	\$ 360,095	\$ 141,947	\$ 106,967	\$ 98,368	\$ 67,849	\$ 330,145	\$ 20,631	\$ 1,126,002	\$ 24,049
Investments	3,900,000	640,000	1,025,000	25,000	825,000	100,000	50,000	6,565,000	637,000
Receivables (net of allowance for uncollectibles of \$46,120)									
Accounts	476,117	135,713	155,440	342	4,129	63,705	9,207	844,653	2,514
Unbilled	287,719	67,482	84,697	-	-	-	4,663	444,451	-
Special assessments	-	591	362	-	-	-	-	953	-
Interest	14,344	2,165	3,030	124	3,774	43	192	23,673	1,034
Due from other governments	-	-	-	-	-	31,830	-	31,830	-
Due from insurance company	-	-	-	-	-	8,373	-	8,373	-
Inventory of supplies	752,987	175,504	59,862	-	11,340	78,661	-	1,088,354	-
Inventory of stores purchased for resale	-	-	-	257,867	50,014	-	-	307,881	-
Prepaid expenses	27,520	9,153	9,079	7,127	2,175	4,509	360	60,024	-
Due from other funds	33,012	-	-	-	-	-	-	33,012	-
Total current assets	5,861,894	1,172,556	1,444,327	388,828	964,282	617,266	85,053	10,534,206	664,597
Noncurrent assets:									
Advance to other funds	396,601	-	-	-	-	-	-	396,601	-
Restricted assets:									
Bonds payable									
- Cash	66,847	134,536	405,689	-	-	18,636	-	625,708	-
- Investments	572,071	-	-	-	-	-	-	572,071	-
- Interest receivable	11,789	-	-	-	-	-	-	11,789	-
Landfill closure & postclosure - Cash	-	-	-	-	-	418,974	-	418,974	-
Total noncurrent assets	1,047,308	134,536	405,689	-	-	437,610	-	2,025,143	-
Net Pension Assets	152,601	101,612	78,640	-	49,848	82,022	15,060	489,783	12,468
Capital assets									
Land & improvements	1,311	100,663	96,429	-	2,230,834	57,992	-	2,487,229	-
Buildings	5,806,465	9,803,738	14,495,693	-	1,002,798	4,127,863	-	35,236,557	-
Improvements other than buildings	12,645,529	4,373,950	4,134,987	-	-	3,146,895	-	24,301,361	-
Furniture & equipment	553,246	166,471	2,539,159	99,804	627,298	1,686,924	54,434	5,727,336	5,459,579
Construction in progress	1,120,155	-	-	-	43,973	-	-	1,164,128	-
Less: accumulated depreciation	(6,133,194)	(4,152,501)	(8,793,973)	(43,931)	(983,949)	(3,200,253)	(40,430)	(23,348,231)	(2,517,467)
Total capital assets (net depreciation)	13,993,512	10,292,321	12,472,295	55,873	2,920,954	5,819,421	14,004	45,568,380	2,942,112
Total noncurrent assets	15,040,820	10,426,857	12,877,984	55,873	2,920,954	6,257,031	14,004	47,593,523	2,942,112
Total assets	21,065,315	11,701,025	14,400,951	444,701	3,935,064	6,956,319	114,117	58,617,512	3,619,177
DEFERRED OUTFLOWS OF RESOURCES									
Pension Related Deferred Outflows	286,045	177,513	135,412	-	87,901	144,428	26,484	857,783	22,000
LIABILITIES									
Current liabilities									
Accounts payable	392,127	54,770	70,766	136,427	5,217	35,435	1,706	696,448	1,398
Customer deposits	60,450	30,225	-	-	-	-	-	90,675	-
Accrued interest payable	30,247	-	413	-	-	6,899	17	37,576	-
Due to other funds	-	609	373	-	-	-	-	982	-
Bonds payable - current	205,000	232,043	334,912	-	-	62,164	-	834,119	-
Notes payable - current	-	-	-	-	-	55,635	8,253	63,888	-
Revenue collected in advance	-	-	-	-	9,021	-	1,672	10,693	-
Accrued leave payable	57,338	34,898	23,665	-	19,955	26,871	1,531	164,258	4,761
Total current liabilities	745,162	352,545	430,129	136,427	34,193	187,004	13,179	1,898,639	6,159
Noncurrent liabilities:									
Revenue bonds	6,055,000	4,176,765	5,478,051	-	-	1,531,417	-	17,241,233	-
Notes payable	-	-	-	-	-	139,637	-	139,637	-
Capital lease payable	-	-	-	-	-	166,602	-	166,602	-
Closure-postclosure liability	-	-	-	-	-	296,111	-	296,111	-
Accrued leave payable	80,626	49,072	33,278	-	28,059	37,786	2,153	230,974	6,696
Total noncurrent liabilities	6,135,626	4,225,837	5,511,329	-	28,059	2,171,553	2,153	18,074,557	6,696
Total liabilities	6,880,788	4,578,382	5,941,458	136,427	62,252	2,358,557	15,332	19,973,196	12,855
DEFERRED INFLOWS OF RESOURCES:									
Pension Related Deferred Inflows	237,752	148,431	112,347	-	72,095	121,618	22,525	714,768	17,844
NET POSITION									
Net investment in capital assets	7,733,512	5,883,513	6,659,332	55,873	2,920,954	3,863,966	5,751	27,122,901	2,942,112
Restricted for:									
Restricted for debt service	620,460	134,536	405,276	-	-	18,636	-	1,178,908	-
Restricted for landfill closure & postclosure	-	-	-	-	-	122,863	-	122,863	-
Restricted for SDRS Pension Purposes	210,894	130,694	101,705	-	65,654	104,832	19,019	832,798	16,624
Unrestricted	5,667,954	1,002,982	1,316,245	252,401	902,030	510,275	77,974	9,729,861	651,742
Total net position	\$ 14,232,820	\$ 7,151,725	\$ 8,482,558	\$ 308,274	\$ 3,888,638	\$ 4,620,572	\$ 102,744	\$ 38,787,331	\$ 3,619,478
Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities								124,282	
Net Position of Business-type Activities								\$ 38,911,613	

CITY OF VERMILLION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	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	\$ 5,508,431	\$ 1,449,231	\$ 1,514,528	\$ 1,498,390	\$ 610,115	\$ 1,130,256	\$ 108,077	\$ 11,819,028	\$ 542,471
Surcharge as security for debt	717,330	272,428	330,834	-	-	-	-	1,320,592	-
Miscellaneous	135,127	23,306	7,872	-	-	183,994	190	350,289	-
Total operating revenue	<u>6,360,888</u>	<u>1,744,965</u>	<u>1,853,034</u>	<u>1,498,390</u>	<u>610,115</u>	<u>1,314,250</u>	<u>108,267</u>	<u>13,489,909</u>	<u>542,471</u>
Operating expenses:									
Personal services	832,724	544,228	399,635	-	373,038	507,861	90,161	2,747,647	85,050
Other current expense	340,422	328,875	588,801	253,096	240,229	452,551	4,919	2,208,893	15,480
Materials (cost of goods sold)	3,045,615	231,360	-	1,028,857	135,572	-	-	4,441,104	-
Depreciation/amortization	560,875	320,596	808,899	6,797	57,841	423,611	2,495	1,980,914	378,910
Total operating expenses	<u>4,779,536</u>	<u>1,425,059</u>	<u>1,597,135</u>	<u>1,288,550</u>	<u>806,880</u>	<u>1,384,023</u>	<u>97,575</u>	<u>11,378,558</u>	<u>477,440</u>
Operating income (loss)	<u>1,581,352</u>	<u>319,906</u>	<u>255,899</u>	<u>209,840</u>	<u>(196,565)</u>	<u>(69,773)</u>	<u>10,692</u>	<u>2,111,351</u>	<u>65,031</u>
Nonoperating revenue (expense):									
Interest earned	157,937	3,741	4,674	138	4,521	1,681	269	172,961	2,653
Rental revenue	-	3,487	-	-	73,732	-	-	77,229	-
Interest expense and fiscal charges	(374,980)	(120,090)	(166,356)	-	-	(54,389)	(341)	(716,156)	-
Gain(loss) on discarded equipment	(16,664)	-	(972)	(4,741)	-	1,221	-	(21,156)	5,577
Total nonoperating revenue (expense)	<u>(233,707)</u>	<u>(112,852)</u>	<u>(162,654)</u>	<u>(4,603)</u>	<u>78,253</u>	<u>(51,487)</u>	<u>(72)</u>	<u>(487,122)</u>	<u>8,230</u>
Income (loss) before contributions and transfers	1,347,645	207,054	93,245	205,237	(118,312)	(121,280)	10,620	1,624,229	73,261
Capital contributions & grants	-	7,000	-	-	-	30,291	-	37,291	-
Transfer in	9,000	-	-	-	-	-	-	9,000	6,000
Transfer out	(984,950)	(38,583)	(28,679)	(194,200)	-	-	-	(1,146,412)	-
Change in net position	<u>471,695</u>	<u>175,471</u>	<u>64,566</u>	<u>11,037</u>	<u>(118,312)</u>	<u>(90,989)</u>	<u>10,620</u>	<u>524,108</u>	<u>79,261</u>
Total net position - beginning	13,575,605	6,859,846	8,324,443	297,237	3,948,823	4,620,293	75,587		3,516,484
Prior Period Adjustment	185,520	116,408	83,549	-	56,127	91,248	16,537		14,733
Adjusted Net Position Beginning	13,761,125	6,976,254	8,417,992	297,237	4,006,950	4,711,541	92,124		3,531,217
Total net position - ending	<u>\$ 14,232,820</u>	<u>\$ 7,151,725</u>	<u>\$ 8,482,558</u>	<u>\$ 308,274</u>	<u>\$ 3,888,638</u>	<u>\$ 4,620,572</u>	<u>\$ 102,744</u>		<u>\$ 3,610,478</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise activities								26,062	
Change in Net Position of Business-type Activities (page 19):								\$ 550,170	

CITY OF VERMILLION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities-Enterprise Funds								Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Liquor	Golf Course	Joint Powers Landfill	Non-Major Curbside Recycling	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash received from customers	\$ 5,978,121	\$ 1,748,883	\$ 1,845,811	\$ 1,498,699	\$ 691,617	\$ 1,362,726	\$ 108,857	\$ 13,232,714	\$ -
Cash received from interfund services provided	410,901	23,170	9,877	-	-	-	-	443,948	542,581
Cash paid for personal services	(845,373)	(560,251)	(423,600)	-	(375,949)	(517,013)	(92,072)	(2,814,458)	(84,363)
Cash paid for interfund services	(833)	(85,754)	(94,232)	(8,879)	(28,204)	(7,018)	-	(224,820)	-
Cash paid to suppliers	(3,477,834)	(458,373)	(478,293)	(1,310,878)	(350,660)	(438,877)	(4,481)	(6,517,496)	(15,746)
Net cash provided (used) by operating activities	2,064,682	665,675	861,563	179,042	(63,196)	399,818	12,304	4,119,888	442,472
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(1,033,648)	(244,550)	(28,790)	(24,879)	(18,936)	(433,563)	-	(1,784,366)	(234,422)
Grants	-	7,000	-	-	-	30,291	-	37,291	-
Proceeds from sale of assets	750	-	-	-	-	3,150	-	3,900	15,950
Principal paid on bonds and capital leases	(200,000)	(302,108)	(377,575)	-	-	(184,281)	(8,050)	(1,072,012)	-
Interest paid on bonds and capital leases	(375,663)	(120,090)	(168,401)	-	-	(85,937)	(358)	(748,449)	-
Net cash (used for) capital and related financing activities	(1,608,561)	(659,748)	(572,766)	(24,879)	(18,936)	(670,340)	(8,408)	(3,563,836)	(218,472)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES									
Due from other funds	293,116	40,282	(373)	51,814	-	-	-	384,839	-
Advances to Other Funds	(327,307)	-	-	-	-	-	-	(327,307)	-
Transfer in	9,000	-	-	-	-	-	-	9,000	6,000
Transfer (out)	(884,950)	(38,583)	(28,679)	(194,200)	-	-	-	(1,146,412)	-
Net cash provided by (used for) non-capital financing activities	(910,141)	1,699	(29,052)	(142,386)	-	-	-	(1,079,880)	6,000
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest on investments	154,912	4,243	4,626	462	1,578	3,084	212	169,105	2,057
Purchase of investments	(838)	-	(250,000)	-	-	-	-	(250,838)	(225,000)
Sale of investments	575,000	50,000	-	50,000	25,000	350,000	-	1,050,000	-
Net cash provided by (used for) investing activities	729,274	54,243	(245,374)	50,462	28,578	353,084	212	968,467	(222,943)
Net Increase (decrease) in cash and cash equivalents	275,254	81,871	14,371	82,229	(55,556)	82,562	4,108	444,839	7,057
Cash and cash equivalents beginning of year	151,688	214,612	498,285	36,139	123,405	685,193	16,523	1,726,845	16,992
Cash and cash equivalents end of year	\$ 426,942	\$ 276,483	\$ 512,656	\$ 98,368	\$ 67,849	\$ 767,755	\$ 20,631	\$ 2,170,684	\$ 24,049
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES									
Operating income (loss)	\$ 1,581,352	\$ 319,906	\$ 255,699	\$ 209,840	\$ (196,585)	\$ (69,773)	\$ 10,692	\$ 2,111,351	\$ 65,031
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:									
Depreciation	560,875	320,596	608,699	6,797	57,841	423,611	2,495	1,980,914	376,910
Rental revenue	-	3,497	-	-	73,732	-	-	77,229	-
(increase) decrease in assets and increase (decrease) in liabilities:									
Accounts receivable	25,924	20,486	2,654	309	2,841	23,760	590	76,564	110
Due from other governments	-	-	-	-	-	24,716	-	24,716	-
Inventory	(64,551)	35,768	(1,817)	(70,126)	(2,365)	10,464	-	(92,629)	-
Prepaid expenses	3,393	(90)	1,934	(673)	421	(373)	203	4,815	-
Net Pension Asset	118,443	74,337	63,161	-	38,072	55,987	9,846	359,846	9,943
Deferred Outflows of Resources	(80,977)	(49,728)	(34,538)	-	(24,528)	(42,070)	(7,815)	(239,656)	(6,027)
Deferred Inflows of Resources	(62,840)	(38,895)	(38,779)	-	(21,071)	(27,501)	(4,513)	(191,599)	(5,907)
Accounts payable	(31,672)	(19,568)	18,159	32,895	(1,119)	(19,544)	235	(20,614)	(266)
Revenue collected in advance	-	-	-	-	4,929	-	-	4,929	-
Leave liability	12,525	(1,737)	(15,809)	-	4,616	4,432	571	4,598	2,578
Closure liability	-	-	-	-	-	16,109	-	16,109	-
Customer deposits	2,210	1,105	-	-	-	-	-	3,315	-
Net cash provided by operating activities	\$ 2,064,682	\$ 665,675	\$ 861,563	\$ 179,042	\$ (63,196)	\$ 399,818	\$ 12,304	\$ 4,119,888	\$ 442,472
Noncash investing, capital and financing activities:									
Exchange of payables for capital assets	\$ 85,692	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,692	\$ -
Gain(loss) on disposal of capital assets not affecting operating income	(18,664)	(468)	-	(4,741)	-	-	-	(21,873)	196,451
Total noncash investing, capital and financing activities	\$ 69,028	\$ (468)	\$ -	\$ (4,741)	\$ -	\$ -	\$ -	\$ 63,819	\$ 196,451
Reconciliation of cash and cash equivalents:									
Unrestricted	\$ 360,095	\$ 141,947	\$ 106,967	\$ 98,368	\$ 67,849	\$ 330,145	\$ 20,631	\$ 1,128,002	\$ 24,049
Restricted	66,847	134,536	405,689	-	-	437,610	-	1,044,682	-
Total reconciliation of cash & cash equivalents	\$ 426,942	\$ 276,483	\$ 512,656	\$ 98,368	\$ 67,849	\$ 767,755	\$ 20,631	\$ 2,170,684	\$ 24,049

Notes to Financial Statements

Note 1- Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

B. Government-wide and fund financial statements

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

activities in the government wide financial statements.

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue Fund:

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

The City reports the following major enterprise funds:

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City is 30 days. The revenues which are accrued at December 31, 2015 are property taxes, special assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

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

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

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

D. Interfund Eliminations and Reclassifications:

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

Government-wide Financial Statements:

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

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

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

Deposits

The City's deposits at December 31, 2015 consist of bank deposits that are covered by Federal depository insurance or for the accounts that exceed deposit insurance eligible collateral or revocable standby letter of credit as required by SDCL 4-6A-3 were maintained to insure there would be no loss of public funds. Deposits also consist of nonnegotiable certificate of deposits with a carrying value of \$15,250,000. The City's bank deposits, per banks, at December 31, 2015 were \$16,441,419 and \$16,363 in deposits of the Vermillion Housing and Redevelopment Commission for total bank deposits of \$16,457,782.

Investment

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

The City also participates in the South Dakota Public Funds Investment Trust (SDFIT). The SDFIT was established under SDCL 1-24 and is an external investment pool created for South Dakota local government investing. A nine-member board regulates it with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one-dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. The investment in SDFIT is unrated. The City's SDFIT balance at December 31, 2015 was \$1,344,388.

**City of Vermillion
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Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Interest Rate Risk

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

Credit Risk

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

Custodial Risk – Deposits

In the case of deposits this is the risk that 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	\$ 250,000
Prentis Park Improvements	Bond Covenants	58,000
City Hall Debt Service Fund	External Parties	3,000,430
Electric Fund	Bond Covenants	638,918
Water Fund	Bond Covenants	134,536
Wastewater Fund	Bond Covenants	405,689
Joint Powers-Landfill Fund	Bond Covenants	18,636
Joint Powers-Landfill Fund	State Agency	418,974
Total Restricted Cash and Investments		<u>\$ 4,925,183</u>

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Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Restricted Investments	Amount	12/31/2015
U.S Treasury Note	\$ 2,995,478	AAA
First Bank and Trust CD	200,000	
CorTrust CD	100,000	
U.S Treasury Bond	321,125	AAA
Money Market	2,946	AAA
First Bank and Trust CD	248,000	
Restricted Investments	\$ 3,867,549	

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, 2015, 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 \$124,282 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, 2015 is as follows:

	Short-term interfund Receivables	Short-term Interfund Payables
Special Revenue Funds:		
911 Fund	\$ -	\$ 56,275
Enterprise Funds:		
Electric	33,012	-
Water	-	609
Wastewater	-	373
Capital Projects Funds:		
Airport	-	23,581
Mill Overlay	93,259	-
Debt Service Funds:		
Special Assessments	-	45,433
	\$ 126,271	\$ 126,271

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Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

The composition of long-term advances as of December 31, 2015, is as follows:

	Advance to	Advance (from)
<u>Enterprise</u>		
Electric	\$ 396,601	\$ -
<u>Debt Service</u>		
TIF District No. 6	-	91,207
Special Assessment	-	396,601
<u>Special Revenue</u>		
Sales Tax	91,207	-
	\$ <u>487,808</u>	\$ <u>487,808</u>

The advances consist of Special Assessment Bonds which were purchased by the Electric Enterprise Fund and are payable from the Special Assessment Debt Service Fund, Water Fund and Wastewater Fund. The current portion of the bonds is shown as short-term interfund receivable/payable while those amounts due and payable after one year are recorded as advances. 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 assets.

Payments made to vendors for services that will benefit periods beyond December 31, 2015 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.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

J. Cash Flows

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

K. Interfund Transactions

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

L. Capital Assets

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

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Interest costs for capital asset construction within enterprise funds are capitalized. However, all other interest costs are recorded in the debt service fund. Interest costs incurred during 2015 were \$926,763 of which \$7,064 were capitalized.

M. Accumulated Unpaid Vacation and Sick Leave

Annual leave is earned by the employees at the rate of 48 hours to 200 hours per year depending on length of service. Upon termination, employees are entitled to receive compensation for their

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

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

N. Long-Term Obligations

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

O. Equity Classifications

Government-wide Financial Statements:

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

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances 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.

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

3. Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

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

P. Application of Net Position

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

Q. Fund Balance Classification Policies and Procedures

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

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

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

The City Council establishes (and 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).

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Notes to Financial Statements

Note 2 – Property Tax

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the City's taxes and remits them to the City. The City accrues all delinquent property tax revenue received with 30 days after December 31, 2015.

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, 2015 was \$6.114 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	\$ 35,028
Uncollectibles related to ambulance charges	21,651
Uncollectibles related to mobile home fees	364
Uncollectibles related to miscellaneous fees	1,291
Uncollectibles related to electric charges	27,711
Uncollectibles related to water charges	5,913
Uncollectibles related to wastewater charges	7,321
Uncollectibles related to golf course charges	4,561
Uncollectibles related to curbside recycling charges	614
	<u>\$ 104,454</u>

Amounts due from other governments include \$531,477 from the State of South Dakota, \$79,221 due from Clay County, \$31,830 due from the City of Yankton, and \$27,208 due from the Federal Government. The City also has \$8,373 due from insurance for a fire that occurred at the landfill in 2012.

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Notes to Financial Statements

Note 4 – Capital Assets

A summary of the changes in the capital assets for the year ended December 31, 2015, is as follows:

	January 1, 2015	Additions	Deletions	December 31, 2015
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 1,221,441	\$ -	\$ -	\$ 1,221,441
Infrastructure Land	401,374	-	-	401,374
Construction in Progress	130,927	459,824	(164,030)	426,721
Total capital assets, not being depreciated	<u>1,753,742</u>	<u>459,824</u>	<u>(164,030)</u>	<u>2,049,536</u>
Capital Assets, being depreciated				
Buildings	19,188,442	193,167	(10,068)	19,371,541
Furniture & Equipment	8,299,806	421,070	(234,559)	8,486,317
Books	1,898,024	77,781	(73,563)	1,902,242
Infrastructure	21,144,758	510,188	(779)	21,654,167
Total capital assets, being depreciated	<u>50,531,030</u>	<u>1,202,206</u>	<u>(318,969)</u>	<u>51,414,267</u>
Less: Accumulated Depreciation for:				
Buildings	(4,637,632)	(531,324)	6,789	(5,162,167)
Furniture & Equipment	(4,301,463)	(561,383)	175,785	(4,687,061)
Books	(827,431)	(37,267)	40,461	(824,237)
Infrastructure	(10,178,123)	(740,673)	188	(10,918,608)
Total Accumulated Depreciation	<u>(19,944,649)</u>	<u>(1,870,647)</u>	<u>223,223</u>	<u>(21,592,073)</u>
Total Capital Assets, being depreciated, net	<u>30,586,381</u>	<u>(668,441)</u>	<u>(95,746)</u>	<u>29,822,194</u>
Governmental activities capital assets, net	<u>\$ 32,340,123</u>	<u>\$ (208,617)</u>	<u>\$ (259,776)</u>	<u>\$ 31,871,730</u>

The following commitments are included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2015
Culture & Recreation:		
Airport	\$ 500,000	\$ 30,232
Swimming Pool	6,131,674	360,566
Main & Traffic Signals	48,000	35,923
	<u>\$ 6,679,674</u>	<u>\$ 426,721</u>

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Notes to Financial Statements

Note 4 – Capital Assets (Continued)

	Balance January 1, 2015			Balance December 31, 2015		
		Additions	Deletions			
Business-Type Activities:						
Capital Assets, not being depreciated						
Land and Improvements	\$ 2,487,229	\$ -	\$ -	\$ 2,487,229		
Construction in Progress	1,720,771	648,092	(1,204,735)	1,164,128		
Total capital assets, not being depreciated	<u>4,208,000</u>	<u>648,092</u>	<u>(1,204,735)</u>	<u>3,651,357</u>		
Capital Assets, being depreciated						
Buildings	35,214,429	34,872	(12,744)	35,236,557		
Improvements Other than Buildings	22,392,670	1,958,786	(50,095)	24,301,361		
Furniture & Equipment	5,659,908	107,534	(40,106)	5,727,336		
Total capital assets, being depreciated	<u>63,267,007</u>	<u>2,101,192</u>	<u>(102,945)</u>	<u>65,265,254</u>		
Less: Accumulated Depreciation for:						
Buildings	(9,180,520)	(934,724)	6,143	(10,109,101)		
Improvements Other than Buildings	(8,402,389)	(702,252)	24,383	(9,080,258)		
Furniture & Equipment	(3,851,554)	(343,938)	36,620	(4,158,872)		
Total Accumulated Depreciation	<u>(21,434,463)</u>	<u>(1,980,914)</u>	<u>67,146</u>	<u>(23,348,231)</u>		
Total Capital Assets, being depreciated, net	<u>41,832,544</u>	<u>120,278</u>	<u>(35,799)</u>	<u>41,917,023</u>		
Business-type activities capital assets, net	<u>\$ 46,040,544</u>	<u>\$ 768,370</u>	<u>\$ (1,240,534)</u>	<u>\$ 45,568,380</u>		

The following commitments are included in construction in progress:

	Total Project Authorization	Expended thru 12/31/2015
Golf Course Housing Sites	\$ 252,804	\$ 43,973
Electric Substation	1,169,216	1,082,824
Electric NE Substation	400,000	37,331
	<u>\$ 1,822,020</u>	<u>\$ 1,164,128</u>

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Notes to Financial Statements

Note 4 – Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 199,612
Public Safety	117,539
Public Works	915,628
Health & Welfare	30,632
Culture & Recreation	<u>230,326</u>
Total depreciation expense	
- Governmental Activities	1,493,737
- Internal Service Funds	<u>376,910</u>
	<u>\$ 1,870,647</u>
Business-Type Activities:	
Electric	\$ 560,875
Water	320,596
Wastewater	608,699
Liquor	6,797
Golf Course	57,841
Joint Powers Landfill	423,611
Curbside Recycling	<u>2,495</u>
Total depreciation expense	
- Business-Type Activities	<u>\$ 1,980,914</u>

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

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

**City of Vermillion
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Notes to Financial Statements

Note 4 – Capital Assets (Continued)

Reconciliation of Net Investment in Capital Assets:

	<u>Governmental</u>	<u>Business-Type</u>
Land and Improvements	\$ 1,622,815	\$ 2,487,229
Construction in Progress	426,721	1,164,128
Capital Assets (Net of Accumulated Depreciation)	29,822,194	41,917,023
Less:		
Revenue Bonds	-	(18,075,352)
Notes Payable	-	(203,525)
Capital Leases	<u>(5,710,000)</u>	<u>(166,602)</u>
Net Investment in Capital Assets	<u>\$ 26,161,730</u>	<u>\$ 27,122,901</u>

Note 5 – Long-Term Debt

Notes Payable

The City currently has three notes payable outstanding. The first was entered into in 2009 with the Solid Waste Management Program for purchase of equipment to initiate and establish a new curbside recycling program in the amount not to exceed \$175,000. The rate on this loan is 2.5%, repayment began on June 1, 2010 and matures December 1, 2016.

The second was entered into in 2010 with the Solid Waste Management Program for purchase of Landfill Dozer in the amount of \$200,000. The rate on this loan is 2.25%, repayment began on June 1, 2011 and matures December 1, 2017.

The third was entered into in 2010 with the Solid Waste Management Program for purchase of Landfill Baler in the amount of \$255,519. The rate on this loan is 2.25%, repayment began on June 1, 2011 and matures December 1, 2020.

Notes Payable outstanding at December 31, 2015 is as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Outstanding Amounts</u>
Solid Waste Management-2008-402	2.50%	\$ 8,252
Solid Waste Management-2010-402	2.25%	60,374
Solid Waste Management-2010-203	2.25%	<u>134,899</u>
		<u>\$ 203,525</u>

**City of Vermillion
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Notes to Financial Statements

Note 5 – Long-Term Debt (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending December 31	Business-Type Activities	
	Principal	Interest
2016	\$ 63,888	\$ 4,237
2017	56,894	2,823
2018	26,966	1,711
2019	27,577	1,100
2020	28,200	477
Total	\$ 203,525	\$ 10,348

Revenue Bonds

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

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

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

A detail of revenue bonds outstanding follows:

Governmental Activities:		
TIF Incremental Revenue Bonds	3.50%	\$ 1,732,000
		<u>\$ 1,732,000</u>
Business-Type Activities:		
Electric Revenue Bond, Series 2009 A & B	2.0%-6.25%	\$ 6,260,000
Wastewater System Revenue Bond, Series 2003 (SRF)	3.50%	143,460
Wastewater System Revenue Bond, Series 2008 (SRF)	3.25%	3,354,164
Wastewater System Revenue Bond, Series 2009 (SRF)	2.50%	200,339
Wastewater System Revenue Refunding Bond, Series 2013 (SRF)	.5%-2.45%	2,115,000
Joint Powers Revenue Bond 2013 (SRF)	3.00%	1,593,581
Water Utility Bond, Series 2002 (SRF)	3.50%	769,270
Water Utility Bond, Series 2006 (SRF)	2.50%	2,436,719
Water Utility Bond, Series 2013 (SRF)	2.25%	1,202,819
Total Business-Type Activities		<u>\$ 18,075,352</u>

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Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31:	Government		Enterprise	
	Principal	Interest	Principal	Interest
2016	\$ -	\$ 60,620	\$ 834,119	\$ 624,966
2017	37,124	60,296	980,254	655,337
2018	85,007	58,583	1,012,996	626,018
2019	168,724	54,882	1,041,225	594,578
2020	234,038	48,410	1,070,008	561,678
2021-2025	1,207,107	96,212	5,694,507	2,250,563
2026-2030	-	-	4,439,024	1,294,001
2031-2035	-	-	2,578,219	535,706
2036	-	-	425,000	26,563
Total	\$ 1,732,000	\$ 379,003	\$ 18,075,352	\$ 7,169,410

Capital Lease

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

An agreement with The First National Bank in Sioux Falls (Lessor/Trustee) for the financing to construct a new city hall building. The Declaration of Trust Agreement, the Lease-Purchase Agreement and Ground Lease Agreement between the City and The First National Bank along with the issuance of \$4,475,000 of Certificates of Participation were completed in September 2007. These agreements are evidence of the Bank's ownership interest in the lease-purchase assets with the City of Vermillion. In addition to the Certificate of Participation proceeds available for the building construction, the City contributed \$1,140,000 of sales tax funds for completion of the building project. The bid was awarded and construction began on the new city hall building in October 2007 and completed in March 2009. The interest rate on the Certificates of Participation varies from 3.80% to 4.40% and the lease payment terms match the terms of the certificates with final payment December 15, 2026. Sales tax funds have been pledged to make the lease payments over the term of the lease.

An agreement with Kinetic Leasing for the financing of a 2012 Caterpillar Motorgrader at the landfill. A down payment of \$12,737 was made in 2012 and an agreement for \$253,282 to be paid back with an interest rate of 3.25% and maturing in 2019. This lease is paid from the Joint Powers Landfill-Recycling Fund. The equipment is recorded at \$266,019 less accumulated depreciation at year end of \$167,592.

On December 2, 2015 the City issued \$2,695,000 of crossover refunding certificates of participation in lease-purchase series 2015 in a crossover advance refunding of the certificates of participation in lease-purchase series 2007. The 2015 certificates have an average interest rate of 2.35% and the 2007 certificates being refunded have an average interest rate of 4.23%. The net proceeds of the issuance were used to purchase U.S. government securities and were deposited in an escrow account with First National Trust and Investment Management Services. As of December 31, 2015 the amount in the escrow was \$2,634,462. This amount will be used to refund the remaining \$2,565,000 of the 2007 certificates on December 15, 2017. The assets deposited with the escrow agent are shown as a restricted asset in the City Hall Bonds debt service fund. As a result of this refunding, the City will reduce its debt service payments over the next eleven years by \$127,122, and obtain an economic gain of \$111,073.

**City of Vermillion
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Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

A detail of capital leases outstanding follows:

Purpose	Interest Rate	Outstanding Amounts
City Hall - First National Bank	3.8%-4.40%	\$ 5,710,000
Joint Powers - Kinetic Leasing	3.25%	166,602
		\$ 5,876,602

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, 2015.

Year Ending December 31	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 220,000	\$ 185,127	\$ -	\$ -	\$ 405,127
2017	2,795,000	178,890	22,404	5,415	3,001,709
2018	280,000	58,870	23,132	4,686	366,688
2019	280,000	54,810	121,066	3,935	459,811
2020	285,000	50,330	-	-	335,330
2021-2025	1,525,000	160,328	-	-	1,685,328
2026	325,000	9,100	-	-	334,100
Minimum Lease Payments					6,588,093
Less:					
Amount Representing Interest Present Value of Minimum Lease Payments					(711,491)
					\$ 5,876,602

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 \$296,111 reported as landfill closure and post closure care liability at December 31, 2015, represents the cumulative amount reported to date based on the use of 18.5 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure

City of Vermillion
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 December 31, 2015

Notes to Financial Statements

Note 5 – Long Term Debt (Continued)

and postclosure care of \$1,607,638 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2015. The City expects to close the landfill in the year 2076. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The City reports the closure and postclosure care funds as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earning are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenues.

Changes in Long-Term Liabilities are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue Bonds Payable	\$ 1,732,000	\$ -	\$ -	\$ 1,732,000	\$ -
Capital Leases	3,230,785	2,695,000	215,785	5,710,000	220,000
Compensated Absences	442,389	462,542	442,389	462,542	192,232
Governmental Activities Long-Term Liabilities	\$ 5,405,174	\$ 3,157,542	\$ 658,174	\$ 7,904,542	\$ 412,232
Business-Type Activities:					
Revenue Bonds Payable	\$ 19,000,452	\$ -	\$ 925,100	\$ 18,075,352	\$ 834,119
Notes Payable	328,738	-	125,213	203,525	63,888
Capital Leases	188,301	-	21,699	166,602	-
Closure/Postclosure Liability	280,002	16,109	-	296,111	-
Compensated Absences	390,634	395,232	390,634	395,232	164,258
Business-Type Activities Long-Term Liabilities	\$ 20,188,127	\$ 411,341	\$ 1,462,646	\$ 19,136,822	\$ 1,062,265

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

Note 6 – Leases

The City has the following operating leases:

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

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

**City of Vermillion
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Notes to Financial Statements

Note 6 – Leases (Continued)

Year	Amount
2016	\$ 11,250
2017	11,250
2018	11,250
2019	11,250

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

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

Note 7 – Conduit Debt

In previous years, the municipality has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the municipality, the State of South Dakota, nor any other political subdivision of the state, is obligated in any manner for the repayment of their conduit debt issues. Accordingly, the bond is not reported as liabilities in the accompanying financial statements. As of December 31, 2015, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$220,000.

Note 8 – Deficit Fund Equity

As of December 31, 2015, the following funds had deficit fund equity in the amount of:

Debt Service Funds:	
TIF District No. 6 Bonds	\$ 91,207
Special Assessment Bonds	159,189

City of Vermillion
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Notes to Financial Statements

Note 8 – Deficit Fund Equity (Continued)

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 with excess future TIF revenues. The deficit in Special Assessment Bond Fund will be replenished with the sale of Special Assessment Bonds in 2016.

Note 9 – Transfers

The following is a summary of transfers between funds:

	Governmental Fund Types		Business-Fund Type		Total Transfers Out
	General	Nonmajor Governmental Funds	Electric	Internal Service	
General	\$ -	\$ 314,057	\$ -	\$ 6,000	\$ 320,057
Sales Tax	-	806,845	-	-	806,845
Electric	884,950	-	-	-	884,950
Water	29,583	-	9,000	-	38,583
Wastewater	28,679	-	-	-	28,679
Liquor	194,200	-	-	-	194,200
Nonmajor					
Governmental Funds	18,131	409,599	-	-	427,730
Total Transfers In	\$ 1,155,543	\$ 1,530,501	\$ 9,000	\$ 6,000	\$ 2,701,044

Transfers are used to:

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

Note 10 – Risk Management

The municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2015, the municipality managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance and Property Insurance:

The municipality has been unable to obtain liability coverage for torts; theft of or damage to property; and errors and omission of public officials at a cost it considered to be economically justifiable. The municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and

Notes to Financial Statements

Note 10 – Risk Management (Continued)

provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays an annual premium to the pool to provide general liability, property, inland marine, automobile liability, official's liability, law enforcement liability, boiler and liquor liability coverage. The agreement with the South Dakota Public Assurance Alliance provides that the above coverages will be provided to a \$1,000,000 limit. Member's premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. The municipality carries \$5,000 deductible for the officials liability coverage; \$3,000 deductible for law enforcement liability coverage; zero deductible for general liability; \$1,000 deductible for buildings, contents, miscellaneous property and EDP hardware; automobile liability with \$100 deductible for comprehensive and \$500 for collision and liquor liability coverage.

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

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

As of December 31, 2015, the Municipality has vested balance in the cumulative reserve fund of \$158,060.

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

Workmen's Compensation:

The municipality has been unable to obtain workmen's compensation coverage at a cost it considered to be economically justifiable. The Municipality joined the South Dakota Municipal League Worker Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

Notes to Financial Statements

Note 10 – Risk Management (Continued)

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 \$12,526 for the payment of future unemployment benefits. During the current year ended December 31, 2015 the City paid no unemployment benefit. 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/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

If the SDRS market value funded ratio is 100% or more – 3.1% COLA
If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

Notes to Financial Statements

Note 11 – Pension Plan (Continued)

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$335,480, \$326,188, and \$310,158, respectively, equal to the required contributions each year.

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

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period and reported by the Municipality as of June 30, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 32,521,542
Less proportionate share of total pension liability	<u>31,241,602</u>
Proportionate share of net pension asset	<u>\$ 1,279,940</u>

At December 31, 2015, the Municipality reported an asset of \$1,279,940 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 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, 2015, the Municipality's proportion was .30178110%, which is an increase of .000864% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Municipality recognized pension expense of \$194,624. At December 31, 2015 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Vermillion
 Comprehensive Annual Financial Report
 December 31, 2015

Notes to Financial Statements

Note 11 – Pension Plan (Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 262,074	\$ -
Changes in assumption.	1,014,523	-
Net Difference between projected and actual earnings on pension plan investments.	781,894	1,888,648
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	-	2,795
Municipality contributions subsequent to the measurement date.	<u>182,749</u>	<u>-</u>
TOTAL	<u>\$ 2,241,240</u>	<u>\$ 1,891,443</u>

\$182,749 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ended December 31:</u>	
2016	\$ 59,951
2017	59,951
2018	(163,862)
2019	<u>211,008</u>
TOTAL	<u>\$ 167,048</u>

Notes to Financial Statements

Note 11 – Pension Plan (Continued)

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

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, 2015 (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	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.8%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected

Notes to Financial Statements

Note 11 – Pension Plan (Continued)

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 7.25 percent through 2017 and 7.50 percent thereafter, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$3,221,594	\$(1,279,940)	\$(4,950,553)

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 – Commitments

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

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

Note 13 – 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, 2015, the City estimates that no material liabilities will result from such audits.

**City of Vermillion
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Notes to Financial Statements

Note 14 – Subsequent Events

On March 10, 2016 the City issued \$3,005,000 of general obligation bonds, series 2016 to finance the Prentis Park swimming pool improvements. The bonds have a average interest rate of 2.88% with final payment date of December 1, 2035.

In March, 2016 the City applied to the SD Board of Water and Natural Resources for grant and loan funding to replace the Prentis Street sanitary sewer lift station. The lift station is in need of replacement due to growth in the service area and the equipment is reaching the end of its useful life. In June it was announced that the City was awarded a \$515,000 Community Development Block Grant for the lift station replacement project and the Board of Water and Natural Resources approved a loan of \$812,000 at 3% for twenty years. With funding in place the project will move forward for bidding later in 2016 for construction in 2017.

Note 15 – Prior Period Adjustments

The Municipality implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of December 31, 2014 as follows:

	Governmental Activities	Business-Type Activities
Net Position December 31, 2014, as Previously Reported	\$ 34,378,706	\$ 37,800,054
Net Pension Asset as December 31, 2014	1,318,354	849,628
Deferred Outflows of Resources	1,082,707	695,773
Deferred Inflows of Resources	(1,526,876)	(984,012)
Net Position December 31, 2014, as Restated	<u>\$ 35,252,891</u>	<u>\$ 38,361,443</u>



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REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

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

CITY OF VERMILLION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Amended Budget Favorable (Unfavorable)
Revenue:				
Taxes:				
General Property Taxes	\$ 2,127,100	\$ 2,164,900	\$ 2,177,817	\$ 12,917
General Sales & Use Taxes	1,674,000	1,648,000	1,792,980	144,980
Penalties & Interest on				
Delinquent Taxes	4,000	10,000	13,424	3,424
Licenses & Permits:	246,250	300,200	309,643	9,443
Intergovernmental Revenue:	353,750	389,870	925,836	535,966
Charges for Goods & Services:	538,450	548,600	535,636	(10,964)
Fines & Forfeits:	38,150	38,850	43,707	5,057
Special Assessments	100	150	155	5
Investment Earnings	13,500	12,000	9,786	(2,214)
Rentals	15,100	23,575	23,709	134
Contributions & Donations				
from Private Sources	5,000	19,000	19,961	961
Other	51,500	110,275	109,200	(1,075)
Total Revenue	5,064,900	5,263,220	5,961,854	698,634
Expenditures:				
Current:				
General Government:				
Executive	562,785	563,113	507,144	55,969
Financial Administration	176,779	181,777	176,414	5,363
Other	566,793	565,975	512,198	53,777
Total General Government	1,306,357	1,310,865	1,195,756	115,109
Public Safety:				
Police	1,743,947	1,740,508	1,638,483	102,025
Fire	249,218	249,705	239,172	10,533
Other Protection	3,300	3,400	2,210	1,190
Total Public Safety	1,996,465	1,993,613	1,879,865	113,748
Public Works:				
Highways & Streets	819,549	822,480	781,451	41,029
Sanitation	111,529	111,135	107,430	3,705
Airport	117,936	92,236	66,064	26,172
Total Public Works	1,049,014	1,025,851	954,945	70,906
Health and Welfare:				
Health	201,997	201,719	193,089	8,630
Ambulance	309,449	341,786	328,792	12,994
Total Health and Welfare	511,446	543,505	521,881	21,624
Culture-Recreation:				
Recreation	278,576	289,845	252,710	37,135
Parks	317,002	316,726	291,762	24,964
Libraries	490,363	480,789	491,106	(10,317)
Armory	60,533	55,897	44,598	11,299
Total Culture-Recreation	1,146,474	1,143,257	1,080,176	63,081
Conservation and Development:	74,000	103,455	68,153	35,302
Total Current Expenditures	6,083,756	6,120,546	5,700,776	419,770
Capital Outlay:				
Executive	750	750	550	200
Financial Administration	300	300	-	300
Health	2,500	2,500	1,200	1,300
Parks	-	5,000	3,200	1,800
Libraries	96,000	113,650	93,990	19,660
Total Capital Outlay	99,550	122,200	98,940	23,260
Total Expenditures	6,183,306	6,242,746	5,799,716	443,030
Debt Service				
Principal	1,000	1,000	785	215
Other Financing Sources (Uses):				
Operating Transfers In	1,156,914	1,155,854	1,155,543	311
Operating Transfers Out	(277,305)	(336,648)	(320,057)	16,591
Total Other Financing Sources (Uses)	879,609	819,206	835,486	17,117
Net Change in Fund Balances	(239,797)	(161,320)	996,839	1,158,159
Fund Balance -beginning	3,094,334	3,094,334	3,094,334	-
Change in Inventory	-	-	(13,580)	13,580
Fund Balance - ending	\$ 2,854,537	\$ 2,933,014	\$ 4,077,593	\$ 1,171,739

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, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Taxes:				
General sales & use taxes	\$ 1,674,000	\$ 1,648,000	\$ 1,791,080	\$ 143,080
Intergovernmental Revenue				
State Grant	34,500	4,000	-	(4,000)
Miscellaneous revenue:				
Interest earned	9,000	8,650	8,661	11
Total revenue	<u>1,717,500</u>	<u>1,660,650</u>	<u>1,799,741</u>	<u>139,091</u>
EXPENDITURES				
Current:				
General Government	-	12,000	7,637	4,363
Public safety	61,500	51,500	9,921	41,579
Public works	62,700	62,475	28,742	33,733
Health and welfare	42,000	37,000	2,000	35,000
Culture-recreation	43,465	202,223	5,918	196,305
Conservation & development	76,000	100,000	22,332	77,668
Total current exp	<u>285,665</u>	<u>465,198</u>	<u>76,550</u>	<u>388,648</u>
Capital Outlay:				
General Government	-	-	-	-
Public safety	-	-	35,379	(35,379)
Public works	-	-	14,925	(14,925)
Health and welfare	-	-	34,506	(34,506)
Culture-recreation	-	-	196,167	(196,167)
Total capital outlay	<u>-</u>	<u>-</u>	<u>280,977</u>	<u>(280,977)</u>
Total expenditures	<u>285,665</u>	<u>465,198</u>	<u>357,527</u>	<u>107,671</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(528,026)	(913,956)	(806,845)	107,111
Total other financing sources (uses)	<u>(528,026)</u>	<u>(913,956)</u>	<u>(806,845)</u>	<u>107,111</u>
Net change in fund balance	903,809	281,496	635,369	353,873
Fund balance - beginning	2,551,614	2,551,614	2,551,614	-
Fund balance - ending	<u>\$ 3,455,423</u>	<u>\$ 2,833,110</u>	<u>\$ 3,186,983</u>	<u>\$ 353,873</u>

CITY OF VERMILLION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY
REPORTING
DECEMBER 31, 2015

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 2015, 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 2014. 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, 2015

General Fund

Expenditures:

General Government	\$	4,508
Public Safety		(2,852)
Public Works		(23,163)
Health and Welfare		32,059
Culture-Recreation		(3,217)
Conservation & Development		29,455
Capital Outlay		22,650
Transfers Out		59,343

Special Revenue Fund

Sales Tax Fund

Expenditures:

General Government	\$	12,000
Public Safety		(10,000)
Public Works		(225)
Health and Welfare		(5,000)
Culture-Recreation		158,758
Conservation & Development		24,000
Transfers Out		385,930

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, 2015

7. Budgets for the General, Capital Projects and Special Revenue funds are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

Encumbrances-Encumbrances carry over from one year to the next unless canceled by the City. These encumbrances are charged against the new year's budget until a supplemental appropriation ordinance is adopted as described in #5 above.

8. GAAP/Budgetary Accounting Basis Differences-The financial statements prepared in conformity with U.S. GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they are related.

CITY OF VERMILLION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET
 South Dakota Retirement System

Last 10 Fiscal Years *
 (Dollar amounts in thousands)

	2014	2015
Municipality's proportion of the net pension liability (asset)	0.3009167%	0.3017811%
Municipality's proportionate share of net pension liability (asset)	\$ (2,168)	\$ (1,280)
Municipality's covered-employee payroll	\$ 4,915	\$ 5,140
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-44.11%	-24.90%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%

Notes to the Schedule:

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

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

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

Exhibit 12

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 330,577	\$ 315,732	\$ 304,494	\$ 291,256	\$ 291,256
Contributions in relation to the contractually required contribution	<u>(330,577)</u>	<u>(315,732)</u>	<u>(304,494)</u>	<u>(291,256)</u>	<u>(291,256)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Municipality's covered-employee payroll	\$ 5,139,627	\$ 4,915,349	\$ 4,741,430	\$ 4,562,530	\$ 4,479,012
Contributions as a percentage of covered-employee payroll	6.43%	6.42%	6.42%	6.38%	6.50%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 282,934	\$ 268,581	\$ 257,316	\$ 243,144	\$ 242,723
Contributions in relation to the contractually required contribution	<u>(282,934)</u>	<u>(268,581)</u>	<u>(257,316)</u>	<u>(243,144)</u>	<u>(242,723)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Municipality's covered-employee payroll	\$ 4,426,859	\$ 4,192,566	\$ 4,028,402	\$ 3,811,514	\$ 3,830,813
Contributions as a percentage of covered-employee payroll	6.39%	6.41%	6.39%	6.38%	6.34%



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**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 fines, gift moneys 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.

CAPITAL PROJECTS FUNDS - Capital Projects Funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

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

Non-Major Funds:

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

owners. The beginning deficit fund balance is for projects completed in 2014 that were assessed and a bond sold to reimburse in 2015.

Bliss Pointe – This fund is used to account for the Tax Increment Bond Proceeds, transfer in and receipts and disbursements of monies for the city share of infrastructure improvements and grants to the VCDC for the first phase of the Bliss Pointe residential development. The Tax Incremental Bond was authorized during 2013 with the final closing in May of 2014 with the bond proceeds to be granted to the VCDC for development expenses along with Stormwater Funds for storm drainage costs, Second Penny Sales tax for subbase and oversized water main costs from the Water Fund. Final grant payment was made in 2015.

Prentis Park Improvements – This fund is used to account for the donations, transfers in and bond proceeds used for improvements planned for Prentis Park. The improvements planned are swimming pool, basketball courts, sidewalks and parking lot. Bids for the swimming pool portion of the project were approved in February 2015 and a general obligation bond for \$3,100,000 was authorized for the projects.

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.

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.

Mill & Overlay West Main Street – This fund is used to account for the mill and overlay of West Main Street from High Street to Stanford Street and the Main Street traffic signals project. The mill and overlay was completed in 2015 and engineering design began on the traffic signals project was started.

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 2014 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. Bonds in the form of Interfund loan were issued in 2015.

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 current certificates on the call date of December 15, 2017.

TIF District No. 5 – This fund accounts for the tax increment on TIF District No. 5 that per the TIF plan are reimbursed to the Vermillion Chamber of Commerce and Development Company for principal and interest payment on their debt issued for improvements.

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.

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



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CITY OF VERMILLION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2015

	Special Revenue Funds						Capital Project Funds		
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Business Improvement District	Total	Special Assessment Projects	Bliss Pointe
ASSETS									
Cash and cash equivalents	\$ 50,581	\$ -	\$ 55,178	\$ 35,450	\$ 28,170	\$ 40,001	\$ 209,380	\$ -	\$ -
Investments	200,000	-	940,000	50,000	-	-	1,190,000	-	-
Receivables (net, where applicable, of allowance for uncollectibles)									
Accounts receivable	-	-	5,966	-	-	3,358	9,322	-	-
Special assessment receivable	-	-	-	-	-	-	-	-	-
Interest receivable	558	-	2,111	15	-	-	2,684	-	-
Due from other governments	42,167	66,623	608	-	-	-	109,388	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Restricted assets:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-
Total assets	293,296	66,623	1,003,863	85,465	28,170	43,357	1,520,774	-	-
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	5,000	10,348	-	-	-	11,519	26,867	-	-
Due to other funds	-	56,275	-	-	-	-	56,275	-	-
Revenue collected in advance	-	-	-	2,727	-	-	2,727	-	-
Advance from other funds	-	-	-	-	-	-	-	-	-
Total liabilities	5,000	66,623	-	2,727	-	11,519	85,869	-	-
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue-sales tax and interest	10,398	-	2,111	15	-	-	12,524	-	-
Unavailable revenue- stormwater fee	-	-	5,966	-	-	-	5,966	-	-
Unavailable revenue-special assessments and interest	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	10,398	-	8,077	15	-	-	18,490	-	-
FUND BALANCES:									
Restricted	277,898	-	995,786	82,723	28,170	31,838	1,416,415	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	277,898	-	995,786	82,723	28,170	31,838	1,416,415	-	-
Total liabilities and fund balances	\$ 293,296	\$ 66,623	\$ 1,003,863	\$ 85,465	\$ 28,170	\$ 43,357	\$ 1,520,774	\$ -	\$ -

Capital Project Funds continued					Debt Service Funds					Total Nonmajor Governmental Funds	
Prentis Park Improvements	Bike Path	Airport	Mill Overlay	Total	Special Assessment Bonds	City Hall Bonds	TIF District No. 5	TIF District No. 6 Bonds	Prentis Park Improvements		Total
\$ -	\$ 12,648	\$ -	\$ 1,499	\$ 14,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,527
-	-	-	-	-	-	-	-	-	-	-	1,190,000
-	-	-	-	-	-	-	-	-	-	-	9,322
-	-	-	-	-	466,143	-	-	-	-	466,143	466,143
-	-	28,721	-	28,721	12,327	-	-	-	-	12,327	15,011
-	-	-	93,259	93,259	-	-	-	-	-	-	138,109
-	-	-	-	-	-	-	-	-	-	-	93,259
-	-	-	-	-	-	4,952	-	-	8,000	12,952	12,952
-	-	-	-	-	250,000	2,995,478	-	-	50,000	3,295,478	3,295,478
-	-	-	-	-	1,154	193	-	-	15	1,362	1,362
-	12,648	28,721	94,758	136,127	729,624	3,000,623	-	-	58,015	3,788,262	5,445,163
-	3,063	5,140	94,758	102,961	-	-	-	-	-	-	129,828
-	-	23,581	-	23,581	45,433	-	-	-	-	45,433	129,289
-	9,585	-	-	9,585	-	-	-	-	-	-	12,312
-	-	-	-	-	396,601	-	-	91,207	-	487,808	487,808
-	12,648	28,721	94,758	136,127	442,034	-	-	91,207	-	533,241	755,237
-	-	-	-	-	-	193	-	-	15	208	12,732
-	-	-	-	-	-	-	-	-	-	-	5,966
-	-	-	-	-	446,779	-	-	-	-	446,779	446,779
-	-	-	-	-	446,779	193	-	-	15	446,987	465,477
-	-	-	-	-	-	3,000,430	-	-	58,000	3,058,430	4,474,845
-	-	-	-	-	(159,189)	-	-	(91,207)	-	(250,396)	(250,396)
-	-	-	-	-	(159,189)	3,000,430	-	(91,207)	58,000	2,808,034	4,224,449
\$ -	\$ 12,648	\$ 28,721	\$ 94,758	\$ 136,127	\$ 729,624	\$ 3,000,623	\$ -	\$ -	\$ 58,015	\$ 3,788,262	\$ 5,445,163

CITY OF VERMILLION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds						Capital Project Funds		
	Liquor Lodging, Dining Tax	911	Stormwater Fee	Parks Capital	Library	Business Improvement District	Total	Special Assessment Projects	Bliss Pointe
REVENUES									
Taxes									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General sales & use	333,965	-	-	-	-	-	333,965	-	-
Stormwater fees	-	-	207,232	-	-	-	207,232	-	-
Business Improvement Dist Fees	-	-	-	-	-	59,306	59,306	-	-
Penalties & interest	-	-	938	-	-	-	938	-	-
Intergovernmental									
Federal grant	-	36,020	-	-	-	-	36,020	-	-
State grant	-	-	-	-	-	-	-	-	-
County shared revenue	-	256,057	-	-	4,000	-	260,057	-	-
Charges for goods & services									
Culture & recreation	-	-	-	1,934	-	-	1,934	-	-
Fines & forfeits:									
Library	-	-	-	-	3,153	-	3,153	-	-
Miscellaneous:									
Public payments for improvements	-	-	-	-	-	-	-	97,712	-
Interest earned	280	-	4,034	10	20	-	4,324	-	-
Contributions & donations from private sources	-	-	25,000	71,674	5,143	-	101,817	-	-
Special assessments (principal & interest)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	4,160	-	4,160	-	-
Total revenue	334,225	292,077	237,204	73,618	18,476	59,306	1,012,906	97,712	-
EXPENDITURES									
Current									
Public safety	-	510,645	-	-	-	-	510,645	-	-
Public works	-	-	35,635	-	-	-	35,635	-	-
Culture-recreation	-	-	-	2,309	11,672	-	13,981	-	-
Conservation & development	306,131	-	-	-	-	50,410	356,541	-	45,973
Capital outlay:									
Public safety	-	37,489	-	-	-	-	37,489	-	-
Public works	-	-	-	-	-	-	-	-	-
Culture & recreation	-	-	-	-	-	-	-	-	-
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest & fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	306,131	548,134	35,635	2,309	11,672	50,410	954,291	-	45,973
Excess (deficiency) of revenues over (under) expenditures	28,094	(256,057)	201,569	71,309	4,804	8,896	58,615	97,712	(45,973)
OTHER FINANCING SOURCES(USES)									
Transfer in	-	256,057	-	-	-	-	256,057	409,398	-
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-
Transfer out	-	-	-	-	-	(1,119)	(1,119)	(17,012)	-
Total other financing sources(uses)	-	256,057	-	-	-	(1,119)	254,938	392,387	-
Net change in fund balances	28,094	-	201,569	71,309	4,804	7,777	313,553	490,299	(45,973)
Fund balances - beginning	249,804	-	794,217	11,414	23,368	24,061	1,102,862	(490,299)	45,973
Fund balances - ending	\$ 277,898	\$ -	\$ 995,786	\$ 82,723	\$ 28,170	\$ 31,838	\$ 1,416,415	\$ -	\$ -

Capital Project Funds continued					Debt Service Funds					Total	
Prentis Park Improvements	Bike Path	Airport	Mill Overlay	Total	Special Assessment Bonds	City Hall Bonds	TIF District No. 5	TIF District No. 6 Bonds	Prentis Park Improvements	Total	Total Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 204	\$ 4,775	\$ -	\$ 4,979	\$ 4,979
-	-	-	-	-	-	-	-	-	-	-	333,965
-	-	-	-	-	-	-	-	-	-	-	207,232
-	-	-	-	-	-	-	-	-	-	-	59,306
-	-	-	-	-	-	-	-	-	-	-	938
-	-	26,354	-	26,354	-	-	-	-	-	-	62,374
-	-	1,464	397,278	398,742	-	-	-	-	-	-	398,742
-	-	-	-	-	-	-	-	-	-	-	280,057
-	-	-	-	-	-	-	-	-	-	-	1,934
-	-	-	-	-	-	-	-	-	-	-	3,153
-	-	-	-	97,712	-	-	-	-	-	-	97,712
-	-	-	-	-	700	4,098	-	-	-	4,798	9,122
13,220	-	-	-	13,220	-	-	-	-	-	-	115,037
-	-	-	-	-	47,190	-	-	-	-	47,190	47,190
13,220	-	27,818	397,278	538,028	47,890	4,098	204	4,775	-	56,967	1,605,901
-	-	-	53,180	53,180	-	-	-	-	-	-	510,645
-	-	-	-	45,973	-	-	-	-	-	-	88,815
-	-	-	-	-	-	-	-	-	-	-	13,981
-	-	-	-	-	-	-	-	-	-	-	402,514
340,546	-	29,282	438,656	468,138	-	-	-	-	-	-	37,489
-	-	-	-	340,546	-	-	-	-	-	-	468,138
-	-	-	-	-	-	215,000	-	-	-	215,000	340,546
340,546	-	29,282	492,036	907,837	10,178	195,766	204	80,620	-	286,768	215,000
-	-	-	-	-	10,178	410,766	204	80,620	-	481,768	286,768
(327,326)	-	(1,464)	(94,758)	(371,809)	37,712	(406,668)	-	(55,845)	-	(424,801)	2,343,886
327,326	31,533	1,464	94,758	664,880	-	351,784	-	-	58,000	409,764	510,645
-	-	-	-	(17,012)	(409,599)	2,695,000	-	-	-	2,695,000	88,815
327,326	31,533	1,464	94,758	647,668	(409,599)	3,046,764	-	-	58,000	2,695,165	13,981
-	31,533	-	-	475,859	(371,887)	2,640,096	-	(55,845)	58,000	2,270,364	402,514
-	(31,533)	-	-	(475,859)	212,898	360,334	-	(35,362)	-	537,670	37,489
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (159,189)	\$ 3,000,430	\$ -	\$ (81,207)	\$ 58,000	\$ 2,808,034	\$ 4,224,449

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, 2015

	Liquor, Lodging, Dining Tax			911		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes:						
General sales & use	\$ 336,800	\$ 333,965	\$ (2,835)	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-
Stormwater fees	-	-	-	-	-	-
Penalties & interest	-	-	-	-	-	-
Intergovernmental:						
County shared revenue	-	-	-	272,647	256,057	(16,590)
Charges for goods & services						
Culture & recreation	-	-	-	-	-	-
Fines & forfeits:						
Library	-	-	-	-	-	-
Miscellaneous:						
Grants	-	-	-	36,020	36,020	-
Interest earned	260	260	-	-	-	-
Contributions & donations from private sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenue	<u>337,060</u>	<u>334,225</u>	<u>(2,835)</u>	<u>308,667</u>	<u>292,077</u>	<u>(16,590)</u>
EXPENDITURES						
Current						
Public safety	-	-	-	581,315	548,134	33,181
Public works	-	-	-	-	-	-
Culture-recreation	-	-	-	-	-	-
Conservation & development	307,550	308,131	1,419	-	-	-
Total expenditures	<u>307,550</u>	<u>308,131</u>	<u>1,419</u>	<u>581,315</u>	<u>548,134</u>	<u>33,181</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,510</u>	<u>28,094</u>	<u>(1,416)</u>	<u>(272,648)</u>	<u>(256,057)</u>	<u>16,591</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	272,648	256,057	(16,591)
Operating Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,648</u>	<u>256,057</u>	<u>(16,591)</u>
Net change in fund balances	<u>\$ 29,510</u>	<u>28,094</u>	<u>\$ (1,416)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances - beginning		<u>249,804</u>				
Fund balances - ending		<u>\$ 277,898</u>				

Stormwater Fee			Parks Capital			Library			Business Improvement District		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
208,100	207,232	1,132	-	-	-	-	-	-	71,500	59,306	(12,194)
800	938	138	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	4,000	4,000	-	-	-	-
-	-	-	3,000	1,934	(1,066)	-	-	-	-	-	-
-	-	-	-	-	-	3,100	3,153	53	-	-	-
10,000	25,000	15,000	-	-	-	-	-	-	-	-	-
4,000	4,034	34	10	10	-	15	20	5	-	-	-
-	-	-	-	71,674	71,674	5,200	5,143	(57)	-	-	-
-	-	-	-	-	-	2,900	4,160	1,260	-	-	-
<u>220,900</u>	<u>237,204</u>	<u>16,304</u>	<u>3,010</u>	<u>73,618</u>	<u>70,608</u>	<u>15,215</u>	<u>16,478</u>	<u>1,281</u>	<u>71,500</u>	<u>59,306</u>	<u>(12,194)</u>
-	-	-	-	-	-	-	-	-	-	-	-
35,200	35,935	(435)	-	-	-	-	-	-	-	-	-
-	-	-	3,010	2,309	701	12,000	11,872	328	-	-	-
<u>35,200</u>	<u>35,635</u>	<u>(435)</u>	<u>3,010</u>	<u>2,309</u>	<u>701</u>	<u>12,000</u>	<u>11,872</u>	<u>328</u>	<u>85,000</u>	<u>50,410</u>	<u>(34,590)</u>
185,700	201,569	15,869	-	71,309	71,309	3,215	4,804	1,589	(13,500)	8,896	(46,784)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(1,430)	(1,119)	(311)
<u>\$ 185,700</u>	<u>201,569</u>	<u>\$ 15,869</u>	<u>\$ -</u>	<u>71,309</u>	<u>\$ 71,309</u>	<u>\$ 3,215.00</u>	<u>4,804</u>	<u>\$ 1,589</u>	<u>\$ (14,930)</u>	<u>7,777</u>	<u>\$ (46,784)</u>
	<u>794,217</u>			<u>11,414</u>			<u>23,366</u>			<u>24,051</u>	
	<u>\$ 995,786</u>			<u>\$ 82,723</u>			<u>\$ 28,170</u>			<u>\$ 31,838</u>	

CITY OF VERMILLION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Assessments			Bliss Pointe			Prentis Park Improvements		
	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
REVENUES									
Intergovernmental									
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Public payments for improvements	97,712	97,712	-	-	-	-	-	-	-
Contributions and donations from private sources	-	-	-	-	-	-	-	13,220	13,220
Total revenue	<u>97,712</u>	<u>97,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,220</u>	<u>13,220</u>
EXPENDITURES									
Current									
Public works	100,000	-	100,000	-	-	-	-	-	-
Culture & recreation	-	-	-	-	-	-	347,000	340,546	6,454
Conservation & Development	-	-	-	45,973	45,973	-	-	-	-
Total expenditures	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>45,973</u>	<u>45,973</u>	<u>-</u>	<u>347,000</u>	<u>340,546</u>	<u>6,454</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,288)</u>	<u>97,712</u>	<u>100,000</u>	<u>(45,973)</u>	<u>(45,973)</u>	<u>-</u>	<u>(347,000)</u>	<u>(327,326)</u>	<u>19,674</u>
OTHER FINANCING SOURCES(USES)									
Transfer in	517,599	409,599	(108,000)	-	-	-	347,000	327,326	(19,674)
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-
Transfer out	(17,012)	(17,012)	-	-	-	-	-	-	-
Total other financing sources(uses)	<u>500,587</u>	<u>392,587</u>	<u>(108,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,000</u>	<u>327,326</u>	<u>(19,674)</u>
Net change in fund balances	\$ <u>498,299</u>	\$ <u>490,299</u>	\$ <u>(8,000)</u>	\$ <u>(45,973)</u>	\$ <u>(45,973)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Fund balances - beginning		<u>(490,299)</u>			<u>45,973</u>				
Fund balances - ending	\$ <u>-</u>	\$ <u>-</u>		\$ <u>-</u>	\$ <u>-</u>		\$ <u>-</u>	\$ <u>-</u>	

Bike Path			City Hall			Airport			Mill Overlay		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Budgeted Final	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 155,700	\$ 26,354	\$ (129,346)	\$ -	\$ -	\$ -
-	-	-	-	-	-	8,920	1,464	(5,456)	324,000	397,278	73,278
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	162,620	27,818	(134,802)	324,000	397,278	73,278
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	173,000	29,282	143,718	497,000	492,036	4,964
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	173,000	29,282	143,718	497,000	492,036	4,964
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(10,380)	(1,464)	8,916	(173,000)	(94,758)	78,242
31,533	31,533	-	1,500,000	-	(1,500,000)	10,380	1,464	(8,916)	173,000	94,758	(78,242)
-	-	-	(80,100)	-	80,100	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
31,533	31,533	-	1,419,900	-	(1,419,900)	10,380	1,464	(8,916)	173,000	94,758	(78,242)
\$ 31,533	\$ 31,533	\$ -	\$ 1,419,900	\$ -	\$ (1,419,900)	\$ 10,380	\$ 1,464	\$ (8,916)	\$ 173,000	\$ 94,758	\$ (78,242)
	(31,533)										
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



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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 central copier and fax machine in city hall. All departments are billed for copies, postage and faxes used at a cost plus depreciation

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

Equipment Replacement Fund - The equipment replacement fund is used to account for rental of equipment used by all City departments and to provide the means to purchase replacement equipment when needed. All the major items of the city's rolling stock are contained in this fund. Each department on a quarterly basis pays the rental amounts for the equipment used by the department.

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

CITY OF VERMILLION
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2015

	Copier- Fax- Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
ASSETS:					
Current assets:					
Cash	\$ 7,728	\$ 443	\$ 7,776	\$ 8,102	\$ 24,049
Investments	-	12,000	625,000	-	637,000
Accounts receivable	2,514	-	-	-	2,514
Interest receivable	-	83	951	-	1,034
Total current assets	<u>10,242</u>	<u>12,526</u>	<u>633,727</u>	<u>8,102</u>	<u>664,597</u>
Net Pension Asset	-	-	-	12,468	12,468
Capital assets:					
Machinery & equipment	8,987	-	5,448,276	2,316	5,459,579
less accumulated depreciation	(3,370)	-	(2,512,459)	(1,638)	(2,517,467)
Total capital assets	<u>5,617</u>	<u>-</u>	<u>2,935,817</u>	<u>678</u>	<u>2,942,112</u>
Total assets	<u>15,859</u>	<u>12,526</u>	<u>3,569,544</u>	<u>21,248</u>	<u>3,619,177</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Pension Related Deferred Outflows	-	-	-	22,000	22,000
LIABILITIES					
Current liabilities:					
Accounts payable	290	-	-	1,108	1,398
Accrued leave payable	-	-	-	4,761	4,761
Total current liabilities	<u>290</u>	<u>-</u>	<u>-</u>	<u>5,869</u>	<u>6,159</u>
Noncurrent liabilities:					
Accrued leave payable	-	-	-	6,696	6,696
Total non current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,696</u>	<u>6,696</u>
Total liabilities	<u>290</u>	<u>-</u>	<u>-</u>	<u>12,565</u>	<u>12,855</u>
DEFERRED INFLOWS OF RESOURCES:					
Pension Related Deferred Inflows	-	-	-	17,844	17,844
NET POSITION					
Net investment in capital assets	5,617	-	2,935,817	678	2,942,112
Restricted for SDRS Pension Purposes	-	-	-	16,624	16,624
Unrestricted	9,952	12,526	633,727	(4,463)	651,742
Total net position	<u>\$ 15,569</u>	<u>\$ 12,526</u>	<u>\$ 3,569,544</u>	<u>\$ 12,839</u>	<u>\$ 3,610,478</u>

CITY OF VERMILLION
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Copier- Fax- Postage</u>	<u>Unemployment Insurance</u>	<u>Equipment Replacement</u>	<u>Custodial Services</u>	<u>Totals</u>
Operating Revenues:					
Charges for goods and services	\$ 16,074	\$ -	\$ 439,397	\$ 87,000	\$ 542,471
Total operating revenue	<u>16,074</u>	<u>-</u>	<u>439,397</u>	<u>87,000</u>	<u>542,471</u>
Operating expenses:					
Personnel services	-	-	-	85,050	85,050
Other current expenses	13,318	-	-	2,162	15,480
Depreciation	2,247	-	374,484	179	376,910
Total operating expenses	<u>15,565</u>	<u>-</u>	<u>374,484</u>	<u>87,391</u>	<u>477,440</u>
operating income(loss)	<u>509</u>	<u>-</u>	<u>64,913</u>	<u>(391)</u>	<u>65,031</u>
Nonoperating revenue:					
Interest earned	-	89	2,564	-	2,653
Gain(loss) on disposition of assets	-	-	5,577	-	5,577
Total nonoperating revenue	<u>-</u>	<u>89</u>	<u>8,141</u>	<u>-</u>	<u>8,230</u>
Income before contributions and transfers	509	89	73,054	(391)	73,261
Transfer in	-	-	6,000	-	6,000
Change in net position	509	89	79,054	(391)	79,261
Net position - beginning	15,060	12,437	3,490,490	(1,503)	3,516,484
Prior Period Adjustment	-	-	-	14,733	14,733
Adjusted Net Position-Beginning	<u>15,060</u>	<u>12,437</u>	<u>3,490,490</u>	<u>13,230</u>	<u>3,531,217</u>
Net position - ending	<u>\$ 15,569</u>	<u>\$ 12,526</u>	<u>\$ 3,569,544</u>	<u>\$ 12,839</u>	<u>\$ 3,610,478</u>

CITY OF VERMILLION
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Copier- Fax- Postage	Unemployment Insurance	Equipment Replacement	Custodial Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 16,184	\$ -	\$ 439,397	\$ 87,000	\$ 542,581
Cash paid for personal services	-	-	-	(84,363)	(84,363)
Cash paid to suppliers	(13,629)	-	-	(2,117)	(15,746)
Net cash provided operating activities	<u>2,555</u>	<u>-</u>	<u>439,397</u>	<u>520</u>	<u>442,472</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	-	-	(234,422)	-	(234,422)
Proceeds from sale of assets	-	-	15,950	-	15,950
Transfer In	-	-	6,000	-	6,000
Net cash (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(212,472)</u>	<u>-</u>	<u>(212,472)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	-	49	2,008	-	2,057
Purchase and sale of investments	-	-	(225,000)	-	(225,000)
Net cash provided (used for) investing activities	<u>-</u>	<u>49</u>	<u>(222,992)</u>	<u>-</u>	<u>(222,943)</u>
Net increase in cash and cash equivalents	2,555	49	3,933	520	7,057
Cash and cash equivalents beginning of year	<u>5,173</u>	<u>394</u>	<u>3,843</u>	<u>7,582</u>	<u>16,992</u>
Cash and cash equivalents end of year	<u>\$ 7,728</u>	<u>\$ 443</u>	<u>\$ 7,776</u>	<u>\$ 8,102</u>	<u>\$ 24,049</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 509	\$ -	\$ 64,913	\$ (391)	\$ 65,031
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:					
Depreciation	2,247	-	374,484	179	376,910
(Increase) decrease in assets and increase (decrease) in liabilities:					
Accounts receivable	110	-	-	-	110
Net Pension Asset	-	-	-	9,943	9,943
Deferred Outflows of Resources	-	-	-	(6,027)	(6,027)
Deferred Inflows of Resources	-	-	-	(5,807)	(5,807)
Accounts payable	(311)	-	-	45	(266)
Accrued leave payable	-	-	-	2,578	2,578
Net cash provided by (used for) operating activities	<u>\$ 2,555</u>	<u>\$ -</u>	<u>\$ 439,397</u>	<u>\$ 520</u>	<u>\$ 442,472</u>
Noncash investing, capital and financing activities:					
Gain(loss) on disposal of fixed assets	-	-	5,577	-	5,577
Total noncash investing, capital and financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,577</u>	<u>\$ -</u>	<u>\$ 5,577</u>



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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	84-88
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.

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

TABLE 1

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net Investment in Capital Assets	\$ 16,197,173	\$ 16,775,209	\$ 17,468,499	\$ 22,167,991	\$ 23,357,651	\$ 23,217,945	\$ 26,379,227	\$ 27,679,603	\$ 29,109,338	\$ 26,161,730
Restricted for:										
BBB	36,499	129,654	154,418	125,799	144,278	175,308	180,503	217,605	255,754	288,296
Capital Projects	-	3,531,936	-	-	-	-	-	-	45,973	-
Debt Service	1,056,138	1,376,496	1,679,918	1,600,924	940,546	595,352	899,886	629,942	640,090	3,497,320
Parks Capital	-	-	-	-	-	-	-	14,030	11,414	82,738
Library	-	-	-	-	-	-	-	-	23,366	28,170
Business Improvement District	-	-	-	-	-	106,132	21,397	16,141	24,061	31,838
SDRS Pension Purposes	-	-	-	-	-	-	-	-	-	996,939
Stormwater	180,487	272,825	249,860	366,220	490,302	659,022	823,145	912,911	802,684	1,003,863
Cumulative Reserve	-	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060
Unrestricted	4,072,094	992,869	5,136,891	4,116,964	4,255,996	5,796,886	4,587,553	4,617,995	3,307,966	5,476,685
Total Governmental Activities										
Net Position	\$ <u>21,542,391</u>	\$ <u>23,237,049</u>	\$ <u>24,847,646</u>	\$ <u>28,535,958</u>	\$ <u>29,346,833</u>	\$ <u>30,708,705</u>	\$ <u>33,049,771</u>	\$ <u>34,246,287</u>	\$ <u>34,378,706</u>	\$ <u>37,725,639</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 16,738,269	\$ 17,189,168	\$ 17,817,417	\$ 19,705,309	\$ 20,882,426	\$ 21,411,403	\$ 22,036,403	\$ 23,380,670	\$ 26,523,053	\$ 27,122,901
Restricted for:										
Debt Service	810,174	838,309	834,790	1,444,260	1,521,831	1,544,613	1,515,809	1,108,543	1,175,083	1,178,908
Landfill Closure Postclosure	224,505	230,238	214,880	210,879	207,915	196,362	186,161	180,017	130,851	122,863
SDRS Pension Purposes	-	-	-	-	-	-	-	-	-	-
Unrestricted	5,681,029	7,053,543	7,996,485	8,006,051	8,808,530	9,615,384	10,929,279	11,892,563	9,971,067	632,798
Total Business-Type Activities										
Net Position	\$ <u>23,453,977</u>	\$ <u>25,311,258</u>	\$ <u>26,863,572</u>	\$ <u>29,366,499</u>	\$ <u>31,420,702</u>	\$ <u>32,767,782</u>	\$ <u>34,667,652</u>	\$ <u>36,561,793</u>	\$ <u>37,800,054</u>	\$ <u>38,911,613</u>
Primary Government										
Net Investment in Capital Assets	\$ 32,935,442	\$ 33,964,377	\$ 35,285,916	\$ 41,873,300	\$ 44,240,077	\$ 44,629,348	\$ 46,415,630	\$ 51,060,273	\$ 55,632,391	\$ 53,284,631
Restricted for:										
BBB	36,499	129,654	154,418	125,799	144,278	175,308	180,503	217,605	255,754	288,296
Capital Projects	-	3,531,936	-	-	-	-	-	-	45,973	-
Debt Service	1,866,312	2,214,805	2,514,708	3,045,184	2,462,377	2,139,965	2,415,695	1,738,485	1,815,173	4,676,228
Parks Capital	-	-	-	-	-	-	-	14,030	11,414	82,738
Library	-	-	-	-	-	-	-	-	23,366	28,170
Business Improvement District	-	-	-	-	-	106,132	21,397	16,141	24,061	31,838
Stormwater	180,487	272,825	249,860	366,220	490,302	659,022	823,145	912,911	802,684	1,003,863
Landfill Closure Postclosure	224,505	230,238	214,880	210,879	207,915	196,362	186,161	180,017	130,851	122,863
Cumulative Reserve	-	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060	158,060
SDRS Pension Purposes	-	-	-	-	-	-	-	-	-	-
Unrestricted	9,753,123	8,046,412	13,133,376	12,123,015	13,064,526	15,412,270	15,516,832	16,510,558	12,279,033	1,629,737
Total Primary Government										
Net Position	\$ <u>44,996,368</u>	\$ <u>48,548,307</u>	\$ <u>51,711,218</u>	\$ <u>57,902,457</u>	\$ <u>60,767,535</u>	\$ <u>63,476,467</u>	\$ <u>67,717,423</u>	\$ <u>70,808,080</u>	\$ <u>71,178,760</u>	\$ <u>76,637,252</u>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General Government	\$ 1,004,096	\$ 1,038,217	\$ 1,097,670	\$ 1,185,168	\$ 1,336,341	\$ 1,324,803	\$ 1,325,411	\$ 1,405,594	\$ 1,410,726	\$ 1,373,494
Public Safety	1,661,678	1,748,482	1,923,413	2,026,733	2,118,547	2,028,921	2,211,445	2,325,496	2,529,195	2,430,332
Public Works	1,237,318	1,353,987	1,602,031	1,561,217	1,656,337	1,714,248	1,630,835	1,767,762	1,885,352	1,988,965
Health & Welfare	365,189	374,133	402,620	415,740	412,409	424,263	443,581	491,543	491,071	549,156
Culture & Recreation	978,573	1,006,229	1,171,859	1,203,636	1,177,757	1,161,245	1,146,227	1,219,328	1,325,700	1,382,212
Conservation & Development	254,220	786,823	732,787	708,482	368,202	397,229	498,825	526,765	2,485,337	492,999
Interest on Long-term debt	134,858	181,374	298,297	301,118	272,722	241,902	202,154	183,194	208,517	261,125
Total Governmental Activities Expenses	5,635,932	6,489,245	7,228,677	7,402,094	7,342,315	7,292,611	7,458,478	7,919,684	10,335,898	8,478,283
Business-Type Activities:										
Electric	2,982,411	3,405,570	3,539,287	4,025,288	4,661,735	4,995,547	5,051,041	4,991,778	5,055,658	5,159,008
Water	1,057,672	1,171,661	1,264,548	1,336,150	1,342,632	1,389,184	1,435,808	1,409,578	1,474,754	1,542,802
Wastewater	1,049,072	1,305,808	1,284,315	1,336,169	1,345,153	1,605,314	1,694,154	1,789,908	1,723,732	1,758,756
Liquor	818,302	917,741	1,003,575	1,000,796	1,017,680	1,018,600	1,043,401	1,017,830	1,065,297	1,293,291
Golf	1,047,729	902,370	897,527	840,409	834,736	841,741	838,399	786,751	788,147	800,842
Joint Powers Landfill	839,151	927,407	1,220,527	1,022,888	1,288,114	1,273,463	1,242,491	1,174,487	1,428,877	1,438,417
Curbside Recycling	-	-	-	33,407	98,197	93,047	99,467	95,813	100,321	97,913
Total Business-Type Activities Expenses	7,794,337	8,630,557	9,209,779	9,595,107	10,588,247	11,216,896	11,404,761	11,266,145	11,636,786	12,091,029
Total Primary Government Expenses	\$ 13,430,269	\$ 15,119,802	\$ 16,438,456	\$ 16,997,201	\$ 17,930,562	\$ 18,509,507	\$ 18,863,239	\$ 19,185,829	\$ 21,972,684	\$ 20,569,312
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 158,477	\$ 197,706	\$ 291,204	\$ 249,372	\$ 294,330	\$ 260,385	\$ 211,495	\$ 266,391	\$ 324,531	\$ 377,732
Public Safety	35,933	32,973	43,680	43,573	44,364	258,152	262,610	36,873	38,267	49,694
Public Works	939,078	487,046	764,960	402,603	563,566	359,478	378,820	538,981	503,841	357,524
Health & Welfare	191,584	261,861	289,839	344,652	339,053	360,623	321,131	378,785	448,062	538,048
Culture & Recreation	73,217	81,003	67,716	63,524	75,145	79,117	75,728	74,339	70,352	60,700
Operating Grants & Contributions	-	26,697	257,213	64,553	89,026	71,739	104,314	349,201	287,861	313,523
Capital Grants & Contributions	1,513,499	723,410	410,251	3,677,885	223,818	944,239	1,988,284	719,768	1,545,892	1,483,803
Total Governmental Activities Program Revenues	2,911,788	1,810,696	2,124,863	4,846,162	1,629,302	2,333,733	3,342,362	2,364,338	3,218,806	3,181,024
Business-Type Activities:										
Charges for Services:										
Electric	4,282,382	4,669,319	4,900,026	5,262,358	5,884,283	6,077,336	6,187,213	6,131,098	6,161,105	6,360,888
Water	1,449,187	1,556,163	1,497,831	1,514,565	1,506,335	1,588,609	1,772,353	1,689,093	1,686,995	1,744,965
Wastewater	1,175,089	1,267,106	1,335,134	1,420,454	1,493,778	1,647,990	1,737,914	1,761,639	1,828,085	1,853,034
Liquor	967,937	1,094,738	1,179,545	1,165,625	1,181,977	1,185,643	1,217,013	1,183,334	1,246,418	1,498,390
Golf	756,419	731,073	669,459	683,709	609,291	624,007	654,510	638,437	623,510	610,115
Joint Powers Landfill	868,051	1,303,408	1,171,794	1,088,488	1,236,897	1,241,842	1,151,985	1,080,270	1,107,835	1,315,471
Curbside Recycling	-	-	-	29,941	111,838	116,759	110,249	109,789	100,223	108,267
Operating Grants & Contributions	429	4,100	40,625	1,972	93,886	100	100	-	-	7,000
Capital Grants & Contributions	683,679	19,033	279,226	1,198,705	775,438	14,473	118,970	371,637	1,011,477	30,291
Total Business-Type Activities Program Revenues	10,183,173	10,644,940	11,073,640	12,365,817	12,893,723	12,496,759	12,950,307	12,965,297	13,765,648	13,528,421
Total Primary Government Program Revenues	\$ 13,094,961	\$ 12,455,636	\$ 13,198,503	\$ 17,211,979	\$ 14,523,025	\$ 14,830,492	\$ 16,292,689	\$ 15,329,635	\$ 16,984,454	\$ 16,709,445
Net(Expense)/Revenue¹										
Governmental Activities	(2,724,144)	(4,678,549)	(5,103,814)	(2,555,932)	(5,713,013)	(4,958,878)	(4,116,096)	(5,555,346)	(7,117,092)	(5,297,259)
Business-Type Activities	2,368,836	2,014,383	1,863,861	2,770,710	2,305,476	1,279,863	1,545,546	1,699,152	2,128,862	1,437,392
Total Primary Government Net Revenues (Expenses)	\$ (335,308)	\$ (2,664,166)	\$ (3,239,953)	\$ 214,778	\$ (3,407,537)	\$ (3,679,015)	\$ (2,570,550)	\$ (3,856,194)	\$ (4,988,230)	\$ (3,859,867)

	2006	2007	2008	2009	2010	2011	2012	2013	TABLE 2 (continued)	
									2014	2015
General Revenues										
Governmental Activities:										
Property Taxes	\$ 1,459,641	\$ 1,547,450	\$ 1,620,798	\$ 1,827,924	\$ 1,872,491	\$ 1,893,823	\$ 1,979,186	\$ 2,024,530	\$ 2,077,118	\$ 2,164,952
Sales Taxes	2,636,754	3,273,209	3,513,311	3,108,356	3,422,702	3,331,784	3,407,050	3,500,823	3,634,560	4,006,345
Unrestricted State/County Shared Revenue	74,564	90,355	93,542	74,396	72,312	70,970	72,704	77,480	78,564	-
Other State Taxes	-	-	-	-	-	-	-	-	-	-
Unrestricted Investment Earnings	162,096	343,118	370,622	251,231	136,313	125,594	77,802	54,889	33,287	65,935
Miscellaneous Revenue	69,437	79,600	84,002	58,729	53,709	76,419	83,276	55,585	83,464	58,413
Gain on sale of capital assets	803,280	35,096	9,335	11,951	28,362	72,492	11,274	1,143	195,441	5,577
Transfers	886,137	846,319	1,022,801	911,657	937,999	937,412	931,586	1,037,412	1,147,057	1,137,412
Total Governmental Activities	<u>6,091,909</u>	<u>6,215,147</u>	<u>6,714,411</u>	<u>6,244,244</u>	<u>6,523,888</u>	<u>6,508,494</u>	<u>6,562,878</u>	<u>6,751,862</u>	<u>7,249,511</u>	<u>7,770,007</u>
Business-Type Activities										
Property Taxes	254,823	300,773	373,187	435,805	480,052	505,713	501,007	498,282	-	-
Unrestricted Investment Earnings	267,403	345,272	295,630	164,057	145,933	249,674	227,946	187,143	174,616	172,961
Miscellaneous Revenue	42,745	43,172	42,437	44,012	60,741	60,988	61,736	81,414	81,840	77,229
Gain(Loss) on sale of capital assets	-	-	-	-	-	490	30,245	30,047	-	-
Insurance recovery net of fire loss	-	-	-	-	-	-	608,209	435,515	-	-
Transfers	(886,137)	(846,319)	(1,022,801)	(911,657)	(937,999)	(937,412)	(931,586)	(1,037,412)	(1,147,057)	(1,137,412)
Total Business-Type Activities	<u>(321,166)</u>	<u>(157,102)</u>	<u>(311,547)</u>	<u>(267,783)</u>	<u>(251,273)</u>	<u>(120,547)</u>	<u>497,557</u>	<u>194,989</u>	<u>(890,601)</u>	<u>(887,222)</u>
Total Primary Government	<u>\$ 5,770,743</u>	<u>\$ 6,058,045</u>	<u>\$ 6,402,864</u>	<u>\$ 5,976,461</u>	<u>\$ 6,272,615</u>	<u>\$ 6,387,947</u>	<u>\$ 7,060,435</u>	<u>\$ 6,946,851</u>	<u>\$ 6,358,910</u>	<u>\$ 6,882,785</u>
Change in Net Position										
Governmental Activities	\$ 3,367,765	\$ 1,536,598	\$ 1,610,597	\$ 3,688,312	\$ 810,875	\$ 1,549,616	\$ 2,446,782	\$ 1,196,516	\$ 132,419	\$ 2,472,748
Business-Type Activities	2,067,670	1,857,281	1,552,314	2,502,927	2,054,203	1,159,316	2,043,103	1,894,141	1,238,261	550,170
Total Primary Government	<u>\$ 5,435,435</u>	<u>\$ 3,393,879</u>	<u>\$ 3,162,911</u>	<u>\$ 6,191,239</u>	<u>\$ 2,865,078</u>	<u>\$ 2,708,932</u>	<u>\$ 4,489,885</u>	<u>\$ 3,090,657</u>	<u>\$ 1,370,680</u>	<u>\$ 3,022,918</u>

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
2006	\$ 1,459,641	\$ 1,224,475	\$ 1,210,604	\$ 201,675	\$ 53,489	\$ 4,149,884
2007	1,547,450	1,483,129	1,469,435	320,645	55,506	4,876,165
2008	1,620,798	1,634,487	1,618,610	260,214	59,422	5,193,531
2009	1,827,924	1,430,573	1,416,874	260,909	59,348	4,995,628
2010	1,872,491	1,568,879	1,567,741	286,082	61,116	5,356,309
2011	1,893,823	1,513,651	1,512,831	305,302	61,679	5,287,286
2012	1,979,186	1,547,605	1,546,945	312,500	62,170	5,448,406
2013	2,024,530	1,587,753	1,586,756	326,314	68,315	5,593,668
2014	2,077,118	1,655,401	1,656,328	322,851	64,117	5,775,815
2015	\$ 2,164,952	\$ 1,835,176	\$ 1,833,291	\$ 337,878	\$ 65,935	\$ 6,237,232

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

Fiscal Year	Agriculture Forestry & Fishing	Construction	Manufacturing	Transportation Communications Electric, Gas & Sanitary Services	Wholesale Trade	Retail Trade	Finance Insurance & Real Estate	Services	Public Adm.	Other	Total
2006	\$ 683	\$ 415	\$ 2,918	\$ 12,539	\$ 1,208	\$ 72,264	\$ 1,242	\$ 10,234	n/a	n/a	\$ 101,503
2007	770	368	3,876	12,695	1,298	88,716	1,547	10,536	n/a	n/a	119,806
2008	798	297	4,092	13,815	1,759	86,498	1,289	11,523	n/a	n/a	120,071
2009	1,021	5,846	5,737	17,653	6,135	113,188	1,536	18,586	7	9	169,718
2010	1,048	1,887	3,404	21,126	9,940	115,964	1,660	20,455	13	84	175,581
2011	824	2,716	4,286	19,001	6,884	121,996	1,553	19,579	18	374	177,231
2012	689	5,536	4,935	18,610	6,370	124,460	2,012	20,563	n/a	588	183,763
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

Source: State of South Dakota Department of Revenue and Regulation, Municipal Taxable Sales by City

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

TABLE 4

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 7,902	\$ 184,714	\$ 199,518	\$ 191,878	\$ 204,520	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,869,700	1,850,283	2,101,902	2,173,805	2,305,886	-	-	-	-	-
Nonspendable ²	-	-	-	-	-	201,366	200,626	203,072	224,966	211,386
Restricted ²	-	-	-	-	-	-	-	-	-	559,241
Committed ²	-	-	-	-	-	-	-	-	-	500,000
Assigned ²	-	-	-	-	-	-	-	500,000	500,000	500,000
Unassigned ²	-	-	-	-	-	178,135	215,396	210,282	232,220	758,914
Total General Fund	<u>1,877,602</u>	<u>2,034,997</u>	<u>2,301,420</u>	<u>2,365,683</u>	<u>2,510,406</u>	<u>2,331,213</u>	<u>2,451,984</u>	<u>2,077,878</u>	<u>2,137,148</u>	<u>2,048,052</u>
All Other Governmental Funds										
Reserved	557,164	4,496,827	995,897	1,089,107	497,633	-	-	-	-	-
Unreserved reported in:										
Special Revenue Fund	1,921,754	2,440,337	2,747,582	2,112,502	2,457,459	-	-	-	-	-
Capital Projects Fund ¹	25,470	(66,835)	45,238	(57,251)	(52,750)	-	-	-	-	-
Nonspendable ²	-	-	-	-	-	-	-	-	-	-
Restricted ²	-	-	-	-	-	-	-	-	-	-
Committed ²	-	-	-	-	-	1,510,490	1,646,030	1,583,895	1,721,867	4,474,845
Assigned ²	-	-	-	-	-	3,098,047	2,099,534	2,073,848	2,551,614	3,186,983
Unassigned ²	-	-	-	-	-	22,344	8,255	-	-	-
Total All Other Governmental Funds	<u>2,504,388</u>	<u>6,870,329</u>	<u>3,788,717</u>	<u>3,144,358</u>	<u>2,902,342</u>	<u>(337,391)</u>	<u>(479,396)</u>	<u>(114,177)</u>	<u>(557,194)</u>	<u>(250,396)</u>
Total Governmental Funds										
Reserved	565,066	4,681,541	1,195,415	1,280,985	702,153	-	-	-	-	-
Unreserved, reported in:										
General Fund	1,869,700	1,850,283	2,101,902	2,173,805	2,305,886	-	-	-	-	-
Special Revenue Funds	1,921,754	2,440,337	2,747,582	2,112,502	2,457,459	-	-	-	-	-
Capital Projects Funds	25,470	(66,835)	45,238	(57,251)	(52,750)	-	-	-	-	-
Nonspendable ²	-	-	-	-	-	201,366	200,626	203,072	224,966	211,386
Restricted ²	-	-	-	-	-	1,510,490	1,646,030	1,583,895	1,721,867	5,034,086
Committed ²	-	-	-	-	-	3,098,047	2,099,534	2,573,848	3,051,614	3,686,983
Assigned ²	-	-	-	-	-	200,479	223,651	210,282	232,220	758,914
Unassigned ²	-	-	-	-	-	1,993,822	1,972,588	1,963,701	1,579,954	1,797,656
Total Governmental Funds	<u>\$ 4,381,990</u>	<u>\$ 8,905,326</u>	<u>\$ 6,090,137</u>	<u>\$ 5,510,041</u>	<u>\$ 5,412,748</u>	<u>\$ 7,004,204</u>	<u>\$ 6,142,429</u>	<u>\$ 6,534,798</u>	<u>\$ 6,810,621</u>	<u>\$ 11,489,025</u>

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

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

TABLE 5

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 4,162,763	\$ 4,734,679	\$ 5,198,227	\$ 4,988,765	\$ 5,368,562	\$ 5,326,435	\$ 5,498,306	\$ 5,626,474	\$ 5,961,736	\$ 6,381,721
Licenses & Permits	169,888	191,586	201,064	215,277	219,374	220,361	230,068	234,552	245,127	309,643
Intergovernmental Revenue	1,833,413	956,276	965,288	4,138,907	743,632	586,907	2,429,826	889,783	825,707	1,647,009
Charges for Goods & Services	260,440	358,960	455,395	454,080	495,782	486,226	380,372	491,692	526,061	537,570
Fines & Forfeits	32,263	28,904	40,033	41,480	41,336	38,715	35,544	36,728	37,644	46,860
Public Payments for Improvements	106,246	639	173,240	-	14,999	59,949	10,408	77,420	7,431	97,712
Investment Earnings	58,241	210,947	274,834	202,694	89,130	88,262	57,589	37,647	34,381	27,569
Rentals	30,919	24,742	14,080	12,670	15,891	18,112	15,207	15,082	17,612	23,709
Special Assessments	113,314	167,061	141,726	168,406	196,310	153,294	157,952	109,544	138,018	47,345
Contributions & Donations	48,189	4,494	3,238	20,275	15,170	840,927	213,255	241,789	40,639	134,998
Miscellaneous	47,667	88,194	79,881	58,194	53,354	59,806	46,394	44,404	47,170	113,360
Total Revenues	6,863,343	6,766,482	7,547,006	10,300,748	7,253,540	7,878,994	9,074,921	7,805,115	7,881,526	9,367,496
Expenditures										
General Government	1,083,423	1,008,509	1,066,024	1,074,365	1,129,960	1,143,773	1,131,980	1,194,801	1,216,569	1,203,393
Public Safety	1,565,366	1,642,693	1,809,125	1,910,230	2,001,762	1,927,998	2,095,628	2,200,059	2,392,627	2,400,431
Public Works	700,058	797,688	1,006,391	857,217	908,703	942,093	889,157	1,002,231	1,055,311	1,072,502
Health and Welfare	349,458	361,284	392,330	399,563	403,645	404,509	418,653	468,088	462,862	523,881
Culture-Recreation	864,365	883,955	968,093	1,018,139	1,018,487	1,007,533	1,031,723	1,005,177	1,095,026	1,100,075
Conservation and Development	295,126	827,730	732,787	708,482	368,202	397,229	498,825	526,765	2,463,201	492,999
Debt Service										
Principal ¹	230,920	268,763	405,142	499,290	412,156	560,000	226,570	557,356	207,355	215,785
Interest	115,359	129,696	339,970	283,218	262,297	232,991	202,154	184,811	191,470	266,768
Bond Issuance Costs	-	116,342	-	-	-	-	-	-	15,000	-
Capital Outlay	2,047,732	1,724,974	4,986,263	4,984,357	978,348	405,032	4,378,678	1,213,316	1,318,579	1,226,090
Total Expenditures	7,251,807	7,761,634	11,706,125	11,734,861	7,483,560	7,021,158	10,873,368	8,352,604	10,418,000	8,501,924
Excess of Revenues over (under) Expenditures	(388,464)	(995,152)	(4,159,119)	(1,434,113)	(230,020)	857,836	(1,798,447)	(547,489)	(2,536,474)	865,572
Other Financing Sources (Uses)										
Issuance of Bonds	405,755	4,492,254	326,325	-	-	-	-	-	-	-
Sale of Capital Assets	1,041,426	-	-	-	-	-	-	-	-	-
Transfer in	1,147,553	1,496,554	1,745,905	2,654,412	1,657,913	1,511,547	2,801,359	2,427,698	2,150,639	2,686,044
Transfer Out	(266,216)	(657,132)	(743,104)	(1,792,755)	(820,501)	(587,029)	(1,863,947)	(1,490,286)	(1,012,082)	(1,554,632)
Proceeds from Sale of Bonds	-	-	-	-	-	-	-	-	1,732,000	2,695,000
Total Other Financing Sources (Uses)	2,328,518	5,331,676	1,329,126	861,657	837,412	924,518	937,412	937,412	2,870,557	3,826,412
Net Change in Fund Balances	\$ 1,940,054	\$ 4,336,524	\$ (2,829,993)	\$ (572,456)	\$ 607,392	\$ 1,782,354	\$ (861,035)	\$ 389,923	\$ 334,083	\$ 4,691,984
Change in Inventory	(6,588)	18,752	14,804	(7,640)	12,642	(3,154)	(740)	2,446	21,894	(13,580)
Debt Service as a percentage of non-capital expenditures	6.65%	6.60%	11.09%	11.59%	10.37%	11.99%	6.60%	10.40%	4.55%	6.63%

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
2006	\$ 140,513,785	\$ 105,942,366	\$ 246,456,151	6.06	\$ 260,249,367	95%
2007	154,265,781	111,927,169	266,192,950	5.97	301,806,066	88%
2008	161,396,656	123,046,250	284,442,906	6.06	323,230,575	88%
2009	158,545,014	123,827,060	282,372,074	6.38	318,345,067	89%
2010	167,307,757	130,355,951	297,663,708	6.19	350,192,598	85%
2011	179,874,956	137,302,095	317,177,051	6.02	373,149,472	85%
2012	176,917,718	139,821,409	316,739,127	6.29	372,634,267	85%
2013	187,196,370	153,558,478	340,754,848	6.06	400,888,056	85%
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%

Received from Clay County Treasurer.

TABLE 7

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

Fiscal Year		City of Vermillion			Clay County			Overlapping Rates				Total Direct and Overlapping Rates
		Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	
2006	a	6.060	-	6.060	5.610	-	5.610	17.230	0.750	17.980	0.050	29.700
	b	6.060	-	6.060	5.610	-	5.610	10.510	0.750	11.260	0.050	22.980
2007	a	5.970	-	5.970	5.530	-	5.530	16.070	0.680	16.750	0.050	28.300
	b	5.970	-	5.970	5.530	-	5.530	10.020	0.680	10.700	0.050	22.250
2008	a	6.060	-	6.060	5.350	-	5.350	16.870	0.640	17.510	0.050	28.970
	b	6.060	-	6.060	5.350	-	5.350	10.390	0.640	11.030	0.050	22.490
2009	a	6.380	-	6.380	5.470	-	5.470	16.637	0.572	17.209	0.044	29.103
	b	6.380	-	6.380	5.470	-	5.470	10.284	0.572	10.856	0.044	22.750
2010	a	6.185	-	6.185	5.366	-	5.366	16.335	0.565	16.900	0.044	28.495
	b	6.185	-	6.185	5.366	-	5.366	10.142	0.565	10.707	0.044	22.302
2011	a	6.016	-	6.016	5.193	-	5.193	16.552	0.542	17.094	0.042	28.345
	b	6.016	-	6.016	5.193	-	5.193	10.275	0.542	10.817	0.042	22.068
2012	a	6.290	-	6.290	5.214	-	5.214	16.698	0.544	17.242	0.041	28.787
	b	6.290	-	6.290	5.214	-	5.214	10.343	0.544	10.887	0.041	22.432
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

a Non Owner Occupied
b Owner Occupied

Received from Clay County Treasurer.

TABLE 8

CITY OF VERMILLION
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2015			2006		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuations	Assessed Valuation	Rank	Percentage of Total Assessed Valuations
Walmart Stores, Inc	\$ 6,836,090	1	1.61%	\$ 3,628,318	3	1.39%
Polaris Industries, Inc.	6,416,124	2	1.51%	4,641,544	2	1.78%
JH Investments	5,531,769	3	1.31%	-	-	-
Hatle Investments	3,078,917	4	0.73%	-	-	-
William R. Wood	2,944,148	5	0.69%	-	-	-
MarketPlace Vermillion LLC	2,224,870	6	0.53%	-	-	-
Hogen House Properties LLC	2,212,690	7	0.52%	-	-	-
TMBL LLC	2,128,376	8	0.50%	-	-	-
East River Properties, LLC	1,976,313	9	0.47%	-	-	-
ARC LLC	1,870,275	10	0.44%	-	-	-
Laurence and Beth Brady	-	-	-	5,195,717	1	2.00%
505 W Main Limited Partnership	-	-	-	2,391,343	4	0.92%
HyVee	-	-	-	2,307,189	5	0.89%
Harlow & Lynne Hatle Trust	-	-	-	2,242,587	6	0.86%
Charles Allison	-	-	-	1,858,129	7	0.71%
LTA, LLC	-	-	-	1,947,896	8	0.75%
Qwest	-	-	-	1,690,216	9	0.65%
Kirk & Elizabeth Hogen	-	-	-	1,725,220	10	0.66%
Total Principal Taxpayers	35,219,572		8.31%	27,628,159		10.62%
All Other Taxpayers	388,488,710		91.69%	232,621,208		89.38%
Total Assessed Valuation	\$ <u>423,708,282</u>		<u>100%</u>	\$ <u>260,249,367</u>		<u>100%</u>

Received from Clay County Treasurer.

TABLE 9

CITY OF VERMILLION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Subsequent Years Tax Collections	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Outstand. Delinquent Taxes	Percentage of Delinq. Taxes to Tax Levy
2006	\$ 1,285,714	\$ 1,267,410	98.58%	\$ 17,986	\$ 1,285,396	99.98%	\$ 49,807	3.87%
2007	1,376,499	1,358,759	98.71%	17,708	1,376,467	100.00%	27,206	1.98%
2008	1,436,746	1,412,780	98.33%	23,573	1,436,353	99.97%	37,427	2.60%
2009	1,548,344	1,521,174	98.25%	26,096	1,547,270	99.93%	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%	15,799	1,645,602	99.70%	38,794	2.35%
2012	1,718,031	1,690,684	98.41%	22,940	1,713,624	99.74%	58,470	3.40%
2013	1,792,285	1,762,017	98.31%	24,637	1,786,655	99.69%	74,217	4.14%
2014	2,064,257	2,033,514	98.51%	24,289	2,057,803	99.69%	80,760	3.91%
2015	\$ 2,138,526	\$ 2,114,001	98.85%	\$ -	\$ 2,114,001	98.85%	\$ 49,554	2.32%

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*
2006	\$ 806,507	\$ 112,275	13.92%	\$ 694,232
2007	711,485	103,058	14.48%	608,428
2008	979,380	112,240	11.46%	867,140
2009	886,278	166,206	18.75%	720,072
2010	773,570	290,668	37.57%	482,902
2011	484,926	118,074	24.35%	366,852
2012	390,154	131,753	33.77%	258,401
2013	333,516	85,739	25.71%	247,777
2014	264,278	135,801	51.39%	128,477
2015	\$ 540,317	\$ 38,194	7.07%	\$ 502,123

*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	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable	Capital Leases			
2006	\$ 2,238,174	\$ 40,907	\$ -	\$ 10,025,790	\$ 309,483	\$ 234,072	\$ 12,848,426	4.26%	1,303
2007	1,986,665	-	4,475,000	11,510,482	324,721	87,864	18,384,732	5.52%	1,843
2008	2,027,848	-	4,355,000	11,201,109	396,737	24,912	18,005,806	4.41%	1,716
2009	1,698,558	-	4,185,000	18,159,279	407,878	-	24,450,715	5.79%	2,347
2010	765,000	-	4,010,000	20,287,816	800,860	-	25,863,676	6.11%	2,445
2011	390,000	-	3,825,000	19,759,654	687,003	-	24,661,657	5.41%	2,333
2012	355,000	-	3,640,496	18,200,435	570,408	229,670	22,996,009	4.73%	2,127
2013	-	-	3,438,140	18,216,709	451,009	209,316	22,315,174	4.22%	2,064
2014	1,732,000	-	3,230,785	19,000,452	328,738	188,301	24,480,276	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

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

CITY OF VERMILLION
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 December 31, 2015

TABLE 12

Jurisdiction	Net General Obligation Debt Outstanding	Percentage Applicable To This Governmental Unit ¹	City's Share of Debt
School District	\$ 1,020,000	56.70%	\$ 578,374
City of Vermillion direct debt			<u>7,442,000</u>
Total Direct and Overlapping Debt			<u>\$ 8,020,374</u>

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

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

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

CITY OF VERMILLION
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS

TABLE 13

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 13,012,361	\$ 15,090,303	\$ 16,161,529	\$ 15,917,253	\$ 17,509,630	\$ 18,657,474	\$ 18,631,713	\$ 20,044,403	\$ 20,284,312	\$ 21,185,414
Total, net debt applicable to limit	9,556,972	8,825,606	8,125,471	7,236,640	6,979,204	5,868,649	4,551,292	5,254,396	8,218,291	7,785,291
Legal Debt Margin	\$ 3,455,389	\$ 6,264,697	\$ 8,036,058	\$ 8,680,613	\$ 10,530,426	\$ 12,788,825	\$ 14,080,421	\$ 14,790,007	\$ 12,066,021	\$ 13,400,123
Total net debt applicable to limit as a percentage of debt limit	73.45%	58.49%	50.28%	45.46%	39.86%	31.45%	24.43%	26.21%	40.52%	36.75%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2015

Total 2015 Taxable Value		\$ 360,152,040
Assessed Value		423,708,282
Debt Limit - 5% of Assessed Value		21,185,414
AMOUNT OF DEBT APPLICABLE TO LIMIT		
Total Bonded Debt and Long-Term Notes Payable		10,654,995
Less: amount set aside for repayment of debt		
Joint Powers Revenue Bonds	(18,337)	
Wastewater Revenue Bonds	(213,092)	
Refunding Escrow for Certificates of Participation	(2,638,275)	
DEBT APPLICABLE TO DEBT LIMIT		(2,869,704)
LEGAL DEBT MARGIN		\$ 7,785,291
		\$ 13,400,123

Table 14

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

Fiscal Year	Net Revenue	Direct Operating Expenses	Depreciation Included in Expenses	Net Revenue Available for Debt Service	Payments on Principal	Payments For Interest	Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
2006	\$ 4,191,995	\$ 2,965,244	\$ 275,317	\$ 1,502,068	\$ 80,000	\$ 11,380	\$ 91,380	16.44	\$ 1,777,385	19.45
2007	4,592,516	3,362,594	286,811	1,516,733	90,000	7,018	97,018	15.63	1,803,544	18.59
2008	4,868,374	3,507,191	306,305	1,667,488	90,000	763	90,763	18.37	1,973,793	21.75
2009	² 5,158,478	4,004,115	311,894	1,466,257	-	-	-	n/a	1,778,151	n/a
2010	³ 517,889	-	-	517,889	-	391,211	391,211	1.32	517,889	1.32
2011	³ 738,404	-	-	738,404	185,000	384,797	569,797	1.30	738,404	1.30
2012	³ 743,301	-	-	743,301	190,000	382,485	572,485	1.30	743,301	1.30
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	379,684	574,684	1.24	715,396	1.24
2015	³ \$ 717,330	\$ -	\$ -	\$ 717,330	\$ 200,000	\$ 371,163	\$ 571,163	1.26	\$ 717,330	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

Table 15

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

Fiscal Year	Net Revenue	Direct Operating Expenses	Depreciation Included in Expenses	Net Revenue Available for Debt Service	Payments on Principal	Payments For Interest	Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
2006	\$ 1,350,043	\$ 975,516	\$ 143,885	\$ 518,412	\$ 87,145	\$ 82,757	\$ 169,902	3.05	\$ 662,297	3.90
2007	² 1,354,889	1,091,290	148,379	411,978	90,721	77,441	168,162	2.45	560,357	3.33
2007	³ 145,748	-	-	145,748	-	74,969	74,969	1.94	145,748	1.94
2008	² 1,158,017	1,099,739	187,002	245,280	94,446	73,716	168,162	1.46	432,282	2.57
2008	³ 293,627	-	-	293,627	137,706	88,447	226,153	1.30	293,627	1.30
2009	² 1,222,490	1,172,310	232,343	282,523	98,331	69,832	168,163	1.68	514,866	3.06
2009	³ 263,810	-	-	263,810	147,946	87,413	235,359	1.12	263,810	1.12
2010	² 1,200,469	1,189,028	241,817	253,258	102,381	65,621	168,002	1.51	495,075	2.95
2010	³ 266,174	-	-	266,174	151,896	83,772	235,668	1.13	266,174	1.13
2011	² 1,297,129	1,246,547	247,878	298,460	106,603	63,412	170,015	1.76	546,338	3.21
2011	³ 261,909	-	-	261,909	155,729	79,939	235,668	1.11	261,909	1.11
2012	² 1,480,051	1,319,913	253,851	413,989	503,868	40,574	544,442	0.76	667,840	1.23
2012	³ 264,576	-	-	264,576	159,659	76,009	235,668	1.12	264,576	1.12
2013	² 1,396,147	1,305,751	257,677	348,073	71,275	33,748	105,023	3.31	605,750	5.77
2013	³ 263,339	-	-	263,339	163,689	71,981	235,670	1.12	263,339	1.12
2014	² 1,399,529	1,353,254	288,192	334,467	112,038	55,435	167,473	2.00	622,659	3.72
2014	³ 266,357	-	-	266,357	167,819	67,850	235,669	1.13	266,357	1.13
2015	² 1,449,231	1,439,345	320,596	330,482	130,052	56,423	186,475	1.77	651,078	3.49
2015	³ \$ 272,428	\$ -	\$ -	\$ 272,428	\$ 172,054	\$ 63,615	\$ 235,669	1.16	\$ 272,428	1.16

¹ GAAP Basis² Bond obligations not covered with surcharge pledge³ Bond obligations not covered with surcharge pledge

Table 16

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

Fiscal Year	Net Revenue	Direct Operating Expenses	Depreciation Included in Expenses	Net Revenue Available for Debt Service	Payments on Principal	Payments For Interest	Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
2006	\$ 1,125,387	\$ 1,012,040	\$ 307,791	\$ 421,138	\$ 70,040	\$ 38,925	\$ 108,965	3.86	\$ 728,929	6.69
2007	1,260,442	1,191,304	380,627	449,765	139,674	114,424	254,098	1.77	830,392	3.27
2008	1,332,533	1,168,515	380,848	544,866	144,728	110,244	254,972	2.14	925,714	3.63
2009	1,418,108	1,230,161	387,288	575,235	149,498	105,646	255,144	2.25	962,523	3.77
2010 ²	1,344,143	1,236,230	413,192	521,105	154,426	140,768	295,194	1.77	934,297	3.17
2010 ³	145,131	-	-	145,131	41,335	49,870	91,205	1.59	145,131	1.59
2011 ²	1,346,120	1,435,127	509,019	420,012	168,769	104,201	272,970	1.54	929,031	3.40
2011 ³	300,259	-	-	300,259	138,513	124,963	263,476	1.14	300,259	1.14
2012 ²	1,383,666	1,464,328	592,300	511,638	176,377	97,582	273,959	1.87	1,103,938	4.03
2012 ³	321,140	-	-	321,140	160,945	128,744	289,689	1.11	321,140	1.11
2013 ²	1,427,149	1,554,596	597,771	470,324	107,677	57,988	165,665	2.84	1,068,095	6.45
2013 ³	322,606	-	-	322,606	167,184	123,829	291,013	1.11	322,606	1.11
2014 ²	1,491,940	1,554,258	604,768	542,450	198,431	54,718	253,149	2.14	1,147,218	4.53
2014 ³	325,433	-	-	325,433	172,684	118,329	291,013	1.12	325,433	1.12
2015 ²	1,514,528	1,605,291	608,699	517,936	199,209	52,622	251,831	2.06	1,126,635	4.47
2015 ³	\$ 330,834	\$ -	\$ -	\$ 330,834	\$ 178,365	\$ 112,648	\$ 291,013	1.14	\$ 330,834	1.14

¹ GAAP Basis² Bond obligations not covered with surcharge pledge³ Starting in 2010 a surcharge fee was pledged for the debt service

Table 17

CITY OF VERMILLION
REVENUE BOND COVERAGE
CURBSIDE RECYCLING ENTERPRISE
LAST TEN FISCAL YEARS¹

<u>Fiscal Year</u>	<u>Net Revenue</u>	<u>Direct Operating Expenses</u>	<u>Depreciation Included in Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Payments on Principal</u>	<u>Payments For Interest</u>	<u>Total Debt Service Payments</u>	<u>Coverage</u>	<u>Net Revenue Available For Debt Service Plus Depreciation</u>	<u>Coverage Without Depreciation</u>
2010	\$ 111,838	\$ 92,905	\$ 7,337	\$ 26,270	\$ 7,110	\$ 1,421	\$ 8,531	3.08	\$ 33,607	3.94
2011	116,759	88,143	7,338	35,954	7,288	1,119	8,407	4.28	43,292	5.15
2012	110,249	98,546	7,338	19,041	7,472	936	8,408	2.26	26,379	3.14
2013	109,789	95,081	7,337	22,045	7,660	748	8,408	2.62	29,382	3.49
2014	100,223	99,781	4,916	5,358	7,852	556	8,408	0.64	10,274	1.22
2015	\$ 108,267	\$ 97,575	\$ 2,495	\$ 13,187	\$ 8,050	\$ 358	\$ 8,408	1.57	\$ 15,682	1.87

¹ GAAP Basis
First Payment 2010

CITY OF VERMILLION
 PRINCIPAL EMPLOYERS
 DECEMBER 31, 2015 and DECEMBER 31, 2006

Table 18

Employer	Type of Business	2015			2006		
		# of Employees	Rank	Percentage of Total City Employees	# of Employees	Rank	Percentage of Total City Employees
University of South Dakota	Higher Education	1,304	1	24.42%	1,450	1	24.62%
Sanford Vermillion Medical Center	Medical	240	2	4.49%	275	3	4.67%
Wal-Mart	Retail	225	3	4.21%	260	4	4.42%
Polaris Industries	Parts Distribution	200	4	3.75%	155	7	2.63%
Vermillion Public Schools	Education	174	5	3.26%	160	6	2.72%
Hy Vee Food Stores	Retail	170	6	3.18%	170	5	2.89%
SESDAC	Education/Training	145	7	2.72%	140	8	2.38%
Masaba Mining Equipment	Manufacturing	106	8	1.99%	-	-	-
City of Vermillion	Government	105	9	1.97%	100	9	1.70%
eTelecare Global Solutions, Inc	Call Center	-	-	-	400	2	6.79%
Totals		<u>2,669</u>		<u>49.98%</u>	<u>3,110</u>		<u>52.81%</u>

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

CITY OF VERMILLION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

TABLE 19

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
2006	9,862	\$ 301,481,340	\$ 30,570	n/a	n/a	1,318	8,746	2.80%
2007	9,975	333,145,050	33,398	n/a	n/a	1,282	9,243	2.50%
2008	10,495	408,087,580	38,884	n/a	n/a	1,288	9,291	2.60%
2009	10,417	422,117,674	40,522	2,358	n/a	1,275	9,617	3.60%
2010	10,578	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%

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.

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General										
Executive	2.82	3.71	3.07	3.63	3.88	3.31	3.01	3.00	2.95	3.20
Finance	6.00	6.02	6.00	6.02	5.94	6.00	6.00	6.00	6.00	6.00
Engineering	4.83	4.64	4.87	4.22	4.71	4.73	4.38	4.30	4.22	3.88
Service Center	2.55	2.57	2.46	2.54	2.56	2.53	2.24	2.25	2.50	2.16
Public Safety										
Police Administration	5.53	5.71	5.10	5.10	5.67	5.25	4.98	4.86	4.91	4.69
Police Patrol	13.92	13.77	15.04	15.57	16.44	15.77	17.40	15.70	17.22	16.36
Communications	7.22	8.83	7.44	7.43	8.01	8.33	8.39	7.81	8.24	7.94
Fire	1.00	1.00	1.01	1.00	1.00	1.00	0.46	1.00	1.00	1.34
Public Works										
Street Department	5.51	5.72	5.94	6.71	6.69	6.48	5.89	6.33	6.70	7.32
Carpentry	1.04	1.07	1.08	1.04	1.05	1.04	1.05	1.04	0.57	0.24
Health & Welfare										
Code Compliance	3.04	3.01	3.02	3.01	2.91	3.25	2.73	3.04	3.00	6.00
Ambulance	4.04	4.13	4.57	3.02	3.06	3.44	3.14	3.15	5.06	5.72
Culture-Recreation										
Pool	4.81	4.61	4.43	5.06	4.65	4.83	4.07	4.01	4.69	4.06
Recreation	3.79	4.27	4.22	4.53	4.01	4.25	3.83	3.62	3.83	3.68
Libraries	8.10	8.08	8.24	8.56	8.84	8.56	8.01	7.87	7.95	7.77
Parks	4.76	4.00	4.56	4.43	4.49	4.30	4.17	4.29	3.98	3.75
Electric	11.27	10.87	10.67	11.15	10.85	10.91	10.61	10.73	10.41	10.49
Water	8.36	8.64	8.48	8.56	8.70	8.35	8.58	8.46	8.47	8.18
Wastewater	7.01	7.67	7.41	7.15	6.98	6.95	6.78	6.91	7.08	6.04
Golf	9.42	9.13	9.71	9.65	9.85	9.32	9.33	9.35	9.15	9.50
Joint Powers	9.20	9.10	9.70	9.95	9.95	9.76	10.00	9.81	10.17	10.20
Curbside Recycling	-	-	-	0.72	1.96	1.95	2.00	1.91	2.00	2.00
Internal Service										
Custodial	1.73	1.81	1.82	2.01	2.16	2.14	2.14	2.32	2.39	2.34
	<u>125.96</u>	<u>128.38</u>	<u>128.84</u>	<u>131.05</u>	<u>134.36</u>	<u>132.46</u>	<u>129.19</u>	<u>127.76</u>	<u>132.49</u>	<u>132.86</u>

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

CITY OF VERMILLION
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Table 21

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Non Traffic Violations	735	905	821	821	747	561	493	338	573	530
Traffic Violations	603	762	936	906	1,219	660	709	689	839	812
Parking Violations	2,341	2,297	2,576	1,839	1,865	1,399	1,275	1,328	1,412	1,825
Fire										
Structure Fires	14	13	12	12	12	14	22	15	13	7
Other Fires & Incidents Calls	79	79	116	104	102	92	123	145	177	181
Ambulance										
Total Calls	518	574	702	771	740	727	795	712	865	870
Total Stand-By	37	28	38	44	45	52	68	95	68	50
Code Compliance										
Rental Housing Inspections	600	912	1,164	970	1,105	1,086	959	1,215	960	1,128
Building Permits-Single Family	36	37	30	11	10	9	15	9	4	16
Building Permits-Multiple Family	7	7	9	1	7	4	2	2	18	10
Building Permits-Commercial	6	8	12	13	6	3	3	4	5	6
Value of New Construction	\$ 8,212,480	\$ 19,544,721	\$ 9,839,155	\$ 2,983,296	\$ 4,502,352	\$ 5,786,357	\$ 3,771,388	\$ 8,138,807	\$ 13,611,097	\$ 29,966,297
Municipal Garage										
Service Jobs	260	239	273	243	248	241	234	204	216	193
Repairs	374	369	286	353	376	368	294	291	257	336
Library										
Circulation	78,652	78,196	78,711	77,979	79,168	78,344	75,235	73,460	83,800	107,797
Number of Card Holders	7,772	8,137	7,319	7,634	7,158	4,763	5,357	6,056	6,355	4,653
Swimming Pool										
Swim Lesson Participation	351	389	392	402	427	406	325	325	340	314
Open Swim Participants	18,700	18,700	19,125	13,090	12,320	12,320	13,200	13,200	13,200	13,600
Parks & Recreation										
Fall/Winter Participants	4,588	4,204	4,041	3,657	3,009	2,799	2,144	1,489	1,494	1,363
Summer Participants	2,352	1,936	1,889	2,048	2,130	2,034	1,950	1,985	2,420	2,386
Electric										
Total Number Meters	4,277	4,357	4,374	4,414	4,431	4,447	4,474	4,491	4,526	4,617
Total Metered Kilowatts	61,249,026	64,250,866	63,777,034	62,286,446	65,537,825	67,118,551	67,571,917	66,800,569	65,034,860	64,939,075
Summer Peak Demand Kilowatts	16,132	15,424	14,746	14,620	15,619	16,720	17,051	16,562	15,393	14,915
Winter Peak Demand Kilowatts	10,850	11,294	11,496	11,059	11,148	11,240	10,836	11,218	11,079	11,099
Water										
Number of Connections	2,709	2,746	2,847	2,826	2,856	2,875	2,944	2,967	3,022	3,079
Average Daily Consumption	1,102,896	1,199,674	1,070,737	1,017,595	921,929	958,603	1,130,197	1,005,093	1,000,844	1,036,238
Daily Peak Demand	2,231,000	2,549,000	2,387,000	1,647,000	1,385,000	1,864,000	2,249,000	2,071,000	1,904,000	1,694,000
Wastewater										
Number of Connections	2,612	2,683	2,759	2,761	2,763	2,809	2,862	2,917	2,955	3,000
Average Daily Flow	1,102,000	1,109,000	1,025,000	1,033,000	1,248,000	1,374,000	831,000	832,000	912,000	969,000
Daily Peak Demand	2,133,000	1,859,000	1,767,000	1,730,000	3,517,000	2,835,000	1,134,000	1,082,000	1,256,000	1,067,000
Joint Powers										
Tonnage in Landfill Trenches	28,912	32,090	36,382	35,420	36,488	34,813	34,187	34,494	34,854	37,007
Tonnage Recycled	972	1,163	1,211	1,805	1,085	1,086	1,077	1,035	828	830
Curbside Recycling										
Tonnage Collected	-	-	-	-	-	136	144	160	175	178
Bluff's Golf Course										
Rounds of Golf	21,188	23,376	21,443	23,012	21,476	20,703	22,799	19,808	23,222	23,500
Liquor Store										
Gross Sales	967,937	1,094,738	1,179,546	1,165,625	1,181,977	1,185,643	1,217,013	1,183,334	1,246,418	1,498,390
Gross Profit %	33.53%	33.37%	31.25%	30.93%	31.17%	30.97%	31.06%	30.86%	30.35%	29.92%
Street Department										
Tons of Sand for Ice	524	1,001	959	630	767	450	350	368	295	480
Truckloads of Snow Hauled	193	595	538	713	1,874	316	226	169	112	587

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles	5	5	5	5	5	5	5	5	5	5
Fire										
Stations	2	1	1	2	2	2	2	2	2	2
Engines/Trucks	6	6	6	6	6	6	6	6	10	10
Hydrants	385	387	388	392	398	398	397	401	417	417
Ambulances	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	46.69	46.77	46.94	46.94	46.94	47.39	47.39	47.39	53.70	53.70
Streetlights	1,172	1,187	1,211	1,285	1,243	1,243	1,259	1,281	1,289	1,289
Culture & Recreation										
Parks (acres)	115.50	115.50	115.50	115.50	115.50	115.50	115.50	115.50	130.00	130.00
Parks	7	7	7	7	7	7	7	7	7	7
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Softball Diamonds	2	2	2	2	2	2	2	2	2	2
Baseball Diamonds	3	3	3	3	3	3	3	3	3	3
Golf Courses	1	1	1	1	1	1	1	1	1	1
Electric										
Total Transformers on 13.8 kV Line	694	677	678	664	661	675	665	669	686	705
Total miles of 3 phase on 13.8 kV Line	49.49	49.71	53.17	47.60	48.53	49.83	49.61	49.82	50.82	51.33
Total Miles of 115kV Transmission Line	-	-	-	-	-	-	21.25	21.97	21.97	21.97
Water										
Water Mains (miles)	61.07	61.21	62.17	63.41	64.01	64.69	64.86	64.94	66.26	66.26
Maximum Daily Capacity (gallons)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Wastewater										
Sanitary Sewer (miles)	57.85	57.85	57.93	58.15	58.18	58.27	58.36	58.36	59.42	59.42
Stormwater Sewer (miles)	6.26	6.26	6.57	6.81	6.82	6.84	6.84	6.89	8.01	8.01
Maximum Daily Capacity (gallons)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

Information in table provided from City of Vermillion Department Superintendents



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**CITY OF VERMILLION
COMPLIANCE SECTION**

CITY OF VERMILLION, SOUTH DAKOTA
Schedule of Findings
For the Year Ended December 31, 2015

- I. Summary of the Independent Auditor's Results
- A. Unmodified opinions were 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 noncompliance which is material to the financial statements.
- II. Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*

Instances of Non-Compliance:

No matters were noted.

Material Weakness:

2015-001 Financial Reporting

Condition and Criteria – The auditors were required to propose and have management post adjusting journal entries to the fund financial statements in order for the financial statements 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 – The City will double check the financial statements in the future and all supporting schedules to verify that all adjustments are made properly.



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**Independent 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated --- July 22, 2016. 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 2015-001 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

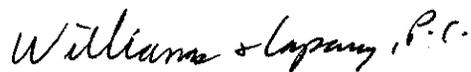
The City of Vermillion's response to the findings identified in our audit is described in the accompanying schedule of findings. The City of Vermillion's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Certified Public Accountants

Le Mars, Iowa
July 22, 2016