

CITY OF VANDALIA, OHIO

**Independent Auditors' Report on
Compliance and Internal Controls**

December 31, 2004



**Auditor of State
Betty Montgomery**

Members of Council
City of Vandalia
333 James E. Bohanan Memorial Drive
Vandalia, Ohio 45377

We have reviewed the Independent Auditor's Report of the City of Vandalia, Montgomery County, prepared by Clark, Schaefer, Hackett & Co. for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Vandalia is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 28, 2005

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Clark, Schaefer, Hackett & Co.
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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

City Council
City of Vandalia
333 James E. Bohanan Memorial Drive
Vandalia, Ohio 45377

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vandalia (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 31, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected with in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

We noted a certain matter that we reported to management of the City in a separate letter dated May 31, 2005.

This report is intended solely for the information and use of the Mayor and members of the City Council, the City Manager, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hachett & Co.

Springfield, Ohio
May 31, 2005

CITY OF VANDALIA
MONTGOMERY COUNTY, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

Issued by:
Lori Koch
Finance Director

City of Vandalia
Montgomery County, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2004

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333 James E. Bohanan Memorial Drive • Vandalia, Ohio 45377
(937) 898-5891

May 31, 2005

Citizens of Vandalia
Mayor
Members of Council
City of Vandalia, Ohio

State law requires that every general-purpose local government publish within 150 days of the close of each fiscal year, a complete set of audited financial statements. Therefore, I am pleased to present the sixteenth Comprehensive Annual Financial Report (CAFR) for the City of Vandalia, which is being published to fulfill that requirement for the year ended December 31, 2004.

Management, specifically the Finance Director's Office, assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. This evaluation involves estimates and judgment by the City administration and members of the finance office. The administrative and financial management personnel believe that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

Clark, Schaefer, Hackett & Co., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Vandalia's financial statements for the year ended December 31, 2004. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the City

The City of Vandalia is located in Western Ohio, just north of Dayton. Long recognized as the intersection of our nation's major coast to coast highways and as the site of Dayton International Airport, the City of Vandalia is, literally, the nucleus of a region that has become renown for its convenient access to the entire world.

In 1848, incorporation papers were filed to establish the Village of Vandalia, with 200 residents. In 1958, Vandalia was incorporated as a City, and adopted its charter in 1960, pursuant to Section 7 of Article XVIII of the Ohio Constitution.

The current charter provides for a Council/Manager form of government. The Mayor and the council are elected by separate ballot from the municipality at large for four-year terms. As a council member, the Mayor has the right to vote on all issues before the council. Council appoints the City Manager. The City Manager appoints all department managers of the City.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments which provide various services including police and fire protection, garbage disposal, sewage collection and treatment, water treatment and distribution, street maintenance and repair, parks and recreation, planning, zoning, and maintenance of a staff to provide support services (i.e., payroll processing and accounts payable). Council and the City Manager have direct responsibility for these activities.

The City is associated with the Tri-Cities North Regional Wastewater Authority (Tri-Cities) and the Northern Area Water Authority (NAWA), which are defined as joint ventures. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. These organizations are presented in Note 14.

The City also participates in the Miami Valley Risk Management Association, Inc. (MVRMA), a risk sharing insurance pool, which provides liability insurance coverage to the City. The pool consists of twenty municipalities who pool risk for property, crime, liability, boiler and machinery and public official liability.

The City is also a member of the Economic Development/Government Equity Program (ED/GE), a jointly governed organization which promotes developing plans and programs designed to assure that County resources are efficiently used, economic growth is properly balanced, and that county economic development is coordinated with that of the State of Ohio and other local governments. This organization is presented in Note 15.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Vandalia's financial planning and control. The budget is prepared at the fund level. The finance director may transfer resources within the function and department levels. The department heads may transfer resources within their department as they see fit. Budgetary control is maintained by the encumbrance of purchase amounts prior to the release of purchase orders to vendors. Purchase orders are not issued when insufficient appropriations preclude the encumbrance of the amount of the purchase. Each department head is furnished a monthly report showing the month's transactions and summarizing the balances available to be spent from the appropriations for goods and services.

Local Economy

During 2004, as in recent years, the City continued to experience an economic plateau. The City continues to strive for innovative ways to attract new businesses to Vandalia. During 2004, much progress was made in the construction of the new I-70/I-75 interchange. This project continues to have a direct impact on the City due to the location of the City to the new interchange. Studies related to this project show future growth in housing, retail locations and office space at the newly opened freeway interchange. The new interchange will easily accommodate the increased traffic and keep goods, services and people moving. All of these factors will enhance the quality of life within the City of Vandalia and promote economic development and growth for the City as a whole.

The City's largest employer, Delphi Safety and Interiors, closed an integral part of its Vandalia plant during 2004. Even with the closure of this section of the plant, Delphi continues to be the City's largest employer. The City continues to monitor the situation with Delphi, and is working on a revenue sharing agreement with three other Cities that also house Delphi facilities. The idea of the agreement is to compile a strategy that would leave all four Cities at their current revenue base (held-harmless) if Delphi decides to consolidate the four facilities to one location. The City remains hopeful that this agreement will be approved by all four Cities during 2005.

While Delphi's viability is questionable, other major employers are thriving. Smiths Aerospace, a major corporation within the City, received an Economic Development/Governmental Equity (ED/GE) grant through the City during 2004 to help construct a new laboratory. As a result, the company was awarded a new defense-related contract during 2004. Saia Burgess Inc., another major employer, consolidated part of its operations in Vandalia from an Indiana location, which increased employment at their Vandalia facility. Other major, as well as small businesses, located in the City also experienced growth during 2004. Business owners are encouraged by this progress and growth and are hopeful that continued success is on the horizon.

During 2004, housing subdivisions continued to grow in the City, including, Foxfire, Brown School Woods, and Ashbury Farms. Also during 2004, the newest subdivision of the City, Copperfield subdivision, grew dramatically.

Due to the region having a varied economic base, unemployment is relatively stable. From a low of 3.8% in 1999 and 2000 to a high of 6.3% in 2003, unemployment during 2004 descended back down to 5.8% in 2004. Unemployment is expected to remain stable or continue to decrease over the next few years. One major factor in this equation is the newly constructed I-70/I-75 interchange that will potentially open the region up for much expansion and economic growth. Another factor is an anticipated growth in population due to the newly created employment opportunities within the region.

The City continues to spend its valuable resources on public safety and public works related expenses, as well as recreation activities and general governmental categories. The City's dedication to public safety is evident in the fact that 23 percent and 8 percent of the governmental expenditures are spent towards police and fire protection, respectively. The City also places a high emphasis on sponsoring recreation programs for its citizens. The 18 percent of governmental expenditures spent for recreation during 2004 is consistent with past years.

At 52 percent of total governmental revenues, municipal income taxes continue to be the life source of the City's revenue. Up from 21 percent in 2003, to 23 percent in 2004, charges for services governmental revenue continues to increase in amount as well as percentage of total revenue. The main reason for the increase in charges for services is due to the City charging for ambulance and trash service during 2004.

Long-term Financial Planning

During 2004, City Council began developing general fund balance policy guidelines to serve as the stepping stone for future budgetary and planning purposes. The proposed policy sets a *minimum* requirement for the general fund balance at 15 percent of regular general fund revenues, or of no less than 6 months of regular general fund operating expenditures. The policy also specifies that the minimum level should be applied within the context of long-term forecasting, not upon the level of fund balance in the general fund at any one time. The goal is to have this policy finalized and officially adopted by Council during 2005.

Also during 2004, the City of Vandalia advance refunded a portion of its 1996 General Obligation Various Purpose Bonds. In doing so, total debt service payments on the debt were reduced by \$681,837, which resulted in an economic gain of \$641,552.

In addition, the City continued with its 5-year capital projects strategic planning tool. The City also implemented a new 3-year, more specific, capital projects plan with goals and deadlines.

Major Initiatives

The Northern Area Water Authority (NAWA), a joint venture between the Cities of Vandalia and Tipp City, continued to be very busy with the planning and financing of the joint water treatment plant during 2004. Despite the setbacks in the engineering and design phase of the project during 2003, 2004 proved to be a productive year in the planning phase of the project. NAWA has applied for and been awarded an Ohio Water Development Loan (OWDA) to fund the project, and construction is scheduled to begin in June of 2005. If all goes as planned, the water treatment plant should be operating by the first quarter of 2007.

During 2004, the City of Vandalia continued to contract with the cities of Englewood and Brookville to act as their agent for the purpose of administering their tax ordinances and collecting their City income taxes by the authority of those ordinances. Although there are no immediate plans to form a joint venture with the cities of Englewood and Brookville, the option to do so in the future has remained open.

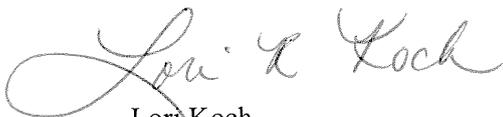
Completion of the new Benchwood Road access road off of I-75 has had a direct impact on the City of Vandalia. The City owns prime property located directly off of the new access road from I-75, and has entered into a tax increment financing (TIF) agreement with the Vandalia-Butler School District to promote economic development in this area. As a result of the TIF agreement, and other economic development tools being used by the City, enormous growth in this area is anticipated over the next several years.

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 Vandalia, Ohio, for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2003. This was the fifteenth year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports 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 our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Sincere appreciation is extended to the many people who have contributed their time and effort to prepare this report. The Finance Department Staff is to be commended for their input and commitment. I would also like to express appreciation to the City Engineer's office for their continued effort in helping gather the infrastructure information presented in the report. I would also like to express appreciation to Ms. Carol Riggle, CPA, for her guidance and assistance in preparing this report. Finally, credit must also be given to the Mayor and to City Council for their support in maintaining the highest standards of professionalism in the management of the City of Vandalia's finances.



Lori Koch
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Vandalia,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

City of Vandalia
Montgomery County, Ohio
List of Principal Officials
December 31, 2004

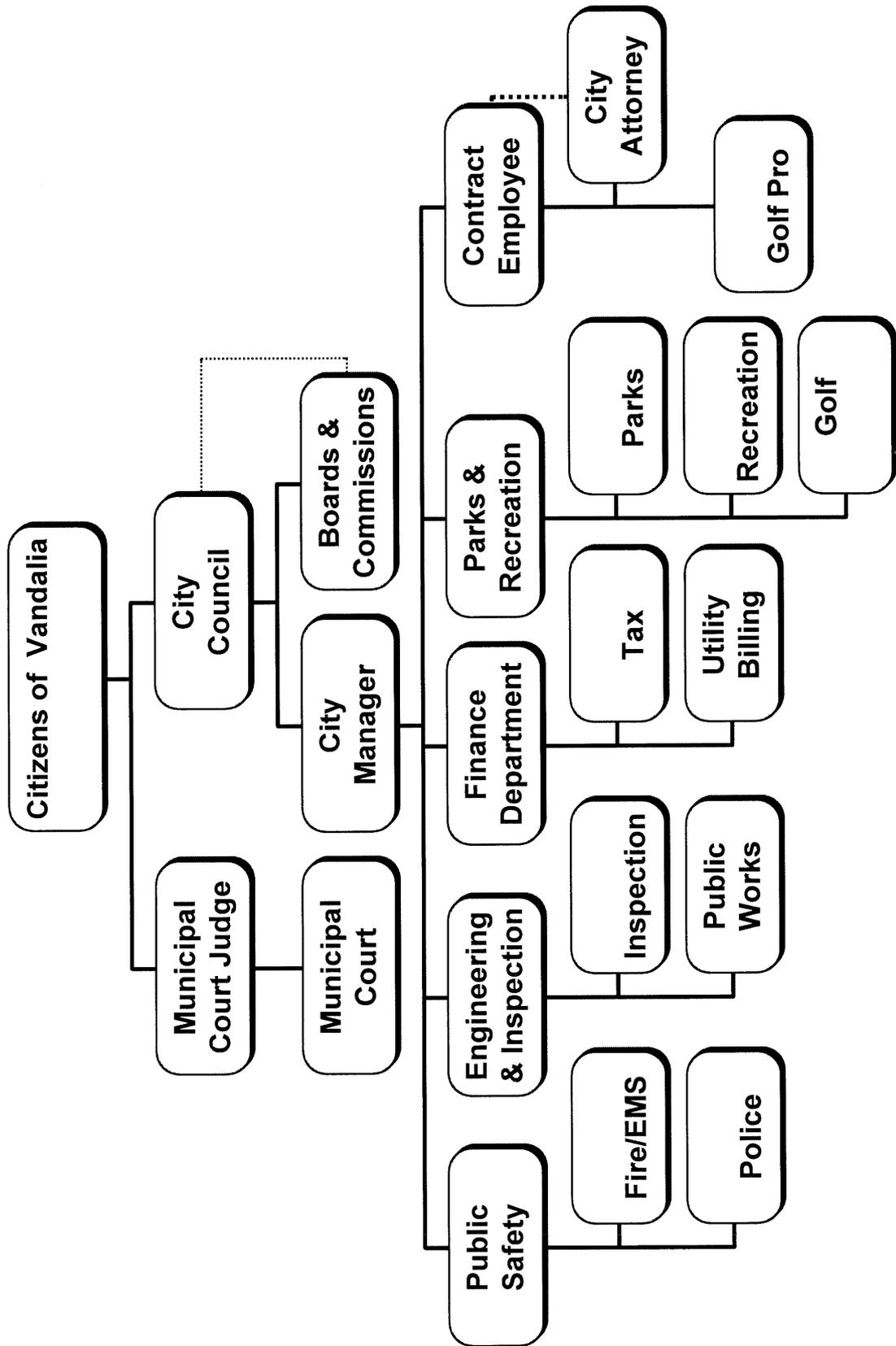
ELECTED OFFICIALS

MAYOR	William Loy
VICE MAYOR	Candice Farst
COUNCIL MEMBERS	Mike Blakesly H. David Brusman Jr. Dave Gerhard David Lewis Joyce Orange

APPOINTED OFFICIALS

CITY MANAGER	Jeffrey C. Hoagland
FINANCE DIRECTOR	Lori Koch
CITY ATTORNEY	Trisha Duff
CHIEF OF POLICE	Douglas Knight
CITY ENGINEER/SERVICE DIRECTOR	John Mitchell
FIRE CHIEF	Chad Follick
PARKS AND RECREATION DIRECTOR	Steve Clark

City of Vandalia, Ohio Organization Chart - 2004



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Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
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Independent Auditors' Report

City Council
City of Vandalia
333 James E. Bohanan Memorial Drive
Vandalia, Ohio 45377

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vandalia (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vandalia as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 sections, combining and individual nonmajor fund financial statements and schedules, and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 31, 2005

City of Vandalia
Montgomery County, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2004
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Vandalia's discussion and analysis of the annual financial reports provides a review of the financial performance for the year ended December 31, 2004.

FINANCIAL HIGHLIGHTS

- The City's total net assets remained fairly constant during 2004, reflecting an increase of \$1.1 million. Of this increase, net assets of governmental activities accounted for \$1.5 million, due to increases in infrastructure capital assets while reducing long-term liabilities by making debt payments, while net assets of business-type activities decreased by (\$.4) million, mainly due to the depreciation of assets.
- The general fund transfers out equaled \$1.9 million. Of this amount, \$.8 million in transfers was for capital acquisitions, repairs and equipment, and \$1.0 million was for debt service obligations.
- Business-type operations reflected an operating loss during 2004, and business-type unrestricted net assets are at \$8.1 million.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Vandalia's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

The analysis of the City as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine if the City of Vandalia is financially better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

City of Vandalia
Montgomery County, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2004
(Unaudited)

These two statements report the City's net assets and changes to those assets. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements need to take into account non-financial factors that also impact the City's financial well being. Some of these factors include the City's tax base and the condition of capital assets.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities.

- **Governmental Activities** – Most of the City's services are reported here including police, fire, public works, recreation, judicial, and legislative and executive.
- **Business-Type Activities** – These services include golf, sewer and water. Service fees for these operations are charged based upon the amount of usage or a usage fee. The intent is that the fees charged recoup operational costs.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the City's major funds begins on page 11. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with approval of council, to help control, manage and report money received for a particular purpose or to show that the City is meeting legal responsibilities for use of grants. The City of Vandalia's major funds are general, capital improvement, golf, sewer and water.

Governmental Funds – Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – When the City charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. Internal service funds are used to report activities that provide services to the City's other funds and departments.

City of Vandalia
Montgomery County, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2004
(Unaudited)

Fiduciary Funds - The City is the fiscal agent for the Tri-Cities North Regional Wastewater Treatment Authority (Tri-Cities), and is responsible for the investment of Tri-Cities funds. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2004 compared to 2003.

Table 1
Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current And Other Assets	\$23.0	\$22.3	\$2.1	\$2.6	\$25.1	\$24.9
Capital Assets, Net	43.7	44.0	16.9	17.2	60.6	61.2
Investment in Joint Venture	0.0	0.0	6.5	6.1	6.5	6.1
Total Assets	66.7	66.3	25.5	25.9	92.2	92.2
Liabilities						
Current and Other						
Liabilities	3.0	3.6	0.5	0.5	3.5	4.1
Long-Term Liabilities:						
Due within One Year	1.0	1.0	0.0	0.0	1.0	1.0
Due in More Than One Year	11.2	11.7	0.0	0.0	11.2	11.7
Total Liabilities	15.2	16.3	0.5	0.5	15.7	16.8
Net Assets						
Invested in Capital Assets						
Net of Related Debt	32.6	31.7	16.9	17.2	49.5	48.9
Restricted:						
Other Purposes	1.6	1.4	0.0	0.0	1.6	1.4
Debt Services	0.3	0.4	0.0	0.0	0.3	0.4
Capital Projects	2.6	2.8	0.0	0.0	2.6	2.8
Unrestricted	14.4	13.7	8.1	8.2	22.5	21.9
Total Net Assets	\$51.5	\$50.0	\$25.0	\$25.4	\$76.5	\$75.4

As displayed in Table 1, total net assets of the City as a whole, increased \$1.1 million from 2003 to 2004. This was due to increases in infrastructure capital assets while reducing long-term liabilities by making debt payments.

City of Vandalia
Montgomery County, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2004
(Unaudited)

Total net assets of the City's governmental activities increased by \$1.5 million, and unrestricted net assets increased \$.7 million from 2003 to 2004. Even though unrestricted net assets remained fairly constant, unrestricted funds continue to be used for funding various capital projects, especially street related projects such as Vista, Brownschool Road, and North Dixie Drive, and traffic signal construction.

The net assets of the City's business type activities decreased by \$.4 million. In addition, all three enterprise funds reported operating losses during 2004. Operating expenses increased due to up keep and maintenance on water and sewer lines being charged directly to the enterprise funds during 2004. A majority of these charges were covered by governmental funds in the past. Current assets decreased due to a reduction in cash and cash equivalents. Capital assets decreased in all of the enterprise funds due to the continued depreciation on capital assets. The City also had an increase in its investment in the joint venture from 2003 to 2004. The City strives to control operation expenses for business-type activities in order to maintain stability in charges for services rates.

Table 2 shows the changes in net assets for the year ended December 31, 2004, and revenue and expense comparisons to 2003.

Table 2
Changes in Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program Revenues:						
Charges for Services	\$4.6	\$3.7	\$3.5	\$3.6	\$8.1	\$7.3
Operating Grants, Contributions and Interest	0.8	0.8	0.0	0.0	0.8	0.8
Capital Grants and Contributions	0.8	0.4	0.0	0.0	0.8	0.4
Total Program Revenues	6.2	4.9	3.5	3.6	9.7	8.5
General Revenues:						
Property Taxes	1.7	1.8	0.0	0.0	1.7	1.8
Income Taxes	10.4	9.9	0.0	0.0	10.4	9.9
Grants and Entitlements	1.0	0.8	0.0	0.0	1.0	0.8
Other	0.6	0.5	0.5	0.1	1.1	0.6
Total General Revenues	13.7	13.0	0.5	0.1	14.2	13.1
Total Revenues	19.9	17.9	4.0	3.7	23.9	21.6

(Continued)

City of Vandalia
Montgomery County, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2004
(Unaudited)

Changes in Net Assets
(In Millions)
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Program Expenses:						
General Government						
Legislative and Executive	\$3.4	\$3.4	\$0.0	\$0.0	\$3.4	\$3.4
Judicial System	1.6	1.5	0.0	0.0	1.6	1.5
Public Safety						
Police	4.3	4.0	0.0	0.0	4.3	4.0
Fire	1.4	1.6	0.0	0.0	1.4	1.6
Public Works						
Engineer	0.8	0.7	0.0	0.0	0.8	0.7
Streets	2.5	2.9	0.0	0.0	2.5	2.9
Refuse	0.6	0.6	0.0	0.0	0.6	0.6
Recreation	3.3	3.5	0.0	0.0	3.3	3.5
Interest and Fiscal Charges	0.5	0.7	0.0	0.0	0.5	0.7
Golf	0.0	0.0	1.1	1.2	1.1	1.2
Sewer	0.0	0.0	1.6	0.8	1.6	0.8
Water	0.0	0.0	1.7	1.6	1.7	1.6
Total Expenses	<u>18.4</u>	<u>18.9</u>	<u>4.4</u>	<u>3.6</u>	<u>22.8</u>	<u>22.5</u>
Excess (Deficiency) Before Transfers	1.5	(1.0)	(0.4)	0.1	1.1	(0.9)
Transfers	0.0	(1.3)	0.0	1.3	0.0	0.0
Increase (Decrease) in Net Assets	<u>\$1.5</u>	<u>(\$2.3)</u>	<u>(\$0.4)</u>	<u>\$1.4</u>	<u>\$1.1</u>	<u>(\$0.9)</u>

Governmental Activities

The 1.75% income tax is the largest source of revenue for the City of Vandalia. The above table reflects an increase in income tax revenue of \$.5 million from 2003 to 2004. Receipts of income tax revenue were anticipated to rebound from the 2003 decrease as increased revenues will be generated from new and expanded businesses within the City.

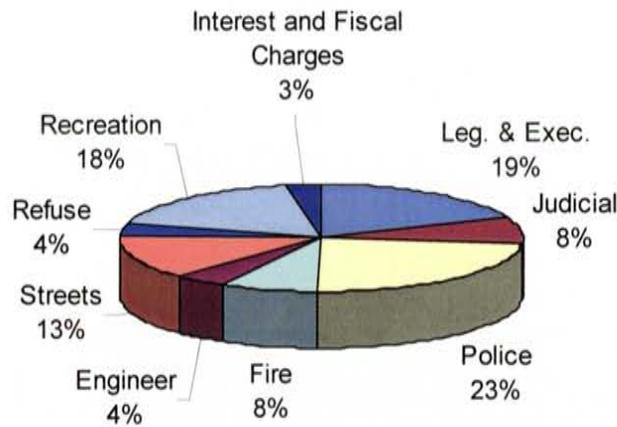
Charges for services increased \$.9 million during 2004. This increase can be credited to revenues generated from continuing to charge the cities of Englewood and Brookville for fiscal services for collecting their income taxes for them. Also, 2003 only reflects a partial year of charges from ambulance services, while 2004 reflects an entire year of these charges. The City also began charging citizens for trash services during 2004.

General government program expenses increased \$.1 million during 2004 as a result of increased personnel and operation costs for the Municipal Court. Expenses related to income tax collections for the cities of Englewood and Brookville also continue to be reflected in the general government program expenses.

Public safety, public works and recreation program expenses remained fairly consistent or decreased during 2004. This consistency resulted from management's conscious decision to try and cut expenses through tightened budgets while still providing the quality of life of which the citizens and businesses located in the City have become accustomed.

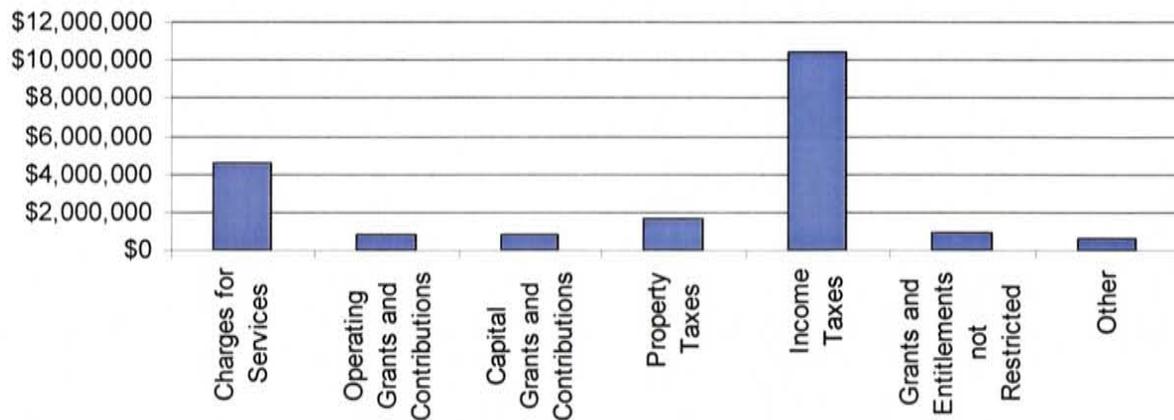
City of Vandalia
 Montgomery County, Ohio
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 (Unaudited)

Expenses by Program - Governmental Activities



As indicated by governmental program expenses, citizen safety and well being is emphasized as well as maintaining the City's streets and other infrastructure. Recreation programs and facilities are considered an integral part of the quality of life factor.

Revenues by Source - Governmental Activities



When looking at the sources of income used to support governmental activities, it should be noted that charges for services of \$4,545,560 represent 23 percent of revenue. Revenues provided by sources other than city residents in the form of operating and capital grants comprise another \$1,620,819, or 8 percent, and other revenue and unrestricted grants and entitlements accounted for \$1,562,385, which is another 8 percent. The remaining revenues are primarily generated locally through property taxes, \$1,703,923 (9 percent) and income taxes, \$10,420,056 at 52 percent. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they and previous councils have always been committed.

City of Vandalia
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For The Year Ended December 31, 2004
(Unaudited)

Business-Type Activities

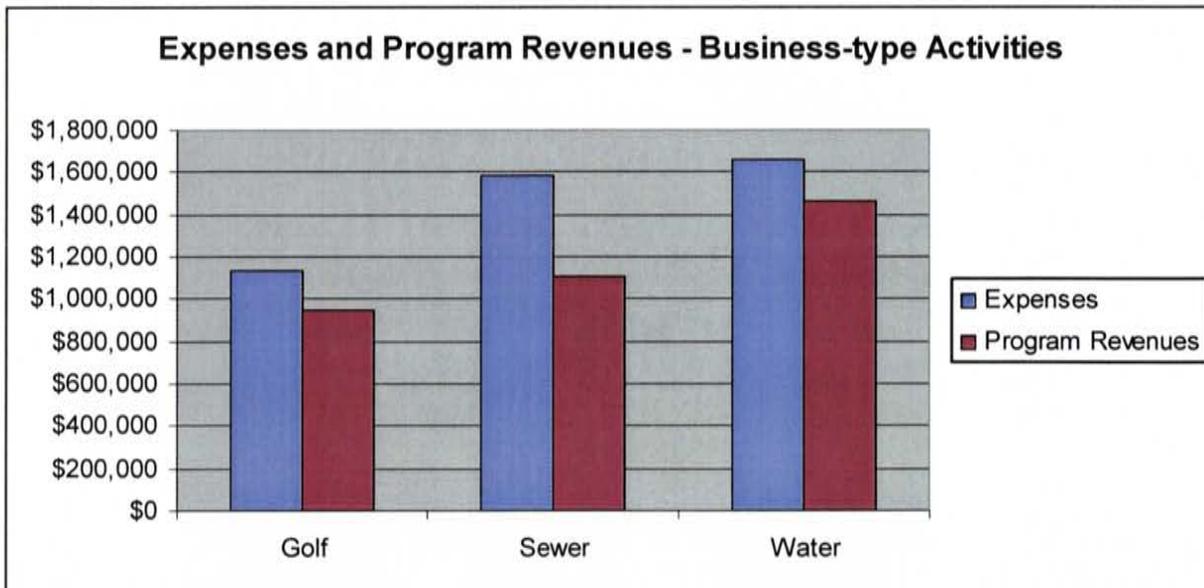
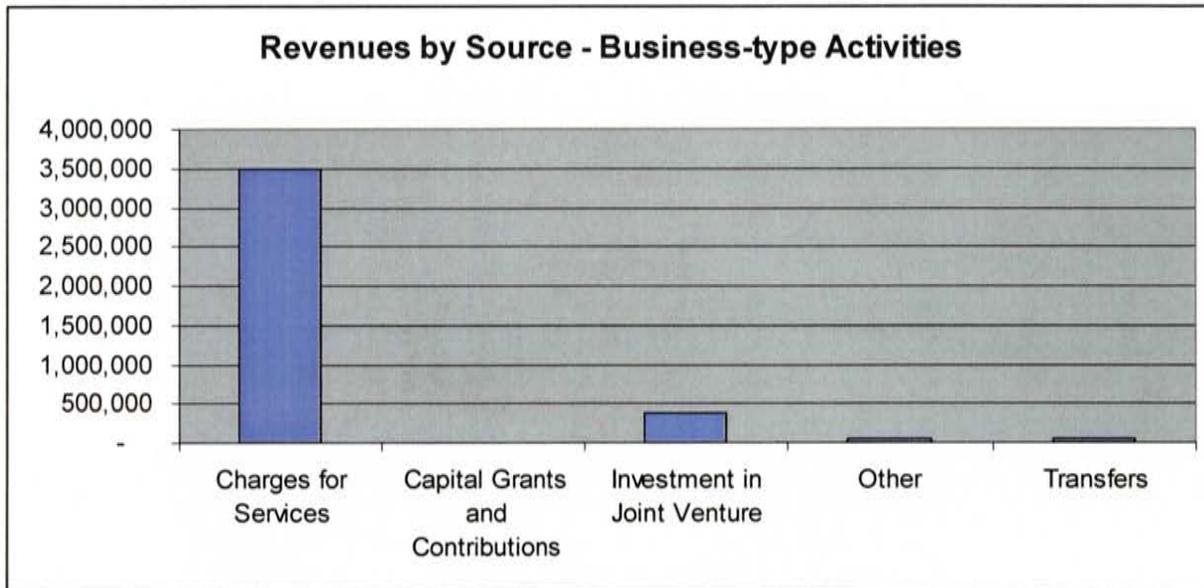
The City's business-type activities include golf, sewer and water.

Golf - Vandalia's Cassel Hills Golf Course is an 18-hole golf course with a restaurant and snack bar. In 1997 the course was voted as "best in the valley" by Dayton Daily Newsreaders and in 2003 received a four-star ranking by *Golf Digest*. Vandalia was one of the first smaller cities in the Miami Valley to have a municipal golf course. As a result, public expectation has been that a public course should have lesser fees than a private golf course. In 2004, there were approximately 35,000 rounds of golf played. Vandalia's councils have, for the most part, agreed with the expectation of lower fees and have been willing to subsidize operations of the course with transfers and advances from the general fund when necessary.

Sewer - The City closed their wastewater treatment facility in 1985. Vandalia then contracted with the Miami Conservancy District for wastewater treatment services. In 1996, the Conservancy District decided they no longer wanted to furnish this service. A joint venture was formed between the Cities of Vandalia, Huber Heights and Tipp City to take over the Conservancy District operation. The joint venture now furnishes waste water treatment services to each city. Each city owns and maintains the infrastructure necessary to furnish service to their citizens. All capital repairs and upkeep of the treatment plant are the responsibility of the joint venture. The joint venture in turn will set costs of service for the cities, based on flow, to maintain the plant. The City of Vandalia, will in turn, charge its citizens accordingly. Beginning in 2004, any capital outlay needed to maintain Vandalia's sewer infrastructure was provided by user fees. Due to the need for current and future capital improvements, maintenance and up keep of enterprise infrastructure, Council decided to implement a 3-year rate increase in sewer rates, beginning in 2005.

Water - The City of Vandalia closed their water treatment plant in 1970 and contracted with the City of Dayton to furnish water to the residents of Vandalia. Vandalia owns, maintains and repairs all lines and pumping stations as needed. The City of Vandalia bases increases in water rates upon the rates the City of Dayton charges, and other operational charges associated with maintaining infrastructure and service. The last rate increase was October 1998. In March, 2002, the City entered into a joint venture with the City of Tipp City to build a water treatment plant. Per the engineer and design rate study, water rates will be increased as necessary to fund this joint venture. During 2004, Council passed an ordinance to begin a 3-year water rate increase to help cover current and future capital and maintenance costs as well as costs associated with Vandalia's portion of the operations of the new water treatment plant that will be constructed during 2005 and 2006, with anticipated operations in 2007.

City of Vandalia
 Montgomery County, Ohio
 Management's Discussion and Analysis
 For The Year Ended December 31, 2004
 (Unaudited)



Overall, the City's business-type activities generated \$3.5 million in program revenues during 2004, program expenses were \$4.4 million. Expenses in the business-type activities increased \$.8 million during 2004 as compared to 2003, and program revenues decreased \$.1 million. Other revenue experienced an increase during 2004, due to a increase in the revenue amount from the investment in joint venture. Total expenses for business-type activities increased in 2004 because of an increase in expenses relating to non-capital type of projects, maintenance, and up keep of water and sewer lines that were going on during the year. These expenses were paid with governmental resources in the past.

City of Vandalia
Montgomery County, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2004
(Unaudited)

THE CITY'S FUNDS

Information about the City's major governmental funds begins on page 18. These funds are reported using the modified accrual basis of accounting. Governmental funds reported revenues of \$19.9 million and expenditures of \$18.8 million. The general fund balance increased \$1,609,779 from 2003 to 2004. Within the general fund, revenues exceeded expenditures by \$3.5 million. Transfers to other funds such as the capital improvement fund, and the general obligation debt service fund equaled \$1.9 million. The funds transferred were used for capital assets, improvements, repairs, and debt.

The capital improvement fund balance decreased by \$188,031. Fund balance at December 31, 2004, was \$2,484,538, of which \$804,189 was encumbered. Encumbrances are primarily for street related projects and equipment and vehicle purchases as well as other improvements. All other governmental fund balances decreased \$82,298 during 2004.

All three enterprise funds reflect an operating loss for 2004. If unrestricted net assets are not sufficient to sustain the losses, the City will provide transfers and advances from the general fund as necessary to cover negative balances. The City has implemented a series of rate increases in the enterprise funds to help alleviate future fund losses.

The golf activity's operating loss of \$153,601 is attributable to continually increasing costs for contractual services related to repair and maintenance of the facility with only small increases in fees charged. The Golf course is intended to be operated as a business-type activity, however, historically; Council has not set fees adequate to cover all operating expenses. Even though this operation periodically receives governmental support, it is reflected as a business-type activity. Council has recently approved a new fee schedule for the golf course operations, and is hopeful that the golf fund will begin to realize an upswing in the near future.

Charges for services for sewer and water services have historically been established to ensure that on a cash basis, fees are adequate to cover operations. In the past, Council has not set fees with the intention of funding capital improvements, however, beginning in 2004, capital items are now charged to the enterprise funds. Therefore, during 2004, Council passed ordinances to implement new fee structures for sewer and water rates. Due to increased expenses in 2004, all three enterprise funds on the statement of cash flows reflected a net cash decrease during the year. This occurred due to maintenance to infrastructure during 2004, as well as an increase in costs for operations. In addition to the deficit earnings, the golf fund also has an outstanding advance of \$200,000 due to the general fund.

General Fund Budgeting Highlights

The City's budget is adopted on a fund basis. Before the budget is adopted council reviews the detailed work papers of each function within the general fund, and then adopts the budget on a fund basis.

During 2004, there were three revisions to the general fund budget. These revisions are reflected on the statement of revenues, expenditures and fund balances for the general fund on page 22. Within each departmental function, a department head may make small line item adjustments within their budget, as long as the total operation and maintenance amount does not exceed their original budget allowance.

City of Vandalia
 Montgomery County, Ohio
 Management's Discussion and Analysis
 For The Year Ended December 31, 2004
 (Unaudited)

Original general fund budgeted revenues increased \$.5 million, from \$16.9 million to the final budgeted amount of \$17.4 million. Several factors contributed to this difference, the return of an advance from the road improvement capital projects fund, an increase in charges for services revenue due to the implementation of a fee for trash removal services and due to an increase in receipts for ambulance services.

Original general fund expenditures increased \$.6 million. The main cause for the increase in budgeted expenditures was for legislative and executive personnel costs from the continued increase in health care. Also attributing to the increase in appropriations were advances to the Issue-II vista and Brownschool road funds for the City's portion of grants awarded during 2004.

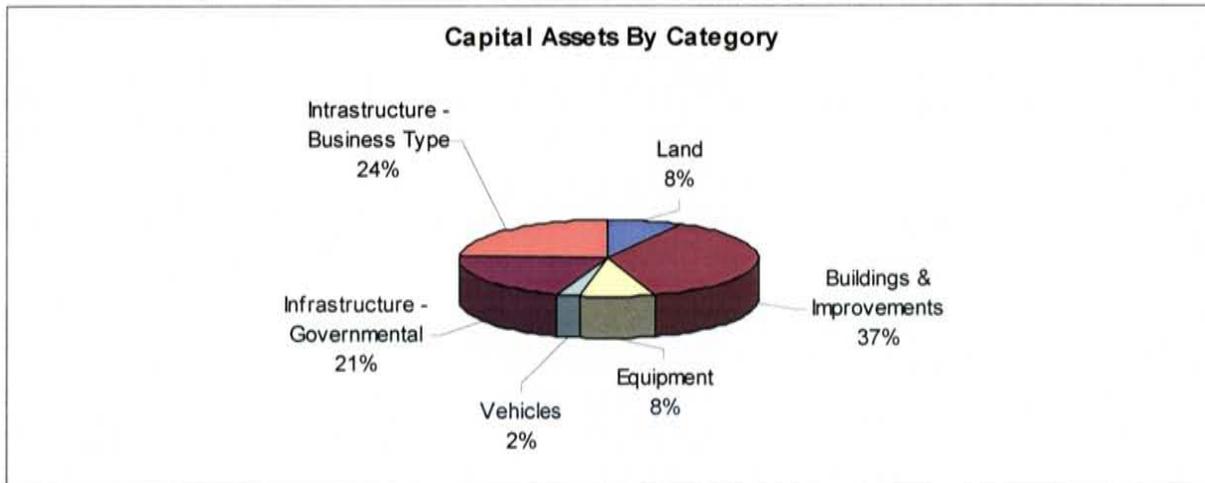
CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 3
 Capital Assets
 (In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$4.7	\$4.7	\$0.1	\$0.1	\$4.8	\$4.8
Building and Improvements	20.8	21.4	1.6	1.7	22.4	23.1
Equipment	4.4	4.8	0.5	0.5	4.9	5.3
Vehicles	1.3	1.6	0.2	0.2	1.5	1.8
Infrastructure	12.5	11.5	14.5	14.7	27.0	26.2
Totals	\$43.7	\$44.0	\$16.9	\$17.2	\$60.6	\$61.2

Capital assets, net, in governmental activities decreased during 2004 despite improvements made to the City's infrastructure. Depreciation expense applied for the year, resulted in a decrease in governmental capital assets. Infrastructure for business-type activities had a decrease of \$.2 million due to depreciation on assets exceeding additions. See Note 8 of the notes to the basic financial statements for more detailed information on capital assets.



City of Vandalia
Montgomery County, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2004
(Unaudited)

Debt

At December 31, 2004, the City of Vandalia had \$11,189,119 million in unvoted general obligation and special assessment bonds.

Table 4
Outstanding Debt at Year End

	Governmental Activity	
	2004	2003
Unvoted General Obligation Bonds:		
Street improvement Bonds	\$2,872	\$5,744
Various Purpose Improvements Bonds	840,000	11,485,000
Various Purpose Refunding Bonds (net of premium & loss)	10,304,119	0
Special Assessment Street Improvement Bonds	42,128	84,256
Loan Payable	0	61,971
Note Payable	0	295,000
Total	\$11,189,119	\$11,931,971

Special Assessment Street Improvement Bonds will be paid with special assessment revenue.

The unvoted general obligation bonds for street improvements will be paid with municipal income tax revenue. The Various Purpose Improvement general obligation bonds and the Various Purpose Refunding bonds will be paid with property tax revenues via transfers from the general fund. The note payable and the loan payable were paid during 2004 with municipal income tax revenues from the general fund.

The City's overall legal debt margin was \$31,240,796 at December 31, 2004. See Notes 10 and 11 of the notes to the basic financial statements for more detailed information on debt of the City.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayer, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lori Koch, Finance Director, City of Vandalia, 333 Bohanan Drive, Vandalia, Ohio 45377.

Basic Financial Statements

City of Vandalia
Montgomery County, Ohio
Statement of Net Assets
December 31, 2004

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$15,727,443	\$1,707,664	\$17,435,107
Cash and Cash Equivalents in Segregated Accounts	106,314	0	106,314
Accounts Receivable	182,323	599,287	781,610
Municipal Income Tax Receivable	2,780,947	0	2,780,947
Accrued Interest Receivable	116,184	0	116,184
Materials and Supplies Inventory	49,273	40,682	89,955
Due from Other Governments	1,512,714	0	1,512,714
Property and Other Taxes Receivable	1,872,144	0	1,872,144
Notes Receivable	38,702	0	38,702
Equity in Pooled Cash and Cash Equivalents-Deposits	0	26,715	26,715
Internal Balances	206,486	(206,486)	0
Special Assessments Receivable	176,966	0	176,966
Deferred Charges	179,118	0	179,118
Land	4,719,553	126,837	4,846,390
Depreciable Capital Assets, Net	39,012,851	16,777,760	55,790,611
Investment in Joint Venture	0	6,475,719	6,475,719
Total Assets	66,681,018	25,548,178	92,229,196
Liabilities:			
Accounts Payable	350,206	377,770	727,976
Contracts Payable	125,905	0	125,905
Retainage Payable	12,695	0	12,695
Accrued Wages	103,431	6,148	109,579
Due to Other Governments	314,224	11,793	326,017
Matured Compensated Absences Payable	27,100	0	27,100
Deferred Revenue	1,766,498	3,185	1,769,683
Accrued Interest Payable	48,528	0	48,528
Claims Payable	206,633	0	206,633
Refundable Deposits	0	26,715	26,715
Long-Term Liabilities:			
Due Within One Year	1,012,291	41,288	1,053,579
Due In More Than One Year	11,187,311	30,590	11,217,901
Total Liabilities	15,154,822	497,489	15,652,311
Net Assets:			
Invested in Capital Assets, Net of Related Debt	32,543,285	16,904,597	49,447,882
Restricted for:			
Other Purposes	1,625,643	0	1,625,643
Debt Service	338,234	0	338,234
Capital Projects	2,579,941	0	2,579,941
Unrestricted	14,439,093	8,146,092	22,585,185
Total Net Assets	\$51,526,196	\$25,050,689	\$76,576,885

See accompanying notes to the basic financial statements

City of Vandalia
Montgomery County, Ohio
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	
Governmental Activities:				
General Government				
Legislative and Executive	\$3,389,814	\$489,272	\$26,596	\$0
Judicial System	1,554,746	1,390,429	0	0
Public Safety				
Police	4,257,267	34,766	24,141	0
Fire	1,441,324	482,667	16,908	0
Public Works				
Engineer	779,163	416,631	0	0
Streets	2,456,909	74,859	733,810	819,364
Refuse	641,134	393,940	0	0
Recreation	3,278,059	1,262,996	0	0
Interest and Fiscal Charges	505,688	0	0	0
Total Governmental Activities	18,304,104	4,545,560	801,455	819,364
Business-Type Activities:				
Golf	1,144,596	944,892	0	0
Sewer	1,594,333	1,101,616	0	4,716
Water	1,663,004	1,458,940	0	4,765
Total Business-Type Activities	4,401,933	3,505,448	0	9,481
Totals	\$22,706,037	\$8,051,008	\$801,455	\$828,845

General Revenues:
Property and Other Taxes Levied for
 General Purposes
Municipal Income Taxes Levied for
 General Purposes
Grants and Entitlements not Restricted to Specific Programs
Investment in Joint Venture
Unrestricted Investment Earnings
Other
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated (Note 4)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$2,873,946)	\$0	(\$2,873,946)
(164,317)	0	(164,317)
(4,198,360)	0	(4,198,360)
(941,749)	0	(941,749)
(362,532)	0	(362,532)
(828,876)	0	(828,876)
(247,194)	0	(247,194)
(2,015,063)	0	(2,015,063)
(505,688)	0	(505,688)
<u>(12,137,725)</u>	<u>0</u>	<u>(12,137,725)</u>
0	(199,704)	(199,704)
0	(488,001)	(488,001)
0	(199,299)	(199,299)
<u>0</u>	<u>(887,004)</u>	<u>(887,004)</u>
<u>(12,137,725)</u>	<u>(887,004)</u>	<u>(13,024,729)</u>
1,703,923	0	1,703,923
10,420,056	0	10,420,056
984,588	0	984,588
0	374,117	374,117
509,985	1,688	511,673
67,812	48,549	116,361
(44,228)	44,228	0
<u>13,642,136</u>	<u>468,582</u>	<u>14,110,718</u>
1,504,411	(418,422)	1,085,989
<u>50,021,785</u>	<u>25,469,111</u>	<u>75,490,896</u>
<u>\$51,526,196</u>	<u>\$25,050,689</u>	<u>\$76,576,885</u>

City of Vandalia
Montgomery County, Ohio
Balance Sheet
Governmental Funds
December 31, 2004

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$11,637,762	\$2,124,351	\$1,807,831	\$15,569,944
Cash and Cash Equivalents in Segregated Accounts	90,973	0	15,341	106,314
Receivables:				
Municipal Income Tax	2,780,947	0	0	2,780,947
Property and Other Taxes Accounts	1,872,144	0	0	1,872,144
Special Assessments	179,270	0	1,203	180,473
Accrued Interest	0	25,690	151,276	176,966
Accrued Interest	116,184	0	0	116,184
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	18,893	0	0	18,893
Due from Other Governments	628,475	324,646	559,593	1,512,714
Materials and Supplies Inventory	5,739	0	43,534	49,273
Interfund Loan Receivable	549,419	0	0	549,419
Notes Receivable	0	38,702	0	38,702
Total Assets	\$17,879,806	\$2,513,389	\$2,578,778	\$22,971,973
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$341,985	\$0	\$8,221	\$350,206
Contracts Payable	0	3,161	122,744	125,905
Retainage Payable	0	0	12,695	12,695
Accrued Wages	100,263	0	3,168	103,431
Due to Other Governments	160,442	0	8,888	169,330
Interfund Payable	0	0	349,419	349,419
Matured Compensated Absences Payable	25,582	0	1,518	27,100
Deferred Revenue	4,257,563	25,690	647,810	4,931,063
Total Liabilities	4,885,835	28,851	1,154,463	6,069,149
Fund Balances:				
Reserved for Encumbrances	1,628,055	804,189	39,358	2,471,602
Reserved for Inventory	5,739	0	43,534	49,273
Reserved for Interfund Receivable	549,419	0	0	549,419
Reserved for Unclaimed Monies	18,893	0	0	18,893
Reserved for Notes Receivable	0	15,209	0	15,209
Unreserved:				
Undesignated, Reported in:				
General Fund	10,791,865	0	0	10,791,865
Special Revenue Funds	0	0	1,251,527	1,251,527
Debt Service Funds	0	0	186,958	186,958
Capital Projects Funds (Deficit)	0	1,665,140	(97,062)	1,568,078
Total Fund Balances	12,993,971	2,484,538	1,424,315	16,902,824
Total Liabilities and Fund Balances	\$17,879,806	\$2,513,389	\$2,578,778	\$22,971,973

See accompanying notes to the basic financial statements

City of Vandalia
Montgomery County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2004

Total Governmental Fund Balances \$16,902,824

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

Some assets used in governmental activities are not financial resources and
therefore are not reported in the funds.

Capital Assets	43,732,404	
Unamortized Bond Costs	179,118	
Total		43,911,522

Other long-term assets are not available to pay for current-period expenditures
and therefore are deferred in the funds:

Charges for Services	38,297	
Fines and Forfeitures	4,382	
Grants	909,963	
Property and Other Taxes	174,530	
Municipal Income Tax	1,770,144	
Special Assessments	176,966	
Accrued Interest	90,283	
Total		3,164,565

The internal service fund is used by management to charge the costs of insurance
to individual funds. The assets and liabilities of the internal service fund are
included in governmental activities in the statement of net assets. (66,177)

The internal balance represents the portion of the internal service fund's
assets and liabilities that are allocated to the proprietary funds. 6,486

Due to other governments includes contractually required pension contributions
not expected to be paid with expendable available financial resources and
therefore are not reported in the funds. (144,894)

Some liabilities, including bonds payable and accrued interest payable, are
not due and payable in the current period and therefore are not reported
in the funds:

Accrued Interest on Bonds	(48,528)	
Unamortized Premium on Refunding Bonds	(464,791)	
Accounting Loss	870,672	
Refunding General Obligation Bonds	(10,710,000)	
General Obligation Bonds	(842,872)	
Special Assessment Bonds	(42,128)	
Compensated Absences	(1,010,483)	
Total		(12,248,130)

Net Assets of Governmental Activities \$51,526,196

See accompanying notes to the basic financial statements

City of Vandalia
Montgomery County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Municipal Income Tax	\$10,523,250	\$0	\$0	\$10,523,250
Property and Other Taxes	1,743,925	0	0	1,743,925
Charges for Services	2,810,348	0	382,166	3,192,514
Licenses and Permits	175,525	0	0	175,525
Fines and Forfeitures	932,109	0	149,109	1,081,218
Intergovernmental	1,063,503	417,176	984,935	2,465,614
Special Assessments	0	39,946	70,478	110,424
Interest	519,016	4,677	3,887	527,580
Other	109,738	0	10,375	120,113
Total Revenues	17,877,414	461,799	1,600,950	19,940,163
Expenditures:				
Current:				
General Government				
Legislative and Executive	3,118,139	0	143,393	3,261,532
Judicial System	1,467,878	0	0	1,467,878
Public Safety				
Police	3,938,999	0	5,172	3,944,171
Fire	1,229,358	0	0	1,229,358
Public Works				
Engineer	703,238	0	31,369	734,607
Streets	710,782	0	699,733	1,410,515
Refuse	641,134	0	0	641,134
Recreation	2,534,330	0	161,105	2,695,435
Capital Outlay	0	1,630,320	443,513	2,073,833
Debt Service:				
Principal Retirement	61,971	0	565,000	626,971
Bond Issuance Costs	0	0	179,118	179,118
Interest and Fiscal Charges	0	0	515,910	515,910
Total Expenditures	14,405,829	1,630,320	2,744,313	18,780,462
Excess of Revenues Over (Under) Expenditures	3,471,585	(1,168,521)	(1,143,363)	1,159,701
Other Financing Sources (Uses):				
Refunding Bonds Issued	0	0	10,840,000	10,840,000
Premium from Refunding Bonds Issued	0	0	464,791	464,791
Payment to Refunded Bond Escrow Agent	0	0	(11,125,672)	(11,125,672)
Transfers In	0	980,490	1,039,961	2,020,451
Transfers Out	(1,861,806)	0	(158,645)	(2,020,451)
Total Other Financing Sources (Uses)	(1,861,806)	980,490	1,060,435	179,119
Net Change in Fund Balances	1,609,779	(188,031)	(82,928)	1,338,820
Fund Balances at				
Beginning of Year - Restated (Note 4)	11,384,421	2,672,569	1,520,180	15,577,170
Decrease in Reserve for Inventory	(229)	0	(12,937)	(13,166)
Fund Balances at End of Year	\$12,993,971	\$2,484,538	\$1,424,315	\$16,902,824

See accompanying notes to the basic financial statements

City of Vandalia
Montgomery County, Ohio
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, 2004

Net Change in Fund Balances - Total Governmental Funds		\$1,338,820
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	1,907,729	
Depreciation	<u>(2,121,416)</u>	
Excess of Depreciation Expense over Capital Outlay		(213,687)
Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale:		
Loss on Assets Sold		(43,914)
Repayment of long-term obligations is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Loan Payable Payment	61,971	
GO Bond Principal Payment	522,872	
SA Bond Principal Payment	42,128	
GO Bonds Refunding Payment to Escrow	<u>11,125,672</u>	
Total long-term debt repayment		11,752,643
The internal service fund used by management to charge the cost of insurance to individual funds is reported in the entity wide statement of activities.		
		(191,019)
Some revenues that will not be collected for several months after the City's year end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.		
		(74,620)
Consumable inventory is reported using the purchase method on a modified accrual basis, but is reported using the consumption method for full accrual. This amount represents the decrease in inventory that took place during the year.		
		(13,166)
The issuance of long-term debt provides current financial resources to governmental funds, but in the statement of net assets, the debt is reported as a liability		
Refunding General Obligation Bonds	(10,840,000)	
Premium on Refunding Bonds	<u>(464,791)</u>	
Total expenditures not reported in governmental funds		<u>(11,304,791)</u>
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in Accrued Interest Payable	10,222	
Decrease in Compensated Absences Payable	78,353	
Increase in Intergovernmental Payable	(13,548)	
Increase in Unamortized Bond Costs	<u>179,118</u>	
Total expenditures not reported in governmental funds		<u>254,145</u>
Change in Net Assets of Governmental Activities		<u><u>\$1,504,411</u></u>

See accompanying notes to the basic financial statements

City of Vandalia
Montgomery County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Municipal Income Tax	\$10,535,000	\$10,335,000	\$10,337,963	\$2,963
Property and Other Taxes	1,974,064	1,731,364	1,743,299	11,935
Charges for Services	1,861,318	2,779,518	2,827,435	47,917
Licenses and Permits	80,000	146,685	175,525	28,840
Fines and Forfeitures	1,034,550	944,550	942,995	(1,555)
Intergovernmental	844,597	875,597	990,606	115,009
Interest	500,000	520,000	519,804	(196)
Other	84,716	109,716	110,901	1,185
Total Revenues	<u>16,914,245</u>	<u>17,442,430</u>	<u>17,648,528</u>	<u>206,098</u>
Expenditures:				
Current:				
General Government				
Legislative and Executive	4,346,995	4,620,574	4,237,684	382,890
Judicial System	1,675,800	1,675,801	1,522,141	153,660
Public Safety				
Police	4,263,096	4,292,454	4,003,221	289,233
Fire	1,451,111	1,468,618	1,317,515	151,103
Public Works				
Engineer	845,096	844,465	804,260	40,205
Streets	747,227	747,227	702,182	45,045
Refuse	706,072	706,071	700,303	5,768
Recreation	2,846,842	2,859,228	2,597,905	261,323
Capital Outlay	303,558	310,228	261,195	49,033
Debt Service:				
Principal Retirement	295,000	295,000	295,000	0
Interest and Fiscal Charges	15,000	15,000	4,278	10,722
Total Expenditures	<u>17,495,797</u>	<u>17,834,666</u>	<u>16,445,684</u>	<u>1,388,982</u>
Excess of Revenues Over (Under) Expenditures	<u>(581,552)</u>	<u>(392,236)</u>	<u>1,202,844</u>	<u>1,595,080</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	1,000	1,000	0	(1,000)
Repayment of Advances	0	240,000	240,000	0
Advances Out	0	(349,419)	(349,419)	0
Transfers Out	(1,612,737)	(1,562,528)	(1,562,528)	0
Total Other Financing Sources (Uses)	<u>(1,611,737)</u>	<u>(1,670,947)</u>	<u>(1,671,947)</u>	<u>(1,000)</u>
Net Change in Fund Balance	<u>(2,193,289)</u>	<u>(2,063,183)</u>	<u>(469,103)</u>	<u>1,594,080</u>
Fund Balance at Beginning of Year	8,219,512	8,219,512	8,219,512	0
Prior Year Encumbrances Appropriated	2,193,289	2,193,289	2,193,289	0
Fund Balance at End of Year	<u>\$8,219,512</u>	<u>\$8,349,618</u>	<u>\$9,943,698</u>	<u>\$1,594,080</u>

See accompanying notes to the basic financial statements

City of Vandalia
Montgomery County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2004

	Enterprise Funds				Internal Service Fund
	Golf	Sewer	Water	Total	
Assets:					
Current Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$146,773	\$702,411	\$858,480	\$1,707,664	\$138,606
Accounts Receivable	0	261,539	337,748	599,287	1,850
Materials and Supplies Inventory	28,872	0	11,810	40,682	0
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	0	8,814	17,901	26,715	0
Total Current Assets	175,645	972,764	1,225,939	2,374,348	140,456
Non-current Assets					
Capital Assets, Net	1,458,627	7,978,934	7,467,036	16,904,597	0
Investment in Joint Venture	0	6,475,719	0	6,475,719	0
Total Non-current Assets	1,458,627	14,454,653	7,467,036	23,380,316	0
Total Assets	1,634,272	15,427,417	8,692,975	25,754,664	140,456
Liabilities:					
Current Liabilities					
Accounts Payable	10,931	81,090	285,749	377,770	0
Accrued Wages	2,972	1,588	1,588	6,148	0
Compensated Absences Payable	12,698	14,295	14,295	41,288	0
Due to Other Governments	5,416	3,160	3,217	11,793	0
Deferred Revenue	3,185	0	0	3,185	0
Claims Payable	0	0	0	0	206,633
Payable from Restricted Assets:					
Refundable Deposits	0	8,814	17,901	26,715	0
Total Current Liabilities	35,202	108,947	322,750	466,899	206,633
Long-Term Liabilities:					
Interfund Loan Payable	200,000	0	0	200,000	0
Compensated Absences Payable	17,712	6,439	6,439	30,590	0
Total Long-Term Liabilities	217,712	6,439	6,439	230,590	0
Total Liabilities	252,914	115,386	329,189	697,489	206,633
Net Assets:					
Invested in Capital Assets	1,458,627	7,978,934	7,467,036	16,904,597	0
Unrestricted (Deficit)	(77,269)	7,333,097	896,750	8,152,578	(66,177)
Total Net Assets (Deficit)	\$1,381,358	\$15,312,031	\$8,363,786	25,057,175	(\$66,177)
Net assets reported for business-type activities in the statement of net assets is different because they include a proportionate share of the balance of the internal service fund.				(6,486)	
Net assets of business-type activities				\$25,050,689	

See accompanying notes to the basic financial statements

City of Vandalia
Montgomery County, Ohio
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	Enterprise Funds				Internal Service Fund
	Golf	Sewer	Water	Total	
Operating Revenues:					
Charges for Services	\$944,892	\$1,101,616	\$1,458,940	\$3,505,448	\$1,644,874
Other	36,065	242	12,242	48,549	217,817
Total Operating Revenues	980,957	1,101,858	1,471,182	3,553,997	1,862,691
Operating Expenses:					
Personal Services	434,828	248,647	252,901	936,376	0
Contractual Services	356,279	1,105,077	1,160,433	2,621,789	394,348
Materials and Supplies	219,127	22,089	36,283	277,499	0
Depreciation	81,551	213,162	207,215	501,928	0
Claims	0	0	0	0	1,680,116
Other Operating Expenses	42,773	0	814	43,587	0
Total Operating Expenses	1,134,558	1,588,975	1,657,646	4,381,179	2,074,464
Operating Loss	(153,601)	(487,117)	(186,464)	(827,182)	(211,773)
Non Operating Revenues:					
Interest	1,688	0	0	1,688	0
Investment in Joint Venture	0	374,117	0	374,117	0
Total Non Operating Revenues	1,688	374,117	0	375,805	0
Loss Before Contributions	(151,913)	(113,000)	(186,464)	(451,377)	(211,773)
Capital Contributions	0	4,716	48,993	53,709	0
Change in Net Assets	(151,913)	(108,284)	(137,471)	(397,668)	(211,773)
Net Assets at Beginning of Year - Restated (Note 4)	1,533,271	15,420,315	8,501,257		145,596
Net Assets (Deficit) at End of Year	\$1,381,358	\$15,312,031	\$8,363,786		(\$66,177)
Some amounts reported for business-type activities in the statement of activities are different because a proportionate share of the net expense of the internal service fund is reported with business-type activities.				(20,754)	
				<u>(\$418,422)</u>	

See accompanying notes to the basic financial statements

City of Vandalia
Montgomery County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Enterprise Funds				Internal Service Fund
	Golf	Sewer	Water	Total	
<u>Increase (Decrease) In Cash and Cash Equivalents:</u>					
Cash Flows from Operating Activities:					
Cash Received from Customers	\$944,757	\$1,084,698	\$1,430,278	\$3,459,733	\$1,644,874
Other Operating Receipts	36,065	242	12,242	48,549	223,251
Cash Payments for Employee Services and Benefits	(451,505)	(258,061)	(262,265)	(971,831)	0
Cash Payments to Suppliers for Goods and Services	(578,095)	(1,133,028)	(1,190,133)	(2,901,256)	(394,348)
Cash Payments for Employee Medical, Dental and Life Insurance Claims	0	0	0	0	(1,625,704)
Other Operating Expenses	(42,446)	0	(814)	(43,260)	0
Utility Deposits Received	0	1,441	2,927	4,368	0
Utility Deposits Returned	0	(1,115)	(2,264)	(3,379)	0
Net Cash Used for Operating Activities	(91,224)	(305,823)	(10,029)	(407,076)	(151,927)
Cash Flows from Noncapital Financing Activities:					
Transfers In	0	0	44,228	44,228	0
Net Cash Provided by Noncapital Financing Activities	0	0	44,228	44,228	0
Cash Flows from Capital and Related Financing Activities:					
Tap-in Fees	0	4,716	4,765	9,481	0
Acquisition of Capital Assets	0	(123,425)	(45,375)	(168,800)	0
Net Cash Used for Capital and Related Financing Activities	0	(118,709)	(40,610)	(159,319)	0
Cash Flows from Investing Activities:					
Interest	1,688	0	0	1,688	0
Net Cash Provided by Investing Activities	1,688	0	0	1,688	0
Net Decrease In Cash and Cash Equivalents	(89,536)	(424,532)	(6,411)	(520,479)	(151,927)
Cash and Cash Equivalents Beginning of Year	236,309	1,135,757	882,792	2,254,858	290,533
Cash and Cash Equivalents End of Year	\$146,773	\$711,225	\$876,381	\$1,734,379	\$138,606

(Continued)

City of Vandalia
Montgomery County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004
(Continued)

	Enterprise Funds				Internal Service Fund
	Golf	Sewer	Water	Total	
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>					
Operating Loss	(\$153,601)	(\$487,117)	(\$186,464)	(\$827,182)	(\$211,773)
Adjustments:					
Depreciation	81,551	213,162	207,215	501,928	0
(Increase)/Decrease in Assets:					
Accounts Receivable	0	(16,918)	(28,662)	(45,580)	5,434
Materials and Supplies Inventory	(51)	0	2,219	2,168	0
Increase/(Decrease) in Liabilities:					
Accounts Payable	(2,293)	(5,862)	5,864	(2,291)	0
Accrued Wages	(7,530)	(5,875)	(5,875)	(19,280)	0
Compensated Absences Payable	(5,744)	(1,395)	(1,395)	(8,534)	0
Retainage Payable	0	0	(1,500)	(1,500)	0
Due to Other Governments	(3,421)	(2,144)	(2,094)	(7,659)	0
Deferred Revenue	(135)	0	0	(135)	0
Liabilities Payable from Restricted Assets	0	326	663	989	0
Claims Payable	0	0	0	0	54,412
Net Cash Used for Operating Activities	(\$91,224)	(\$305,823)	(\$10,029)	(\$407,076)	(\$151,927)

Noncash Capital Financing Activities:

The water fund received \$44,228 in assets from developers via the governmental funds during 2004.

This amount is included in capital contributions.

See accompanying notes to the basic financial statements

City of Vandalia
Montgomery County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004

	Investment Trust	
	Tri-Cities	Agency
	Water Authority	
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$0	\$98,203
Cash and Cash Equivalents in Segregated Accounts	0	106,880
Investments	6,290,103	0
	<hr/>	<hr/>
Total Assets	6,290,103	\$205,083
	<hr/>	<hr/>
Liabilities:		
Due to Other Governments	0	\$42,700
Undistributed Monies	0	162,383
	<hr/>	<hr/>
Total Liabilities	0	\$205,083
	<hr/>	<hr/>
Net Assets in Investment Trust Fund	<u>\$6,290,103</u>	

See accompanying notes to the basic financial statements

City of Vandalia
 Montgomery County, Ohio
 Statement of Changes in Fiduciary Net Assets
 Investment Trust Fund
 For the Year Ended December 31, 2004

	<u>Investment Trust</u>
Additions	
Interest	<u>\$43,135</u>
Increase in Net Assets Resulting From Operations	43,135
Deductions	
Capital Transactions	<u>(18,220)</u>
Increase in Net Assets	24,915
Net Assets Beginning of Year	<u>6,265,188</u>
Net Assets End of Year	<u><u>\$6,290,103</u></u>

See accompanying notes to the basic financial statements

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Vandalia (the City) is a charter municipal corporation operating under the laws of the State of Ohio. The City was incorporated in 1958 and operates under a Council/Manager form of government. The Mayor and the council are elected by separate ballot from the municipality at large for four-year terms. As a council member, the Mayor has the right to vote on all issues before council. Council appoints the City Manager. The City Manager appoints all managers of each department in the City.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Vandalia, the primary government includes the departments that provide the following services: police and fire, parks and recreation, planning, zoning, street maintenance and repairs, water, sewer and refuse collection. Council and the City Manager have direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City is associated with the Tri-Cities North Regional Wastewater Authority (Tri-Cities), and the Northern Area Water Authority (NAWA), which are defined as joint ventures. A joint venture is a legal entity or other organization that is a result of a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. These organizations are presented in Note 14.

The Miami Valley Risk Management Association, Inc. (MVRMA) is a risk sharing insurance pool established for the purpose of enabling the subscribing political subdivisions to obtain liability insurance and providing a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as Miami Valley Risk Management Association, Inc. for the purpose of administering the pool. The subscribing members of the self-insurance pool include the Cities of Beavercreek, Blue Ash, Indian Hill, Kettering, Maderia, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, West Carrollton, Wilmington, Wyoming and Vandalia. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA.

The City is associated with the Economic Development/Government Equity Program (ED/GE), which is defined as a jointly governed organization. A jointly governed organization is an organization that is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. This organization is presented in Note 15.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Vandalia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and to its proprietary funds. The most significant of the City's accounting policies are described below.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Vandalia and/or the general laws of Ohio.

Capital Improvement Fund - The capital improvement fund accounts for transfers from the general fund, and is designated by Council for the purpose of improving, constructing, maintaining, and purchasing those items necessary to enhance the operation of the City.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Golf Fund - The golf fund accounts for the operations of the golf course.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Water Fund - The water fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Fund – An internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for employee medical benefits.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is an investment trust fund established to account for the individual investment account of the Tri-Cities joint venture. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for building permit fees collected on behalf of the State, municipal court collections that are distributed to various local governments, the collection of income taxes for other subdivisions, and performance bonds pledged by contractors.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The investment trust fund is reported using the economic resources measurement focus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, shared revenues and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, licenses and permits, interest, grants and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, except the investment trust fund, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest-bearing depository accounts are presented on the statement of net assets as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. The cash of the Municipal Court is included in this line item.

Investments are reported at fair value, which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

During the year, the City invested in STAROhio, an investment pool managed by the State Treasurer's Office. STAROhio, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2004.

Following the Charter and Codified Ordinances of the City as well as Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during 2004 amounted to \$519,016, which includes \$205,274 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase, and investments of the cash management pool are reported as cash equivalents on the financial statements.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

Inventory consists of expendable supplies held for consumption.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted assets in the enterprise funds represent cash and cash equivalents set aside for repayment of deposits to utility customers.

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Loan Receivables/Payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances".

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. For proprietary funds and business-type activities, any material amount of interest incurred during the construction of capital assets is also capitalized.

City of Vandalia
 Montgomery County, Ohio
 Notes to the Basic Financial Statements
 For The Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	45 to 52 years	45 to 71 years
Machinery and Equipment	10 to 20 years	10 to 20 years
Vehicles	6 to 25 years	6 to 25 years
Infrastructure	7 to 65 years	65 years

The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines.

Compensated Absences

Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation and compensatory time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after twenty years of accumulated service.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the fund financial statements when due.

Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances, inventories, unclaimed monies, long-term interfund loans and notes receivable are recorded as a reservation of fund balance.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include street construction, maintenance and repair, operations of the baseball and soccer recreations and educational programs. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for golf, waste water treatment, water services and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non operating.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Bond Premiums/Issuance Costs/Accounting Loss

Bond premiums, issuance costs and the accounting loss are deferred and amortized over the term of the bonds using the straight line method since the results are not significantly different from the effective interest method. Bond premiums and the accounting loss are presented as a reduction/addition of the face amount of the bonds payable, whereas issuance costs are recorded as deferred charges.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriation resolution, both of which are prepared on the budgetary basis of accounting. Montgomery County does not require jurisdictions within the County to prepare a tax budget, therefore, this is not part of the City's budgetary process. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the fund level for all funds. The Finance Director, with the approval of the City Manager and respective Department Heads, has been authorized to allocate appropriations to the function, department and object level within each fund. Council must approve any revisions that alter total fund appropriations.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate at the time final appropriations were adopted.

The appropriation resolution is subject to amendment by Council throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out (“repayment of advances”) are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. The change in fair value of investments is not included on the budget operating statement. This amount is included as revenue on the GAAP basis operating statement.
6. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
7. The City’s portion of the activity of the Municipal Court is not included on the budgetary statement. This activity is included on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

	Net Change in Fund Balance
GAAP Basis	\$1,609,779
Net Adjustment for Revenue Accruals	(155,659)
Net Adjustment for Expenditure Accruals	(12,934)
Advances	(109,419)
Unrecorded Cash – 2003	943
Unrecorded Cash – 2004	(1,200)
Change in Fair Value of Investments – 2003	(30,712)
Change in Fair Value of Investments – 2004	48,715
Principal Retirement	(295,000)
Reallocation of Debt (transfers)	299,278
Non-budgeted Activity	(90,973)
Encumbrances	(1,731,921)
Budget Basis	<u><u>(\$469,103)</u></u>

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS

For 2004, the City has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units.” GASB Statement No. 39 provides additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity. This statement had no effect on the City’s financial statements.

Fund balance for the capital improvement fund was restated for an error in cash in the prior year. Fund balance at December 31, 2003, was adjusted \$140,971, from \$2,531,598 to \$2,672,569.

There were adjustments to capital assets estimated useful lives and cash in the capital improvement fund that caused a restatement to net assets as of December 31, 2003. The governmental activities net assets amount at December 31, 2003, was adjusted by \$841,747 for the restatement of capital assets, from \$49,180,038 to \$50,021,785. The business-type activities net assets amount at December 31, 2003, was adjusted by \$2,004 for the restatement of capital assets, from \$25,467,107 to \$25,469,111.

None of the above adjustments had a material effect on excess/net income as reported at December 31, 2003.

NOTE 5 - DEPOSITS AND INVESTMENTS

Policies and Procedures

The investment and deposit of City monies are governed by the provisions of the Charter and Codified Ordinances of the City and the Ohio Revised Code. In accordance with these provisions, investments purchased for the portfolio may be safekept by any Ohio financial institution or any primary government security dealer.

Authorized dealer/brokers are restricted to Ohio financial institutions, primary government securities dealers, and NASD registered dealers. Interest income is distributed to the funds according to City Charter guidelines.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the market value of which is at least 105% of the total value of public monies on deposit at the institution.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Deposits

At year-end, the carrying amount of the City's deposits was \$7,391,292 and the bank balance was \$7,873,272. Of the bank balance, \$500,000 was covered by federal deposit insurance. The remaining \$7,373,272 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust departments in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

Investments

Whenever there are monies available in the City Treasury, which will not be required to be used for a period of thirty days or more, the Director of Finance or his/her designee(s), may invest such funds. The investments are subject to the limitations contained within the investment policy, and are subject to all applicable laws and regulations.

The investment objectives controlling the management of the investment portfolio shall be, in order of importance: (1) Safety of principal. Recognizing that all investments contain one or more elements of risk, the portfolio shall be prudently managed with specific consideration given to credit risk, market risk, and prepayment risk; (2) Liquidity to meet current and contingent requirements; (3) Maximization of returns. The portfolio shall be managed to maximize the long-term return on the portfolio consistent with current cash needs.

The maximum maturity of any investment is limited to a final stated maturity of seven years, an expected call of seven years, or an expected average life of seven years, where the average life is estimated by nationally recognized firms independent of the dealer selling the security to the City.

The provisions of the City's investment policy permit the City to invest its monies in the following investment instruments:

1. Obligations of the United States including U.S. treasury securities and government agency securities guaranteed by the United States.
2. United States government agency securities and the securities issued by instrumentalities of the U.S. including, but not limited to, obligations of the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Farm Credit Bank, the Federal Home Loan Bank, the Government National Mortgage Association (GNMA), and the Small Business Administration (SBA).

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

3. State Treasury Asset Reserve of Ohio (STAR Ohio).
4. Obligations of the State of Ohio and obligations of political subdivisions of the State of Ohio.
5. Deposits of any Ohio financial institution subject to collateralization of public funds defined by the Ohio Revised Code.
6. Bankers Acceptances and Deposits of the top fifty banks in the United States based upon asset size or Ohio based financial institutions with at least \$2 billion in total assets.
7. Prime Commercial Paper issued with a credit rating of P-1 by Standard & Poors Corporation or A-1 by Moody's rating service.
8. Obligations of corporate entities having debt rating of Aa or better by Standard & Poors Corporation or Moody's rating service.

The portfolio shall be diversified so as to avoid concentrations of credit risk from any rated issuer: (1) At the time of purchase, aggregate collateralized investments in the obligations of any financial institution are limited to the greater of \$1,000,000 or 20 percent of the portfolio, where eligible collateral is defined by the Ohio Revised Code; (2) At the time of purchase, aggregate investments in the obligations of any U.S. corporation and non-collateralized investments in the obligations of any financial institution are limited to the greater of \$500,000 or 10 percent of the portfolio. Investments in eligible short term investments which can be readily converted to cash within 48 hours are limited to the greater of \$2,500,000 or 30 percent of the portfolio.

No delayed settlement transactions exceeding 30 days between the trade date and the settlement date are permitted. Securities will be executed at the best possible bid or offer available in the market at the time of execution.

During 2004, the City continued to diversify its investment portfolio to gain a higher rate of return while still maintaining liquidity and minimizing risk. Investments include STAR Ohio, U.S. Treasury Fund Money Market Mutual Fund, commercial paper, Federal Home Loan Bank (FHLB) notes and participation certificates, Federal Farm Credit Bank Notes, real estate mortgage investment conduits and mortgage backed securities issued by FNMA and FHLMC.

The FHLB notes have an interest rate that varies directly with the Constant Maturity Treasury (CMT), an index of Treasury securities published by the Federal Reserve Board. The notes are issued with a coupon floor and a coupon cap which establish a range of possible interest rates for the security regardless of the change in market rates. The securities were selected for purchase because the minimum interest rate, when coupled with the discount at the time of purchase, yield a rate of return that exceeds what was available from more conventional securities and that yield will increase if market interest rates increase.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

A participation certificate (PC) is a mortgage pass-through security. It represents an interest in a pool of mortgage loans. Holders of the PC receive principal and interest payments as the principal and interest payments on the underlying mortgages are made. For the PCs purchased by the City, FNMA and FHLMC guarantee the timely payment of the mortgage principal and interest payments. The average life of a PC is a measure of when mortgage principal payments are actually received and will vary depending on how quickly the mortgages are paid. If the mortgages in the pool are prepaid because the owners sell their homes, or if interest rates decline and mortgages are prepaid through refinancing, the average life of the PC will shorten. If interest rates increase, the average life of the PC will increase. PCs are fixed income securities; that means that their prices vary as market rates change. PCs are therefore purchased on the open market at a premium or discount. Changes in average life caused by prepayments will affect yield depending on whether the security was purchased at a premium or discount.

The City analyzes PCs searching for estimated maturities that satisfy the City's liquidity standards and yields that will remain above what is otherwise available even as interest rates fluctuate.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements" requires that the City's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio, an investment fund operated by the Ohio State Treasurer, and the US Treasury Fund Money Market Mutual Fund are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Unclassified	Carrying/Fair Value
STAR Ohio	\$0	\$206,500	\$206,500
US Treasury Fund Money Market Mutual Fund	0	791,654	791,654
GE Interest	1,231,685	0	1,231,685
Federal Farm Credit Bank Notes	249,063		249,063
Federal Home Loan Bank Notes	10,288,933	0	10,288,933
Federal National Mortgage Association (FNMA) Medium Term Notes	2,625,169	0	2,625,169
Federal Home Loan Mortgage Corporation (FHLMC) Medium Term Notes	1,210,144	0	1,210,144
FHLMC Pool	8,062	0	8,062
Bank Trust	60,820	0	60,820
Total	<u>\$15,673,876</u>	<u>\$998,154</u>	<u>\$16,672,030</u>

City of Vandalia
 Montgomery County, Ohio
 Notes to the Basic Financial Statements
 For The Year Ended December 31, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. Reconciliation between the classification of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$17,773,219	\$6,290,103
Money Market	3,000,378	(3,000,378)
Investments:		
STAR Ohio	(206,500)	206,500
GE Interest	(772,334)	772,334
Federal Home Loan Bank Notes	(8,749,319)	8,749,319
Federal National Mortgage Association (FNMA) Medium Term Notes	(2,625,169)	2,625,169
Federal Home Loan Mortgage Corporation (FHLMC) Medium Term Notes	(960,101)	960,101
FHLMC Pool	(8,062)	8,062
Bank Trust	(60,820)	60,820
GASB Statement No. 3	\$7,391,292	\$16,672,030

NOTE 6 - RECEIVABLES

Receivables at December 31, 2004, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, accrued interest on investments, accounts (billings for ambulance service and utility service), interfund loans and notes receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Special assessments expected to be collected within one year and in more than one year amount to \$7,459 and \$18,231, respectively, in the capital improvement fund and \$51,906 and \$99,370, respectively, for the other governmental funds. As of December 31, 2004, the City had less than \$1,000 in delinquent special assessments outstanding.

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 6 – RECEIVABLES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 22 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2004, was \$4.14 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$322,144,700
Public Utility Property Real	46,520
Public Utility Tangible	7,338,430
Tangible Personal Property	77,595,931
Total Valuation	<u>\$407,125,581</u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Vandalia. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004, and for which there is an enforceable legal claim. In the general fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue.

Income Taxes

The City levies a 1.75 percent income tax on substantially all income earned within the City. In addition, City residents employed in municipalities having an income tax less than 1.75 percent must pay the difference to the City of Vandalia. Additional increases in the income tax rate require voter approval.

Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 6 – RECEIVABLES (Continued)

Prior to May of 2003, the City’s income tax ordinance required 25 percent of the income tax revenues to be used to finance governmental and business-type capital improvements. As a result, this portion of the revenue was transferred into the capital improvement capital projects fund. The City had a change in the income tax ordinance in May of 2003, whereby the voters lifted the restriction of the 25 percent portion to be used for capital improvements. This restriction was lifted for an indefinite time period. During 2004, all income tax proceeds were used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions as needed and determined by Council. In 2004, all income tax proceeds were allocated to the general fund.

Due from Other Governments

A summary of due from other governments follows:

	Amounts
Governmental Activities	
Local Government and Local Government Revenue Assistance	\$327,688
Estate Tax	3,729
Homestead and Rollback	78,231
Gasoline and Excise Tax	95,689
Motor Vehicle License Fees	266,254
Permissive Motor Vehicle License Tax	26,451
LPA Grant – North Dixie Drive widening	324,646
Eurand ED/GE Grant	165,000
Issue II – Vista Road	158,580
Issue II – Brownschool Road	8,237
ODADAS	4,382
Immobilization Fees	53,827
Total	\$1,512,714

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 6 – RECEIVABLES (Continued)

Notes Receivable

The City sold two tracts of land in January of 1986 and April of 1987 to interested developers. The terms and conditions of the sale were such that the City would specify usage of the property and also carry a mortgage note on the property for the developer.

Mortgage note receivable - semi-annual payments are \$5,765, including interest at 8.75%, through August 1, 2005	\$10,815
Mortgage note receivable - semi-annual payments are \$6,339, including interest at 8.75%, through April 1, 2007	<u>27,887</u>
Total	<u>\$38,702</u>
Amount to be Collected In More Than One Year	<u>\$15,209</u>

NOTE 7 - RISK MANAGEMENT

The City 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. In 1988, the City joined the Miami Valley Risk Management Association, Inc. (MVRMA) a risk sharing insurance pool. The pool consists of twenty municipalities who pool risk for property, crime, liability, boiler and machinery and public official liability. The City pays an annual premium to MVRMA for this coverage. The deductible per occurrence for all types of claims is \$2,500. The self-insured retention is \$1,000,000 for liability and \$250,000 for property. Excess insurance/reinsurance coverage will cover additional claims up to the limits listed below:

General Liability	\$6,000,000 each occurrence
Automobile Liability	\$6,000,000 each occurrence
Public Officials Liability	\$6,000,000 each occurrence and aggregate per member
Employment Practices Liability	\$6,000,000 each occurrence and aggregate per member
Boiler and Machinery	\$100,000,000 each occurrence
Property	\$100,000,000 each occurrence
Flood (Property)	\$25,000,000 annual aggregate (excludes Zone A)
	\$1,000,000 annual aggregate (Zone B & Shaded X)
Earthquake (Property)	\$25,000,000 annual aggregate

There has been no material change in this coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 7 - RISK MANAGEMENT (Continued)

The City has elected to provide employee healthcare benefits for its employees through a self-insured program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides medical, dental, vision and prescription drug coverage with a \$100 deductible for single and \$200 deductible for families who use providers within the City's preferred provider organization, DirectCare America. Deductibles are higher, and vary for out of network claims. A third party administrator, Underwriters Safety & Claims, processes and pays the claims. The City is paying self-insurance claims and administrative costs from its hospital care internal service fund. An excess coverage insurance (stop loss) policy covers claims in excess of \$35,000 per employee, per year. During 2004, a total of \$2,074,464 was paid in benefits and administrative costs. The liability for unpaid claims cost of \$206,633, reported in the hospital care internal service fund at December 31, 2004, is based on the requirements of Governmental Accounting Standards Board Statement No. 30. Statement No. 30 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability was determined by reviewing invoices for claims paid in January through March 2005, which were incurred in 2004.

The estimates for the internal services fund were not affected by incremental claim adjustment expenses and does not include other allocated claim adjustment expenses. Changes in the internal services funds' claims liability amounts in the last two years follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$105,228	\$1,392,388	\$1,345,395	\$152,221
2004	152,221	1,680,116	1,625,704	206,633

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Restated Balance 12/31/03	Additions	Deductions	Balance 12/31/04
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$4,719,553	\$0	\$0	\$4,719,553
Capital Assets, being Depreciated:				
Buildings and Improvements	25,487,443	52,930	0	25,540,373
Equipment	7,941,214	72,508	(20,219)	7,993,503
Vehicles	3,544,147	78,850	(68,100)	3,554,897
Infrastructure	26,411,294	1,703,441	0	28,114,735
Total Capital Assets, being Depreciated	63,384,098	1,907,729	(88,319)	65,203,508

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 8 - CAPITAL ASSETS (Continued)

	Restated Balance 12/31/03	Additions	Deductions	Balance 12/31/04
Less Accumulated Depreciation:				
Buildings and Improvements	(\$4,116,054)	(\$575,656)	\$0	(\$4,691,710)
Equipment	(3,114,794)	(478,250)	8,778	(3,584,266)
Vehicles	(1,976,167)	(302,940)	35,627	(2,243,480)
Infrastructure	(14,906,631)	(764,570)	0	(15,671,201)
Total Accumulated Depreciation	<u>(24,113,646)</u>	<u>(2,121,416)*</u>	<u>44,405</u>	<u>(26,190,657)</u>
Total Capital Assets, being Depreciated, net	<u>39,270,452</u>	<u>(213,687)</u>	<u>(43,914)</u>	<u>39,012,851</u>
Governmental Activities Capital Assets, Net	<u>\$43,990,005</u>	<u>(\$213,687)</u>	<u>(\$43,914)</u>	<u>\$43,732,404</u>
 Business-Type Activities				
Capital Assets, not being Depreciated:				
Land	<u>\$126,837</u>	<u>\$0</u>	<u>\$0</u>	<u>\$126,837</u>
Capital Assets, being Depreciated:				
Buildings and Improvements	2,761,171	0	0	2,761,171
Equipment	905,737	1,147	0	906,884
Vehicles	456,148	0	0	456,148
Infrastructure	22,386,420	167,653	0	22,554,073
Total Capital Assets, being Depreciated	<u>26,509,476</u>	<u>168,800</u>	<u>0</u>	<u>26,678,276</u>
Less Accumulated Depreciation:				
Building and Improvements	(1,019,756)	(68,625)	0	(1,088,381)
Equipment	(401,895)	(53,150)	0	(455,045)
Vehicles	(268,482)	(31,795)	0	(300,277)
Infrastructure	(7,708,455)	(348,358)	0	(8,056,813)
Total Accumulated Depreciation	<u>(9,398,588)</u>	<u>(501,928)</u>	<u>0</u>	<u>(9,900,516)</u>
Total Capital Assets, being Depreciated, net	<u>17,110,888</u>	<u>(333,128)</u>	<u>0</u>	<u>16,777,760</u>
Business-Type Activities Capital Assets, Net	<u>\$17,237,725</u>	<u>(\$333,128)</u>	<u>\$0</u>	<u>\$16,904,597</u>

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 8 - CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental functions as follows:

General Government	
Legislative and Executive	\$170,685
Judicial System	83,174
Public Safety	
Police	198,905
Fire	195,383
Public Works	
Engineer	21,042
Streets	905,662
Recreation	546,565
Total Depreciation Expense	<u><u>\$2,121,416</u></u>

NOTE 9 - COMPENSATED ABSENCES

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. All employees may accrue a maximum of 45 days. In the event of a termination of employment, death, or retirement, employees (or their estates) are paid for unused vacation leave.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of 4.616 hours per eighty hours of service. A maximum of 1,250 hours may be carried from one year to the next. Any hours over 1,250 accrued and not taken will be paid on a one for three basis at the end of the year. In the case of death or retirement, employees (or the employees' estates) are paid for one half of their accumulated leave with 625 hours being the maximum amount paid.

Accumulated Unpaid Compensatory Time

From time to time, employees may need, with prior approval from their supervisors, to work overtime. These overtime hours will usually be paid at the appropriate overtime rate; however, with permission of the supervisor, an employee may have the option of taking the overtime in compensatory time at one and one half times the amount of hours worked.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 10 - LONG-TERM DEBT

A schedule of changes in bonds and other long-term obligations of the City during 2004, follows:

	Amount Outstanding 12/31/03	Additions	Deletions	Amount Outstanding 12/31/04	Amounts Due in One Year
Governmental Activities					
<u>Unvoted General Obligation Bonds</u>					
5.9% - 7.15% - 1990					
Street Improvement	\$5,744	\$0	\$2,872	\$2,872	\$2,872
5.75% - 5.85% - 1996					
Various Purpose Improvement Bonds	11,485,000	0	10,645,000	840,000	410,000
2.0%-5.25% - 2004					
Various Purpose Refunding Bonds	0	10,840,000	130,000	10,710,000	100,000
Premium on Refunding Bonds	0	464,791	0	464,791	0
Accounting Loss	0	(870,672)	0	(870,672)	0
Total Unvoted General Obligation Bonds	11,490,744	10,434,119	10,777,872	11,146,991	512,872
<u>Special Assessment Debt with Governmental Commitment</u>					
5.9% - 7.15% - 1990					
Street Improvement	84,256	0	42,128	42,128	42,128
Loan Payable	61,971	0	61,971	0	0
Compensated Absences	1,088,836	944,190	1,022,543	1,010,483	457,291
Total Governmental Activities	<u>\$12,725,807</u>	<u>\$11,378,309</u>	<u>\$11,904,514</u>	<u>\$12,199,602</u>	<u>\$1,012,291</u>
Proprietary Activities					
Compensated Absences	<u>\$80,412</u>	<u>\$36,747</u>	<u>\$45,281</u>	<u>\$71,878</u>	<u>\$41,288</u>

The unvoted General Obligation Bonds for Street Improvement were issued in 1990, in the amount of \$45,000 for the purpose of various street improvements and will be paid in 2005 with municipal income tax revenue.

The Unvoted General Obligation Various Purpose Improvement Bonds were issued in 1996, in the amount of \$13,675,000 for various capital improvements and will be paid with transfers from general fund property tax revenues. During 2004, the City issued \$10,840,000 General Obligation Various Purpose Refunding Bonds to advance refund a portion of the 1996 General Obligation Various Improvement Bonds. The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government State and Local Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. At year-end, \$840,000 of the 1996 General Obligation Various Purpose Improvement Bonds were still outstanding and not considered defeased.

City of Vandalia
 Montgomery County, Ohio
 Notes to the Basic Financial Statements
 For The Year Ended December 31, 2004

NOTE 10 - LONG-TERM DEBT (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$870,672. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the remaining life of the new debt issued. This advance refunding was undertaken to reduce the total debt service payments \$681,837 and resulted in an economic gain of \$641,552.

The Special Assessment Street Improvement Bonds were issued in 1990, in the amount of \$660,000 for the purpose of various street improvements and will be paid with special assessment revenue. The special assessment bond issues are backed by the full faith and credit of the City. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt.

The Loan Payable was originally issued in the amount of \$185,913. The loan was payable to Montgomery County for radios purchased by the County for the City in 2002. This loan was paid off in during 2004. The Loan was repaid from the general fund with municipal income tax monies.

Compensated absences will be paid from the general fund and computer legal research special revenue fund, and the golf, sewer and water enterprise funds.

As of December 31, 2004, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$31,240,796 and the unvoted legal debt margin was \$10,884,517.

Principal and interest requirements to retire the City's *long-term obligations outstanding at December 31, 2004 are as follows:

Year Ending December 31,	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2005	\$512,872	\$1,091,661	\$42,128	\$3,013
2006	530,000	1,068,956	0	0
2007	540,000	459,888	0	0
2008	550,000	446,928	0	0
2009	570,000	432,478	0	0
2010-2014	3,130,000	1,875,986	0	0
2015-2019	3,865,000	1,117,075	0	0
2020-2021	1,855,000	147,263	0	0
Totals	<u>\$11,552,872</u>	<u>\$6,640,235</u>	<u>\$42,128</u>	<u>\$3,013</u>

*Note: This table also serves as Debt Table C of the City's continuing disclosure requirements.

NOTE 11 – SHORT-TERM OBLIGATIONS

In 2003, the City of Vandalia issued a general obligation note in the amount of \$295,000, with an interest rate of 1.74%. The note was dated May 20, 2003, and matured on May 20, 2004. The note was issued for the purpose of paying the costs of improving the Municipal Building, by acquiring, constructing and installing heating, ventilation, and air conditioning improvements, together with all necessary equipment and appurtenances. The City decided to pay off this note with cash in 2004 instead of bonding the note when it came due. The note was paid from municipal income tax revenues.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The City's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$542,937, \$457,174, and \$517,033, respectively; 98 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$3,035 made by the City and \$1,904 made by the plan members.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2004, 2003, and 2002 were \$318,039, \$298,411, and \$331,569 respectively, equal to the required contributions for each year. The full amount has been contributed for 2003 and 2002. 68 percent has been contributed for 2004 with the remainder being reported as a liability.

NOTE 13 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides retirement, disability and survivor benefits as well as postretirement health care coverage to qualifying members of both the traditional or combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postretirement health care coverage. In order to qualify for postretirement health care coverage, age-and-service retirees under the traditional plan and the combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12.

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The significant assumptions and calculations were based on OPERS' latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investments assets annually. The investment assumption rate for 2003 was 8.00%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB's are advance-funded on an actuarially determined basis. At year-end 2004, the number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$284,260. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

Ohio Police and Firemen's Disability and Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$ 102,625 for police and \$4,730 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

NOTE 14 - JOINT VENTURES

Tri-Cities North Regional Wastewater Authority

Prior to June of 1996, the Miami Conservancy District provided the Cities of Vandalia, Tipp City and Huber Heights with wastewater treatment services. The Miami Conservancy District expressed the intent to no longer provide these services to the cities and gave them the option to acquire and operate the facility themselves. In order to do so, the three cities established the Tri-Cities North Regional Wastewater Authority. In June of 1996, the Miami Conservancy District deeded the wastewater facility and all of the assets associated with the facility to the joint venture at no cost to the joint venture.

The Tri-Cities North Regional Wastewater Authority (Tri-Cities) is a joint venture among the cities of Vandalia, Huber Heights and Tipp City. Tri-Cities is governed by a management board consisting of the city managers of the three cities. The board has complete authority over all aspects of the operation. Tri-Cities supplies all participating residents of the member cities with sewer services. Each city owns the sewage lines located in its city and bills its residents for usage. Continued existence of Tri-Cities is dependent on the City's continued participation and the City does have an equity interest. The percentage of equity interest for each City is based on annual usage and is adjusted each year accordingly. The City's equity interest is \$6,475,719 which represents 27.55 percent of the total equity in Tri-Cities. Tri-Cities is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City of Vandalia paid \$902,148 for services provided in 2004. Tri-Cities had three OWDA Loans outstanding at December 31, 2004, in the amounts of \$1,105,980, \$1,675,761, and \$4,965,377 for a total of \$7,747,118. Complete financial statements can be obtained from the Tri-Cities North Regional Wastewater Authority, c/o City of Vandalia, 333 J.E. Bohanan Drive, Vandalia, Ohio 45377.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

NOTE 14 - JOINT VENTURES (Continued)

Northern Area Water Authority

The City of Dayton has provided water services to the City of Vandalia since 1971. In recent years, the City of Vandalia has felt it necessary to have an alternate source of water supply and to have more control over the rate structure of water services. Also in recent years, the City of Tipp City has learned that they must build a new water treatment plant to meet Environmental Protection Agency requirements. Seeing a common issue between the two cities, the City of Vandalia and the City of Tipp City, in March of 2002, created a joint venture to plan, finance, construct, own and operate a joint water utility system. The purpose of the water utility system will be to provide safe, high quality, reliable, reasonably priced and environmentally sound water production, treatment and distribution services to the citizens, taxpayers and consumers in the cities of Vandalia and Tipp City.

The Northern Area Water Authority (NAWA) is a joint venture among the cities of Vandalia and Tipp City. NAWA is governed by a management board consisting of the city managers of the two cities. The board has complete authority over all aspects of the operation. NAWA, when construction is completed, will supply the participating residents of the member cities with water services. Each city will own the water lines located in its city and bill its residents for usage. Continued existence of NAWA is dependent on the City's continued participation and the City will have an equity interest in NAWA. The percentage of equity interest for each City is fifty percent. During 2004, NAWA experienced very little financial activity; therefore, the City of Vandalia did not reflect an equity interest in NAWA as of December 31, 2004. Construction for the facility is expected to begin in June of 2005, and increased financial activity is expected. NAWA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. On August 29, 2002, NAWA was approved for an OWDA loan totaling \$2.5 million. The interest rate is 5.64%. As of December 31, 2004, NAWA has borrowed a total of \$1,447,552 against the planning loan. The City of Vandalia made no contributions to NAWA in 2004, and there is no equity interest to report at this time. Complete financial statements can be obtained from the Northern Area Water Authority, c/o City of Tipp City, 260 South Garber Drive, Tipp City, Ohio 45371.

NOTE 15 - JOINTLY GOVERNED ORGANIZATION

The Economic Development/Government Equity Program (ED/GE) was established pursuant to Ohio Revised Code Chapter 307 for the purpose of developing and promoting plans and programs designed to assure that County resources are efficiently used, economic growth is properly balanced, and that county economic development is coordinated with that of the State of Ohio and other local governments. Members include villages, townships, and cities within Montgomery County, and Montgomery County itself. Cooperation and coordination between the members is intended to promote economic health and improve the economic opportunities of the people in Montgomery County by assisting in the establishment or expansion within the County of industrial, commercial or research facilities and by creating and preserving job and employment opportunities for the people of the County.

The ED/GE Advisory Committee, made up of alternating member entities' representatives, decides which proposed projects will be granted each year. Sales tax revenues, set aside by Montgomery County, are used to fund the projects. Members annually contribute to or receive benefits based on an elaborate zero-based formula designed to distribute growth in contributing communities to those communities experiencing less economic growth. The City has agreed to be a member for ten years, ending December 31, 2010. Members in default of paying contributions will be liable for the contribution, any interest accrued, and penalties. The member will not be entitled to any allocations from ED/GE. The City did not have contributions to ED/GE during 2004. Financial information may be obtained by writing to Linda Gum, Administrative Assistant, 451 West Third Street, Dayton, Ohio, 45402.

City of Vandalia
 Montgomery County, Ohio
 Notes to the Basic Financial Statements
 For The Year Ended December 31, 2004

NOTE 16 - CONTRACTUAL COMMITMENTS

As of December 31, 2004, the City had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 12/31/2004</u>
Various	Street Construction/Improvement	\$190,840	\$16,474	\$174,366
Various	Street Resurfacing/Construction	510,000	433,405	76,595
Various	Water Mains	413,900	141,757	272,143
Various	Water and Sewer	99,748	0	99,748
Totals		<u>\$1,214,488</u>	<u>\$591,636</u>	<u>\$622,852</u>

NOTE 17 - CONTINGENT LIABILITIES

Litigation

The City management is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Rebateable Arbitrage

The Internal Revenue Code requires that the proceeds of tax exempt debt be expended by the City within a certain schedule. The purpose of this requirement is to prevent the City from generating what the federal government considers excessive revenue by investing the borrowed money at rates that exceed the interest rate on the debt. If the debt proceeds are retained by the City beyond the scheduled deadlines, the City is required to pay to the federal government a portion of the interest earnings. For the 1996 Various Purpose Improvement Bonds, the City did not meet the expenditure schedule. The City may be required to make a payment to the federal government. In Bond Counsel's opinion, the liability, if any, will not be material. The City's status on this will be re-evaluated by Bond Counsel in October, 2005.

Federal and State Grants

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by the grantor or their representative. As of December 31, 2004, the audits of certain of these programs have not been completed. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

City of Vandalia
 Montgomery County, Ohio
 Notes to the Basic Financial Statements
 For The Year Ended December 31, 2004

NOTE 18 - INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfer to	Transfer From		
	General	Other Governmental	Total
Capital Improvement	\$821,845	\$158,645	\$980,490
Other Governmental	1,039,961	0	1,039,961
Total	\$1,861,806	\$158,645	\$2,020,451

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

The \$549,419 interfund loan from the general fund was made to the Issue II-vista road capital projects fund (\$158,579) and the Brownschool road improvements capital projects fund (\$190,840) and the golf fund (\$200,000). The interfund loans to the capital projects funds were a result of the time lag between the dates that the reimbursable expenditures occurred and the revenue to re-pay the funds was available. The interfund loan to the golf fund was a result of a projected deficit in retained earnings from operation costs exceeding revenue for the year. The interfund loan is expected to be repaid as a new fee schedule for the golf fund fee is implemented. With the exception of the golf fund, the repayment of the interfund loans is expected during 2005.

NOTE 19 - ACCOUNTABILITY

At December 31, 2004, the Issue II-vista road capital projects fund had a deficit fund balance of \$174,274. The fund balance deficit will be eliminated when expenditures are reimbursed with grant revenue and the interfund loan payable is then repaid. Also at December 31, 2004, the hospital care internal service fund had a deficit net assets of \$66,177. This deficit will be eliminated when charges for medical benefits are reimbursed from other funds of the City.

Combining Financial Statements

Combining Statements - Nonmajor Governmental Funds

NONMAJOR SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

Baseball Recreation

To account for fund raising programs and fees collected for the purpose of funding the Vandalia baseball program.

Computer Legal Research

To account for fines imposed by the Municipal Court for the purpose of computerization of the court including training, maintenance and support.

Drug Law Enforcement

To account for fines and costs collected for felonious drug trafficking convictions. This money may be used in any drug law enforcement activity.

Law Enforcement

To account for all monies and expenditures related to property or goods obtained by seizure or forfeiture.

Magistrate

To account for fines imposed by the Municipal court for the purpose of reimbursement of magistrate fees.

OMVI Education and Enforcement

To account for fines imposed by the Municipal Court for the purpose of enforcing and educating the public about laws governing operation of a motor vehicle while under the influence of alcohol.

OMVI Indigent

To account for fines imposed by the Municipal Court for the purpose of paying the costs of attendance of indigent OMVI offenders at alcohol and drug addiction treatment programs.

Permissive Motor Vehicle Tax

To account for additional motor vehicle license tax levied by Montgomery County for routine street maintenance and repairs.

Soccer Recreation

To account for fund raising programs and fees collected for the youth soccer program for the City of Vandalia.

State Highway

To account for gasoline tax and motor vehicle license fees used for routine maintenance of state highways within the City.

Stormwater

To account for the collection of stormwater fees used for stormwater maintenance and repairs.

Street

To account for gasoline tax, motor vehicle license fees and various other miscellaneous charges remitted to the City for routine maintenance of City streets.

(Continued)

Combining Statements - Nonmajor Governmental Funds
(Continued)

NONMAJOR DEBT SERVICE FUNDS

To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

General Obligation Bond Retirement

To account for transfers from General Fund property tax revenue to pay for general obligation bonded debt.

Street Special Assessment Bond Retirement

To account for special assessments collected for the payment of special assessment bonded debt with governmental commitment.

NONMAJOR CAPITAL PROJECTS FUNDS

To account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Issue II – Vista

To account for expenditures of Issue II grant funds.

Justice Center/Municipal Building

To account for expenditures of bond proceeds to construct a Justice Center and to renovate the Municipal Building.

Recreation Center

To account for expenditures of bond proceeds to construct a Recreation Center.

Road Improvements

To account for expenditures of Issue II grant funds.

Road Improvements Brownschool

To account for expenditures of Issue II grant funds.

Stonequarry Road

To account for expenditures of Issue II grant funds.

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City of Vandalia
Montgomery County, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,228,793	\$186,958	\$392,080	\$1,807,831
Cash and Cash Equivalents in Segregated Accounts	15,341	0	0	15,341
Receivables:				
Accounts	1,203	0	0	1,203
Special Assessments	0	151,276	0	151,276
Due from Other Governments	392,776	0	166,817	559,593
Materials and Supplies Inventory	43,534	0	0	43,534
Total Assets	\$1,681,647	\$338,234	\$558,897	\$2,578,778
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$8,221	\$0	\$0	\$8,221
Contracts Payable	0	0	122,744	122,744
Accrued Wages	3,168	0	0	3,168
Due to Other Governments	8,888	0	0	8,888
Interfund Payable	0	0	349,419	349,419
Retainage Payable	0	0	12,695	12,695
Matured Compensated Absences Payable	1,518	0	0	1,518
Deferred Revenue	329,717	151,276	166,817	647,810
Total Liabilities	351,512	151,276	651,675	1,154,463
Fund Balances:				
Reserved for Encumbrances	35,074	0	4,284	39,358
Reserved for Inventory	43,534	0	0	43,534
Unreserved:				
Undesignated, Reported in:				
Special Revenue Funds	1,251,527	0	0	1,251,527
Debt Service Funds	0	186,958	0	186,958
Capital Projects Funds (Deficit)	0	0	(97,062)	(97,062)
Total Fund Balances (Deficit)	1,330,135	186,958	(92,778)	1,424,315
Total Liabilities and Fund Balances	\$1,681,647	\$338,234	\$558,897	\$2,578,778

City of Vandalia
Montgomery County, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004

	<u>Baseball Recreation</u>	<u>Computer Legal Research</u>	<u>Drug Law Enforcement</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$31,616	\$70,854	\$605
Cash and Cash Equivalents in Segregated Accounts	0	11,276	0
Receivables:			
Accounts	0	0	0
Due from Other Governments	0	4,382	0
Materials and Supplies Inventory	<u>0</u>	<u>0</u>	<u>0</u>
 Total Assets	 <u>\$31,616</u>	 <u>\$86,512</u>	 <u>\$605</u>
 Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$42	\$213	\$0
Accrued Wages	0	439	0
Due to Other Governments	1,062	958	0
Matured Compensated Absences Payable	0	1,518	0
Deferred Revenue	<u>0</u>	<u>4,382</u>	<u>0</u>
 Total Liabilities	 <u>1,104</u>	 <u>7,510</u>	 <u>0</u>
 Fund Balances:			
Reserved for Encumbrances	0	13,317	0
Reserved for Inventory	0	0	0
Unreserved, Undesignated	<u>30,512</u>	<u>65,685</u>	<u>605</u>
 Total Fund Balances	 <u>30,512</u>	 <u>79,002</u>	 <u>605</u>
 Total Liabilities and Fund Balances	 <u>\$31,616</u>	 <u>\$86,512</u>	 <u>\$605</u>

<u>Magistrate</u>	<u>OMVI Education and Enforcement</u>	<u>OMVI Indigent</u>	<u>Permissive Motor Vehicle Tax</u>	<u>Soccer Recreation</u>	<u>State Highway</u>
\$2,096	\$889	\$270,777	\$152,129	\$40,153	\$154,662
3,614	65	386	0	0	0
0	0	0	0	0	0
0	0	0	26,451	0	26,968
0	0	0	0	0	0
<u>\$5,710</u>	<u>\$954</u>	<u>\$271,163</u>	<u>\$178,580</u>	<u>\$40,153</u>	<u>\$181,630</u>
\$0	\$0	\$0	\$241	\$42	\$2,204
0	0	0	0	0	0
0	0	0	0	488	0
0	0	0	0	0	0
0	0	0	23,248	0	22,389
<u>0</u>	<u>0</u>	<u>0</u>	<u>23,489</u>	<u>530</u>	<u>24,593</u>
0	0	0	9,904	138	232
0	0	0	0	0	0
<u>5,710</u>	<u>954</u>	<u>271,163</u>	<u>145,187</u>	<u>39,485</u>	<u>156,805</u>
<u>5,710</u>	<u>954</u>	<u>271,163</u>	<u>155,091</u>	<u>39,623</u>	<u>157,037</u>
<u>\$5,710</u>	<u>\$954</u>	<u>\$271,163</u>	<u>\$178,580</u>	<u>\$40,153</u>	<u>\$181,630</u>

(Continued)

City of Vandalia
Montgomery County, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004
(Continued)

	<u>Stormwater</u>	<u>Street</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$209,956	\$295,056	\$1,228,793
Cash and Cash Equivalents in Segregated Accounts	0	0	15,341
Receivables:			
Accounts	1,203	0	1,203
Due from Other Governments	0	334,975	392,776
Materials and Supplies Inventory	0	43,534	43,534
 Total Assets	 <u>\$211,159</u>	 <u>\$673,565</u>	 <u>\$1,681,647</u>
 Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$2,603	\$2,876	\$8,221
Accrued Wages	0	2,729	3,168
Due to Other Governments	0	6,380	8,888
Matured Compensated Absences Payable	0	0	1,518
Deferred Revenue	1,203	278,495	329,717
 Total Liabilities	 <u>3,806</u>	 <u>290,480</u>	 <u>351,512</u>
 Fund Balances:			
Reserved for Encumbrances	11,312	171	35,074
Reserved for Inventory	0	43,534	43,534
Unreserved, Undesignated	196,041	339,380	1,251,527
 Total Fund Balances	 <u>207,353</u>	 <u>383,085</u>	 <u>1,330,135</u>
 Total Liabilities and Fund Balances	 <u>\$211,159</u>	 <u>\$673,565</u>	 <u>\$1,681,647</u>

City of Vandalia
Montgomery County, Ohio
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2004

	General Obligation Bond Retirement	Street Special Assessment Bond Retirement	Total Nonmajor Debt Service Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$42,610	\$144,348	\$186,958
Receivables:			
Special Assessments	<u> 0 </u>	<u> 151,276 </u>	<u> 151,276 </u>
 Total Assets	 <u> \$42,610 </u>	 <u> \$295,624 </u>	 <u> \$338,234 </u>
 Liabilities and Fund Balances:			
Liabilities:			
Deferred Revenue	<u> \$0 </u>	<u> \$151,276 </u>	<u> \$151,276 </u>
 Total Liabilities	 <u> 0 </u>	 <u> 151,276 </u>	 <u> 151,276 </u>
 Fund Balances:			
Unreserved, Undesignated	<u> 42,610 </u>	<u> 144,348 </u>	<u> 186,958 </u>
 Total Fund Balances	 <u> 42,610 </u>	 <u> 144,348 </u>	 <u> 186,958 </u>
 Total Liabilities and Fund Balances	 <u> \$42,610 </u>	 <u> \$295,624 </u>	 <u> \$338,234 </u>

City of Vandalia
Montgomery County, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004

	Issue II - Vista	Justice Center/ Municipal Building	Recreation Center	Road Improvements Brownschool	Total Nonmajor Capital Projects Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$111,094	\$77,211	\$12,935	\$190,840	\$392,080
Due from Other Governments	158,580	0	0	8,237	166,817
Total Assets	\$269,674	\$77,211	\$12,935	\$199,077	\$558,897
Liabilities and Fund Balances:					
Liabilities:					
Contracts Payable	\$114,094	\$0	\$8,650	\$0	\$122,744
Intefund Payable	158,579	0	0	190,840	349,419
Retainage Payable	12,695	0	0	0	12,695
Deferred Revenue	158,580	0	0	8,237	166,817
Total Liabilities	443,948	0	8,650	199,077	651,675
Fund Balances:					
Reserved for Encumbrances	0	0	4,284	0	4,284
Unreserved, Undesignated (Deficit)	(174,274)	77,211	1	0	(97,062)
Total Fund Balances (Deficit)	(174,274)	77,211	4,285	0	(92,778)
Total Liabilities and Fund Balances	\$269,674	\$77,211	\$12,935	\$199,077	\$558,897

City of Vandalia, Ohio
Montgomery County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Charges for Services	\$382,166	\$0	\$0	\$382,166
Fines and Forfeitures	149,109	0	0	149,109
Intergovernmental	749,564	0	235,371	984,935
Special Assessments	0	70,478	0	70,478
Interest	0	3,887	0	3,887
Other	10,375	0	0	10,375
Total Revenues	1,291,214	74,365	235,371	1,600,950
Expenditures:				
Current:				
General Government				
Legislative and Executive	143,393	0	0	143,393
Public Safety				
Police	5,172	0	0	5,172
Public Works				
Engineer	31,369	0	0	31,369
Streets	698,160	1,573	0	699,733
Recreation	161,105	0	0	161,105
Capital Outlay	0	0	443,513	443,513
Debt Service:				
Principal Retirement	0	565,000	0	565,000
Bond Issuance Costs	0	179,118	0	179,118
Interest and Fiscal Charges	0	515,910	0	515,910
Total Expenditures	1,039,199	1,261,601	443,513	2,744,313
Excess of Revenues Over (Under) Expenditures	252,015	(1,187,236)	(208,142)	(1,143,363)
Other Financing Sources (Uses):				
Refunding Bonds Issued	0	10,840,000	0	10,840,000
Premium from Refunding Bonds Issued	0	464,791	0	464,791
Payment to Refunded Bond Escrow Agent	0	(11,125,672)	0	(11,125,672)
Transfers In	0	1,039,961	0	1,039,961
Transfers Out	0	0	(158,645)	(158,645)
Total Other Financing Sources (Uses)	0	1,219,080	(158,645)	1,060,435
Net Change in Fund Balance	252,015	31,844	(366,787)	(82,928)
Fund Balance at Beginning of Year	1,091,057	155,114	274,009	1,520,180
Decrease in Reserve for Inventory	(12,937)	0	0	(12,937)
Fund Balance (Deficit) at End of Year	\$1,330,135	\$186,958	(\$92,778)	\$1,424,315

City of Vandalia
Montgomery County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004

	Baseball Recreation	Computer Legal Research	Drug Law Enforcement
Revenues:			
Charges for Services	\$100,436	\$0	\$0
Fines and Forfeitures	0	137,141	335
Intergovernmental	0	0	0
Other	0	49	0
Total Revenues	<u>100,436</u>	<u>137,190</u>	<u>335</u>
Expenditures:			
Current:			
General Government			
Legislative and Executive	0	137,628	584
Public Safety			
Police	0	0	0
Public Works			
Engineer	0	0	0
Streets	0	0	0
Recreation	115,229	0	0
Total Expenditures	<u>115,229</u>	<u>137,628</u>	<u>584</u>
Net Change in Fund Balances	(14,793)	(438)	(249)
Fund Balances at Beginning of Year	45,305	79,440	854
Decrease in Reserve for Inventory	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$30,512</u></u>	<u><u>\$79,002</u></u>	<u><u>\$605</u></u>

<u>Law Enforcement</u>	<u>Magistrate</u>	<u>OMVI Education and Enforcement</u>	<u>OMVI Indigent</u>	<u>Permissive Motor Vehicle Tax</u>	<u>Soccer Recreation</u>
\$0	\$0	\$0	\$0	\$0	\$43,008
3	5,710	994	4,926	0	0
0	0	0	8,963	49,543	0
0	0	0	0	0	230
<u>3</u>	<u>5,710</u>	<u>994</u>	<u>13,889</u>	<u>49,543</u>	<u>43,238</u>
5,181	0	0	0	0	0
0	0	5,172	0	0	0
0	0	0	0	0	0
0	0	0	0	30,117	0
0	0	0	0	0	45,876
<u>5,181</u>	<u>0</u>	<u>5,172</u>	<u>0</u>	<u>30,117</u>	<u>45,876</u>
(5,178)	5,710	(4,178)	13,889	19,426	(2,638)
5,178	0	5,132	257,274	135,665	42,261
0	0	0	0	0	0
<u>\$0</u>	<u>\$5,710</u>	<u>\$954</u>	<u>\$271,163</u>	<u>\$155,091</u>	<u>\$39,623</u>

(Continued)

City of Vandalia, Ohio
Montgomery County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004
(Continued)

	State Highway	Stormwater	Street	Total Nonmajor Special Revenue Funds
Revenues:				
Charges for Services	\$0	\$238,722	\$0	\$382,166
Fines and Forfeitures	0	0	0	149,109
Intergovernmental	51,829	0	639,229	749,564
Other	0	0	10,096	10,375
Total Revenues	<u>51,829</u>	<u>238,722</u>	<u>649,325</u>	<u>1,291,214</u>
Expenditures:				
Current:				
General Government				
Legislative and Executive	0	0	0	143,393
Public Safety				
Police	0	0	0	5,172
Public Works				
Engineer	0	31,369	0	31,369
Streets	33,052	0	634,991	698,160
Recreation	0	0	0	161,105
Total Expenditures	<u>33,052</u>	<u>31,369</u>	<u>634,991</u>	<u>1,039,199</u>
Net Change in Fund Balances	18,777	207,353	14,334	252,015
Fund Balances at Beginning of Year	138,260	0	381,688	1,091,057
Decrease in Reserve for Inventory	<u>0</u>	<u>0</u>	<u>(12,937)</u>	<u>(12,937)</u>
Fund Balances at End of Year	<u><u>\$157,037</u></u>	<u><u>\$207,353</u></u>	<u><u>\$383,085</u></u>	<u><u>\$1,330,135</u></u>

City of Vandalia, Ohio
Montgomery County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004

	General Obligation Bond Retirement	Street Special Assessment Bond Retirement	Total Nonmajor Debt Service Funds
Revenues:			
Special Assessments	\$0	\$70,478	\$70,478
Investment Earnings	3,887	0	3,887
Total Revenues	3,887	70,478	74,365
Expenditures:			
Current:			
Public Works			
Streets	0	1,573	1,573
Debt Service:			
Principal Retirement	522,873	42,127	565,000
Bond Issuance Costs	179,118	0	179,118
Interest and Fiscal Charges	509,906	6,004	515,910
Total Expenditures	1,211,897	49,704	1,261,601
Excess of Revenues Over (Under) Expenditures	(1,208,010)	20,774	(1,187,236)
Other Financing Sources (Uses):			
Refunding Bonds Issued	10,840,000	0	10,840,000
Premium from Refunding Bonds Issued	464,791	0	464,791
Payment to Refunded Bond Escrow Agent	(11,125,672)	0	(11,125,672)
Transfers In	1,039,961	0	1,039,961
Total Other Financing Sources (Uses)	1,219,080	0	1,219,080
Net Change in Fund Balances	11,070	20,774	31,844
Fund Balances at Beginning of Year	31,540	123,574	155,114
Fund Balances at End of Year	\$42,610	\$144,348	\$186,958

City of Vandalia
Montgomery County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004

	Issue II - Vista	Justice Center/ Municipal Building	Recreation Center	Road Improvements	Stonequary Road	Total Nonmajor Capital Projects Funds
Revenues:						
Intergovernmental	\$0	\$0	\$0	\$235,371	\$0	\$235,371
Total Revenues	0	0	0	235,371	0	235,371
Expenditures:						
Capital Outlay	174,274	0	29,239	240,000	0	443,513
Total Expenditures	174,274	0	29,239	240,000	0	443,513
Excess of Revenues Over (Under) Expenditures	(174,274)	0	(29,239)	(4,629)	0	(208,142)
Other Financing Uses:						
Transfers Out	0	0	0	0	(158,645)	(158,645)
Total Other Financing Uses	0	0	0	0	(158,645)	(158,645)
Net Change in Fund Balance	(174,274)	0	(29,239)	(4,629)	(158,645)	(366,787)
Fund Balances at Beginning of Year	0	77,211	33,524	4,629	158,645	274,009
Fund Balance (Deficit) at End of Year	<u>(\$174,274)</u>	<u>\$77,211</u>	<u>\$4,285</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$92,778)</u>

Individual Fund Schedules of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Fund Equity - Budget (Non-GAAP Basis) and Actual

Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
* General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal Income Tax	\$10,535,000	\$10,335,000	\$10,337,963	\$2,963
Property and Other Taxes	1,974,064	1,731,364	1,743,299	11,935
Charges for Services	1,861,318	2,779,518	2,827,435	47,917
Licenses and Permits	80,000	146,685	175,525	28,840
Fines and Forfeitures	1,034,550	944,550	942,995	(1,555)
Intergovernmental	844,597	875,597	990,606	115,009
Interest	500,000	520,000	519,804	(196)
Other	84,716	109,716	110,901	1,185
Total Revenues	16,914,245	17,442,430	17,648,528	206,098
Expenditures:				
Current:				
General Government				
Legislative and Executive				
Personal Services	1,143,996	1,719,680	1,698,082	21,598
Operations and Maintenance	3,202,999	2,900,894	2,539,602	361,292
Total Legislative and Executive	4,346,995	4,620,574	4,237,684	382,890
Judicial System				
Personal Services	1,478,332	1,478,332	1,401,551	76,781
Operations and Maintenance	197,468	197,469	120,590	76,879
Total Judicial System	1,675,800	1,675,801	1,522,141	153,660
Total General Government	6,022,795	6,296,375	5,759,825	536,550
Public Safety				
Police				
Personal Services	3,757,152	3,777,858	3,534,015	243,843
Operations and Maintenance	505,944	514,596	469,206	45,390
Total Police	4,263,096	4,292,454	4,003,221	289,233
Fire				
Personal Services	1,243,883	1,235,548	1,091,865	143,683
Operations and Maintenance	207,228	233,070	225,650	7,420
Total Fire	1,451,111	1,468,618	1,317,515	151,103
Total Public Safety	5,714,207	5,761,072	5,320,736	440,336
Public Works				
Engineer				
Personal Services	692,393	692,393	661,098	31,295
Operations and Maintenance	152,703	152,072	143,162	8,910
Total Engineer	845,096	844,465	804,260	40,205

(Continued)

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Streets				
Service Department				
Personal Services	\$129,825	\$129,825	\$114,646	\$15,179
Operations and Maintenance	4,282	4,282	2,852	1,430
Street Lighting				
Operations and Maintenance	203,340	203,340	182,747	20,593
Street Maintenance				
Personal Services	401,921	401,921	395,977	5,944
Operations and Maintenance	7,859	7,859	5,960	1,899
Total Streets	<u>747,227</u>	<u>747,227</u>	<u>702,182</u>	<u>45,045</u>
Refuse				
Operations and Maintenance	706,072	706,071	700,303	5,768
Total Public Works	<u>2,298,395</u>	<u>2,297,763</u>	<u>2,206,745</u>	<u>91,018</u>
Recreation				
Parks				
Personal Services	2,193,937	2,181,624	2,015,968	165,656
Operations and Maintenance	652,905	677,604	581,937	95,667
Total Recreation	<u>2,846,842</u>	<u>2,859,228</u>	<u>2,597,905</u>	<u>261,323</u>
Capital Outlay	<u>303,558</u>	<u>310,228</u>	<u>261,195</u>	<u>49,033</u>
Debt Service:				
Principal Retirement	295,000	295,000	295,000	0
Interest and Fiscal Charges	15,000	15,000	4,278	10,722
Total Debt Service	<u>310,000</u>	<u>310,000</u>	<u>299,278</u>	<u>10,722</u>
Total Expenditures	<u>17,495,797</u>	<u>17,834,666</u>	<u>16,445,684</u>	<u>1,388,982</u>
Excess of Revenues Over (Under) Expenditures	<u>(581,552)</u>	<u>(392,236)</u>	<u>1,202,844</u>	<u>1,595,080</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	1,000	1,000	0	(1,000)
Repayment of Advances	0	240,000	240,000	0
Advances Out	0	(349,419)	(349,419)	0
Transfers Out	(1,612,737)	(1,562,528)	(1,562,528)	0
Total Other Financing Sources (Uses)	<u>(1,611,737)</u>	<u>(1,670,947)</u>	<u>(1,671,947)</u>	<u>(1,000)</u>
Net Change in Fund Balance	(2,193,289)	(2,063,183)	(469,103)	1,594,080
Fund Balance at Beginning of Year	8,219,512	8,219,512	8,219,512	0
Prior Year Encumbrances Appropriated	<u>2,193,289</u>	<u>2,193,289</u>	<u>2,193,289</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$8,219,512</u></u>	<u><u>\$8,349,618</u></u>	<u><u>\$9,943,698</u></u>	<u><u>\$1,594,080</u></u>

* Note: This schedule also serves as Appendix A for the City's continuing disclosure requirements.

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Baseball Recreation Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$100,499	\$103,166	\$102,465	(\$701)
Other	3,470	3,470	4,171	701
Total Revenues	103,969	106,636	106,636	0
Expenditures:				
Current:				
Recreation				
Personal Services	36,825	33,202	33,202	0
Operation and Maintenance	65,625	71,651	71,530	121
Capital Outlay	12,650	11,000	9,830	1,170
Total Expenditures	115,100	115,853	114,562	1,291
Net Change in Fund Balance	(11,131)	(9,217)	(7,926)	1,291
Fund Balance at Beginning of Year	28,411	28,411	28,411	0
Prior Year Encumbrances Appropriated	11,131	11,131	11,131	0
Fund Balance at End of Year	\$28,411	\$30,325	\$31,616	\$1,291

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Computer Legal Research Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$126,000	\$130,340	\$130,791	\$451
Other	500	500	49	0
Total Revenues	126,500	130,840	130,840	0
Expenditures:				
Current:				
General Government				
Legislative and Executive				
Personal Services	78,804	78,804	73,907	4,897
Operation and Maintenance	83,260	83,260	70,459	12,801
Capital Outlay	16,000	16,000	7,978	8,022
Total Expenditures	178,064	178,064	152,344	25,720
Net Change in Fund Balance	(51,564)	(47,224)	(21,504)	25,720
Fund Balance at Beginning of Year	65,810	65,810	65,810	0
Prior Year Encumbrances Appropriated	13,230	13,230	13,230	0
Fund Balance at End of Year	<u>\$27,476</u>	<u>\$31,816</u>	<u>\$57,536</u>	<u>\$25,720</u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Drug Law Enforcement Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeitures	<u>\$150</u>	<u>\$335</u>	<u>\$335</u>	<u>\$0</u>
Total Revenues	<u>150</u>	<u>335</u>	<u>335</u>	<u>0</u>
Expenditures:				
Current:				
General Government				
Legislative and Executive				
Operation and Maintenance	<u>110</u>	<u>584</u>	<u>584</u>	<u>0</u>
Total Expenditures	<u>110</u>	<u>584</u>	<u>584</u>	<u>0</u>
Net Change in Fund Balance	40	(249)	(249)	0
Fund Balance at Beginning of Year	<u>854</u>	<u>854</u>	<u>854</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$894</u></u>	<u><u>\$605</u></u>	<u><u>\$605</u></u>	<u><u>\$0</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeitures	\$1,000	\$3	\$3	\$0
Total Revenues	<u>1,000</u>	<u>3</u>	<u>3</u>	<u>0</u>
Expenditures:				
Current:				
General Government				
Legislative and Executive				
Operations and Maintenance	1,000	5,181	5,181	0
Total Expenditures	<u>1,000</u>	<u>5,181</u>	<u>5,181</u>	<u>0</u>
Net Change in Fund Balance	0	(5,178)	(5,178)	0
Fund Balance at Beginning of Year	<u>5,178</u>	<u>5,178</u>	<u>5,178</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$5,178</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - (Non-GAAP Basis) and Actual
Magistrate Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$0	\$2,096	\$2,096	\$0
Total Revenues	0	2,096	2,096	0
Expenditures:				
Current:				
General Government				
Judicial System				
Personal Services	0	0	0	0
Total Expenditures	0	0	0	0
Net Change in Fund Balance	0	2,096	2,096	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$0	\$2,096	\$2,096	\$0

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
OMVI Education and Enforcement Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeitures	\$1,500	\$1,063	\$1,063	\$0
Total Revenues	1,500	1,063	1,063	0
Expenditures:				
Current:				
Public Safety				
Police				
Operation and Maintenance	500	0	0	500
Capital Outlay	0	5,172	5,172	0
Total Expenditures	500	5,172	5,172	0
Net Change in Fund Balance	1,000	(4,109)	(4,109)	0
Fund Balance at Beginning of Year	4,998	4,998	4,998	0
Fund Balance at End of Year	<u>\$5,998</u>	<u>\$889</u>	<u>\$889</u>	<u>\$0</u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - (Non-GAAP Basis) and Actual
OMVI Indigent Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeitures	\$7,000	\$5,200	\$5,176	(\$24)
Intergovernmental	10,000	8,939	8,963	24
Total Revenues	<u>17,000</u>	<u>14,139</u>	<u>14,139</u>	<u>0</u>
Expenditures:				
Current:				
Public Safety				
Police				
Operation and Maintenance	15,000	0	0	0
Total Expenditures	<u>15,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	2,000	14,139	14,139	0
Fund Balance at Beginning of Year	<u>256,638</u>	<u>256,638</u>	<u>256,638</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$258,638</u></u>	<u><u>\$270,777</u></u>	<u><u>\$270,777</u></u>	<u><u>\$0</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Permissive Motor Vehicle Tax Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$41,000	\$40,281	\$40,281	\$0
Total Revenues	41,000	40,281	40,281	0
Expenditures:				
Current:				
Public Works				
Streets				
Operation and Maintenance	19,563	33,785	33,389	396
Capital Outlay	35,420	21,198	13,280	7,918
Total Expenditures	54,983	54,983	46,669	8,314
Net Change in Fund Balance	(13,983)	(14,702)	(6,388)	8,314
Fund Balance at Beginning of Year	128,390	128,390	128,390	0
Prior Year Encumbrances Appropriated	19,983	19,983	19,983	0
Fund Balance at End of Year	\$134,390	\$133,671	\$141,985	\$8,314

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Soccer Recreation Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$54,537	\$42,901	\$43,008	\$107
Other	2,160	2,160	733	(1,427)
Total Revenues	56,697	45,061	43,741	(1,320)
Expenditures:				
Current:				
Recreation				
Personal Services	22,283	22,283	15,213	7,070
Operation and Maintenance	33,980	33,980	30,587	3,393
Capital Outlay	1,800	1,800	0	1,800
Total Expenditures	58,063	58,063	45,800	12,263
Net Change in Fund Balance	(1,366)	(13,002)	(2,059)	10,943
Fund Balance at Beginning of Year	40,708	40,708	40,708	0
Prior Year Encumbrances Appropriated	1,366	1,366	1,366	0
Fund Balance at End of Year	\$40,708	\$29,072	\$40,015	\$10,943

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
State Highway Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	<u>\$39,800</u>	<u>\$50,673</u>	<u>\$51,657</u>	<u>\$984</u>
Total Revenues	<u>39,800</u>	<u>50,673</u>	<u>51,657</u>	<u>984</u>
Expenditures:				
Current:				
Public Works				
Streets				
Operations and Maintenance	<u>35,257</u>	<u>35,257</u>	<u>33,776</u>	<u>1,481</u>
Total Expenditures	<u>35,257</u>	<u>35,257</u>	<u>33,776</u>	<u>1,481</u>
Net Change in Fund Balance	4,543	15,416	17,881	2,465
Fund Balance at Beginning of Year	131,272	131,272	131,272	0
Prior Year Encumbrances Appropriated	<u>3,725</u>	<u>3,725</u>	<u>3,725</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$139,540</u></u>	<u><u>\$150,413</u></u>	<u><u>\$152,878</u></u>	<u><u>\$2,465</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - (Non-GAAP Basis) and Actual
Stormwater Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$216,466	\$238,722	\$238,722	\$0
Total Revenues	<u>216,466</u>	<u>238,722</u>	<u>238,722</u>	<u>0</u>
Expenditures:				
Current:				
Public Works				
Engineer				
Operation and Maintenance	54,000	50,992	38,574	12,418
Capital Outlay	<u>0</u>	<u>3,008</u>	<u>3,008</u>	<u>0</u>
Total Expenditures	<u>54,000</u>	<u>54,000</u>	<u>41,582</u>	<u>12,418</u>
Net Change in Fund Balance	162,466	184,722	197,140	12,418
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$162,466</u></u>	<u><u>\$184,722</u></u>	<u><u>\$197,140</u></u>	<u><u>\$12,418</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$525,000	\$636,829	\$637,106	277
Other	4,000	4,000	10,096	6,096
Total Revenues	529,000	640,829	647,202	6,373
Expenditures:				
Current:				
Public Works				
Streets				
Personal Services	503,155	513,532	513,492	40
Operations and Maintenance	146,439	136,062	134,765	1,297
Total Expenditures	649,594	649,594	648,257	1,337
Net Change in Fund Balance	(120,594)	(8,765)	(1,055)	7,710
Fund Balance at Beginning of Year	292,682	292,682	292,682	0
Prior Year Encumbrances Appropriated	3,258	3,258	3,258	0
Fund Balance at End of Year	\$175,346	\$287,175	\$294,885	\$7,710

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
* General Obligation Bond Retirement Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$0	\$3,887	\$3,887	\$0
Total Revenues	<u>0</u>	<u>3,887</u>	<u>3,887</u>	<u>0</u>
Expenditures:				
Debt Service:				
Principal Retirement	392,873	522,873	522,873	0
Issuance Costs	0	179,118	179,118	0
Interest and Fiscal Charges	647,088	509,907	509,906	1
Total Expenditures	<u>1,039,961</u>	<u>1,211,898</u>	<u>1,211,897</u>	<u>1</u>
Excess of Revenues Under Expenditures	<u>(1,039,961)</u>	<u>(1,208,011)</u>	<u>(1,208,010)</u>	<u>1</u>
Other Financing Sources (Uses):				
Refunding Bonds Issued	0	10,840,000	10,840,000	0
Premium from Refunding Bonds Issued	0	464,791	464,791	0
Payment to Refunded Bond Escrow Agent	0	(11,125,672)	(11,125,672)	0
Transfers In	1,039,961	1,039,961	1,039,961	0
Total Other Financing Sources (Uses)	<u>1,039,961</u>	<u>1,219,080</u>	<u>1,219,080</u>	<u>0</u>
Net Change in Fund Balance	0	11,069	11,070	1
Fund Balance at Beginning of Year	<u>31,540</u>	<u>31,540</u>	<u>31,540</u>	<u>0</u>
Fund Balance at End of Year	<u>\$31,540</u>	<u>\$42,609</u>	<u>\$42,610</u>	<u>\$1</u>

* Note: This schedule also serves as Financial Table 6 for the City's continuing disclosure requirements.

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Special Assessment Bond Retirement Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special Assessments	\$50,208	\$70,478	\$70,478	\$0
Total Revenues	<u>50,208</u>	<u>70,478</u>	<u>70,478</u>	<u>0</u>
Expenditures:				
Current:				
Public Works				
Streets				
Operation and Maintenance	2,076	2,076	1,573	503
Debt Service:				
Principal Retirement	42,128	42,128	42,127	1
Interest and Fiscal Charges	6,004	6,004	6,004	0
Total Expenditures	<u>50,208</u>	<u>50,208</u>	<u>49,704</u>	<u>504</u>
Net Change in Fund Balance	0	20,270	20,774	504
Fund Balance at Beginning of Year	<u>123,574</u>	<u>123,574</u>	<u>123,574</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$123,574</u></u>	<u><u>\$143,844</u></u>	<u><u>\$144,348</u></u>	<u><u>\$504</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Capital Improvement Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$67,000	\$91,777	\$92,530	753
Special Assessments	10,100	43,803	39,946	(3,857)
Total Revenues	<u>77,100</u>	<u>135,580</u>	<u>132,476</u>	<u>(3,104)</u>
Expenditures:				
Capital Outlay	2,939,866	2,939,866	2,902,511	37,355
Total Expenditures	<u>2,939,866</u>	<u>2,939,866</u>	<u>2,902,511</u>	<u>37,355</u>
Excess of Revenues Under Expenditures	<u>(2,862,766)</u>	<u>(2,804,286)</u>	<u>(2,770,035)</u>	<u>34,251</u>
Other Financing Sources:				
Repayment of Notes Receivable	17,000	20,748	24,207	3,459
Transfers In	522,567	681,567	681,212	(355)
Total Other Financing Sources	<u>539,567</u>	<u>702,315</u>	<u>705,419</u>	<u>3,104</u>
Net Change in Fund Balance	(2,323,199)	(2,101,971)	(2,064,616)	37,355
Fund Balance at Beginning Year	1,441,751	1,441,751	1,441,751	0
Prior Year Encumbrances Appropriated	<u>1,939,866</u>	<u>1,939,866</u>	<u>1,939,866</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$1,058,418</u></u>	<u><u>\$1,279,646</u></u>	<u><u>\$1,317,001</u></u>	<u><u>\$37,355</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Issue II - Vista Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:				
Capital Outlay	<u>158,580</u>	<u>158,580</u>	<u>158,579</u>	<u>1</u>
Total Expenditures	<u>158,580</u>	<u>158,580</u>	<u>158,579</u>	<u>1</u>
Excess of Revenues Under Expenditures	<u>(158,580)</u>	<u>(158,580)</u>	<u>(158,579)</u>	<u>(1)</u>
Other Financing Sources:				
Advances In	<u>158,580</u>	<u>158,580</u>	<u>158,579</u>	<u>1</u>
Total Other Financing Sources	<u>158,580</u>	<u>158,580</u>	<u>158,579</u>	<u>1</u>
Net Change in Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Justice Center/Municipal Building Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$0</u>	<u>(\$1,000)</u>
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>(1,000)</u>
Expenditures:				
Capital Outlay	<u>1,000</u>	<u>6,000</u>	<u>6,000</u>	<u>0</u>
Total Expenditures	<u>1,000</u>	<u>6,000</u>	<u>6,000</u>	<u>0</u>
Net Change in Fund Balance	0	(5,000)	(6,000)	(1,000)
Fund Balance at Beginning of Year	77,209	77,209	77,209	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$77,209</u></u>	<u><u>\$72,209</u></u>	<u><u>\$71,209</u></u>	<u><u>(\$1,000)</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation Center Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$1,000	\$1,000	\$0	(\$1,000)
Total Revenues	1,000	1,000	0	(1,000)
Expenditures:				
Capital Outlay	1,570	34,175	33,524	651
Total Expenditures	1,570	34,175	33,524	651
Net Change in Fund Balance	(570)	(33,175)	(33,524)	(349)
Fund Balance at Beginning of Year	32,954	32,954	32,954	0
Prior Year Encumbrances Appropriated	570	570	570	0
Fund Balance at End of Year	<u>\$32,954</u>	<u>\$349</u>	<u>\$0</u>	<u>(\$349)</u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Road Improvements Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$0	\$240,000	\$235,371	(\$4,629)
Total Revenues	<u>0</u>	<u>240,000</u>	<u>235,371</u>	<u>(4,629)</u>
Expenditures:				
Capital Outlay	244,629	244,629	240,000	4,629
Total Expenditures	<u>244,629</u>	<u>244,629</u>	<u>240,000</u>	<u>4,629</u>
Excess of Revenues Under Expenditures	<u>(244,629)</u>	<u>(4,629)</u>	<u>(4,629)</u>	<u>0</u>
Other Financing Uses:				
Advances Out	0	(240,000)	(240,000)	0
Total Other Financing Uses	<u>0</u>	<u>(240,000)</u>	<u>(240,000)</u>	<u>0</u>
Net Change in Fund Balance	(244,629)	(244,629)	(244,629)	0
Fund Balance at Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	<u>244,629</u>	<u>244,629</u>	<u>244,629</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Road Improvements Brownschool Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:				
Capital Outlay	<u>190,840</u>	<u>190,840</u>	<u>190,840</u>	<u>0</u>
Total Expenditures	<u>190,840</u>	<u>190,840</u>	<u>190,840</u>	<u>0</u>
Excess of Revenues Under Expenditures	<u>(190,840)</u>	<u>(190,840)</u>	<u>(190,840)</u>	<u>0</u>
Other Financing Sources:				
Advances In	<u>190,840</u>	<u>190,840</u>	<u>190,840</u>	<u>0</u>
Total Other Financing Sources	<u>190,840</u>	<u>190,840</u>	<u>190,840</u>	<u>0</u>
Net Change in Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Stonequarry Road Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$0	\$0	\$0	\$0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:				
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Uses:				
Transfers Out	<u>0</u>	<u>(158,645)</u>	<u>(158,645)</u>	<u>0</u>
Total Other Financing Uses	<u>0</u>	<u>(158,645)</u>	<u>(158,645)</u>	<u>0</u>
Net Change in Fund Balance	0	(158,645)	(158,645)	0
Fund Balance at Beginning of Year	<u>158,645</u>	<u>158,645</u>	<u>158,645</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$158,645</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Golf Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$1,061,539	\$945,590	\$944,757	(\$833)
Interest	4,491	1,691	1,688	(3)
Other	34,494	34,816	36,065	1,249
Total Revenues	1,100,524	982,097	982,510	413
Expenses:				
Current:				
Personal Services	520,786	463,994	451,505	12,489
Contractual Services	397,418	398,341	362,483	35,858
Materials and Supplies	197,704	240,292	228,858	11,434
Other	28,815	42,446	42,446	0
Capital Outlay	609	609	0	609
Total Expenses	1,145,332	1,145,682	1,085,292	60,390
Net Change in Fund Equity	(44,808)	(163,585)	(102,782)	60,803
Fund Equity at Beginning Year	210,713	210,713	210,713	0
Prior Year Encumbrances Appropriated	25,596	25,596	25,596	0
Fund Equity at End of Year	<u>\$191,501</u>	<u>\$72,724</u>	<u>\$133,527</u>	<u>\$60,803</u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Sewer Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$1,204,730	\$1,089,656	\$1,089,414	(\$242)
Utility Deposits Received	0	1,441	1,441	0
Other	0	0	242	242
Total Revenues	<u>1,204,730</u>	<u>1,091,097</u>	<u>1,091,097</u>	<u>0</u>
Expenses:				
Current:				
Personal Services	286,029	286,029	258,061	27,968
Contractual Services	1,021,441	1,021,442	948,101	73,341
Materials and Supplies	32,831	31,920	28,113	3,807
Other	238	238	0	238
Capital Outlay	604,059	284,970	284,809	161
Utility Deposits Returned	0	1,115	1,115	0
Total Expenses	<u>1,944,598</u>	<u>1,625,714</u>	<u>1,520,199</u>	<u>105,515</u>
Net Change in Fund Equity	(739,868)	(534,617)	(429,102)	105,515
Fund Equity at Beginning of Year	834,377	834,377	834,377	0
Prior Year Encumbrances Appropriated	<u>301,040</u>	<u>301,040</u>	<u>301,040</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$395,549</u></u>	<u><u>\$600,800</u></u>	<u><u>\$706,315</u></u>	<u><u>\$105,515</u></u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Water Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$1,533,718	\$1,434,285	\$1,435,043	\$758
Utility Deposits Received	0	2,927	2,927	0
Other	13,000	13,000	12,242	(758)
Total Revenues	1,546,718	1,450,212	1,450,212	0
Expenses:				
Current:				
Personal Services	286,038	286,038	262,265	23,773
Contractual Services	1,257,133	1,257,132	1,146,629	110,503
Materials and Supplies	56,447	55,818	48,491	7,327
Other	185	814	814	0
Capital Outlay	4,000	4,000	0	4,000
Utility Deposits Returned	0	2,264	2,264	0
Total Expenses	1,603,803	1,606,066	1,460,463	145,603
Net Change in Fund Equity	(57,085)	(155,854)	(10,251)	145,603
Fund Equity at Beginning Year	854,266	854,266	854,266	0
Prior Year Encumbrances Appropriated	28,186	28,186	28,186	0
Fund Equity at End of Year	\$825,367	\$726,598	\$872,201	\$145,603

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Hospital Care Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$1,780,971	\$1,647,867	\$1,644,874	(\$2,993)
Other	120,258	220,258	223,251	2,993
Total Revenues	<u>1,901,229</u>	<u>1,868,125</u>	<u>1,868,125</u>	<u>0</u>
Expenses:				
Current:				
Contractual Services	442,261	419,944	394,348	25,596
Claims	1,458,968	1,631,285	1,625,704	5,581
Total Expenses	<u>1,901,229</u>	<u>2,051,229</u>	<u>2,020,052</u>	<u>31,177</u>
Net Change in Fund Equity	0	(183,104)	(151,927)	31,177
Fund Equity at Beginning of Year	<u>290,533</u>	<u>290,533</u>	<u>290,533</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$290,533</u></u>	<u><u>\$107,429</u></u>	<u><u>\$138,606</u></u>	<u><u>\$31,177</u></u>

Combining Statement - Fiduciary Funds

AGENCY FUNDS

To account for assets held by the City as an agent for individuals, private organizations, and/or other governmental units.

Building Standards

Established to account for state assessed fees on building permits issued by the City.

Municipal Court

Established to account for monies that flow through the Clerk of Courts Office to various subdivisions.

Multi-District Tax Fund

Established to account for the flow through of municipal income tax monies that belong to the Cities of Englewood and Brookville.

Performance Bond

Established to account for sureties received from contractors until contracts are complete.

City of Vandalia
Montgomery County, Ohio
Combining Statement of Changes
In Assets and Liabilities
Fiduciary Funds
For the Year Ended December 31, 2004

	Balance 01/01/04	Additions	Deletions	Balance 12/31/04
Building Standards				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$164	\$1,807	\$1,860	\$111
Total Assets	\$164	\$1,807	\$1,860	\$111
Liabilities:				
Due to Other Governments	\$164	\$1,807	\$1,860	\$111
Total Liabilities	\$164	\$1,807	\$1,860	\$111
Municipal Court				
Assets:				
Cash and Cash Equivalents in Segregated Accounts	\$123,005	\$2,604,474	\$2,620,599	\$106,880
Total Assets	\$123,005	\$2,604,474	\$2,620,599	\$106,880
Liabilities:				
Due to Other Governments	\$44,441	\$1,347,575	\$1,349,427	\$42,589
Undistributed Monies	78,564	0	14,273	64,291
Total Liabilities	\$123,005	\$1,347,575	\$1,363,700	\$106,880
Multi-District Tax Fund				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$0	\$7,406,774	\$7,322,539	\$84,235
Total Assets	\$0	\$7,406,774	\$7,322,539	\$84,235
Liabilities:				
Undistributed Monies	\$0	\$7,406,774	\$7,322,539	\$84,235
Total Liabilities	\$0	\$7,406,774	\$7,322,539	\$84,235
Performance Bond				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$12,105	\$2,752	\$1,000	\$13,857
Total Assets	\$12,105	\$2,752	\$1,000	\$13,857
Liabilities:				
Undistributed Monies	\$12,105	\$2,752	\$1,000	\$13,857
Total Liabilities	\$12,105	\$2,752	\$1,000	\$13,857
Totals				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$12,269	\$7,411,333	\$7,325,399	\$98,203
Cash and Cash Equivalents in Segregated Accounts	123,005	2,604,474	2,620,599	106,880
Total Assets	\$135,274	\$10,015,807	\$9,945,998	\$205,083
Liabilities:				
Due to Other Governments	\$44,605	\$1,349,382	\$1,351,287	\$42,700
Undistributed Monies	90,669	7,409,526	7,337,812	162,383
Total Liabilities	\$135,274	\$8,758,908	\$8,689,099	\$205,083

STATISTICAL SECTION

**THE FOLLOWING UNAUDITED STATISTICAL TABLES
REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND
FISCAL CAPACITY OF THE CITY**

City of Vandalia
 Montgomery County, Ohio
 Government-wide Expenses - Governmental Activities by Function
 Last Five Years (1)

Year	General Government	Public Safety	Public Works	Recreation	Interest and Fiscal Charges	Total
2000	\$4,179,646	\$5,279,340	\$4,539,841	\$2,250,409	\$728,745	\$16,977,981
2001	4,792,302	5,503,635	4,512,870	3,857,728	710,608	19,377,143
2002	4,413,764	5,798,869	3,781,644	3,423,447	692,184	18,109,908
2003	4,929,186	5,703,204	4,223,002	3,351,472	680,882	18,887,746
2004	4,944,560	5,698,591	3,877,206	3,278,059	505,688	18,304,104

SOURCE: Finance Office, City of Vandalia

(1) The City first reported government-wide information in 2000.

City of Vandalia
Montgomery County, Ohio
Government-wide Revenues - Governmental Activities by Source
Last Five Years (1)

Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Property and Other Taxes	(2) Municipal Income Tax	Entitlements not Restricted to Specific Programs	Unrestricted Investment Earnings	Other	
2000	\$2,344,591	\$557,648	\$474,229	\$1,616,490	\$11,120,996	\$942,438	\$1,988,257	\$93,482	\$19,138,131
2001	2,941,533	616,273	979,153	1,570,281	10,307,674	997,696	1,455,574	17,250	18,885,434
2002	3,208,857	611,107	353,732	1,660,698	11,178,585	911,245	830,994	85,390	18,840,608
2003	3,740,029	759,212	395,429	1,783,553	9,911,605	837,051	336,949	124,683	17,888,511
2004	4,545,560	801,455	819,364	1,703,923	10,420,056	984,588	509,985	67,812	19,852,743

SOURCE: Finance Office, City of Vandalia

(1) The City first reported government-wide information in 2000.

(2) This table also serves as Financial Table 4 for the City's Continuing Disclosure Retirements.

City of Vandalia
Montgomery County, Ohio
General Fund Expenditures By Function
Last Ten Years

Year	General Government	Public Safety	Public Works	Recreation	Capital Outlay	Debt Service	Total
1995	\$2,931,510	\$3,218,633	\$1,687,900	\$1,223,999	\$5,242	\$0	\$9,067,284
1996	3,071,704	3,472,605	1,685,766	1,340,878	11,817	-	9,582,770
1997	3,161,057	3,386,547	1,724,898	1,392,744	9,141	-	9,674,387
1998	3,395,888	3,812,313	2,126,924	1,477,440	13,851	-	10,826,416
1999	3,756,153	4,258,529	1,882,126	1,557,247	-	-	11,454,055
2000	3,647,390	4,565,012	1,933,148	1,714,757	16,477	-	11,876,784
2001	4,141,164	4,934,726	2,036,238	2,739,761	452,522	-	14,304,411
2002	3,987,949	5,162,545	2,042,012	2,693,497	5,822	61,971	13,953,796
2003	4,257,820	5,080,363	2,039,414	2,652,922	194,778	61,971	14,287,268
2004	4,586,017	5,168,357	2,055,154	2,534,330	0	61,971	14,405,829

SOURCE: Finance Office, City of Vandalia

City of Vandalia
 Montgomery County, Ohio
 General Fund Revenues by Source
 Last Ten Years

Year	Municipal Income Tax	Property and Other Taxes	Charges for Services	Licenses and Permits	Fines and Forfeitures	Inter- Governmental	Interest	Other	Total
1995	\$9,402,587	\$1,196,989	\$795,588	\$109,080	\$1,010,187	\$662,191	\$581,670	\$136,520	\$13,894,812
1996	10,517,757	1,196,276	832,450	120,034	964,813	711,804	748,543	76,588	15,168,265
1997	9,962,903	1,358,819	759,462	131,036	959,961	768,641	1,074,332	48,604	15,063,758
1998	10,723,977	1,370,172	950,615	133,414	1,050,464	720,981	1,209,470	277,239	16,436,332
1999	12,376,161	1,305,833	943,946	170,657	1,050,655	1,014,524	318,175	405,400	17,585,351
2000	10,976,105	1,578,741	735,605	127,532	1,027,177	938,093	1,977,916	91,970	17,453,139
2001	10,790,799	1,569,367	1,205,295	80,535	1,130,782	1,023,363	1,337,016	178,595	17,315,752
2002	10,498,954	1,591,471	1,534,236	95,832	1,064,913	934,644	887,314	214,767	16,822,131
2003	10,317,499	1,706,415	2,124,601	87,650	1,035,607	917,126	278,133	179,396	16,646,427
2004	10,523,250	1,743,925	2,810,348	175,525	932,109	1,063,503	519,016	109,738	17,877,414

SOURCE: Finance Office, City of Vandalia

City of Vandalia
Montgomery County, Ohio
Property Tax Levies and Collections (2)
Last Ten Years

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections (1)	Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes To Total Tax Levy
1995	\$1,117,715	\$1,038,197	\$32,524	\$1,070,721	96%	\$42,226	3.78%
1996	1,167,689	1,071,780	32,705	1,104,485	95	59,196	5.07
1997	1,313,074	1,172,885	58,456	1,231,341	94	57,923	4.41
1998	1,334,585	1,185,274	65,367	1,250,641	94	49,077	3.68
1999	1,357,402	1,226,054	44,594	1,270,648	94	56,603	4.17
2000	1,463,393	1,307,451	44,532	1,351,983	92	67,252	4.60
2001	1,492,775	1,446,584	55,263	1,501,847	101	83,471	5.59
2002	1,518,377	1,487,482	53,079	1,540,561	101	93,628	6.17
2003	1,657,681	1,595,477	58,972	1,654,449	100	152,595	9.21
2004	1,683,046	1,645,698	46,849	1,692,547	101%	108,110	6.42%

SOURCE: County Auditor, Montgomery County, Ohio

(1) Information not available to exclude intergovernmental revenue from taxes.

(2) This table also serves as Financial Table 3 for the City's Continuing Disclosure Requirements (also see Special Assessment Billing and Collections).

City of Vandalia
 Montgomery County, Ohio
 Assessed Value and Estimated
 True Value of Taxable Property (2)
 Last Ten Years

Year	Assessed Public Utility		Assessed Public Utility Tangible	Assessed Tangible Personal		Total	Estimated True Value (1)	Percentage of Assessed Value To Estimated True Value
	Real	Assessed		Real	Assessed			
1995	\$207,536,750	\$26,150	\$12,877,540	\$61,610,021	\$282,050,461	\$854,110,509	33%	
1996	234,178,950	28,590	13,022,160	69,937,991	317,167,691	963,714,273	33	
1997	236,717,850	32,020	13,106,070	72,507,652	322,363,592	981,352,069	33	
1998	244,489,040	35,230	11,615,690	69,545,468	325,685,428	990,022,291	33	
1999	268,174,540	31,880	10,736,100	72,418,708	351,361,228	1,068,179,003	33	
2000	271,345,240	24,020	9,838,940	77,220,506	358,428,706	1,095,403,380	33	
2001	278,549,920	22,580	9,482,673	78,703,666	366,758,839	1,119,152,422	33	
2002	310,368,570	45,290	9,896,969	80,095,291	400,406,120	1,222,148,869	33	
2003	316,589,440	46,120	7,696,010	71,493,745	395,825,315	1,199,393,474	33	
2004	322,144,700	46,520	7,338,430	77,595,931	407,125,581	1,259,080,919	32	

SOURCE: County Auditor, Montgomery County, Ohio

(1) Estimated true value is calculated by dividing the assessed value by the assessment percentage. The percentages for 2004 were 35 percent for real property and public utility real, 88 percent for public utility tangible personal, 25 percent for tangible personal capital assets, and 22 percent for tangible personal inventory

(2) This table also serves as Financial Table 1 for the City's Continuing Disclosure Requirements.

City of Vandalia
Montgomery County, Ohio
Property Tax Rates - Direct and Overlapping Governments
(Per \$1000 of Assessed Valuation)
Last Ten Years

Collection Year	Total City (1)	Vandalia-Butler		Montgomery County	Miami Valley		Library	Total
		City	Schools		Career Technology Center			
1995	\$4.14	\$47.86	\$16.64	\$2.58	\$0.72	\$71.94		
1996	4.14	47.86	16.64	2.58	0.72	71.94		
1997	4.14	45.86	16.64	2.58	0.72	69.94		
1998	4.14	45.86	16.64	2.58	0.26	69.48		
1999	4.14	45.86	16.64	2.58	0.26	69.48		
2000	4.14	45.06	16.64	2.58	0.26	68.68		
2001	4.14	44.86	17.24	2.58	0.26	69.08		
2002	4.14	44.66	17.24	2.58	0.26	68.88		
2003	4.14	44.36	17.24	2.58	0.26	68.58		
2004	4.14	48.86	15.74	2.58	1.25	72.57		

SOURCE: County Auditor, Montgomery County, Ohio

(1) This table represents Tax Tables A & B for the City's Continuing Disclosure Requirements.
For Tax Table B - Collection years 2000 to 2004- Operating = \$1.54; Police & Fire Pension = \$.30; Charter = \$2.30; Total = \$4.14.

City of Vandalia
Montgomery County, Ohio
Special Assessment Billings and Collections (3)
Last Ten Years

Collection Year	Billed (1)	Amount Collected (2)	Percent Collected
1995	\$140,667	\$139,428	99%
1996	124,098	121,462	98
1997	110,053	109,780	99
1998	106,475	106,202	99
1999	97,077	96,905	99
2000	101,818	91,885	90
2001	89,806	84,068	94
2002	84,384	83,446	99
2003	84,119	83,028	99
2004	97,983	96,926	99

SOURCE: (1) County Auditor; Montgomery County, Ohio

(2) City's Tax Settlement Sheets

(3) This table serves as Financial Table 3 for the City's Continuing Disclosure Requirements. (Also see Property Tax Levies and Collections).

NOTE: This table reflects only those special assessments collected through the County Auditor's Office.

City of Vandalia
 Montgomery County, Ohio
 Ratio of Net General Obligation Bonded Debt (5)
 To Assessed Value and Net Bonded Debt Per Capita
 Last Nine Years (1)

Year	Population (2)	Assessed Value	Gross Bonded Debt (3)	Debt Service Monies Available (4)	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Valuation	Net Bonded Debt Per Capita
1996	13,790	\$317,167,691	\$13,675,000	\$31,226	\$13,643,774	4.30%	\$989.40
1997	13,790	322,363,592	13,480,000	31,361	13,448,639	4.17	975.25
1998	13,790	325,685,428	13,185,000	31,361	13,153,639	4.04	953.85
1999	13,790	351,361,228	12,875,000	31,403	12,843,597	3.66	931.37
2000	14,603	358,428,706	12,550,000	31,476	12,518,524	3.49	857.26
2001	14,603	366,758,839	12,210,000	31,506	12,178,494	3.32	833.97
2002	14,603	400,406,120	11,855,000	31,508	11,823,492	2.96	809.66
2003	14,603	395,825,315	11,485,000	31,540	11,453,460	2.89	784.32
2004	14,603	407,125,581	11,144,119	42,610	11,101,509	2.73	760.22

- SOURCE:
- (1) The City had no general obligation bonds payable from property taxes prior to 1996.
 - (2) 1990 and 2000 Census
 - (3) Excludes general obligation bonded debt payable from municipal income taxes and special assessment bonded debt.
 - (4) Excludes debt service money available to pay general obligation bonded debt payable from municipal income taxes and special assessment bonded debt.
 - (5) This table also serves as Debt Table B for the City's Continuing Disclosure Requirement (also see Computation of Direct and Overlapping General Obligation Debt).

City of Vandalia
Montgomery County, Ohio
Computation of Overall Legal Debt Margin (2)
December 31, 2004

Assessed Value (1)		<u><u>\$407,125,581</u></u>
Overall Debt Limit (10 1/2% of the Assessed Value)		\$42,748,186
Total Voted and Unvoted Debt Outstanding at December 31, 2004	<u>\$11,595,000</u>	
Less: Exempt Debt		
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Special Assessments	(42,128)	
Unvoted General Obligation Bonds, Loans and Notes Issued in Anticipation of the Collection of Lawfully Available Municipal Income Tax to be Applied to Debt Service	<u>(2,872)</u>	
Debt Within 10 1/2 Percent Limitation	11,550,000	
Less: Bond Retirement Fund Balance	<u>(42,610)</u>	
Net Debt Subject to 10 1/2% limitation		<u>11,507,390</u>
Legal debt margin within 10 1/2% limitation		<u><u>\$31,240,796</u></u>

- (1) This assessed value represents tax year 2004 assessed valuation.
(2) This table also serves as Financial Table 5 and Debt Table A for the City's Continuing Disclosure Requirements (also see Unvoted Legal Debt Margin).

City of Vandalia
Montgomery County, Ohio
Computation of Unvoted Legal Debt Margin (2)
December 31, 2004

Assessed Value (1)		<u><u>\$407,125,581</u></u>
Overall Debt Limit (5 1/2% of the Assessed Value)		\$22,391,907
Total Voted and Unvoted Debt Outstanding at December 31, 2004	<u>\$11,595,000</u>	
Less: Exempt Debt		
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Special Assessments	42,128	
Unvoted General Obligation Bonds, Loans and Notes Issued in Anticipation of the Collection of Lawfully Available Municipal Income Tax to be Applied to Debt Service	<u>2,872</u>	
Debt Within 5 1/2 Percent Limitation	11,550,000	
Less: Bond Retirement Fund Balance	<u>(42,610)</u>	
Net Debt Subject to 5 1/2% limitation		<u>11,507,390</u>
Legal debt margin within 5 1/2% limitation		<u><u>\$10,884,517</u></u>

- (1) This assessed value represents tax year 2004 assessed valuation.
(2) This table also serves as Financial Table 5 and Debt Table A for the City's Continuing Disclosure Requirements (also see Overall Legal Debt Margin).

City of Vandalia
Montgomery County, Ohio
Computation of Direct and Overlapping General Obligation Debt (1)
December 31, 2004

Jurisdiction	Net Debt Outstanding	Percentage Applicable To City of Vandalia	Amount Applicable To City of Vandalia
Direct Debt:			
City of Vandalia	\$11,101,509	100.00%	<u>\$11,101,509</u>
Overlapping Debt:			
Montgomery County	32,892,639	3.97	1,305,838
Vandalia-Butler City School District	1,000,000	59.51	<u>595,100</u>
Total Overlapping Debt			<u>1,900,938</u>
Total Direct and Overlapping Debt			<u><u>\$13,002,447</u></u>

(1) This table also serves as Debt Table B for the City's Continuing Disclosure Requirement (also see Ratio of Net General Obligation Bonded Debt).

SOURCE: City of Vandalia, Finance Office; Montgomery County Auditor; Vandalia-Butler City Schools

NOTE: The percentage of gross indebtedness of the City's overlapping political subdivisions was determined by dividing each overlapping subdivision's assessed value within the City by the subdivision's total assessed value.

The Net Debt Outstanding includes only general obligation debt payable from property taxes.

City of Vandalia
 Montgomery County, Ohio
 Ratio of Annual Debt Principal and Interest Expenditures
 For General Obligation Bonded Debt to Total
 General Fund Expenditures
 Last Nine Years (1)

Year	Debt Principal and Interest (2)	General Fund Expenditures	Ratio
1996	\$0	\$9,582,770	0.00%
1997	1,034,769	9,674,387	10.70
1998	1,032,115	10,826,416	9.53
1999	1,034,873	11,454,055	9.03
2000	1,040,390	11,876,784	8.76
2001	1,040,613	14,304,411	7.27
2002	1,036,123	13,953,796	7.43
2003	1,034,438	14,287,268	7.24
2004	1,029,498	14,405,829	7.15

(1) The City had no general obligation bonds payable from property taxes prior to 1996.

(2) Includes only general obligation debt payable from property taxes.

City of Vandalia
 Montgomery County, Ohio
 Revenue Bond Coverage
 Last Ten Years

Year	Operating Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
GOLF							
1995	\$908,542	\$1,001,339	(\$92,797)	\$45,000	\$9,450	\$54,450	(1.7)
1996	852,694	878,740	(26,046)	45,000	7,088	52,088	(0.5)
1997	1,016,904	962,068	54,836	45,000	4,725	49,725	1.1
1998	1,028,941	995,698	33,243	45,000	2,363	47,363	0.7
1999	(a)	(a)	(a)	(a)	(a)	(a)	(a)
2000	(a)	(a)	(a)	(a)	(a)	(a)	(a)
2001	(a)	(a)	(a)	(a)	(a)	(a)	(a)
2002	(a)	(a)	(a)	(a)	(a)	(a)	(a)
2003	(a)	(a)	(a)	(a)	(a)	(a)	(a)
2004	(a)	(a)	(a)	(a)	(a)	(a)	(a)

SOURCE: Finance Office, City of Vandalia

(1) Operating expenses do not include depreciation

Note - The sewer enterprise fund has no revenue debt after 1982

The water enterprise fund has no revenue debt after 1990

(a) The golf enterprise fund has no revenue debt after 1998

City of Vandalia
Montgomery County, Ohio
Demographic Statistics
Last Ten Years

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate Montgomery County (3)</u>
1995	13,790	3,435	4.0%
1996	13,790	3,515	4.4
1997	13,790	3,640	4.0
1998	13,790	3,564	4.1
1999	13,790	3,560	3.8
2000	14,603	3,550	3.8
2001	14,603	3,531	4.3
2002	14,603	3,466	4.7
2003	14,603	3,471	6.3
2004	14,603	3,460	5.8

SOURCE: (1) 1990 and 2000 Census

(2) Vandalia-Butler Board of Education

(3) Ohio Bureau of Employment Services

City of Vandalia
 Montgomery County, Ohio
 Property Values, Construction and Bank Deposits
 Last Ten Years

Year	Property Values (1)	Residential Construction (2)		Commercial Construction (2)		County Bank Deposits (3)
		Number of Permits	Value	Number of Permits	Value	
1995	\$592,962,142	65	\$11,085,550	79	\$7,255,654	\$3,995,114,000
1996	669,082,714	61	10,918,125	81	10,382,823	3,899,145,000
1997	676,336,714	46	8,401,100	106	13,581,121	3,530,314,000
1998	698,540,114	61	10,057,827	56	11,496,840	3,264,705,000
1999	766,212,971	54	8,382,445	103	22,997,366	2,994,378,000
2000	775,272,114	33	5,625,950	62	21,750,852	191,473,000
2001	795,856,914	31	4,946,907	43	17,144,527	224,099,000
2002	892,785,226	59	6,914,035	63	4,379,779	241,447,000
2003	904,541,257	69	5,462,685	95	9,042,800	249,614,000
2004	920,413,429	71	13,788,123	53	9,146,146	250,930,000

SOURCE: (1) Estimated True Real Property Values Excluding Public Utility Real Property

(2) City of Vandalia Building Department

(3) Federal Reserve Bank of Cleveland, no main office in the City of Vandalia

(3) Decrease beginning in 2000 due to bank restructuring. Deposits at the end of the year are no longer held in Montgomery County, they are held in Cuyahoga County.

City of Vandalia
Montgomery County, Ohio
Principal Taxpayers (2)
December 31, 2004

<u>Taxpayer</u>	<u>2004 Real Property Assessed Value (1)</u>	<u>Percentage of Total Assessed Value (1)</u>
1. Delphi Automotive System	\$4,697,770	1.15%
2. Dayton Power & Light Co.	4,547,570	1.12
3. B-W Limited Partnership	2,526,590	0.62
4. The Iams Company	2,431,470	0.60
5. Ohio Bell Telephone Co.	1,934,730	0.48
6. Shoppes at Northwoods	1,867,310	0.46
7. Mid-States Development Co.	1,465,140	0.40
8. Timberlake Limited Partners	1,451,520	0.36
9. Mazer, Marshall	1,418,020	0.35
10. Thieman, Ted H.	1,195,620	0.29
	<u>\$18,837,970</u>	<u>5.83%</u>

<u>Taxpayer</u>	<u>2004 Tangible Personal Assessed Value</u>
1. Delphi Automotive System	\$10,441,070
2. Eurand America Inc.	5,284,570
3. Smith Industries Aerospace	5,109,140
4. Procter & Gamble Co.	3,378,930
5. Beau Townsend Ford Inc.	2,915,230
6. Encon Inc.	2,649,700
7. Frank Z Imports Inc.	2,364,880
8. Eftec North America LLC	2,222,440
9. Saia-Burgess Inc.	2,203,430
10. Smedley Chevrolet Sales Inc.	2,026,960
	<u>\$38,596,350</u>

<u>Taxpayer</u>	<u>2004 Public Utilities Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Dayton Power & Light Co.	\$4,547,570	1.12%
Ohio Bell Telephone Co.	1,934,730	0.48%
	<u>\$6,482,300</u>	<u>1.60%</u>

(1) Assessed value represents tax year 2004 assessed valuation.

(2) This table also serves as Financial Table 2 for the City's Continuing Disclosure Requirements.

SOURCE: County Auditor; Montgomery County, Ohio

City of Vandalia
 Montgomery County, Ohio
 Miscellaneous Statistics
 December 31, 2004

Year of Incorporation	1958
Form of Government	Charter - Council/Manager
Area	12.35 Miles
Miles of Streets	79 Miles
Number of Street Lights	39
Police Protection:	
Number of Stations	1
Number of Policemen and Officers	29
Number of Patrol Units	20
Education (K-12) (Public only)	
Number of Schools	6
Number of Teachers	266
Number of Students	3,460
Municipal Water Department	
Miles of Water Mains	73 Miles
Number of Fire Hydrants	723
Sewers:	
Miles of Sanitary Sewers	62 Miles
Miles of Storm Sewers	46 Miles
Building Permits Issued During 2004	124
Recreation and Culture:	
Number of Parks	9
Number of Libraries	1
Number of Senior Citizens Centers	1
Golf Courses	1
Clubhouse/Restaurants	1
Swimming Pools	1
Tennis Courts	10
Recreation Center	1
Employees	143

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**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

**CITY OF VANDALIA
MONTGOMERY COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 11, 2005**