

CITY OF VANDALIA, OHIO

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

December 31, 2002



**Auditor of State
Betty Montgomery**

City Council
City of Vandalia
333 James E. Bohanan Memorial Drive
P.O. Box 5055
Vandalia, OH 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, 2002 through December 31, 2002. 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

June 24, 2003

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting
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 City of Vandalia, Ohio, as of and for the year ended December 31, 2002, and have issued our report thereon dated May 28, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Vandalia, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Vandalia, Ohio'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 assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financials statements being audited may occur and not be detected within 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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated May 28, 2003.

This report is intended for the information and use of the City Council, City Manager, management and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Harbitt & Co.

Springfield, Ohio
May 28, 2003

SCHEDULE OF FINDINGS

City of Vandalia, Ohio
For the Year Ended December 31, 2002

1. SUMMARY OF AUDITORS' RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported non-compliance at the financial statement level (GAGAS)?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None

**CITY OF VANDALIA
MONTGOMERY COUNTY, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2002**

**Issued by:
Linda Chapman
Finance Director**

**Prepared by:
Lori Koch
Deputy Finance Director**

City of Vandalia
 Montgomery County, Ohio
 Comprehensive Annual Financial Report
 For the Year Ended December 31, 2002

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333 James E. Bohanan Memorial Drive • P.O. Box 5055
Vandalia, Ohio 45377
(937) 898-5891

May 28, 2003

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

I am pleased to present the fourteenth Comprehensive Annual Financial Report (CAFR) for the City of Vandalia. This report, for the year ended December 31, 2002, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of the City of Vandalia ("the City"). The responsibility for the accuracy and completeness of all data presented, and the fairness of the presentation, rests with the City, specifically with the City Finance Director's office.

This CAFR is divided into three sections as follows:

1. The Introductory Section contains the table of contents, letter of transmittal, certificate of achievement, a list of principal officials, and an organization chart of the City.
2. The Financial Section begins with the Independent Auditor's Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statements for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements.
3. The Statistical Section presents social and economic data and financial trend information, and demonstrates the fiscal capacity of the City.

CITY OVERVIEW

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.

CITY ORGANIZATION AND REPORTING ENTITY

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.

Component units are 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 approves their budget, the issuance of their debt or the levying of their taxes. Currently, the City does not have any component units.

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 13.

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 seventeen 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 14.

ITEMS OF LOCAL INTEREST

Parks and Recreation

The City contains nine parks covering 165 acres and provides year-round recreational and educational programs for its citizens.

The Vandalia Senior Citizens Center offers a number of classes, workshops, outings, and health programs for those 55 and older.

Cassel Hills, an 18-hole, par 71 golf course with pro shop and restaurant, gives Miami Valley residents a scenic spot for golfing and dining. The City is very proud of the course and congratulates the golf staff for the course receiving a four-star ranking by *Golf Digest* in 2002.

Culture and Education

Vandalia has many nearby educational facilities, churches, cultural resources, parks and playgrounds. Numerous colleges and universities in the surrounding metropolitan area provide excellent opportunities and facilities for higher educational study to citizens of Vandalia.

The Miami Valley Career-Technology Center offers various areas of study, primarily to provide education in the industrial and commercial field. In addition, an adult education program offers courses in a wide variety of subjects.

The Dayton-Montgomery County Public Library has been serving Vandalia as well as Butler and Harrison Townships since its dedication in December of 1907. The Library's 19,000 square feet hold more than 60,000 volumes.

Transportation

The Dayton International Airport is located in Vandalia and offers full commercial air passenger and freight service by many major airlines.

Several motor transport companies are based in the area and, together with those of the adjacent metropolitan areas, provide reliable freight transportation to and from the City.

An extensive network of interstate and state highways, including I-75, I-675, I-70 and State Routes 4, 25 and 48 serves the City and surrounding communities.

ECONOMIC CONDITIONS AND OUTLOOK

During 2002, the City of Vandalia began to experience a slight economic upswing. According to an annual study that is released in March of each year, Vandalia industries employing over 100 workers experienced an 11 percent decline in the number of people employed during 2001. However, this same study reflected a decline of only one percent for 2002. There were several factors that contributed to this partial recovery during 2002.

Kroger grocery relocated, expanded, and began operations in June of 2002 to become the anchor tenant for a new shopping center on Northwoods Boulevard called the Shoppes at Northwoods. This move and expansion by Kroger created approximately 120 new jobs in Vandalia. Also joining Kroger at the Shoppes at Northwoods was Quizno's Subs, Great Clips, Blockbuster, Coppertan and the Dollar Store, all bringing new job opportunities and quick, easy and convenient services to the area.

The Northwoods Business Park, located just off of I-75 in Vandalia, also experienced growth during 2002. Dayton Trane, which employs more than 50 people, expanded its operations with the construction of a new 6,000 square-foot building for its parts and supply department. This marks Dayton Trane's third expansion project in Vandalia in less than a decade. Also during 2002, the A.F. Leis company relocated its corporate offices and manufacturing facilities into a new 57,000-plus square-foot facility in Northwoods Business Park and created 135 jobs. A.F. Leis is a manufacturer of medical and orthopedic devices.

Smiths Areospace continues to remodel their existing facility and has received a \$355,000 ED/GE grant for the development of a new laboratory. Smiths' largest client is the Boeing Company.

Vandalia also experienced growth in small businesses during 2002. Hagemeyer, a new Vandalia business that employs eight people, sells and services safety products for industrial and business customers. Stegmann Inc., a distributor of encoders, was sold to a German corporation in 2002. The new owner's well-established North American distribution channels are expected to increase sales for the company. Also in 2002, the Whirlpool building on Poe Avenue was purchased by the Brotherhood of Electrical Workers, Local 82. They plan to relocate their administrative offices and apprenticeship program there.

To further enhance potential economic development opportunities, City Council continues to belong to the Montgomery County ED/GE program. The ED/GE program is a combined economic development/tax-sharing program whose participants include, Montgomery County, Montgomery County Townships, Villages and Cities.

The City also experienced some growth in the residential areas during 2002. In May, City Council approved the annexation of nearly 300 acres of Butler Township land at Vandalia's southwestern border. This land is located near Interstate 70 and includes properties in the Stonequarry and Mulberry Road areas. The annexation was brought about by residents in the area who wanted to become part of the City. The City welcomes the new residents and plans to provide quality services and programs to them.

MAJOR INITIATIVES

During 2002, the City formed a Technology Planning Group (TPG) comprised of employees from every department within the City. The TPG was assigned to tackle the task of upgrading computer equipment and software throughout the City. Most of 2002 consisted of planning the process, setting the goals, developing the process, making decisions on what type of equipment and software to purchase/lease, budgeting for the process and preparing for the implementation and roll over of the computer upgrades.

Also during 2002, the City decided to begin the planning process to make much needed improvements to the ventilating, heating and cooling system at the City Municipal Building. The improvements will consist of constructing and installing a new heating, ventilation, and air conditioning unit and purchasing the necessary equipment and appurtenances. The City will issue a \$295,000 general obligation note in 2003 to pay for these improvements.

In April of 2002, the Cities of Vandalia and Tipp City formed the Northern Area Water Authority, a joint venture created for the purpose of planning, financing, acquiring, constructing, owning, operating and maintaining a water treatment plant and associated facilities.

In December of 2002, the City of Vandalia entered into a 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.

FINANCIAL INFORMATION

Internal Control Structure and Budgetary Controls

Development of the City's accounting system included consideration of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements. The concept of reasonable assurance states that internal control should be evaluated to insure that the expense associated with providing internal controls does not exceed the benefit expected to be derived from their implementation. 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.

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.

Financial Condition

This is the third year the City has prepared financial statements following GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments." GASB 34 created new basic financial statements for reports as follows:

Government-wide financial statements - These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by many businesses. The government-wide statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

Fund financial statements - These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statements of budgetary comparisons - These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transaction on a basis of cash receipts, disbursements and encumbrances.

As part of this new reporting model, management is responsible for preparing a Management's Discussion and Analysis of the City. This discussion begins the financial section of this report, providing an assessment of the City finances for 2002.

Cash Management

In August 1994, the City adopted a new investment policy and hired BondTech, Inc. as an investment consultant. With the guidance of BondTech, the City pursues an aggressive cash management program by expediting the receipt of revenues and prudently investing available cash pursuant to the City's investment policy. The total interest earned by the City's governmental and proprietary funds was \$903,693 for the year ended December 31, 2002, which represents an annual interest yield of 4.32 percent of the total receipts for the year. A majority of the City's deposits are collateralized by pooled collateral. By law, financial institutions may establish a collateral pool to cover all public deposits. The market value of the pooled collateral must equal at least 105 percent of the public funds on deposit. The collateral is held by trustees, including the Federal Reserve Bank and designated third party trustees of the financial institutions. The City regularly reviews the market value of the pool to insure that adequate collateral is being provided.

In 1998, the City implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement established accounting and reporting guidelines for government investments and investment pools. Certain investments, which were reported at cost in years prior to 1998, are now reported at fair value.

Risk Management

The City is a member of a joint risk-sharing insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA), for general, automobile employment practice and public official's liability, boiler and machinery, flood, earthquake, and property insurance coverage.

The City is self insured for medical, dental, vision and prescription drug benefits for employees. A self-insurance internal service fund receives \$14,760 per employee annually from the other funds as a "premium." All claims are reviewed by a third party administrator and are paid by the City from money in the Hospital Care Internal Service Fund. The City purchases stop-loss insurance that reimburses the fund for claims exceeding \$30,000 per person per year.

The City pays the State Workers' Compensation System a fee which is an experience based rate charged upon each \$100 of payroll.

OTHER INFORMATION

Independent Audit

An audit team from Clark, Schaefer, Hackett & Co. has performed this year's audit. The results of the audit are presented in the Independent Auditor's Report.

Awards

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, 2001. This was the thirteenth year that the government has received this prestigious award. The City is especially proud of this accomplishment since 2001 was also the second year that the City issued statements in conformity with GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments."

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.

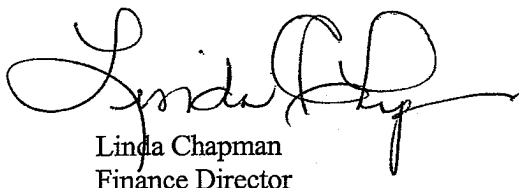
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

Acknowledgments

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.

Finally, I would like to express appreciation to Ms. Betty Montgomery, Auditor of State, and her Local Government Services staff for their guidance and assistance in preparing this report.



Linda Chapman
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, 2001

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.



William Patrick Vasta

President

Jeffrey R. Emer

Executive Director

City of Vandalia
Montgomery County, Ohio
List of Principal Officials
December 31, 2002

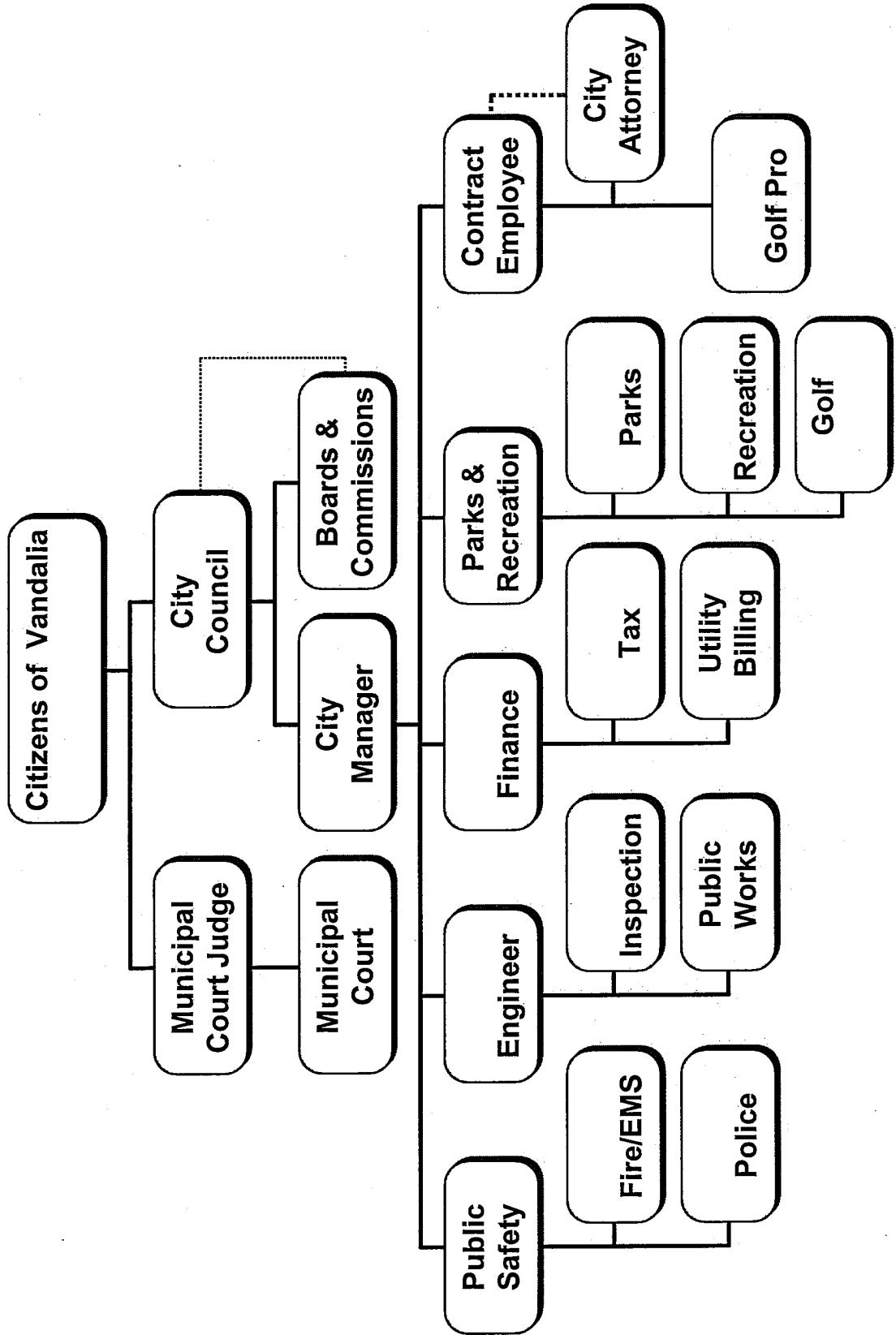
ELECTED OFFICIALS

MAYOR	William Loy
VICE MAYOR	Joyce Orange
COUNCIL MEMBERS	Mike Blakesly Candice Farst David Gerhard Dave Lewis Jack Shirley

APPOINTED OFFICIALS

CITY MANAGER	Bruce E. Sucher
FINANCE DIRECTOR	Linda Chapman
CITY ATTORNEY	G. Jack Davis
CHIEF OF POLICE	Douglas Knight
CITY ENGINEER/SERVICE DIRECTOR	Position not filled
FIRE CHIEF	John Sands
PARKS AND RECREATION DIRECTOR	Dean Nardecchia

City of Vandalia, Ohio Organization Chart - 2002



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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditor's 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, Ohio, as of and for the year ended December 31, 2002, 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 of Vandalia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Vandalia, Ohio, as of December 31, 2002, 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 also have issued our report dated May 28, 2003 on our consideration of the City of Vandalia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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 of Vandalia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and 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 and, accordingly, we express no opinion on them.

Clark Sawyer, Hackett & Co.
Springfield, Ohio
May 28, 2003

City of Vandalia
Montgomery County, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

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, 2002.

FINANCIAL HIGHLIGHTS

- The City's total net assets remained fairly constant during 2002, reflecting an increase of only \$0.7 million. Of this slight increase, net assets of governmental activities accounted for \$0.6 million, while net assets of business-type activities increased by only \$0.1 million.
- The general fund transfers out equaled \$3.7 million. \$2.7 million in transfers for capital acquisitions, repairs and equipment, and \$1.0 million for debt service obligations.
- Business-type operations reflected an operating loss, however business-type unrestricted net assets are a healthy \$8.2 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, 2002

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 sewer, water and golf. 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 9. 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. The recreation center capital projects fund was reflected as a major fund in last year's CAFR to reflect the completion of the Recreation Center. Construction is now complete on the Recreation Center and this fund is no longer a major fund of the City.

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
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Management's Discussion and Analysis
For The Year Ended December 31, 2002

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 2002 compared to 2001.

Table 1
Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
Assets						
Current And Other Assets	\$23.2	\$22.9	\$2.8	\$3.0	\$26.0	\$25.9
Capital Assets, Net	44.1	44.1	15.8	15.8	59.9	59.9
Investment in Joint Venture	0.0	0.0	6.0	5.6	6.0	5.6
Total Assets	67.3	67.0	24.6	24.4	91.9	91.4
Liabilities						
Current and Other Liabilities	2.9	2.9	0.6	0.5	3.5	3.4
Long-Term Liabilities:						
Due within One Year	0.9	0.8	0.0	0.0	0.9	0.8
Due in More Than One Year	12.2	12.6	0.0	0.0	12.2	12.6
Total Liabilities	16.0	16.3	0.6	0.5	16.6	16.8
Net Assets						
Invested in Capital Assets Net of Related Debt	32.0	31.7	15.8	15.8	47.8	47.5
Restricted:						
Special Revenue	1.3	1.4	0.0	0.0	1.3	1.4
Debt Services	0.4	0.4	0.0	0.0	0.4	0.4
Capital Projects	4.5	4.1	0.0	0.0	4.5	4.1
Unrestricted	13.1	13.1	8.2	8.1	21.3	21.2
Total Net Assets	\$51.3	50.7	\$24.0	\$23.9	\$75.3	\$74.6

As displayed in Table 1, total net assets of the City as a whole, only increased \$0.7 million from 2001 to 2002. The amounts reflected for capital assets, net and invested in capital assets net of related debt in governmental activities both include a significant restatement for the value of land.

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Total net assets of the City's governmental activities only increased by \$0.6 million, and unrestricted net assets remained constant from 2001 to 2002. Even though unrestricted net assets remained constant, the reader should be aware that unrestricted funds continue to be used for funding various capital projects, especially street related projects such as Mulberry Road and Webster Street, and traffic signal construction.

The net assets of the City's business type activities only increased by \$0.1 million, and each enterprise activity reported an operating loss during 2002. Current assets, as well as current liabilities remained constant from 2001 to 2002. Overall, capital assets, net also remained constant in business-type activities during 2002, however, the sewer fund experienced a slight decrease and the water fund experienced a slight increase. The City also had an increase in its investment in the joint venture from 2001 to 2002. 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, 2002, and revenue and expense comparisons to 2001.

Table 2
Changes in Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
Revenues						
Program Revenues:						
Charges for Services	\$3.2	\$2.9	\$3.5	\$3.5	\$6.7	\$6.4
Operating Grants, Contributions and Interest	0.6	0.6	0.0	0.0	0.6	0.6
Capital Grants and Contributions	0.4	1.0	0.3	0.6	0.7	1.6
Total Program Revenues	<u>4.2</u>	<u>4.5</u>	<u>3.8</u>	<u>4.1</u>	<u>8.0</u>	<u>8.6</u>
General Revenues:						
Property Taxes	1.6	1.6	0.0	0.0	1.6	1.6
Income Taxes	11.2	10.3	0.0	0.0	11.2	10.3
Grants and Entitlements	0.9	1.0	0.0	0.0	0.9	1.0
Other	0.9	1.5	0.5	0.2	1.4	1.7
Total General Revenues	<u>14.6</u>	<u>14.4</u>	<u>0.5</u>	<u>0.2</u>	<u>15.1</u>	<u>14.6</u>
Total Revenues	<u>18.8</u>	<u>18.9</u>	<u>4.3</u>	<u>4.3</u>	<u>23.1</u>	<u>23.2</u>

(Continued)

City of Vandalia
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	Changes in Net Assets (In Millions) (Continued)					
	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
Program Expenses:						
General Government						
Legislative and Executive	\$2.9	\$3.1	\$0.0	\$0.0	\$2.9	\$3.1
Judicial System	1.5	1.7	0.0	0.0	1.5	1.7
Public Safety						
Police	3.9	3.7	0.0	0.0	3.9	3.7
Fire	1.9	1.8	0.0	0.0	1.9	1.8
Public Works						
Engineer	0.7	0.6	0.0	0.0	0.7	0.6
Streets	2.3	2.8	0.0	0.0	2.3	2.8
Refuse	0.7	1.1	0.0	0.0	0.7	1.1
Recreation	3.4	3.9	0.0	0.0	3.4	3.9
Interest and Fiscal Charges	0.7	0.7	0.0	0.0	0.7	0.7
Golf	0.0	0.0	1.2	1.2	1.2	1.2
Sewer	0.0	0.0	1.4	1.4	1.4	1.4
Water	0.0	0.0	1.7	1.9	1.7	1.9
Total Expenses	<u>18.0</u>	<u>19.4</u>	<u>4.3</u>	<u>4.5</u>	<u>22.3</u>	<u>23.9</u>
Excess (Deficiency) Before Transfers	0.8	(0.5)	0.0	(0.2)	0.8	(0.7)
Transfers	(0.1)	(0.4)	0.1	0.4	0.0	0.0
Increase (Decrease) in Net Assets	<u>\$0.7</u>	<u>(\$0.9)</u>	<u>\$0.1</u>	<u>\$0.2</u>	<u>\$0.8</u>	<u>(\$0.7)</u>

Governmental Activities

The 1.75% income tax is the largest source of revenue for the City of Vandalia. 25% of net income tax received is designated, by ordinance, to capital acquisitions and repairs.

The above table reflects an increase in income tax revenue of 0.9 from 2001 to 2002. The increase is a result of revenue expected to be generated from a more aggressive approach by the City to pursue the collection of delinquent income taxes from previous years. Cash receipts of income tax revenue actually declined slightly during 2002, but are expected to rebound as increased revenues will be generated from new and expanded businesses within the City.

Charges for services increased \$0.3 million during 2002. This increase can be credited to revenues generated as a result of the Recreation Center having its first full year of operations in 2002.

Capital grants and contributions decreased approximately \$0.3 million during 2002 as a result of a decrease in capital related issue II street projects during 2002, compared to higher activity in 2001. A decrease in non-capital street related expenses is also reflected in the \$0.5 million decrease in public works – streets program expense.

General government, public works and recreation program expenses all decreased somewhat during 2002. This decrease resulted from management's conscious decision to try and cut expenses through tightened budgets while still providing the quality of life that the citizens and businesses located in the City have become accustomed to. Public safety program expenses remained consistent during 2002.

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Program expenses for 2002 were as follows:	General Government	24.38%
	Public Safety	32.02%
	Public Works	20.88%
	Recreation	18.90%
	Interest and Fiscal Charges	<u>3.82%</u>
	Total	<u>100.00%</u>

As indicated by governmental program expenses, citizen safety and well being is emphasized. Recreation programs and facilities are considered an integral part of the quality of life factor.

When looking at the sources of income on Table 2 used to support governmental activities, it should be noted that charges for services are 17.02 percent of revenue. Revenues provided by sources other than City residents in the form of operating and capital grants comprise another 5.32 percent and other revenue and unrestricted grants and entitlements accounted for 9.57 percent. The remaining revenues are primarily generated locally through property taxes, 8.51 percent and income taxes, 59.58 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.

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 2002 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 2002, 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 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. At this time, any capital outlay needed to maintain Vandalia's sewer infrastructure would be provided from income tax revenues.

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, however, no increases have been necessary yet.

City of Vandalia
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Management's Discussion and Analysis
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Overall, the City's business-type activities generated \$3.8 million in program revenues during 2002, while program expenses were \$4.3 million. Both revenues and expenses in the business-type activities remained pretty constant during 2002 as compared to 2001. There was a slight decrease in capital grants and contributions due to a decline in capital related business-type projects with state or federal funding. Other revenue experienced a slight increase during 2002 due to an increased revenue amount from the investment in joint venture. Total expenses for business-type activities decreased slightly in 2002 because of a decrease in expenses relating to non-capital type of projects going on during the year.

THE CITY'S FUNDS

Information about the City's major governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. Governmental funds had total revenues of \$18.2 million and expenditures of \$18.6 million. The general fund balance decreased \$673,127 from 2001 to 2002. Within the general fund, revenues exceeded expenditures by \$2.9 million. Transfers to other funds such as the capital improvement fund, and the general obligation debt service fund equaled \$3.7 million. The funds transferred were used for capital assets, improvements, repairs, and debt.

The capital improvement fund balance increased by \$438,563. Fund balance at December 31, 2002, was \$4,060,684, of which \$2,747,756 was encumbered. Encumbrances are primarily for street related projects (\$0.9 million), water projects (\$0.3 million), and sewer projects (\$1.2 million), with the remaining encumbrances being for equipment and vehicle purchases as well as other improvements (\$0.4 million). All other governmental fund balances increased slightly during 2002.

Each enterprise fund reflects an operating loss for 2002. Unrestricted net assets in the sewer and water funds are adequate to sustain the losses, however, the unrestricted net assets in the golf fund may not be sufficient. The City will provide transfers from the general fund as necessary to cover negative balances.

The golf activity's operating loss of \$233,270 is attributable to continually increasing costs for contractual services related to repair and maintenance of the facility with no 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.

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. Council has not set fees with the intention of funding capital improvements. 25 percent of income tax revenue is, by ordinance, set aside for governmental and business-type capital improvements; it has been the philosophy of current and prior councils that all capital improvements be funded from this source, including business-type operations. All three of the enterprise funds' statement of cash flows reflected a net cash decrease from operations in 2002. This occurred due to maintenance to infrastructure during 2002, as well as increased costs for operations without a corresponding increase in fees generated by the enterprise funds.

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.

City of Vandalia
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Management's Discussion and Analysis
For The Year Ended December 31, 2002

During 2002, there were two 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 20.

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.

Original general fund revenues were decreased \$0.8 million, from \$17.3 million to the final budgeted amount of \$16.5 million. Several factors contributed to this difference, an expected decrease in income tax revenue, timing of property tax collections, a larger decrease in charges for services than what was expected, and decreased interest revenue. Some of these decreases in budgeted revenue were off set somewhat by slight increases in fine and forfeitures, intergovernmental and other revenue. The City also reported a repayment of a \$0.6 million advance and proceeds from a \$185,913 loan.

Original general fund expenditures were increased \$0.7 million from \$15.7 million to the final budgeted amount of \$16.4 million. The main cause for the increase in budgeted expenditures for all programs was rising health care costs for the City as a whole.

Appropriations are adopted based upon anticipated revenues. However, there were some capital items such as street and building maintenance and improvements that arose during 2002 that could not be delayed. The continued increase in health care costs during 2002 also put an additional strain on the City's budget. A portion of the general fund beginning cash balance was used to cover these costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 3
Capital Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
Land	\$4.7	\$4.7	\$0.1	\$0.1	\$4.8	\$4.8
Building and Improvements	21.5	22.0	1.8	1.8	23.3	23.8
Equipment	5.1	5.0	0.5	0.5	5.6	5.5
Vehicles	1.2	1.5	0.2	0.2	1.4	1.7
Infrastructure	11.6	10.9	13.2	13.2	24.8	24.1
Totals	\$44.1	\$44.1	\$15.8	\$15.8	\$59.9	\$59.9

Although it appears that there was little to no change in capital assets from 2001 to 2002, it is important to note that there were additions and deletions that occurred during 2002. It is also important to note that land was restated from \$0.1 million to \$4.7 million at December 31, 2001. The restatement was for the value of land located under the city streets. This land was not reflected as part of the City's capital assets in past years. Other, smaller restatements were made to buildings and improvements, equipment, and vehicles for the recalculation of accumulated depreciation on certain assets. Infrastructure had an increase of \$0.7 million due to additions to curbs and sidewalks in 2002 and from storm sewers and street projects such as the Webster Street project and the Miller Lane Widening project. See Note 8 of the notes to the basic financial statements for more detailed information on capital assets.

City of Vandalia
 Montgomery County, Ohio
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 For The Year Ended December 31, 2002

Debt

At December 31, 2002, the City of Vandalia had \$12.1 million in unvoted general obligation and special assessment bonds and loans.

Table 4
 Outstanding Debt at Year End

	Governmental Activity	
	2002	2001
Unvoted General Obligation Bonds:		
Street improvement Bonds	\$8,618	\$11,490
Various Purpose Improvements Bonds	11,885,000	12,210,000
Special Assessment Street Improvement Bonds	126,382	168,510
Loan Payable	123,942	0
Total	\$12,143,942	\$12,390,000

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

The unvoted General Obligation Bonds for street improvement, and the loan payable for fire radios will be paid with municipal income tax revenue. The Various Purpose Improvement general obligation bonds will be paid with property tax revenues via transfers from the General Fund.

The City's overall legal debt margin was \$30,219,151 at December 31, 2002. See Note 10 of the notes to the basic financial statements for more detailed information on long-term 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 Linda Chapman, 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, 2002

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$16,781,011	\$2,137,292	\$18,918,303
Cash and Cash Equivalents in Segregated Accounts	115,619	0	115,619
Accounts Receivable	76,259	563,656	639,915
Municipal Income Tax Receivable	3,139,613	0	3,139,613
Accrued Interest Receivable	113,581	0	113,581
Materials and Supplies Inventory	59,649	48,273	107,922
Due from Other Governments	801,828	0	801,828
Property and Other Taxes Receivable	1,649,828	0	1,649,828
Notes Receivable	76,159	0	76,159
Equity in Pooled Cash and Cash Equivalents-Deposits	0	24,959	24,959
Internal Balances	(273)	273	0
Special Assessments Receivable	296,018	0	296,018
Land	4,719,553	126,837	4,846,390
Depreciable Capital Assets, Net	39,421,098	15,704,660	55,125,758
Investment in Joint Venture	0	6,008,234	6,008,234
Total Assets	67,249,943	24,614,184	91,864,127
Liabilities:			
Accounts Payable	216,518	398,881	615,399
Retainage Payable	36,523	19,232	55,755
Accrued Wages	314,853	22,149	337,002
Due to Other Governments	459,889	33,171	493,060
Matured Compensated Absences Payable	27,576	0	27,576
Deferred Revenue	1,575,196	5,618	1,580,814
Accrued Interest Payable	56,169	0	56,169
Claims Payable	105,228	0	105,228
Refundable Deposits	0	24,959	24,959
Long-Term Liabilities:			
Due Within One Year	928,425	38,923	967,348
Due In More Than One Year	12,229,916	37,332	12,267,248
Total Liabilities	15,950,293	580,265	16,530,558
Net Assets:			
Invested in Capital Assets, Net of Related Debt	32,026,709	15,831,497	47,858,206
Restricted for:			
Special Revenue	1,348,044	0	1,348,044
Debt Service	391,906	0	391,906
Capital Projects	4,463,745	0	4,463,745
Unrestricted	13,069,246	8,202,422	21,271,668
Total Net Assets	\$51,299,650	\$24,033,919	\$75,333,569

See accompanying notes to the basic financial statements

City of Vandalia
Montgomery County, Ohio
Statement of Activities
For the Year Ended December 31, 2002

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government				
Legislative and Executive	\$2,880,138	\$158,877	\$6,675	\$0
Judicial System	1,533,626	1,545,594	0	0
Public Safety				
Police	3,939,815	36,878	12,574	0
Fire	1,859,054	0	9,609	0
Public Works				
Engineer	718,463	98,113	0	0
Streets	2,334,648	146,182	582,249	353,732
Refuse	728,533	82,931	0	0
Recreation	3,423,447	1,140,282	0	0
Interest and Fiscal Charges	692,184	0	0	0
Total Governmental Activities	18,109,908	3,208,857	611,107	353,732
Business-Type Activities:				
Golf	1,229,441	953,877	0	90,890
Sewer	1,375,130	1,129,818	0	88,894
Water	1,673,614	1,422,710	0	165,145
Total Business-Type Activities	4,278,185	3,506,405	0	344,929
Totals	\$22,388,093	\$6,715,262	\$611,107	\$698,661

General Revenues:
Property and Other Taxes Levied for
 General Purposes
Municipal Income Taxes Levied for
 General Purposes
 Capital Projects
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
(\$2,714,586)	\$0	(\$2,714,586)
11,968	0	11,968
(3,890,363)	0	(3,890,363)
(1,849,445)	0	(1,849,445)
(620,350)	0	(620,350)
(1,252,485)	0	(1,252,485)
(645,602)	0	(645,602)
(2,283,165)	0	(2,283,165)
(692,184)	0	(692,184)
(13,936,212)	0	(13,936,212)
0	(184,674)	(184,674)
0	(156,418)	(156,418)
0	(85,759)	(85,759)
0	(426,851)	(426,851)
(13,936,212)	(426,851)	(14,363,063)
1,660,698	0	1,660,698
8,383,939	0	8,383,939
2,794,646	0	2,794,646
911,245	0	911,245
0	434,258	434,258
830,994	5,819	836,813
85,390	50,198	135,588
(73,396)	73,396	0
14,593,516	563,671	15,157,187
657,304	136,820	794,124
50,642,346	23,897,099	74,539,445
<u>\$51,299,650</u>	<u>\$24,033,919</u>	<u>\$75,333,569</u>

City of Vandalia
Montgomery County, Ohio
Balance Sheet
Governmental Funds
December 31, 2002

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$11,065,852	\$4,028,655	\$1,560,846	\$16,655,353
Cash and Cash Equivalents in Segregated Accounts	103,912	0	11,707	115,619
Receivables:				
Municipal Income Tax	3,139,613	0	0	3,139,613
Property and Other Taxes	1,649,828	0	0	1,649,828
Accounts	70,761	0	428	71,189
Special Assessments	0	44,884	251,134	296,018
Accrued Interest	113,581	0	0	113,581
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	22,711	0	0	22,711
Due from Other Governments	460,255	0	341,573	801,828
Materials and Supplies Inventory	6,855	0	52,794	59,649
Notes Receivable	0	76,159	0	76,159
Total Assets	<u>\$16,633,368</u>	<u>\$4,149,698</u>	<u>\$2,218,482</u>	<u>\$23,001,548</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$180,339	\$7,607	\$28,572	\$216,518
Retainage Payable	0	36,523	0	36,523
Accrued Wages	293,883	0	20,970	314,853
Due to Other Governments	135,285	0	5,490	140,775
Matured Compensated Absences Payable	26,848	0	728	27,576
Deferred Revenue	4,417,450	44,884	548,941	5,011,275
Total Liabilities	<u>5,053,805</u>	<u>89,014</u>	<u>604,701</u>	<u>5,747,520</u>
Fund Balances:				
Reserved for Encumbrances	1,661,704	2,747,756	162,727	4,572,187
Reserved for Inventory	6,855	0	52,794	59,649
Reserved for Unclaimed Monies	22,711	0	0	22,711
Reserved for Notes Receivable	0	76,159	0	76,159
Unreserved:				
Undesignated, Reported in:				
General Fund	9,888,293	0	0	9,888,293
Special Revenue Funds	0	0	1,012,272	1,012,272
Debt Service Funds	0	0	140,772	140,772
Capital Projects Funds	0	1,236,769	245,216	1,481,985
Total Fund Balances	<u>11,579,563</u>	<u>4,060,684</u>	<u>1,613,781</u>	<u>17,254,028</u>
Total Liabilities and Fund Balances	<u>\$16,633,368</u>	<u>\$4,149,698</u>	<u>\$2,218,482</u>	<u>\$23,001,548</u>

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, 2002

Total Governmental Fund Balances		\$17,254,028
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		44,140,651
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Charges for Services	2,350	
Grants	664,091	
Property and Other Taxes	137,394	
Municipal Income Tax	2,279,232	
Special Assessments	296,018	
Accrued Interest	56,994	
Total		3,436,079
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.		2,789
The internal balance represents the portion of the internal service fund's assets and liabilities that are allocated to the proprietary funds.		(273)
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(319,114)
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	(56,169)	
Loan Payable	(123,942)	
General Obligation Bonds	(11,863,618)	
Special Assessment Bonds	(126,382)	
Compensated Absences	(1,044,399)	
Total		(13,214,510)
Net Assets of Governmental Activities		\$51,299,650

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, 2002

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Municipal Income Tax	\$10,498,954	\$0	\$0	\$10,498,954
Property and Other Taxes	1,591,471	0	0	1,591,471
Charges for Services	1,534,236	0	149,439	1,683,675
Licenses and Permits	95,832	0	0	95,832
Fines and Forfeitures	1,064,913	0	139,091	1,204,004
Intergovernmental	934,644	75,429	867,263	1,877,336
Special Assessments	0	30,323	70,488	100,811
Interest	887,314	7,751	2,809	897,874
Other	214,767	0	15,721	230,488
Total Revenues	16,822,131	113,503	1,244,811	18,180,445
Expenditures:				
Current:				
General Government				
Legislative and Executive	2,544,314	0	133,262	2,677,576
Judicial System	1,443,635	0	0	1,443,635
Public Safety				
Police	3,637,101	0	0	3,637,101
Fire	1,525,444	0	0	1,525,444
Public Works				
Engineer	682,382	0	0	682,382
Streets	631,097	0	617,055	1,248,152
Refuse	728,533	0	0	728,533
Recreation	2,693,497	0	152,025	2,845,522
Capital Outlay	5,822	2,289,044	345,980	2,640,846
Debt Service:				
Principal Retirement	61,971	0	400,000	461,971
Interest and Fiscal Charges	0	0	693,835	693,835
Total Expenditures	13,953,796	2,289,044	2,342,157	18,584,997
Excess of Revenues Over (Under) Expenditures	2,868,335	(2,175,541)	(1,097,346)	(404,552)
Other Financing Sources (Uses):				
Loans Issued	185,913	0	0	185,913
Transfers In	0	2,687,500	1,039,808	3,727,308
Transfers Out	(3,727,308)	(73,396)	0	(3,800,704)
Total Other Financing Sources (Uses)	(3,541,395)	2,614,104	1,039,808	112,517
Net Change in Fund Balances	(673,060)	438,563	(57,538)	(292,035)
Fund Balances at				
Beginning of Year	12,252,690	3,622,121	1,687,112	17,561,923
Decrease in Reserve for Inventory	(67)	0	(15,793)	(15,860)
Fund Balances at End of Year	\$11,579,563	\$4,060,684	\$1,613,781	\$17,254,028

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, 2002

Net Change in Fund Balances - Total Governmental Funds (\$292,035)

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	2,404,135	
Depreciation	(2,197,715)	
Excess of Capital Outlay over Depreciation Expense		206,420

Governmental funds report only the disposal of fixed 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		(168,532)
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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	357,872	
SA Bond Principal Payment	42,128	
Total long-term debt repayment		461,971

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.

11,424

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 increased by this amount this year.

658,669

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.

(15,860)

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.

Equipment Loan		(185,913)
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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.

These activities consist of:

Decrease in Accrued Interest Payable	1,651	
Increase in Compensated Absences Payable	(26,641)	
Decrease in Intergovernmental Payable	6,150	
Total expenditures not reported in governmental funds		(18,840)

Change in Net Assets of Governmental Activities

\$657,304

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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Municipal Income Tax	\$10,750,000	\$10,148,463	\$10,507,045	\$358,582
Property and Other Taxes	1,716,976	1,586,122	1,589,991	3,869
Charges for Services	2,113,766	1,503,305	1,534,652	31,347
Licenses and Permits	93,000	93,493	95,997	2,504
Fines and Forfeitures	914,250	1,100,976	1,100,976	0
Intergovernmental	659,570	956,593	966,769	10,176
Interest	1,000,000	877,792	881,943	4,151
Other	41,600	213,764	214,767	1,003
Total Revenues	17,289,162	16,480,508	16,892,140	411,632
Expenditures:				
Current:				
General Government				
Legislative and Executive	3,733,540	3,866,429	3,724,747	141,682
Judicial System	1,456,547	1,528,213	1,512,294	15,919
Public Safety				
Police	3,817,831	3,906,890	3,688,237	218,653
Fire	1,287,732	1,545,871	1,539,334	6,537
Public Works				
Engineer	770,848	796,218	753,548	42,670
Streets	664,530	680,845	647,156	33,689
Refuse	839,841	839,841	815,967	23,874
Recreation	2,843,051	2,943,090	2,716,846	226,244
Capital Outlay	246,098	246,098	243,597	2,501
Debt Service:				
Principal Retirement	0	61,971	61,971	0
Total Expenditures	15,660,018	16,415,466	15,703,697	711,769
Excess of Revenues Over Expenditures	1,629,144	65,042	1,188,443	1,123,401
Other Financing Sources (Uses):				
Loans Issued	0	185,913	185,913	0
Repayment of Advances	0	600,000	600,000	0
Transfers - Out	(3,727,308)	(3,727,308)	(3,727,308)	0
Total Other Financing Sources (Uses)	(3,727,308)	(2,941,395)	(2,941,395)	0
Net Change in Fund Balance	(2,098,164)	(2,876,353)	(1,752,952)	1,123,401
Fund Balance at Beginning of Year	9,549,749	9,549,749	9,549,749	0
Prior Year Encumbrances Appropriated	1,478,051	1,478,051	1,478,051	0
Fund Balance at End of Year	\$8,929,636	\$8,151,447	\$9,274,848	\$1,123,401

See accompanying notes to the basic financial statements

City of Vandalia
Montgomery County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2002

	Enterprise Funds				Internal Service Fund
	Golf	Sewer	Water	Total	
Assets:					
Current Assets					
Equity in Pooled Cash and Cash Equivalents	\$137,681	\$1,287,745	\$711,866	\$2,137,292	\$102,947
Accounts Receivable	0	255,766	307,890	563,656	5,070
Materials and Supplies Inventory	28,552	0	19,721	48,273	0
Total Current Assets	166,233	1,543,511	1,039,477	2,749,221	108,017
Non-current Assets					
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	0	8,235	16,724	24,959	0
Capital Assets, Net	1,516,872	6,676,182	7,638,443	15,831,497	0
Investment in Joint Venture	0	6,008,234	0	6,008,234	0
Total Non-current Assets	1,516,872	12,692,651	7,655,167	21,864,690	0
Total Assets	1,683,105	14,236,162	8,694,644	24,613,911	108,017
Liabilities:					
Current Liabilities					
Accounts Payable	23,714	84,510	290,657	398,881	0
Accrued Wages	9,181	6,484	6,484	22,149	0
Compensated Absences Payable	13,557	12,683	12,683	38,923	0
Retainage Payable	0	0	19,232	19,232	0
Due to Other Governments	15,259	8,956	8,956	33,171	0
Deferred Revenue	5,618	0	0	5,618	0
Claims Payable	0	0	0	0	105,228
Payable from Restricted Assets: Refundable Deposits	0	8,235	16,724	24,959	0
Total Current Liabilities	67,329	120,868	354,736	542,933	105,228
Long-Term Liabilities:					
Compensated Absences Payable	21,330	8,001	8,001	37,332	0
Total Long-Term Liabilities	21,330	8,001	8,001	37,332	0
Total Liabilities	88,659	128,869	362,737	580,265	105,228
Net Assets:					
Invested in Capital Assets Unrestricted	1,516,872 77,574	6,676,182 7,431,111	7,638,443 693,464	15,831,497 8,202,149	0 2,789
Total Net Assets	\$1,594,446	\$14,107,293	\$8,331,907	24,033,646	\$2,789

Net assets reported for business-type activities in the statement of net assets is different because internal service fund assets and liabilities are included with business-type activities. It includes a proportionate share of the balance of the internal service fund.

	273
Net assets of business-type activities	\$24,033,919

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, 2002

	Enterprise Funds				Internal Service Fund
	Golf	Sewer	Water	Total	
Operating Revenues:					
Charges for Services	\$953,877	\$1,129,818	\$1,422,710	\$3,506,405	\$1,673,903
Other	26,847	1,971	13,971	42,789	132,547
Total Operating Revenues	<u>980,724</u>	<u>1,131,789</u>	<u>1,436,681</u>	<u>3,549,194</u>	<u>1,806,450</u>
Operating Expenses:					
Personal Services	472,533	245,413	245,442	963,388	0
Contractual Services	381,915	915,316	1,195,914	2,493,145	351,432
Materials and Supplies	242,692	23,659	54,027	320,378	0
Depreciation	76,891	190,356	176,832	444,079	0
Claims	0	0	0	0	1,442,352
Other Operating Expenses	39,963	65	1,078	41,106	0
Total Operating Expenses	<u>1,213,994</u>	<u>1,374,809</u>	<u>1,673,293</u>	<u>4,262,096</u>	<u>1,793,784</u>
Operating Income (Loss)	<u>(233,270)</u>	<u>(243,020)</u>	<u>(236,612)</u>	<u>(712,902)</u>	<u>12,666</u>
Non Operating Revenues (Expenses):					
Interest	5,819	0	0	5,819	0
Gain on Disposal of Fixed Assets	0	7,409	0	7,409	0
Investment in Joint Venture	0	434,258	0	434,258	0
Loss on Disposal of Fixed Assets	(14,847)	0	0	(14,847)	0
Total Non Operating Revenues (Expenses)	<u>(9,028)</u>	<u>441,667</u>	<u>0</u>	<u>432,639</u>	<u>0</u>
Income (Loss) Before Contributions and Transfers	<u>(242,298)</u>	<u>198,647</u>	<u>(236,612)</u>	<u>(280,263)</u>	<u>12,666</u>
Capital Contributions	90,890	88,894	165,145	344,929	0
Transfers In	31,021	10,621	31,754	73,396	0
Change in Net Assets	<u>(120,387)</u>	<u>298,162</u>	<u>(39,713)</u>	<u>138,062</u>	<u>12,666</u>
Net Assets at Beginning of Year - Restated (Note 4)	<u>1,714,833</u>	<u>13,809,131</u>	<u>8,371,620</u>		<u>(9,877)</u>
Net Assets at End of Year	<u>\$1,594,446</u>	<u>\$14,107,293</u>	<u>\$8,331,907</u>		<u>\$2,789</u>

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. (1,242)

Change in net assets of business-type activities \$136,820

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, 2002

	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	\$955,610	\$1,132,093	\$1,419,192	\$3,506,895	\$1,673,903
Other Operating Receipts	26,847	1,971	13,971	42,789	163,878
Cash Payments for Employee Services and Benefits	(469,925)	(242,159)	(242,164)	(954,248)	0
Cash Payments to Suppliers for Goods and Services	(616,950)	(934,891)	(1,189,788)	(2,741,629)	(351,432)
Cash Payments for Employee Medical, Dental and Life Insurance Claims	0	0	0	0	(1,443,140)
Other Operating Expenses	(40,436)	(65)	(1,139)	(41,640)	0
Utility Deposits Received	0	527	1,069	1,596	0
Utility Deposits Returned	0	(922)	(1,873)	(2,795)	0
Net Cash Provided by (Used for) Operating Activities	<u>(144,854)</u>	<u>(43,446)</u>	<u>(732)</u>	<u>(189,032)</u>	<u>43,209</u>
Cash Flows from Noncapital Financing Activities:					
Transfers - In	31,021	10,621	31,754	73,396	0
Net Cash Provided by Noncapital Financing Activities	<u>31,021</u>	<u>10,621</u>	<u>31,754</u>	<u>73,396</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:					
Tap-in Fees	0	7,485	2,957	10,442	0
Proceeds from Sale of Fixed Assets	800	8,500	0	9,300	0
Acquisition of Capital Assets	(520)	0	(202,205)	(202,725)	0
Net Cash Provided by (Used for) Capital And Related Financing Activities	<u>280</u>	<u>15,985</u>	<u>(199,248)</u>	<u>(182,983)</u>	<u>0</u>
Cash Flows from Investing Activities:					
Interest	5,819	0	0	5,819	0
Net Cash Provided by Investing Activities	<u>5,819</u>	<u>0</u>	<u>0</u>	<u>5,819</u>	<u>0</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(107,734)	(16,840)	(168,226)	(292,800)	43,209
Cash and Cash Equivalents Beginning of Year	<u>245,415</u>	<u>1,312,820</u>	<u>896,816</u>	<u>2,455,051</u>	<u>59,738</u>
Cash and Cash Equivalents End of Year	<u>\$137,681</u>	<u>\$1,295,980</u>	<u>\$728,590</u>	<u>\$2,162,251</u>	<u>\$102,947</u>

(Continued)

City of Vandalia
Montgomery County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2002
(Continued)

	Enterprise Funds				Internal Service Fund
	Golf	Sewer	Water	Total	
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>					
Operating Income (Loss)	(\$233,270)	(\$243,020)	(\$236,612)	(\$712,902)	\$12,666
Adjustments:					
Depreciation	76,891	190,356	176,832	444,079	0
(Increase)/ Decrease in Assets:					
Accounts Receivable	0	2,275	(3,518)	(1,243)	31,331
Materials and Supplies Inventory	4,168	0	7,153	11,321	0
Increase/ (Decrease) in Liabilities:					
Accounts Payable	3,016	4,084	33,707	40,807	0
Accrued Wages	1,273	933	928	3,134	0
Compensated Absences Payable	1,111	1,578	1,578	4,267	0
Retainage Payable	0	0	19,232	19,232	0
Due to Other Governments	224	743	772	1,739	0
Deferred Revenue	1,733	0	0	1,733	0
Liabilities Payable from Restricted Assets	0	(395)	(804)	(1,199)	0
Claims Payable	0	0	0	0	(788)
Net Cash Provided by (Used for) Operating Activities	<u>(\$144,854)</u>	<u>(\$43,446)</u>	<u>(\$732)</u>	<u>(\$189,032)</u>	<u>\$43,209</u>

Noncash Capital Financing Activities:

The golf, sewer and water funds received \$90,890, \$81,409 and \$162,188, respectively, in assets from developers. These amounts are 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, 2002

	Investment Trust	
	Tri-Cities Water Authority	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$0	\$29,436
Cash and Cash Equivalents in Segregated Accounts	0	146,650
Investments	6,278,590	0
Total Assets	6,278,590	\$176,086
Liabilities:		
Due to Other Governments	0	\$53,946
Undistributed Monies	0	122,140
Total Liabilities	0	\$176,086
Net Assets in Investment Trust Fund	\$6,278,590	

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, 2002

	Investment Trust
Additions	
Interest	\$157,044
Increase in Net Assets Resulting From Operations	157,044
Deductions	
Capital Transactions	(81,914)
Increase in Net Assets	75,130
Net Assets Beginning of Year - Restated (Note 4)	6,203,460
Net Assets End of Year	\$6,278,590

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, 2002

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Vandalia (the City) is a municipal corporation established under the laws of the State of Ohio which operates under its own charter. 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 13.

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 14.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

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 enterprise funds provided they do not conflict with or contradict GASB pronouncements. 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.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

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 that portion of municipal income tax 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.

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.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

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 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, 2002, but which were levied to finance year 2003 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, 2002

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, with the exception of nonparticipating repurchase agreements, which are reported at cost. 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, 2002.

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 2002 amounted to \$887,314, which includes \$418,188 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, 2002

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.

Internal Balances

Interfund balance amounts are eliminated in the governmental and business-type activities columns of 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. 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, 2002

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, 2002

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 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, 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. 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.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

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 tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. 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 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, 2002

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. 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	(\$673,060)
Net Adjustment for Revenue Accruals	(21,707)
Net Adjustment for Expenditure Accruals	24,913
Repayment of Advances	600,000
Change in Fair Value of Investments - 2001	17,498
Change in Fair Value of Investments - 2002	38,155
Non-budgeted Activity	36,063
Encumbrances	(1,774,814)
Budget Basis	<u><u>(\$1,752,952)</u></u>

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

NOTE 4 – RESTATEMENT OF NET ASSETS

Capital assets were misstated in governmental activities as of December 31, 2001. There was also an adjustment to the internal balance amount for governmental activities as of December 31, 2001. These restatements had the following effect on net assets of governmental-type activities as it was previously reported:

	<u>Total Governmental Type Activities</u>
Governmental Activities Net Assets, December 31, 2001	\$47,075,276
Capital Assets	3,565,074
Internal Balance	<u>1,996</u>
Adjusted Governmental Activities Net Assets, December 31, 2001	<u>\$50,642,346</u>

There were immaterial adjustments to capital assets and to the internal balance amount for business-type activities that caused a restatement to business-type net assets as of December 31, 2001. The business-type net assets amount at December 31, 2001 was adjusted by \$1,615, from \$23,895,484 to \$23,897,099.

None of the above adjustments had a material effect on excess/net income as reported at December 31, 2001.

There was also an adjustment to net assets reported in the investment trust fund as of December 31, 2001. The net assets amount at December 31, 2001 was adjusted by \$534,336, from \$5,669,124 to \$6,203,460.

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, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Deposits

At year end, the carrying amount of the City's deposits was \$6,156,440 and the bank balance was \$5,291,154. Of the bank balance, \$500,000 was covered by federal deposit insurance. The remaining \$4,791,154 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, 2002

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 2002, 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, 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, 2002

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.

A Real Estate Mortgage Investment Conduit (REMIC) is a multi-class security collateralized by mortgage pass-through securities or mortgage loans. Each class of security in the REMIC receives an allocation of the principal and interest payments on the collateral based on the terms in the offering circular. As with PCs, the City is guaranteed the timely payment of the mortgage principal and interest payments and the maturity of the security will fluctuate with changes in interest rates. The risk associated with purchasing a particular class of security in a REMIC depends on the nature of the payments that will be received (principal only, interest only, or both), and the effect on the security of a change in the market rate of interest. The City of Vandalia has only invested in vehicles that earn both principal and interest. The City does not have any principal only or interest only investments.

The City analyzes PCs and REMICs 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.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

	Category		Carrying/Fair
	2	Unclassified	Value
STAR Ohio	\$0	\$201,649	\$201,649
US Treasury Fund Money Market Mutual Fund	0	260,085	260,085
GE Interest	1,175,544	0	1,175,544
Federal Home Loan Bank Notes	7,936,863	0	7,936,863
Federal National Mortgage Association (FNMA) Medium Term Notes	3,106,881	0	3,106,881
Federal Home Loan Mortgage Corporation (FHLMC) Medium Term Notes	2,022,000	0	2,022,000
FNMA REMICs	1,637,276	0	1,637,276
FHLMC Pool	13,782	0	13,782
FHLMC REMICs	2,943,678	0	2,943,678
Bank Trust	59,359	0	59,359
Total	\$18,895,383	\$461,734	\$19,357,117

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	\$19,234,967	\$6,278,590
Money Market	2,865,994	(2,865,994)
Investments:		
STAR Ohio	(201,649)	201,649
GE Interest	(737,131)	737,131
Federal Home Loan Bank Notes	(5,671,705)	5,671,705
Federal National Mortgage Association (FNMA) Medium Term Notes	(2,657,941)	2,657,941
Federal Home Loan Mortgage Corporation (FHLMC) Medium Term Notes	(2,022,000)	2,022,000
FNMA REMICs	(1,637,276)	1,637,276
FHLMC Pool	(13,782)	13,782
FHLMC REMICs	(2,943,678)	2,943,678
Bank Trust	(59,359)	59,359
GASB Statement No. 3	\$6,156,440	\$19,357,117

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

NOTE 6 - RECEIVABLES

Receivables at December 31, 2002, 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 utility service), 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 \$9,140 and \$35,744, respectively, in the capital improvement fund and \$47,952 and \$203,182, respectively, for the other governmental funds. As of December 31, 2002, 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 2002 for real and public utility property taxes represents collections of the 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) is for 2002 taxes.

2002 real property taxes are levied after October 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

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. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2002, was \$4.14 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property	\$310,368,570
Public Utility Property Real	45,290
Public Utility Tangible	9,896,969
Tangible Personal Property	80,095,291
Total Valuation	<u>\$400,406,120</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.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

NOTE 6 – RECEIVABLES (Continued)

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, 2002, 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 2002 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.

The City's income tax ordinance requires 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 is transferred into the capital improvement capital projects fund each year. The remaining income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2002, the proceeds were allocated to the general fund.

Due from Other Governments

A summary of due from other governments follows:

	<u>Amounts</u>
Governmental Activities	
Local Government and Local Government Revenue Assistance	\$331,669
Estate Tax	2,722
Homestead and Rollback	75,598
Gasoline and Excise Tax	51,880
Motor Vehicle License Fees	260,193
Permissive Motor Vehicle License Tax	22,825
Indigent Drivers Reimbursement	6,675
Immobilization Fees	50,266
Total	<u><u>\$801,828</u></u>

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

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	\$29,854
Mortgage note receivable - semi-annual payments are \$6,339, including interest at 8.75%, through April 1, 2007	<u>46,305</u>
Total	<u><u>\$76,159</u></u>
Amount to be Collected In More Than One Year	<u><u>\$58,231</u></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 seventeen 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 agreement provides that the MVRMA will be self-sustaining through member premiums and excess insurance. The deductible per occurrence for all types of claims is \$2,500. The self-insured retention is \$500,000 for liability, \$250,000 for property and \$5,000 for boiler and machinery. Excess insurance coverage will cover additional claims up to the limits listed below:

General Liability	\$10,500,000 each occurrence
Automobile Liability	\$10,500,000 each occurrence
	\$500,000 each occurrence SIR
	\$10,000,000 excess \$1,000,000
Public Officials Liability	\$500,000 excess \$500,000 (\$500,000 aggregate)
	\$10 million excess \$1 million (\$10 million aggregate per city)
Boiler and Machinery	\$100,000,000 each occurrence
Property	\$100,000,000 each occurrence (excludes Zone A)
Flood (Property)	\$25,000,000 annual aggregate
	\$500,000 annual aggregate (Zone B & Shaded X)
Earthquake (Property)	\$25,000,000 annual aggregate
Employment Practice Liability	\$500,000 annual aggregate
	\$10,000,000 excess \$1,000,000 (\$10,000,000 aggregate per City)

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.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

NOTE 7 - RISK MANAGEMENT (Continued)

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.

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. Deductions 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 \$30,000 per employee, per year. During 2002, a total of \$1,793,784 was paid in benefits and administrative costs. The liability for unpaid claims cost of \$105,228, reported in the hospital care internal service fund at December 31, 2002, 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 2003, which were incurred in 2002.

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:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2001	\$122,459	\$1,356,072	\$1,372,515	\$106,016
2002	106,016	1,442,352	1,443,140	105,228

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2002, was as follows:

	<u>Restated Balance 12/31/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/02</u>
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$4,719,553	\$0	\$0	\$4,719,553
Capital Assets, being Depreciated:				
Buildings and Improvements	24,920,019	50,159	0	24,970,178
Equipment	7,298,135	780,399	(132,660)	7,945,874
Vehicles	3,655,990	164,742	(272,888)	3,547,844
Infrastructure	24,343,847	1,408,835	0	25,752,682
Total Capital Assets, being Depreciated	<u>60,217,991</u>	<u>2,404,135</u>	<u>(405,548)</u>	<u>62,216,578</u>

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

NOTE 8 - CAPITAL ASSETS (Continued)

	Restated Balance 12/31/01	Additions	Deductions	Balance 12/31/02
Less Accumulated Depreciation:				
Buildings and Improvements	(\$2,926,779)	(\$563,817)	\$0	(\$3,490,596)
Equipment	(2,366,150)	(483,599)	53,416	(2,796,333)
Vehicles	(2,156,994)	(389,453)	183,600	(2,362,847)
Infrastructure	(13,384,858)	(760,846)	0	(14,145,704)
Total Accumulated Depreciation	<u>(20,834,781)</u>	<u>(2,197,715) *</u>	<u>237,016</u>	<u>(22,795,480)</u>
Total Capital Assets, being Depreciated, net	<u>39,383,210</u>	<u>206,420</u>	<u>(168,532)</u>	<u>39,421,098</u>
Governmental Activities Capital Assets, Net	<u>\$44,102,763</u>	<u>\$206,420</u>	<u>(\$168,532)</u>	<u>\$44,140,651</u>
 Business-Type Activities				
Capital Assets, not being Depreciated:				
Land	\$126,837	\$0	\$0	\$126,837
Capital Assets, being Depreciated:				
Buildings and Improvements	2,761,171	0	0	2,761,171
Equipment	854,498	78,419	(28,974)	903,943
Vehicles	410,865	38,970	(26,177)	423,658
Infrastructure	20,218,020	419,823	(19,299)	20,618,544
Total Capital Assets, being Depreciated	<u>24,244,554</u>	<u>537,212</u>	<u>(74,450)</u>	<u>24,707,316</u>
Less Accumulated Depreciation:				
Building and Improvements	(955,923)	(54,949)	0	(1,010,872)
Equipment	(358,632)	(54,795)	29,595	(383,832)
Vehicles	(247,195)	(47,844)	54,097	(240,942)
Infrastructure	(7,054,540)	(316,822)	4,352	(7,367,010)
Total Accumulated Depreciation	<u>(8,616,290)</u>	<u>(474,410)</u>	<u>88,044</u>	<u>(9,002,656)</u>
Total Capital Assets, being Depreciated, net	<u>15,628,264</u>	<u>62,802</u>	<u>13,594</u>	<u>15,704,660</u>
Business-Type Activities Capital Assets, Net	<u>\$15,755,101</u>	<u>\$62,802</u>	<u>\$13,594</u>	<u>\$15,831,497</u>

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

NOTE 8 - CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental functions as follows:

General Government	
Legislative and Executive	\$167,751
Judicial	95,474
Public Safety	
Police	169,663
Fire	266,469
Public Works	
Engineer	28,149
Streets	920,102
Recreation	550,107
Total Depreciation Expense	<u><u>\$2,197,715</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, 2002

NOTE 10 - LONG-TERM DEBT

A schedule of changes in bonds and other long-term obligations of the City during 2002, follows:

	Amount Outstanding 12/31/01	Additions	Deletions	Amount Outstanding 12/31/02	Amounts Due in One Year
Governmental Activities					
<u>Unvoted General Obligation Bonds</u>					
5.9% - 7.15% - 1990					
Street Improvement	\$11,490	\$0	\$2,872	\$8,618	\$2,872
5.75% - 5.85% - 1996					
Various Purpose Improvement Bonds	12,210,000	0	355,000	11,855,000	370,000
Total Unvoted General Obligation Bonds	12,221,490	0	357,872	11,863,618	372,872
<u>Special Assessment Debt with Governmental Commitment</u>					
5.9% - 7.15% - 1990					
Street Improvement	168,510	0	42,128	126,382	42,128
Loan Payable	0	185,913	61,971	123,942	61,971
Compensated Absences	1,017,758	831,470	804,829	1,044,399	451,454
Total Governmental Activities	<u>\$13,407,758</u>	<u>\$1,017,383</u>	<u>\$1,266,800</u>	<u>\$13,158,341</u>	<u>\$928,425</u>
Proprietary Activities					
Compensated Absences	<u>\$71,988</u>	<u>\$33,712</u>	<u>\$29,445</u>	<u>\$76,255</u>	<u>\$38,923</u>

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 unvoted General Obligation Bonds for Street Improvement were also issued in 1990, in the amount of \$45,000 for the purpose of various street improvements and will be paid with municipal income tax revenue. The 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. 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 is to account for money due to Montgomery County for radios purchased by the County for the City during 2002. The City initially owed the County \$185,913, but paid \$61,971 during 2002. The Loan will be repaid from the general fund with municipal income tax monies. Compensated absences will be paid from the general fund, the street, and computer legal research special revenue funds, and the golf, sewer and water enterprise funds.

As of December 31, 2002, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$30,219,151 and the unvoted legal debt margin was \$10,198,845.

City of Vandalia
 Montgomery County, Ohio
 Notes to the Basic Financial Statements
 For The Year Ended December 31, 2002

NOTE 10 - LONG-TERM DEBT (Continued)

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2002 are as follows:

Year Ending December 31,	General Obligation Bonds		Special Assessment Bonds		Loan
	Principal	Interest	Principal	Interest	* Principal
2003	\$372,872	\$665,050	\$42,128	\$8,973	\$61,971
2004	392,872	647,086	42,128	6,004	61,971
2005	412,874	627,771	42,126	3,013	0
2006	430,000	607,068	0	0	0
2007	455,000	585,353	0	0	0
2008-2012	2,665,000	2,538,828	0	0	0
2013-2017	3,515,000	1,691,825	0	0	0
2018-2021	3,620,000	544,050	0	0	0
Totals	\$11,863,618	\$7,907,031	\$126,382	\$17,990	\$123,942

*There is no interest on the Loan.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for the City was 8.55 percent of covered payroll, a decrease from 9.25 percent in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$517,033, \$526,351, and \$372,789, respectively. The full amount has been contributed for 2001 and 2000. 74 percent has been contributed for 2002, with the remainder being presented as "due to other governments" in the governmental activities column of the statement of net assets.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. 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 by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police and 16.25 percent for firefighters. For 2001, the City contributions were 12.00 percent for police and 16.50 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$251,149 and \$80,420 for the year ended December 31, 2002, \$251,195 and \$86,130 for the year ended December 31, 2001, and \$276,658 and \$94,926 for the year ended December 31, 2000. The full amount has been contributed for 2001 and 2000. 60 percent and 64 percent, respectively, have been contributed for 2002, with the remainder being presented as "due to other governments" in the governmental activities column of the statement of net assets.

NOTE 12 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor 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 OPERS is set aside for the funding of postretirement health care based on authority granted by State statute.

The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

In December 2001, OPERS' Board adopted the Health Care "Choices" Plan in its continuing efforts to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty year to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan. The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply toward specific medical expenses, much like a Medical Spending Account

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$306,641. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

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 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 Ohio Police and Fire Pension Fund 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 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 2002. For 2001, the percent used to fund healthcare was 7.50 percent. 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.

The City's actual contributions for 2002 that were used to fund postemployment benefits were \$142,630 for police and \$36,070 for fire. The OP&F's total health care expenses for the year ended December 31, 2001, (the latest information available) were \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters.

City of Vandalia
Montgomery County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2002

NOTE 13 - 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 \$6,008,234 which represents 27.29 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 \$883,732 for services provided in 2002. 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.

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 2002, NAWA experienced very little financial activity, therefore, the City of Vandalia did not reflect an equity interest in NAWA as of December 31, 2002. Construction for the facility is expected to begin in the latter part of 2003, 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. The only contributions to NAWA by the City of Vandalia in 2002, was \$10,086 for start-up costs. 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.

City of Vandalia
 Montgomery County, Ohio
 Notes to the Basic Financial Statements
 For The Year Ended December 31, 2002

NOTE 14 - 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 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. Any member in default of paying its contributions will be liable for the amount of the contribution, any interest accrued, and penalties. During this time, the member will not be entitled to any allocations from ED/GE. The City of Vandalia did not have contributions to ED/GE during 2002. Financial information may be obtained by writing to Linda Gum, Administrative Assistant, 451 West Third Street, Dayton, Ohio, 45402.

NOTE 15 - CONTRACTUAL COMMITMENTS

As of December 31, 2002, the City had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining On Contract</u>
Various	Mulberry Road Water Main Phase I	\$1,466,900
Various	Webster Street Phase II	615,786
Monarch Construction	Recreation Center	237,775
Various	Traffic Signal Construction	185,000

NOTE 16 - 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, 2003.

City of Vandalia
 Montgomery County, Ohio
 Notes to the Basic Financial Statements
 For The Year Ended December 31, 2002

NOTE 16 - CONTINGENT LIABILITIES (Continued)

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, 2002, 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.

NOTE 17 - INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ended December 31, 2002, consisted of the following:

Transfer to	Transfer From		Total
	General Fund	Capital Improvement	
Capital Improvement	\$2,687,500	\$0	\$2,687,500
Other Governmental	1,039,808	0	1,039,808
Golf	0	31,021	31,021
Sewer	0	10,621	10,621
Sewer	0	31,754	31,754
	<u>\$3,727,308</u>	<u>\$73,396</u>	<u>\$3,800,704</u>

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 \$600,000 interfund loan from the general fund to the webster street capital projects fund for reimbursable expenses was repaid during 2002. The interfund loan was a result of the time lag between the dates that the reimbursable expenditures occurred, and the revenue to re-pay the funds was available.

NOTE 18 - SUBSEQUENT EVENT

The City of Vandalia issued a general obligation note in the amount of \$295,000, with an interest rate of 1.74%. The note is dated May 20, 2003, and will mature on May 20, 2004. The note was issued in anticipation of the issuance of bonds, 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.

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.

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 to promote 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.

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.

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.

Stonequarry Road

To account for expenditures Issue II grant funds.

Webster Street

To account for expenditures of Issue II grant funds.

City of Vandalia
Montgomery County, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2002

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,061,897	\$140,772	\$358,177	\$1,560,846
Cash and Cash Equivalents in Segregated Accounts	11,707	0	0	11,707
Receivables:				
Accounts	428	0	0	428
Special Assessments	0	251,134	0	251,134
Due from Other Governments	341,573	0	0	341,573
Materials and Supplies Inventory	52,794	0	0	52,794
Total Assets	\$1,468,399	\$391,906	\$358,177	\$2,218,482
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$28,572	\$0	\$0	\$28,572
Accrued Wages	20,970	0	0	20,970
Due to Other Governments	5,490	0	0	5,490
Matured Compensated Absences Payable	728	0	0	728
Deferred Revenue	297,807	251,134	0	548,941
Total Liabilities	353,567	251,134	0	604,701
Fund Balances:				
Reserved for Encumbrances	49,766	0	112,961	162,727
Reserved for Inventory	52,794	0	0	52,794
Unreserved:				
Undesignated, Reported in:				
Special Revenue Funds	1,012,272	0	0	1,012,272
Debt Service Funds	0	140,772	0	140,772
Capital Projects Funds	0	0	245,216	245,216
Total Fund Balances	1,114,832	140,772	358,177	1,613,781
Total Liabilities and Fund Balances	\$1,468,399	\$391,906	\$358,177	\$2,218,482

City of Vandalia
Montgomery County, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2002

	<u>Baseball Recreation</u>	<u>Computer Legal Research</u>	<u>Drug Law Enforcement</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$41,786	\$96,395	\$900
Cash and Cash Equivalents in Segregated Accounts	0	10,477	0
Receivables:			
Accounts	0	0	0
Due from Other Governments	0	6,675	0
Materials and Supplies Inventory	0	0	0
Total Assets	<u><u>\$41,786</u></u>	<u><u>\$113,547</u></u>	<u><u>\$900</u></u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$43	\$7,675	\$0
Accrued Wages	0	2,142	0
Due to Other Governments	342	741	0
Matured Compensated Absences Payable	0	728	0
Deferred Revenue	0	0	0
Total Liabilities	<u>385</u>	<u>11,286</u>	<u>0</u>
Fund Balances:			
Reserved for Encumbrances	1,280	7,788	0
Reserved for Inventory	0	0	0
Unreserved, Undesignated	40,121	94,473	900
Total Fund Balances	<u>41,401</u>	<u>102,261</u>	<u>900</u>
Total Liabilities and Fund Balances	<u><u>\$41,786</u></u>	<u><u>\$113,547</u></u>	<u><u>\$900</u></u>

<u>Law Enforcement</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>
\$5,374	\$2,576	\$237,175	\$114,361	\$34,363	\$113,568
0	316	914	0	0	0
0	0	0	0	428	0
0	0	0	22,825	0	23,406
0	0	0	0	0	0
<u>\$5,374</u>	<u>\$2,892</u>	<u>\$238,089</u>	<u>\$137,186</u>	<u>\$34,791</u>	<u>\$136,974</u>
\$0	\$0	\$0	\$11	\$43	\$1,008
0	0	0	0	0	0
0	0	0	0	155	0
0	0	0	0	0	0
0	0	0	20,358	0	20,810
<u>0</u>	<u>0</u>	<u>0</u>	<u>20,369</u>	<u>198</u>	<u>21,818</u>
0	0	0	836	1,600	797
0	0	0	0	0	0
<u>5,374</u>	<u>2,892</u>	<u>238,089</u>	<u>115,981</u>	<u>32,993</u>	<u>114,359</u>
<u>5,374</u>	<u>2,892</u>	<u>238,089</u>	<u>116,817</u>	<u>34,593</u>	<u>115,156</u>
<u>\$5,374</u>	<u>\$2,892</u>	<u>\$238,089</u>	<u>\$137,186</u>	<u>\$34,791</u>	<u>\$136,974</u>

(Continued)

City of Vandalia, Ohio
Montgomery County, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2002
(Continued)

	Street	Total Nonmajor Special Revenue Funds
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$415,399	\$1,061,897
Cash and Cash Equivalents in Segregated Accounts	0	11,707
Receivables:		
Accounts	0	428
Due from Other Governments	288,667	341,573
Materials and Supplies Inventory	52,794	52,794
	<u>\$756,860</u>	<u>\$1,468,399</u>
Total Assets		
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable	\$19,792	\$28,572
Accrued Wages	18,828	20,970
Due to Other Governments	4,252	5,490
Matured Compensated Absences Payable	0	728
Deferred Revenue	256,639	297,807
	<u>299,511</u>	<u>353,567</u>
Total Liabilities		
Fund Balances:		
Reserved for Encumbrances	37,465	49,766
Reserved for Inventory	52,794	52,794
Unreserved, Undesignated	367,090	1,012,272
	<u>457,349</u>	<u>1,114,832</u>
Total Fund Balances		
	<u>\$756,860</u>	<u>\$1,468,399</u>
Total Liabilities and Fund Balances		

City of Vandalia
Montgomery County, Ohio
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2002

	General Obligation Bond Retirement	Street Special Assessment Bond Retirement	Total Nonmajor Debt Service Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$31,508	\$109,264	\$140,772
Receivables: Special Assessments	0	251,134	251,134
Total Assets	\$31,508	\$360,398	\$391,906
Liabilities and Fund Balances:			
Liabilities:			
Deferred Revenue	\$0	\$251,134	\$251,134
Total Liabilities	0	251,134	251,134
Fund Balances:			
Unreserved, Undesignated	31,508	109,264	140,772
Total Fund Balances	31,508	109,264	140,772
Total Liabilities and Fund Balances	\$31,508	\$360,398	\$391,906

City of Vandalia
Montgomery County, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2002

	<u>Justice Center/ Municipal Building</u>	<u>Recreation Center</u>	<u>Road Improvements</u>	<u>Stonequarry Road</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$111,623	\$83,281	\$4,629	\$158,644	\$358,177
Total Assets	\$111,623	\$83,281	\$4,629	\$158,644	\$358,177
Liabilities and Fund Balances:					
Fund Balances:					
Reserved for Encumbrances	\$101,745	\$6,587	\$4,629	\$0	\$112,961
Unreserved, Undesignated	9,878	76,694	0	158,644	245,216
Total Fund Balances	111,623	83,281	4,629	158,644	358,177
Total Liabilities and Fund Balances	\$111,623	\$83,281	\$4,629	\$158,644	\$358,177

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, 2002

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Charges for Services	\$149,439	\$0	\$0	\$149,439
Fines and Forfeitures	139,091	0	0	139,091
Intergovernmental	599,520	0	267,743	867,263
Special Assessments	0	70,488	0	70,488
Interest	0	0	2,809	2,809
Other	15,721	0	0	15,721
Total Revenues	903,771	70,488	270,552	1,244,811
Expenditures:				
Current:				
General Government				
Legislative and Executive	133,262	0	0	133,262
Public Safety				
Police	0	0	0	0
Fire	0	0	0	0
Public Works				
Streets	615,412	1,643	0	617,055
Recreation	152,025	0	0	152,025
Capital Outlay	37,094	0	308,886	345,980
Debt Service:				
Principal Retirement	0	400,000	0	400,000
Interest and Fiscal Charges	0	693,835	0	693,835
Total Expenditures	937,793	1,095,478	308,886	2,342,157
Excess of Revenues (Under) Expenditures	(34,022)	(1,024,990)	(38,334)	(1,097,346)
Other Financing Sources:				
Transfers In	0	1,039,808	0	1,039,808
Total Other Financing Sources	0	1,039,808	0	1,039,808
Net Change in Fund Balance	(34,022)	14,818	(38,334)	(57,538)
Fund Balance at Beginning of Year	1,164,647	125,954	396,511	1,687,112
Decrease in Reserve for Inventory	(15,793)	0	0	(15,793)
Fund Balance at End of Year	\$1,114,832	\$140,772	\$358,177	\$1,613,781

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, 2002

	<u>Baseball Recreation</u>	<u>Computer Legal Research</u>	<u>Drug Law Enforcement</u>
Revenues:			
Charges for Services	\$101,997	\$0	\$0
Fines and Forfeitures	0	126,312	0
Intergovernmental	0	6,675	0
Other	6,676	841	0
Total Revenues	<u>108,673</u>	<u>133,828</u>	<u>0</u>
Expenditures:			
Current:			
General Government			
Legislative and Executive	0	132,912	350
Public Safety			
Police	0	0	0
Public Works			
Streets	0	0	0
Recreation	104,172	0	0
Capital Outlay	746	35,000	0
Total Expenditures	<u>104,918</u>	<u>167,912</u>	<u>350</u>
Net Change in Fund Balances	3,755	(34,084)	(350)
Fund Balances at Beginning of Year	37,646	136,345	1,250
Decrease in Reserve for Inventory	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$41,401</u></u>	<u><u>\$102,261</u></u>	<u><u>\$900</u></u>

<u>Law Enforcement</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>
\$0	\$0	\$0	\$0	\$47,442	\$0
1,841	1,812	9,126	0	0	0
0	0	11,940	40,244	0	40,549
0	0	0	0	3,348	0
<u>1,841</u>	<u>1,812</u>	<u>21,066</u>	<u>40,244</u>	<u>50,790</u>	<u>40,549</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	26,715	0	26,281
0	0	0	0	47,853	0
602	0	0	0	746	0
<u>602</u>	<u>0</u>	<u>0</u>	<u>26,715</u>	<u>48,599</u>	<u>26,281</u>
1,239	1,812	21,066	13,529	2,191	14,268
4,135	1,080	217,023	103,288	32,402	100,888
0	0	0	0	0	0
<u>\$5,374</u>	<u>\$2,892</u>	<u>\$238,089</u>	<u>\$116,817</u>	<u>\$34,593</u>	<u>\$115,156</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, 2002
(Continued)

	Street	Total Nonmajor Special Revenue Funds
Revenues:		
Charges for Services	\$0	\$149,439
Fines and Forfeitures	0	139,091
Intergovernmental	500,112	599,520
Other	4,856	15,721
Total Revenues	<u>504,968</u>	<u>903,771</u>
Expenditures:		
Current:		
General Government		
Legislative and Executive	0	133,262
Public Safety		
Police	0	0
Public Works		
Streets	562,416	615,412
Recreation	0	152,025
Capital Outlay	0	37,094
Total Expenditures	<u>562,416</u>	<u>937,793</u>
Net Change in Fund Balances	(57,448)	(34,022)
Fund Balances at Beginning of Year	530,590	1,164,647
Decrease in Reserve for Inventory	<u>(15,793)</u>	<u>(15,793)</u>
Fund Balances at End of Year	<u>\$457,349</u>	<u>\$1,114,832</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, 2002

	General Obligation Bond Retirement	Street Special Assessment Bond Retirement	Total Nonmajor Debt Service Funds
Revenues:			
Special Assessments	\$0	\$70,488	\$70,488
Total Revenues	0	70,488	70,488
Expenditures:			
Current:			
Public Works			
Streets	0	1,643	1,643
Debt Service:			
Principal Retirement	357,872	42,128	400,000
Interest and Fiscal Charges	681,934	11,901	693,835
Total Expenditures	1,039,806	55,672	1,095,478
Excess of Revenues Over (Under) Expenditures	(1,039,806)	14,816	(1,024,990)
Other Financing Sources:			
Operating Transfers In	1,039,808	0	1,039,808
Total Other Financing Sources	1,039,808	0	1,039,808
Net Change in Fund Balances	2	14,816	14,818
Fund Balances at Beginning of Year	31,506	94,448	125,954
Fund Balances at End of Year	<u>\$31,508</u>	<u>\$109,264</u>	<u>\$140,772</u>

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, 2002

	<u>Justice Center/ Municipal Building</u>	<u>Recreation Center</u>	<u>Road Improvements</u>	<u>Stonequarry Road</u>	<u>Webster Street</u>	<u>Total Nonmajor Capital Projects Funds</u>
Revenues:						
Intergovernmental	\$0	\$0	\$257,067	\$0	\$10,676	\$267,743
Interest	1,559	1,250	0	0	0	2,809
Total Revenues	<u>1,559</u>	<u>1,250</u>	<u>257,067</u>	<u>0</u>	<u>10,676</u>	<u>270,552</u>
Expenditures:						
Capital Outlay	15,505	30,267	252,438	0	10,676	308,886
Total Expenditures	<u>15,505</u>	<u>30,267</u>	<u>252,438</u>	<u>0</u>	<u>10,676</u>	<u>308,886</u>
Net Change in Fund Balance	(13,946)	(29,017)	4,629	0	0	(38,334)
Fund Balances at Beginning of Year	<u>125,569</u>	<u>112,298</u>	<u>0</u>	<u>158,644</u>	<u>0</u>	<u>396,511</u>
Fund Balance at End of Year	<u>\$111,623</u>	<u>\$83,281</u>	<u>\$4,629</u>	<u>\$158,644</u>	<u>\$0</u>	<u>\$358,177</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, 2002

	Balance 01/01/02	Additions	Deletions	Balance 12/31/02
Building Standards				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$173	\$1,110	\$1,150	\$133
Total Assets	\$173	\$1,110	\$1,150	\$133
Liabilities:				
Due to Other Governments	\$173	\$1,110	\$1,150	\$133
Total Liabilities	\$173	\$1,110	\$1,150	\$133
Municipal Court				
Assets:				
Cash and Cash Equivalents in Segregated Accounts	\$156,924	\$1,649,196	\$1,659,470	\$146,650
Total Assets	\$156,924	\$1,649,196	\$1,659,470	\$146,650
Liabilities:				
Due to Other Governments	\$69,623	\$1,643,660	\$1,659,470	\$53,813
Undistributed Monies	87,301	5,536	0	92,837
Total Liabilities	\$156,924	\$1,649,196	\$1,659,470	\$146,650
Multi-District Tax Fund				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$0	\$20,483	\$0	\$20,483
Total Assets	\$0	\$20,483	\$0	\$20,483
Liabilities:				
Undistributed Monies	\$0	\$20,483	\$0	\$20,483
Total Liabilities	\$0	\$20,483	\$0	\$20,483
Performance Bond				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$9,924	\$8,000	\$9,104	\$8,820
Total Assets	\$9,924	\$8,000	\$9,104	\$8,820
Liabilities:				
Undistributed Monies	\$9,924	\$8,000	\$9,104	\$8,820
Total Liabilities	\$9,924	\$8,000	\$9,104	\$8,820
Totals				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$10,097	\$29,593	\$10,254	\$29,436
Cash and Cash Equivalents in Segregated Accounts	156,924	1,649,196	1,659,470	146,650
Total Assets	\$167,021	\$1,678,789	\$1,669,724	\$176,086
Liabilities:				
Due to Other Governments	\$69,796	\$1,644,770	\$1,660,620	\$53,946
Undistributed Monies	97,225	34,019	9,104	122,140
Total Liabilities	\$167,021	\$1,678,789	\$1,669,724	\$176,086

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, 2002

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal Income Tax	\$10,750,000	\$10,148,463	\$10,507,045	\$358,582
Property and Other Taxes	1,716,976	1,586,122	1,589,991	3,869
Charges for Services	2,113,766	1,503,305	1,534,652	31,347
Licenses and Permits	93,000	93,493	95,997	2,504
Fines and Forfeitures	914,250	1,100,976	1,100,976	0
Intergovernmental	659,570	956,593	966,769	10,176
Interest	1,000,000	877,792	881,943	4,151
Other	41,600	213,764	214,767	1,003
Total Revenues	17,289,162	16,480,508	16,892,140	411,632
Expenditures:				
Current:				
General Government				
Legislative and Executive				
Personal Services	1,146,912	1,295,576	1,295,494	82
Operations and Maintenance	2,586,628	2,570,853	2,429,253	141,600
Total Legislative and Executive	3,733,540	3,866,429	3,724,747	141,682
Judicial System				
Personal Services	1,266,733	1,339,804	1,339,804	0
Operations and Maintenance	189,814	188,409	172,490	15,919
Total Judicial System	1,456,547	1,528,213	1,512,294	15,919
Total General Government	5,190,087	5,394,642	5,237,041	157,601
Public Safety				
Police				
Personal Services	3,376,147	3,475,606	3,324,509	151,097
Operations and Maintenance	441,684	431,284	363,728	67,556
Total Police	3,817,831	3,906,890	3,688,237	218,653
Fire				
Personal Services	1,081,736	1,202,441	1,202,441	0
Operations and Maintenance	205,996	343,430	336,893	6,537
Total Fire	1,287,732	1,545,871	1,539,334	6,537
Total Public Safety	5,105,563	5,452,761	5,227,571	225,190
Public Works				
Engineer				
Personal Services	587,274	612,644	609,995	2,649
Operations and Maintenance	183,574	183,574	143,553	40,021
Total Engineer	\$770,848	\$796,218	\$753,548	\$42,670

(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, 2002
(Continued)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Streets				
Service Department				
Personal Services	\$109,980	\$104,517	\$104,150	\$367
Operations and Maintenance	4,628	4,628	3,371	1,257
Street Lighting				
Operations and Maintenance	205,265	205,265	187,521	17,744
Street Maintenance				
Personal Services	336,573	358,351	346,642	11,709
Operations and Maintenance	8,084	8,084	5,472	2,612
Total Streets	<u>664,530</u>	<u>680,845</u>	<u>647,156</u>	<u>33,689</u>
Refuse				
Operations and Maintenance	839,841	839,841	815,967	23,874
Total Public Works	<u>2,275,219</u>	<u>2,316,904</u>	<u>2,216,671</u>	<u>100,233</u>
Recreation				
Parks				
Personal Services	2,188,703	2,218,517	2,058,714	159,803
Operations and Maintenance	654,348	724,573	658,132	66,441
Total Recreation	<u>2,843,051</u>	<u>2,943,090</u>	<u>2,716,846</u>	<u>226,244</u>
Capital Outlay	246,098	246,098	243,597	2,501
Debt Service:				
Principal Retirement	0	61,971	61,971	0
Total Expenditures	<u>15,660,018</u>	<u>16,415,466</u>	<u>15,703,697</u>	<u>711,769</u>
Excess of Revenues Over Expenditures	<u>1,629,144</u>	<u>65,042</u>	<u>1,188,443</u>	<u>1,123,401</u>
Other Financing Sources (Uses):				
Loans Issued	0	185,913	185,913	0
Repayment of Advances	0	600,000	600,000	0
Operating Transfers - Out	(3,727,308)	(3,727,308)	(3,727,308)	0
Total Other Financing Sources (Uses)	<u>(3,727,308)</u>	<u>(2,941,395)</u>	<u>(2,941,395)</u>	<u>0</u>
Net Change in Fund Balance	(2,098,164)	(2,876,353)	(1,752,952)	1,123,401
Fund Balance at Beginning of Year	9,549,749	9,549,749	9,549,749	0
Prior Year Encumbrances Appropriated	<u>1,478,051</u>	<u>1,478,051</u>	<u>1,478,051</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$8,929,636</u></u>	<u><u>\$8,151,447</u></u>	<u><u>\$9,274,848</u></u>	<u><u>\$1,123,401</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, 2002

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$652,000	\$75,429	\$75,429	\$0
Special Assessments	10,100	20,723	30,323	9,600
Total Revenues	662,100	96,152	105,752	9,600
Expenditures:				
Capital Outlay	5,775,915	5,775,915	5,172,396	603,519
Total Expenditures	5,775,915	5,775,915	5,172,396	603,519
Excess of Revenues Under Expenditures	(5,113,815)	(5,679,763)	(5,066,644)	613,119
Other Financing Sources:				
Repayment of Notes Receivable	10,000	24,207	24,207	0
Operating Transfers - In	2,687,500	2,687,500	2,687,500	0
Total Other Financing Sources	2,697,500	2,711,707	2,711,707	0
Net Change in Fund Balance	(2,416,315)	(2,968,056)	(2,354,937)	613,119
Fund Balance at Beginning Year	546,769	546,769	546,769	0
Prior Year Encumbrances Appropriated	3,082,210	3,082,210	3,082,210	0
Fund Balance at End of Year	\$1,212,664	\$660,923	\$1,274,042	\$613,119

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, 2002

	<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	\$1,079,751	\$949,249	\$955,610	\$6,361
Interest	4,491	5,458	5,819	361
Other	34,494	21,978	27,647	5,669
Total Revenues	<u>1,118,736</u>	<u>976,685</u>	<u>989,076</u>	<u>12,391</u>
Expenses:				
Current:				
Personal Services	458,588	481,165	481,165	0
Contractual Services	442,864	400,777	390,756	10,021
Materials and Supplies	197,544	233,585	221,282	12,303
Other	24,713	44,478	42,548	1,930
Capital Outlay	609	609	588	21
Total Expenses	<u>1,124,318</u>	<u>1,160,614</u>	<u>1,136,339</u>	<u>24,275</u>
Net Change in Fund Equity	<u>(5,582)</u>	<u>(183,929)</u>	<u>(147,263)</u>	<u>36,666</u>
Fund Equity at Beginning Year	214,081	214,081	214,081	0
Prior Year Encumbrances Appropriated	31,334	31,334	31,334	0
Fund Equity at End of Year	<u>\$239,833</u>	<u>\$61,486</u>	<u>\$98,152</u>	<u>\$36,666</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, 2002

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$1,381,869	\$1,144,099	\$1,148,078	\$3,979
Utility Deposits Received	0	541	527	(14)
Other	0	1,971	1,971	0
Total Revenues	1,381,869	1,146,611	1,150,576	3,965
Expenses:				
Current:				
Personal Services	237,358	252,784	248,818	3,966
Contractual Services	1,107,216	1,107,216	999,122	108,094
Materials and Supplies	25,064	25,064	15,408	9,656
Other	238	238	65	173
Utility Deposits Returned	0	922	922	0
Total Expenses	1,369,876	1,386,224	1,264,335	121,889
Net Change in Fund Equity	11,993	(239,613)	(113,759)	125,854
Fund Equity at Beginning of Year	1,227,504	1,227,504	1,227,504	0
Prior Year Encumbrances Appropriated	85,316	85,316	85,316	0
Fund Equity at End of Year	\$1,324,813	\$1,073,207	\$1,199,061	\$125,854

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, 2002

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$1,492,303	\$1,418,637	\$1,422,149	\$3,512
Utility Deposits Received	0	1,270	1,069	(201)
Other	12,100	12,000	13,971	1,971
Total Revenues	1,504,403	1,431,907	1,437,189	5,282
Expenses:				
Current:				
Personal Services	237,358	252,784	248,823	3,961
Contractual Services	1,255,627	1,265,485	1,154,233	111,252
Materials and Supplies	54,541	53,587	34,275	19,312
Other	185	1,139	1,139	0
Capital	0	208,682	208,682	0
Utility Deposits Returned	0	1,873	1,873	0
Total Expenses	1,547,711	1,783,550	1,649,025	134,525
Net Change in Fund Equity	(43,308)	(351,643)	(211,836)	139,807
Fund Equity at Beginning Year	881,734	881,734	881,734	0
Prior Year Encumbrances Appropriated	15,082	15,082	15,082	0
Fund Equity at End of Year	\$853,508	\$545,173	\$684,980	\$139,807

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, 2002

	<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	\$102,612	\$101,997	\$101,997	\$0
Other	3,030	6,676	6,676	0
Total Revenues	<u>105,642</u>	<u>108,673</u>	<u>108,673</u>	<u>0</u>
Expenditures:				
Current:				
Recreation				
Personal Services	34,900	33,468	31,313	2,155
Operation and Maintenance	67,985	74,171	74,171	0
Capital Outlay	5,650	896	750	146
Total Expenditures	<u>108,535</u>	<u>108,535</u>	<u>106,234</u>	<u>2,301</u>
Net Change in Fund Balance	(2,893)	138	2,439	2,301
Fund Balance at Beginning of Year	37,136	37,136	37,136	0
Prior Year Encumbrances Appropriated	932	932	932	0
Fund Balance at End of Year	<u><u>\$35,175</u></u>	<u><u>\$38,206</u></u>	<u><u>\$40,507</u></u>	<u><u>\$2,301</u></u>

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, 2002

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Fines and Forfeitures	\$130,000	\$130,048	\$130,048	\$0
Other	0	841	841	0
Total Revenues	<u>130,000</u>	<u>130,889</u>	<u>130,889</u>	<u>0</u>
Expenditures:				
Current:				
General Government				
Legislative and Executive				
Personal Services	75,399	75,938	75,938	0
Operation and Maintenance	72,118	71,579	57,197	14,382
Capital Outlay	35,000	35,000	35,000	0
Total Expenditures	<u>182,517</u>	<u>182,517</u>	<u>168,135</u>	<u>14,382</u>
Net Change in Fund Balance	(52,517)	(51,628)	(37,246)	14,382
Fund Balance at Beginning of Year	121,070	121,070	121,070	0
Prior Year Encumbrances Appropriated	4,782	4,782	4,782	0
Fund Balance at End of Year	<u><u>\$73,335</u></u>	<u><u>\$74,224</u></u>	<u><u>\$88,606</u></u>	<u><u>\$14,382</u></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, 2002

	<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	\$150	\$0	\$0	\$0
Total Revenues	<u>150</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:				
Current:				
General Government				
Legislative and Executive				
Operation and Maintenance	110	350	350	0
Total Expenditures	<u>110</u>	<u>350</u>	<u>350</u>	<u>0</u>
Net Change in Fund Balance	40	(350)	(350)	0
Fund Balance at Beginning of Year	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$1,290</u></u>	<u><u>\$900</u></u>	<u><u>\$900</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, 2002

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$500	\$1,841	\$1,841	\$0
Total Revenues	500	1,841	1,841	0
Expenditures:				
Capital Outlay	500	1,000	602	398
Total Expenditures	500	1,000	602	398
Net Change in Fund Balance	0	841	1,239	398
Fund Balance at Beginning of Year	4,135	4,135	4,135	0
Fund Balance at End of Year	<u>\$4,135</u>	<u>\$4,976</u>	<u>\$5,374</u>	<u>\$398</u>

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, 2002

	<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	\$1,628	\$1,628	\$0
Total Revenues	<u>1,500</u>	<u>1,628</u>	<u>1,628</u>	<u>0</u>
Expenditures:				
Current:				
Public Safety				
Police				
Operation and Maintenance	500	500	0	500
Total Expenditures	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Net Change in Fund Balance	1,000	1,128	1,628	500
Fund Balance at Beginning of Year	<u>948</u>	<u>948</u>	<u>948</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$1,948</u></u>	<u><u>\$2,076</u></u>	<u><u>\$2,576</u></u>	<u><u>\$500</u></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, 2002

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$6,500	\$9,293	\$9,293	\$0
Intergovernmental	9,000	11,940	11,940	0
Total Revenues	15,500	21,233	21,233	0
Expenditures:				
Current:				
Public Safety				
Police				
Operation and Maintenance	15,000	15,000	0	15,000
Total Expenditures	15,000	15,000	0	15,000
Net Change in Fund Balance	500	6,233	21,233	15,000
Fund Balance at Beginning of Year	215,942	215,942	215,942	0
Fund Balance at End of Year	\$216,442	\$222,175	\$237,175	\$15,000

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, 2002

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$35,500	\$40,115	\$40,115	\$0
Total Revenues	35,500	40,115	40,115	0
Expenditures:				
Current:				
Public Works				
Streets				
Operation and Maintenance	48,748	48,748	28,571	20,177
Total Expenditures	48,748	48,748	28,571	20,177
Net Change in Fund Balance	(13,248)	(8,633)	11,544	20,177
Fund Balance at Beginning of Year	96,749	96,749	96,749	0
Prior Year Encumbrances Appropriated	13,748	13,748	13,748	0
Fund Balance at End of Year	<u>\$97,249</u>	<u>\$101,864</u>	<u>\$122,041</u>	<u>\$20,177</u>

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, 2002

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$63,385	\$47,442	\$47,442	\$0
Other	2,560	2,920	2,920	0
Total Revenues	<u>65,945</u>	<u>50,362</u>	<u>50,362</u>	<u>0</u>
Expenditures:				
Current:				
Recreation				
Personal Services	21,117	21,117	14,590	6,527
Operation and Maintenance	44,345	44,345	34,937	9,408
Capital Outlay	2,550	2,550	750	1,800
Total Expenditures	<u>68,012</u>	<u>68,012</u>	<u>50,277</u>	<u>17,735</u>
Net Change in Fund Balance	(2,067)	(17,650)	85	17,735
Fund Balance at Beginning of Year	29,660	29,660	29,660	0
Prior Year Encumbrances Appropriated	3,020	3,020	3,020	0
Fund Balance at End of Year	<u>\$30,613</u>	<u>\$15,030</u>	<u>\$32,765</u>	<u>\$17,735</u>

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, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$35,500	\$39,734	\$40,463	\$729
Total Revenues	<u>35,500</u>	<u>39,734</u>	<u>40,463</u>	<u>729</u>
Expenditures:				
Current:				
Public Works				
Streets				
Operations and Maintenance	44,895	44,895	29,786	15,109
Total Expenditures	<u>44,895</u>	<u>44,895</u>	<u>29,786</u>	<u>15,109</u>
Net Change in Fund Balance	(9,395)	(5,161)	10,677	15,838
Fund Balance at Beginning of Year	88,731	88,731	88,731	0
Prior Year Encumbrances Appropriated	<u>13,363</u>	<u>13,363</u>	<u>13,363</u>	<u>0</u>
Fund Balance at End of Year	<u>\$92,699</u>	<u>\$96,933</u>	<u>\$112,771</u>	<u>\$15,838</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, 2002

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$500	\$0	\$0	\$0
Intergovernmental	455,256	490,053	499,039	8,986
Other	4,244	4,856	4,856	0
Total Revenues	460,000	494,909	503,895	8,986
Expenditures:				
Current:				
Public Works				
Streets				
Personal Services	418,228	453,610	453,610	0
Operations and Maintenance	148,861	142,516	137,835	4,681
Total Expenditures	567,089	596,126	591,445	4,681
Net Change in Fund Balance	(107,089)	(101,217)	(87,550)	13,667
Fund Balance at Beginning of Year	442,718	442,718	442,718	0
Prior Year Encumbrances Appropriated	5,680	5,680	5,680	0
Fund Balance at End of Year	\$341,309	\$347,181	\$360,848	\$13,667

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, 2002

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Total Revenues	\$0	\$0	\$0	\$0
Expenditures:				
Debt Service:				
Principal Retirement	357,872	357,872	357,872	0
Interest and Fiscal Charges	681,935	681,934	681,934	0
Total Expenditures	1,039,807	1,039,806	1,039,806	0
Excess of Revenues Under Expenditures	(1,039,807)	(1,039,806)	(1,039,806)	0
Other Financing Sources:				
Operating Transfers - In	1,039,808	1,039,808	1,039,808	0
Total Other Financing Sources	1,039,808	1,039,808	1,039,808	0
Net Change in Fund Balance	1	2	2	0
Fund Balance at Beginning of Year	31,506	31,506	31,506	0
Fund Balance at End of Year	<u>\$31,507</u>	<u>\$31,508</u>	<u>\$31,508</u>	<u>\$0</u>

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, 2002

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$56,105	\$70,488	\$70,488	\$0
Total Revenues	56,105	70,488	70,488	0
Expenditures:				
Current:				
Public Works				
Streets				
Operation and Maintenance	2,076	2,076	1,643	433
Debt Service:				
Principal Retirement	42,128	42,128	42,128	0
Interest and Fiscal Charges	11,901	11,901	11,901	0
Total Expenditures	56,105	56,105	55,672	433
Net Change in Fund Balance	0	14,383	14,816	433
Fund Balance at Beginning of Year	94,448	94,448	94,448	0
Fund Balance at End of Year	\$94,448	\$108,831	\$109,264	\$433

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, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Interest	<u>\$1,000</u>	<u>\$1,380</u>	<u>\$1,559</u>	<u>\$179</u>
Total Revenues	<u>1,000</u>	<u>1,380</u>	<u>1,559</u>	<u>179</u>
Expenditures:				
Capital Outlay	<u>197,217</u>	<u>198,453</u>	<u>188,755</u>	<u>9,698</u>
Total Expenditures	<u>197,217</u>	<u>198,453</u>	<u>188,755</u>	<u>9,698</u>
Net Change in Fund Balance	(196,217)	(197,073)	(187,196)	9,877
Fund Balance at Beginning of Year	857	857	857	0
Prior Year Encumbrances Appropriated	<u>196,216</u>	<u>196,216</u>	<u>196,216</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>\$856</u></u>	<u><u>\$0</u></u>	<u><u>\$9,877</u></u>	<u><u>\$9,877</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, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$5,000	\$1,116	\$1,250	\$134
Total Revenues	<u>5,000</u>	<u>1,116</u>	<u>1,250</u>	<u>134</u>
Expenditures:				
Capital Outlay	46,014	73,014	72,932	82
Total Expenditures	<u>46,014</u>	<u>73,014</u>	<u>72,932</u>	<u>82</u>
Net Change in Fund Balance	(41,014)	(71,898)	(71,682)	216
Fund Balance at Beginning of Year	107,362	107,362	107,362	0
Prior Year Encumbrances Appropriated	<u>41,014</u>	<u>41,014</u>	<u>41,014</u>	<u>0</u>
Fund Balance at End of Year	<u>\$107,362</u>	<u>\$76,478</u>	<u>\$76,694</u>	<u>\$216</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, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	<u>\$260,000</u>	<u>\$257,067</u>	<u>\$257,067</u>	<u>\$0</u>
Total Revenues	<u>260,000</u>	<u>257,067</u>	<u>257,067</u>	<u>0</u>
Expenditures:				
Capital Outlay	<u>260,000</u>	<u>257,067</u>	<u>257,067</u>	<u>0</u>
Total Expenditures	<u>260,000</u>	<u>257,067</u>	<u>257,067</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance (Deficit) 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, 2002

	<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	158,644	158,644	0	158,644
Total Expenditures	<u>158,644</u>	<u>158,644</u>	<u>0</u>	<u>158,644</u>
Net Change in Fund Balance	(158,644)	(158,644)	0	(158,644)
Fund Balance at Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	<u>158,644</u>	<u>158,644</u>	<u>158,644</u>	<u>0</u>
Fund Balance at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$158,644</u>	<u>(\$158,644)</u>

City of Vandalia
Montgomery County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget (Non-GAAP Basis) and Actual
Webster Street Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$0	\$104,616	\$104,616	\$0
Total Revenues	<u>0</u>	<u>104,616</u>	<u>104,616</u>	<u>0</u>
Expenditures:				
Capital Outlay	105,323	100,129	100,129	0
Total Expenditures	<u>105,323</u>	<u>100,129</u>	<u>100,129</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(105,323)</u>	<u>4,487</u>	<u>4,487</u>	<u>0</u>
Other Financing Uses:				
Repayment of Advances	0	(600,000)	(600,000)	0
Total Other Financing Uses	<u>0</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>0</u>
Net Change in Fund Balance	(105,323)	(595,513)	(595,513)	0
Fund Balance at Beginning of Year	490,191	490,191	490,191	0
Prior Year Encumbrances Appropriated	<u>105,322</u>	<u>105,322</u>	<u>105,322</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$490,190</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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, 2002

	<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	\$1,105,694	\$1,673,903	\$1,673,903	\$0
Other	100,275	162,665	163,878	1,213
Total Revenues	<u>1,205,969</u>	<u>1,836,568</u>	<u>1,837,781</u>	<u>1,213</u>
Expenses:				
Current:				
Contractual Services	195,766	352,000	351,432	568
Claims	1,010,000	1,516,169	1,515,443	726
Other	203	203	0	203
Total Expenses	<u>1,205,969</u>	<u>1,868,372</u>	<u>1,866,875</u>	<u>1,497</u>
Net Change in Fund Equity	0	(31,804)	(29,094)	2,710
Fund Equity at Beginning of Year	<u>59,738</u>	<u>59,738</u>	<u>59,738</u>	<u>0</u>
Fund Equity at End of Year	<u>\$59,738</u>	<u>\$27,934</u>	<u>\$30,644</u>	<u>\$2,710</u>

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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 Three Years (1)

Year	General Government	Public Safety	Public Works	Recreation	Interest and Fiscal Charges	Transfers	Total
2000	\$4,179,646	\$5,279,340	\$4,539,841	\$2,250,409	\$728,745	\$166,601	\$17,144,582
2001	4,792,302	5,503,635	4,512,870	3,857,728	710,608	379,843	19,756,986
2002	4,413,764	5,798,869	3,781,644	3,423,447	692,184	73,396	18,183,304

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 Three Years (1)

Year	Program Revenues				General Revenues Grants and					Total
	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Property and Other Taxes	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	

SOURCE: Finance Office, City of Vandalia

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

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
1993	\$2,719,018	\$2,898,597	\$1,424,307	\$1,110,023	\$6,471	\$0	\$8,158,416
1994	2,647,379	3,102,356	1,486,401	1,147,626	171,767	-	8,555,529
1995	2,931,510	3,218,633	1,687,900	1,223,999	5,242	-	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

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
1993	\$5,642,665	\$1,004,962	\$507,278	\$128,975	\$994,145	\$630,008	\$175,063	\$81,336	\$9,164,432
1994	8,865,688	1,141,326	591,705	187,845	883,885	697,330	227,067	76,719	12,671,565
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

SOURCE: Finance Office, City of Vandalia

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

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes To Total Tax Levy
1993	\$996,216	\$893,446	\$28,948	\$922,394	93%	\$68,946	6.92%
1994	1,071,436	1,000,204	33,766	1,033,970	97	52,884	4.94
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

SOURCE: County Auditor, Montgomery County, Ohio

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

Year	Assessed Public Utility		Assessed Public Utility Tangible	Assessed Tangible Personal		Estimated True Value (1)	Percentage of Assessed Value To Estimated True Value
	Real	Real		Personal	Total		
1993	\$197,026,960	\$33,440	\$12,101,270	\$49,639,372	\$258,801,042	\$775,338,645	33%
1994	202,678,610	25,640	12,276,680	54,998,562	269,979,492	813,100,020	33
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

SOURCE: County Auditor; Montgomery County, Ohio

(1) Estimated true value is calculated by dividing the assessed value by the assessment percentage. The percentages for 2002 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 24 percent for tangible personal inventory.

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	Vandalia-	Montgomery County	Miami Valley	Library	Total
		Butler City Schools		Career Technology Center		
1993	\$4.14	\$42.91	\$13.65	\$1.98	-	\$62.68
1994	4.14	42.91	16.14	2.58	-	65.77
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

SOURCE: County Auditor, Montgomery County, Ohio

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

Collection Year	Billed (1)	Amount Collected (2)	Percent Collected
1993	\$115,760	\$115,743	99%
1994	111,207	110,684	99
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

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

(2) City's Tax Settlement Sheets

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
 To Assessed Value and Net Bonded Debt Per Capita
 Last Seven 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

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

SOURCE: (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.

City of Vandalia
Montgomery County, Ohio
Computation of Overall Legal Debt Margin
December 31, 2002

Assessed Value (1)		<u>\$400,406,120</u>
Overall Debt Limit (10 1/2% of the Assessed Value)		\$42,042,643
Total Voted and Unvoted Debt Outstanding at December 31, 2002	<u>\$12,113,942</u>	
Less: Exempt Debt		
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Special Assessments	126,382	
Unvoted General Obligation Bonds and Loans Issued in Anticipation of the Collection of Lawfully Available Municipal Income Tax to be Applied to Debt Service	<u>132,560</u>	
Debt Within 10 1/2 Percent Limitation	11,855,000	
Less: Bond Retirement Fund Balance	<u>31,508</u>	
Net Debt Subject to 10 1/2% limitation		<u>11,823,492</u>
Legal debt margin within 10 1/2% limitation		<u>\$30,219,151</u>

(1) This assessed value represents tax year 2002 assessed valuation.

City of Vandalia
 Montgomery County, Ohio
 Computation of Unvoted Legal Debt Margin
 December 31, 2002

Assessed Value (1)		<u>\$400,406,120</u>
Overall Debt Limit (5 1/2% of the Assessed Value)		\$22,022,337
Total Voted and Unvoted Debt Outstanding at December 31, 2002	<u>\$12,113,942</u>	
Less: Exempt Debt		
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Special Assessments	126,382	
Unvoted General Obligation Bonds and Loans Issued in Anticipation of the Collection of Lawfully Available Municipal Income Tax to be Applied to Debt Service	<u>132,560</u>	
Debt Within 5 1/2 Percent Limitation	11,855,000	
Less: Bond Retirement Fund Balance	<u>31,508</u>	
Net Debt Subject to 5 1/2% limitation		<u>11,823,492</u>
Legal debt margin within 5 1/2% limitation		<u>\$10,198,845</u>

(1) This assessed value represents tax year 2002 assessed valuation.

City of Vandalia
Montgomery County, Ohio
Computation of Direct and Overlapping General Obligation Debt
December 31, 2002

Jurisdiction	Net Debt Outstanding	Percentage Applicable To City of Vandalia	Amount Applicable To City of Vandalia
Direct Debt:			
City of Vandalia	\$11,823,492	100.00%	<u>\$11,823,492</u>
Overlapping Debt:			
Montgomery County	38,917,639	3.97	1,546,392
Vandalia-Butler City School District	1,500,000	59.23	<u>888,512</u>
Total Overlapping Debt			<u>2,434,904</u>
Total Direct and Overlapping Debt			<u><u>\$14,258,396</u></u>

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 Seven 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

(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							
1993	\$677,715	\$868,573	(\$190,858)	\$45,000	\$14,175	\$59,175	(3.2)
1994	933,242	1,024,795	(91,553)	45,000	11,813	56,813	(1.6)
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)

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>
1993	13,790	3,612	5.4%
1994	13,790	3,535	4.9
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

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	
1993	\$562,934,171	65	\$9,119,000	75	\$8,430,845	\$3,834,335,000
1994	579,081,743	58	8,370,400	88	9,156,475	4,034,766,000
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

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
 December 31, 2002

<u>Taxpayer</u>	<u>2002 Real Property Assessed Value (1)</u>	<u>Percentage of Total Assessed Value (1)</u>
1. Dayton Power & Light Co.	\$4,801,340	1.20%
2. Delphi Automotive System	4,657,770	1.16
3. B-W Limited Partnership	2,946,590	0.74
4. The Iams Company	2,431,470	0.61
5. Ohio Bell Telephone Co.	2,080,990	0.52
6. Mid-States Development Co.	1,465,140	0.37
7. Timberlake Limited Partners	1,451,520	0.36
8. Mazer, Marshall	1,418,020	0.35
9. International Brotherhood	1,347,580	0.34
10. Thieman, Ted H.	1,195,620	0.30
	<u>\$23,796,040</u>	<u>5.94%</u>

(1) Assessed value represents tax year 2002 assessed valuation.

SOURCE: County Auditor, Montgomery County, Ohio

City of Vandalia
 Montgomery County, Ohio
 Miscellaneous Statistics
 December 31, 2002

Year of Incorporation	1958
Form of Government	Charter - Council/Manager
Area	12.35 Miles
Miles of Streets	79 Miles
Number of Street Lights	35
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	245
Number of Students	3,466
Municipal Water Department	
Miles of Water Mains	65 Miles
Number of Fire Hydrants	633
Sewers:	
Miles of Sanitary Sewers	56 Miles
Miles of Storm Sewers	42 Miles
Building Permits Issued During 2002	122
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	130

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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
JULY 17, 2003**