

CITY OF VERMILION, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Honorable Mayor and City Council
City of Vermilion
5511 Liberty Avenue
Vermilion, Ohio 44089

We have reviewed the Independent Auditor's Report of the City of Vermilion, Erie County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2003. 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 Vermilion is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 20, 2004

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CITY OF VERMILION, OHIO
AUDIT REPORT
For the Year Ended December 31, 2003

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Charles E. Harris & Associates, Inc.
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members of City Council
City of Vermilion
Vermilion, Ohio

We have audited the basic financial statements of the City of Vermilion, Ohio as of and for the year ended December 31, 2003 and have issued our report thereon dated July 29, 2004. 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'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*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated July 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 financial 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 that we have reported to the management of the City in a separate letter dated July 29, 2004.

This report is intended for the information and use of management, the Honorable Mayor and Members of Council and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

July 29, 2004

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2002, included no material citations or recommendations.

CITY OF VERMILION, OHIO
Comprehensive Annual Financial Report
For the year ended December 31, 2003

Prepared By:
Laurence Rush, Finance Director
Department of Finance

CITY OF VERMILION, OHIO
 Comprehensive Annual Financial Report
 December 31, 2003
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Introductory Section

City of Vermilion, Ohio
Jimmy L. Davis, Mayor
5511 Liberty Avenue
Vermilion, OH 44089

July 29, 2004

The Honorable Mayor Jimmy L. Davis
and Members of City Council
5511 Liberty Ave.
Vermilion, OH 44089

It gives me great pleasure to present the Comprehensive Annual Financial Report (CAFR) for the City of Vermilion. This report has been carefully prepared in accordance with Generally Accepted Accounting Principles (GAAP) and provides a full and complete disclosure of the financial position and operations of the City for the year ended December 31, 2003. In addition, this report includes the presentation of the new reporting model as promulgated by Governmental Accounting Standards Board (GASB) Statement No. 34 for the second year. Note 2 to the basic financial statements provides additional information concerning this statement.

The information contained in this report will assist City officials in making management decisions and will provide the taxpayers of the City of Vermilion with comprehensive financial data in such a format as to enable them to gain a true understanding of the City's financial affairs. The general public, as well as investors, will be able to compare the financial position of the City of Vermilion and the results of its operations with other governmental entities.

Responsibility for the accuracy, completeness, and fairness of the presentation, including all disclosures, lies with the management of the City of Vermilion and, in particular, the City's Finance Department. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities and status are included herein.

This is the fifth Comprehensive Annual Financial Report issued by the City. The report is prepared in accordance with Generally Accepted Accounting Principles, as set forth by the Governmental Accounting Standards Board and other authoritative sources, and the guidelines set by the Government Finance Officers Association (GFOA).

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The introductory section includes this transmittal letter, a list of public officials, the City's organizational chart and the 2002 Certificate of Achievement for Excellence in Financial Reporting. The financial section, which begins with the Report of Independent Accountants, includes the basic financial statements, notes that provide an overview of the City's financial position and operating results, and the combining statements for non-major funds and other schedules that provide detailed information relative to the basic financial statements. The statistical

section includes financial and demographic information which is generally presented on a multi-year basis. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Vermilion's MD&A can be found immediately following the Report of Independent Accountants.

REPORTING ENTITY

For financial purposes, the City includes all funds, account groups, agencies, boards, and commissions making up the City of Vermilion (the Primary Government) and its potential component units in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity". The primary government comprises all activities and services, which are not legally, separate for the City. The City provides various services including public safety (police and fire), highways and streets, parks and recreation, public improvements, community development (planning and zoning), sewers, sanitation, and general administrative and legislative services. The operation of each of these activities is directly controlled by Council through the budgetary process.

Port Management services are provided through a locally controlled independent Port Authority. Although this is a separate legal entity, its budget, and operations, are administered by the Vermilion City Council. Since the Port Authority is an independent organizational unit, it is discretely presented in the financial statements of the primary government. A complete discussion of the City's reporting entity is provided in Note 2 of the basic financial statements.

THE CITY AND THE FORM OF GOVERNMENT

The City

The City is located in Erie and Lorain Counties in northeastern Ohio, approximately 40 miles west of the downtown area of the City of Cleveland. It was incorporated as a village in 1837 by a special act of the State Legislature. Vermilion became a city in 1962. In 1963, the Village of Vermilion on the Lake was merged into the City.

The portion of the City in Lorain County is in the Lorain-Elyria Primary Metropolitan Statistical Area (PMSA), which is comprised of Lorain County, and had a 1990 population of 271,126. The City was also in the Cleveland-Akron-Lorain Consolidated Metropolitan Statistical Area (CMSA), which is the 11th most populous CMSA of 20 in the country. Effective in 1994, the PMSA was redefined to include Ashtabula and Lorain Counties. Only limited statistics are now available for the new PMSA and, unless otherwise noted, PMSA statistics are for the former PMSA.

The City's 2000 population of 10,927 placed it at the third largest in Erie County and seventh largest in Lorain County. The population counts are continually being challenged because of the number of transient residents who call Vermilion home for approximately six months of the year.

The City's area is approximately 15 square miles, of which approximately 7.35 square miles are located in Erie County (including approximately 49% of its assessed valuation) and 7.65 square miles are located in Lorain County (including approximately 51% of its assessed valuation). The City's territory is broken down by land use as follows:

Percent of Assessed Valuation of Real Property

	Within Lorain County	Within Erie County
Residential	82.2%	78.0%
Commercial/Industrial	12.7	15.5
Public Utility	3.5	6.2
Governmental (including parks) and Other Tax Exempt	(a)	(a)
Agricultural	1.6	.3
Undeveloped	(b)	(b)

(a) Not applicable. Exempt from property taxation.

(b) Included in above categories.

Sources: City Building Department and County Auditor.

The City is served by diversified transportation facilities, including four State and U.S. highways and interstate highway I-80 and I-90. It is served by Conrail and Amtrak railroad. It is served by passenger air services at Lorain County Regional Airport located 15 miles southeast of the City, and Cleveland Hopkins International Airport is located 40 miles east of the city. Public mass transit for limited areas is provided by Lorain County Transit Authority.

Banking and financial services are provided to the City area by offices of local commercial banks and savings and loan associations, all of which have their principal offices elsewhere.

One weekly newspaper serves the City. The City is within the broadcast area of eight television stations and 30 AM and FM radio stations. Multi-channel cable TV is provided by license agreement with Adelphia Cable Company. Adelphia's cable service includes educational, governmental and public access channels.

Within commuting distance are several public and private two-year, and four-year colleges and universities providing a wide range of educational facilities and opportunities. These include Baldwin-Wallace College, Case Western Reserve University, Cleveland State University, Cuyahoga Community College, John Carroll University, Kent State University, Lorain County Community College, Ursuline College, Notre Dame College, Oberlin College, The University of Akron, and Firelands campus of Bowling Green State University.

City residents are served by Lorain Community Hospital, a 337 bed total care facility located in the City of Lorain eight miles east of the City, and Amherst Hospital, a 71 bed total care facility located in the City of Amherst approximately 10 miles southeast of the City. Tertiary care facilities are also operated by the Cleveland Clinic and located approximately five miles east of the City.

Various recreational and cultural facilities are immediately available to City residents. The City operates a park system of four parks encompassing approximately 150 acres with facilities that include public beaches, tennis courts, baseball diamonds, and basketball and volleyball courts. In addition, the City Parks and Recreation Board organizes and operates many special programs and activities for City residents. The Lorain County Metropolitan Park District also operates a park immediately adjacent to the City consisting of approximately 600 acres. The “Festival of the Fish” and the “Woolly Bear Festival” are annual festivals celebrated throughout the City for three days in June and one day in September, respectively. Activities include parades, concessions, and games, races, musical events, and arts and crafts. The City is also home to the Ritter Public Library and the Great Lakes Museum, a maritime museum containing artifacts relating to Great Lakes history, including ship models, navigational instruments, engines, a lighthouse lens and marine paintings.

The City's location on the south shore of Lake Erie and the banks of the Vermilion River, and several lagoons at the mouth of the river afford many opportunities for boating, fishing, and other maritime recreational activities. The nearby Lake Erie islands and resorts, Kelleys Island State Park, Thomas Edison Birthplace Museum and Cedar Point amusement park provide additional recreational and educational opportunities and attract many tourists and visitors to the area.

The City's close proximity to the City of Cleveland also affords the residents of the City all of the cultural, recreational, social and educational opportunities of the Cleveland metropolitan area.

City Government

The City operates under and is governed by its Charter, first adopted by the voters in 1961 and which has been and may be amended by the voters from time to time. The City is also subject to some general laws applicable to all cities. Under the Ohio Constitution the City may exercise all powers of local self-government, and police powers to the extent not in conflict with applicable general laws. The Charter provides for a Council-Mayor form of government.

Legislative authority is vested in a seven-member Council, of whom two are elected at-large and five are elected from wards, for two-year terms. The presiding officer is the President of Council, who is one of the Council members elected by Council for a two year term. The Council fixes compensation of City officials and employees, and enacts ordinances and resolutions relating to the City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal purposes. The Charter establishes certain administrative departments; the Council may establish divisions of those departments, and additional departments.

The City's chief executive and administrative officer is the Mayor, who is elected by the voters specifically to that office for a four-year term.

The Mayor appoints, subject to the approval of Council, the directors of the City departments. The Mayor also appoints members to a number of boards and commissions, and appoints and removes, in accordance with civil service requirements, all appointed officers and employees, except Council officers and employees. The major appointed officials are the Directors of Public Service, Law, Finance, and Engineering.

The Mayor may veto any legislation passed by the Council. A veto may be overridden by a two-thirds vote of all members of the Council.

ECONOMIC CONDITION AND OUTLOOK

The City's economy and its largest employers remain primarily commercial and a significant portion of the City's commercial activity transpires during the summer months when its resident population normally increases by approximately 5,000 people. There has been a moderate development of smaller commercial business and increased retail service activity in recent years. In July of 2003 Vermilion's largest private employer, Lithonia Lighting announced the closing of its Vermilion facilities in 2004. As of this date the intended plant closing has been postponed at least through 2005. The impact of this closing on the General Fund is estimated to be a loss of property taxes in the amount of \$60,000 and a loss of income tax in the amount of \$5,000. This loss of revenue is estimated to be approximately 1.5% of total General Fund revenues. This loss however, is expected to be recouped through increasing real estate values and, ongoing construction along with the continued development of the Industrial Parks.

Continuing in the development stage are two large industrial parks. These industrial parks comprise approximately 130 acres of land within the City. Approximately 400 acres is available for possible future development. An agreement was reached with Erie Huron Rural Water District to supply water to this acreage. The City of Vermilion will handle the roads and sanitary sewer from these areas. An additional proposed trunk line sewer will extend to the east on the Vermilion/Lorain border. This sewer is in the process of being assessed, and constructed, and is expected to be completed by 2005. These industrial parks are in close proximity to the Ford Motor Lorain Assembly Plant, but will independently operate to attract both commercial and light industrial firms.

Furthermore, planned unit developments and other residential housing are being constructed on approximately four separate development sites: Lighthouse Estates, Vermilion Shores, Nature's Preserve and Indian Ridge.

MAJOR INITIATIVES

The City has a number of projects underway to help the government run more efficiently and help the City compete for future job growth.

A downtown revitalization program was entered into with local merchants and property owners through a series of grants and local participation agreements to improve the appearance of the downtown in 2003. Included in this revitalization are improvements to the sidewalks, storefronts, roof and painting repairs, and a complete rebuilding of Exchange Park which is adjacent to the Vermilion River. To promote usage of the City's parks the City provides free movies and concerts. The Downtown Grants program represents a major undertaking to improve the appearance and viability of the Vermilion downtown area.

In 2002, an agreement was concluded with Brownhelm Township to provide for the joint action of the City and the Township to pave Vermilion Road at an estimated cost of \$225,000. This project represents a significant venture in cooperation between these two entities, and was concluded at the end of 2003.

A new electronic touch read meter reading system was installed effective July 1, 2003, which allows for faster and more accurate billing to occur for the City's water and sewer usage.

In an effort to move toward better managerial control the City recognized the need for full time leadership. This issue was first discussed and approved by the Vermilion Vision Committee, an independent volunteer group established for the purpose of strategic planning. The salary for the newly created full time position adopted by Council action is \$50,000 per year plus all benefits of full time employees per the administrative code. Per the City's charter the salary must be established 45 days prior to the final filing date for the position of Mayor (February, 2005). Effective in 2006 the position of Mayor will be considered full time. Currently, the Mayor serves in a part time capacity at an annual salary of \$24,000.

FINANCIAL INFORMATION

Basis of Accounting

The City of Vermilion's accounting system is organized on a "fund basis". Each fund or account group is a self-balancing set of accounts.

Internal Accounting Controls

In developing the City's accounting system, consideration was given to the adequacy of internal accounting controls. Such controls are designed to provide reasonable, but not absolute, assurance regarding both the safeguarding of assets against loss and misuse, and assurance regarding the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal controls should not exceed the benefits expected to be derived from their implementation.

The City utilizes a fully automated accounting system as well as an automated system for payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensure that the financial information generated is both accurate and reliable.

Budgetary Controls

By statute, City Council adopts a temporary appropriation measure for the City on or about the first day of January. The City Council adopts a permanent appropriation measure by the first day of April. All disbursements and transfers of cash among funds require appropriation authority from City Council. Budgets are controlled at the fund level, except for the General Fund, which is the object level within each department. Purchase orders are submitted to the Finance Department by department heads and are encumbered prior to their release to vendors. Those purchase orders which exceed the available appropriation are rejected until additional revenues are secured.

A computerized certification system allows the Finance Department to ascertain the status of the department's appropriations before authorizing additional purchases from a particular account. Additional information regarding the City's budgetary accounting can be found in Note 2 to the basic financial statements.

CASH MANAGEMENT

The City of Vermilion continues to maintain its financial reserves during 2003. The City's general fund unencumbered cash balance at year-end was \$145,360. This represents 3% of general fund expenditures.

Cash Management is a vital component of the City's overall financial strategy. The Finance Director maintains an aggressive cash management program. Major considerations are cash flows necessary to pay City liabilities and available interest rates. As City funds become available, they are invested immediately in sweep accounts maintained at the City approved depository banks, short-term federal agencies or other securities authorized by state statutes. During 2003, \$62,246 of interest was deposited in the General Fund, \$1,219 in the Special Revenue fund, and \$14,449 in the Sewer Fund in accordance with City ordinances.

RISK MANAGEMENT

The City of Vermilion maintains replacement cost insurance on all buildings and their contents. Blanket building and personal property insurance is held in the amount of \$21,531,644.

The City provides employees medical, prescription and dental benefits through a self-insurance program. All funds of the City participate in the program and make payments to the medical self-insurance internal service fund based on actuarial estimates of amounts needed to pay prior and current year claims. See Note 13 to the basic financial statements for further information.

DEBT MANAGEMENT

In 2003, the City paid off \$450,000 in outstanding street improvement notes. \$2,337,000 in notes were issued for sewer plant improvements, water plant telemetry upgrades, and the Highbridge Road storm water project. Finally, \$330,000 in notes were issued for the City's meter replacement program and upgrade to the utility billing system.

The City maintains an A2 credit rating from Moody's Investors Service, Inc. All bonds of the City are backed by its full faith and credit.

Under current state statutes, the total voted net debt of the City, less the same exempt debt, shall never exceed 10.5% of the total assessed property valuation. The total unvoted debt less the same exempt debt, shall never exceed 5.5% of the assessed valuation. At December 31, 2003, the total legal debt margin was \$17,454,035 with an unvoted debt margin of \$6,415,638.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to a government unit which publishes an easily readable and efficiently organized Comprehensive Annual Financial Report. The contents of this report must satisfy program standards, conform with generally accepted accounting principles and satisfy all applicable legal requirements. The City submitted the 2002 report and received a Certificate of Achievement for Excellence in Financial Reporting, which marked the fourth consecutive year to receive this prestigious award.

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

INDEPENDENT AUDIT

Included in this report is an unqualified audit opinion rendered on the City's financial statements as of December 31, 2003, by our independent auditor, Charles E. Harris & Associates, Inc. Their audit was conducted in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

City management plans to continue to subject the City's financial statements to an annual independent audit as part of the preparation of a Comprehensive Annual Financial Report. An annual audit also serves to maintain and strengthen the City's accounting and budgetary controls.

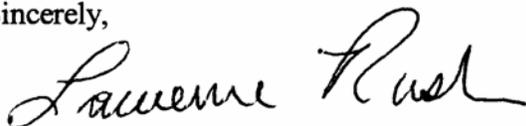
ACKNOWLEDGMENTS

The publication of this CAFR represents an important achievement in the ability of the City of Vermilion to provide significantly enhanced financial information and accountability to the citizens of the City, its elected officials, City management, and investors. This report continues the aggressive program of the Finance Department to improve the City's overall financial accounting, management, and reporting capabilities.

I would like to acknowledge the efforts of the entire staff of the Finance Department for their contributions to this report. Special thanks are extended to Mayor Jimmy L. Davis and Members of City Council for their enthusiastic support of this project. The guidance and assistance provided by the accounting firm of Charles E. Harris & Associates, and in particular John J. Phillips, Vice-President and K.C. Chang, Senior Auditor was greatly appreciated. They provided valuable assistance in a most professional manner.

I would also like to thank all of the elected officials, department heads, and their staffs for their assistance and cooperation with the preparation of this CAFR. I ask for their continued support of this project and of my efforts toward continuing the sound financial management for the City of Vermilion.

Sincerely,

A handwritten signature in cursive script that reads "Laurence Rush". The signature is written in black ink and is positioned below the word "Sincerely,".

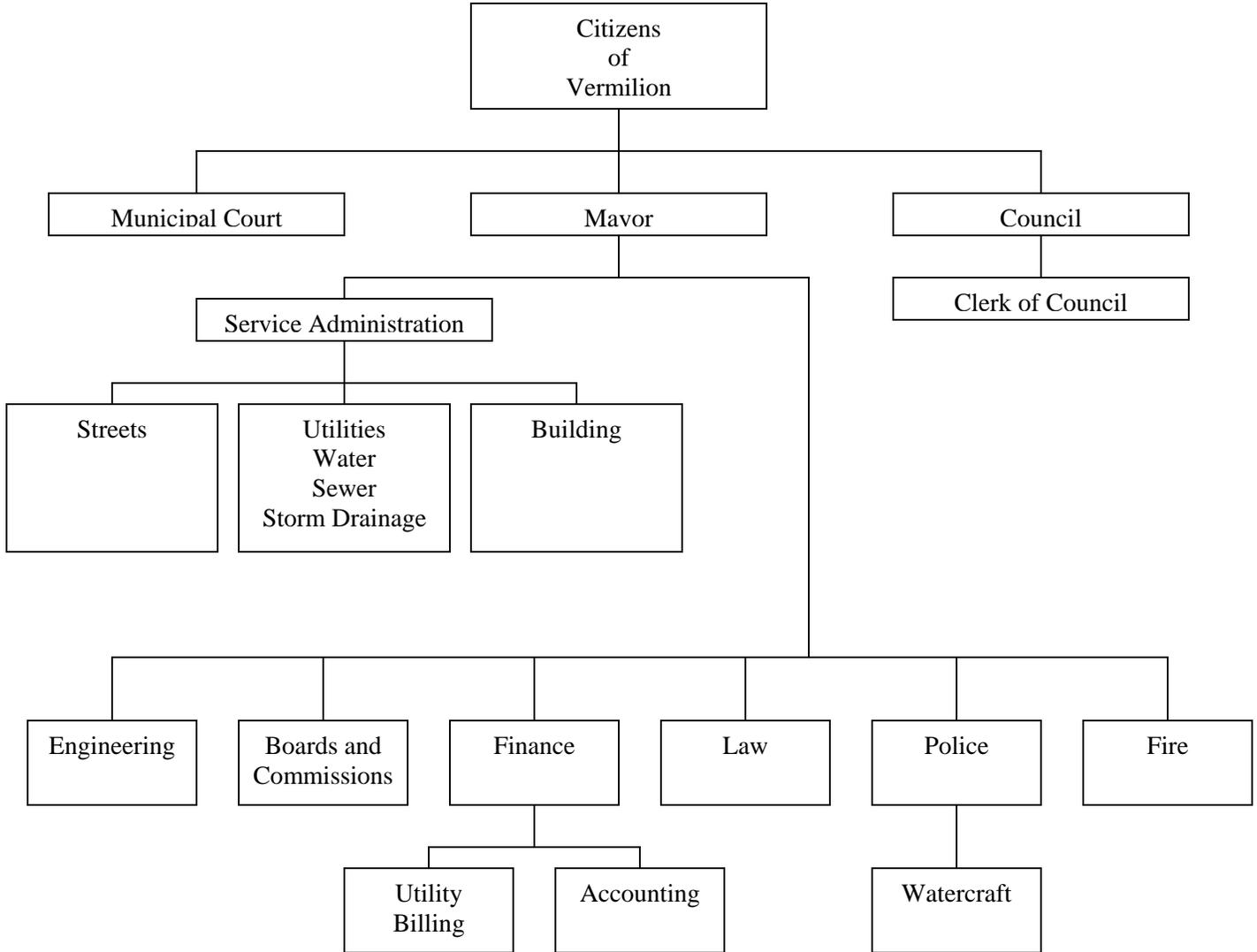
Laurence Rush, C.P.A.
Finance Director

**City of Vermilion
City Officials
December 31, 2003**

<u>Name</u>	<u>Title</u>	<u>Term</u>	<u>Surety</u>	<u>Amount</u>
Jimmy L. Davis	Mayor	1/1/02 – 12/31/05	A	\$255,000
Daniel Roth	President of Council	1/1/02 – 12/31/03	None	
Donald Flak	Councilman	1/1/02 – 12/31/03	None	
JoAnn Howley	Councilwoman	1/1/02 – 12/31/03	None	
Daniel Phillips	Councilman	1/1/02 – 12/31/03	None	
Fred Ostrander	Councilman	1/1/02 – 12/31/03	None	
Sheri Haponek	Councilwoman	1/1/02 – 12/31/03	None	
Greg Butchko	Councilman	1/1/02 – 12/31/03	None	
Elizabeth Wakefield	Judge	1/1/02 – 12/31/07	A	\$250,000
Appointed:				
Laurence Rush	Finance Director/ Tax Administrator	1/1/02 – 12/31/05	A	\$270,000
Kenneth Stumphauzer	Law Director	1/1/02 – 12/31/05	None	
Joseph Schaller	Engineer	1/1/02 – 12/31/05	None	
Eileen Bulan	Service Director	1/1/02 – 12/31/05	None	
Robert Kish	Police Chief	1/1/02 – 12/31/05	None	
Eugene Kropf	Fire Chief	1/1/02 – 12/31/05	None	
Brian Saratore	Safety Director	9/10/02 – 12/31/05	None	

A: Commercial Union Insurance Company

City of Vermilion
Organization Chart
December 31, 2003



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Vermilion,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

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.



President

Executive Director

Financial Section

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

**The Honorable Mayor and City Council
City of Vermilion
Vermilion, Ohio**

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Vermilion (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

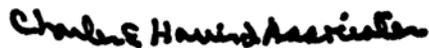
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Street Maintenance and Repair, Fire Operating, Sanitation, Fire Apparatus, Water and Sewer Funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical tables are presented for the purpose of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements 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 section and statistical tables 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.



Charles E. Harris & Associates, Inc.
July 29, 2004

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

The discussion and analysis of The City of Vermilion's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are advised to review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets changed to \$12,242,507. Of this balance, \$908,345 (unrestricted net assets) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the end of the current year, the City's governmental funds reported a combined ending fund balance of \$3,498,337, which is an increase of \$119,412 from the previous year. Of this amount, \$2,486,191 is available for spending (unreserved, undesignated fund balance) on behalf of its citizens.
- The City retired \$450,000 of street improvement notes to better position itself to promote future road improvements.
- The City acquired a new pumper truck for the Fire Department in 2003 at a cost of \$307,000. This equipment was acquired out of current operating funds. Due to a continuing levy the financial health of the fire operations continues to remain positive.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Vermilion's basic financial statements. The City of Vermilion's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government Wide Financial Statements. The government wide financial statements are designed to provide readers with a broad overview of the City of Vermilion's finances, in a manner similar to private sector businesses. The statement of net assets and statement of activities provide information about the activities of the City taken as a whole. These statements present both an aggregate view of the City's finances and a longer term view of those related assets. 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 what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

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

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government wide financial statements distinguish functions for the City of Vermilion that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City of Vermilion include general government, security of persons and property, public health services, transportation, community environment, basic utility services, and leisure time activities. The business activities include water, sewer and storm drainage.

The government wide financial statements can be found starting on page 15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Vermilion, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City of Vermilion can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Vermilion maintains 33 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Street Maintenance and Repair Fund, Fire Operating Fund, Sanitation Fund, and Fire Apparatus Fund, all of which are considered to be major funds. Data from the other 28 governmental funds are combined into single aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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The City of Vermilion adopts an annual appropriated budget for each of its funds. A budgetary comparison statement (non-GAAP basis) has been provided for each of the governmental funds to demonstrate budgetary compliance.

Proprietary Funds. The City of Vermilion maintains two different types of proprietary funds. Enterprise funds are used to report the same functions as business type activities in the government wide financial statements. The City uses enterprise funds to account for its water operations, sewer operations and storm drainage operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains such a fund for its self insurance of health related benefits offered to all full time employees and some participating part time employees as well as those who are continuing benefits through COBRA. Since health insurance predominately benefits governmental rather than business functions, it has been included within governmental activities in the government wide financial statements.

Proprietary funds provide the same type of information as the government wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and storm water drainage operations. The water and sewer funds are considered major funds. The internal service fund is for self-insurance of health benefits. The proprietary fund financial statements can be found on pages 27 through 30 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Basic Financial Statements. The notes provide additional information that is essential for a full understanding of the data provided in the government wide and fund financial statements. The notes to the basic financial statements can be found on pages 32 through 60 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the basic financial statements, the combining statements referred to earlier in connection with non-major governmental funds are presented, as well as individual detailed budgetary comparisons for all non-major funds. This information can be found on pages 61 through 99 of the report.

Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The statement of net assets and statement of activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by a private business. The basis for this accounting considers all of the current year revenues and expenses regardless of when the cash was received or paid. These two statements report the City's net assets and the changes in those assets. The change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or declined. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

The Statement of Net Assets and Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets at the Beginning and End of the Year

The City of Vermilion as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. The following provides a summary of the City's net assets for 2003 compared to 2002.

NET ASSETS
Table 1

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other Assets	\$7,009,095	\$6,550,640	\$2,833,279	\$3,044,246	\$9,842,374	\$9,594,886
Capital assets, net	<u>9,738,269</u>	<u>9,736,519</u>	<u>8,312,194</u>	<u>8,044,102</u>	<u>18,050,463</u>	<u>17,780,621</u>
Total assets	<u>\$16,747,364</u>	<u>\$16,287,159</u>	<u>\$11,145,473</u>	<u>\$11,088,348</u>	<u>\$27,892,837</u>	<u>\$27,375,507</u>
Current and other Liabilities	\$2,787,237	\$2,887,232	\$2,899,303	\$2,749,108	\$5,686,540	\$5,636,340
Long-term liabilities:						
Due within one Year	219,456	208,941	525,407	437,457	744,863	646,398
Due in more than one year	<u>1,498,164</u>	<u>1,565,564</u>	<u>6,130,356</u>	<u>6,613,025</u>	<u>7,628,520</u>	<u>8,178,589</u>
Total liabilities	<u>\$4,504,857</u>	<u>\$4,661,737</u>	<u>\$9,555,066</u>	<u>\$ 9,799,590</u>	<u>\$14,059,923</u>	<u>\$14,461,327</u>
Invested in capital assets, net of related debt	\$8,507,269	\$8,401,519	\$ 948,044	\$1,047,665	\$9,455,313	\$9,449,184
Restricted for:						
Capital projects	1,077,828	843,449	0	0	1,077,828	843,449
Debt service	156,488	152,940	0	0	156,488	152,940
Other purposes	1,592,577	1,295,304	0	0	1,592,577	1,295,304
Unrestricted	<u>908,345</u>	<u>932,210</u>	<u>642,363</u>	<u>241,093</u>	<u>1,550,708</u>	<u>1,173,303</u>
Total net assets	<u>\$12,242,507</u>	<u>\$11,625,422</u>	<u>\$1,590,407</u>	<u>\$1,288,758</u>	<u>\$13,832,914</u>	<u>\$12,914,180</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City of Vermilion, total assets exceed total liabilities by \$13,832,914 at the close of the most recent year.

City of Vermilion, Ohio
Management's Discussion and Analysis
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The largest portion of the City's net assets (68.4 percent) reflects investments in capital assets (e.g. land, construction in progress, buildings, improvements, machinery and equipment, vehicles, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets increased by \$644,145 from 2002 to 2003, while the City's total liabilities decreased by \$401,404. The most significant change in assets was an increase in intergovernmental receivables due to grants and taxes. The decrease in liabilities was mainly due to the reduction in debt obligations.

At the end of the current year, the City of Vermilion is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the City's governmental activities increased \$617,085 during the current year. The increase is due to the acquisition of new fire equipment, park improvements, grants from the state, and an increasing real property tax base that is not subject to the inflation reduction credit.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year as compared to the prior year.

CHANGES IN NET ASSETS

Table 2

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$1,593,224	\$1,632,455	\$3,031,701	\$3,047,045	\$4,624,925	\$4,679,500
Operating grants and contributions	1,040,820	20,429	324,999	0	1,365,819	20,429
Capital grants and contributions	247,944	102,024	29,842	253,382	277,786	355,406
Total program revenues	<u>2,881,988</u>	<u>1,754,908</u>	<u>\$3,386,542</u>	<u>3,300,427</u>	<u>\$6,268,530</u>	<u>5,055,335</u>
General revenues:						
Income taxes	1,503,823	1,277,269	0	0	1,503,823	2,102,594
Property taxes	1,913,833	2,102,594	0	0	1,913,833	1,277,269
Intergovernmental	1,162,022	1,358,290	0	0	1,162,022	1,358,290
Interest	63,465	120,914	14,449	23,076	77,914	143,990
Miscellaneous	120,821	247,860	3,835	6,761	124,656	254,621
Total general revenues	<u>4,763,964</u>	<u>5,106,927</u>	<u>18,284</u>	<u>29,837</u>	<u>4,782,248</u>	<u>5,136,764</u>
Total revenues	<u>\$7,645,952</u>	<u>\$6,861,835</u>	<u>\$3,404,826</u>	<u>\$3,330,264</u>	<u>\$11,050,778</u>	<u>\$10,192,099</u>

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Program expenses:						
General government	\$1,544,444	\$1,508,885	\$0	\$0	\$1,544,444	\$1,508,885
Security of persons and property	2,642,654	2,365,207	0	0	2,642,654	2,365,207
Public health and welfare	91,653	99,363	0	0	91,653	99,363
Transportation	1,306,700	1,794,180	0	0	1,306,700	1,794,180
Community environment	252,554	195,107	0	0	252,554	195,107
Basic utility services	729,577	734,278	0	0	729,577	734,278
Leisure time activities	349,714	335,771	0	0	349,714	335,771
Interest and fiscal charges	84,624	102,156	0	0	84,624	102,156
Gain and loss on sale of capital assets	26,947	0	0	(25)	26,947	(25)
Sewer	0	0	1,571,763	1,581,298	1,571,763	1,581,298
Water	0	0	1,466,510	1,552,618	1,466,510	1,552,618
Storm Drainage	0	0	64,904	42,407	64,904	42,407
Total expenses	7,028,867	7,134,947	3,103,177	3,176,298	10,132,044	10,311,245
Increase/(decrease) in net assets	\$617,085	(\$273,112)	\$301,649	\$153,966	\$918,734	(\$119,146)

Governmental Activities

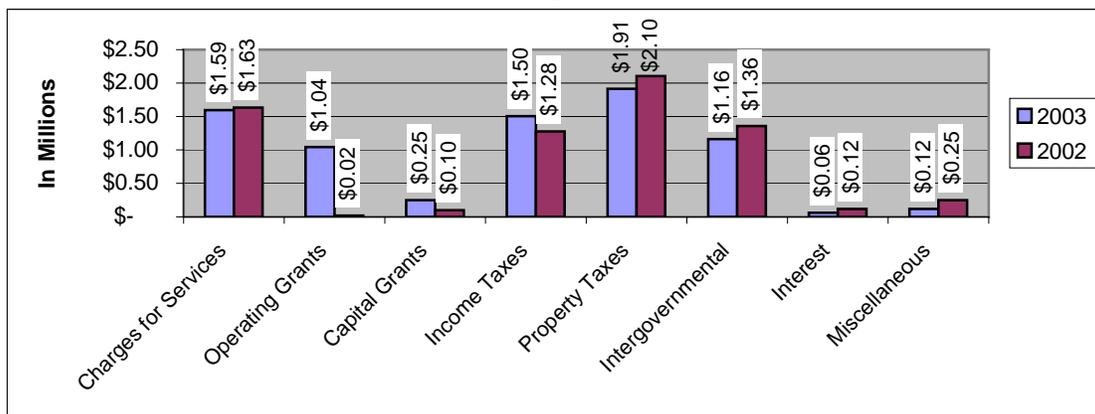
Charges for services were the largest program revenues, accounting for \$1,593,224 or 20.8 percent of total governmental revenues. The major charges for services are the sanitation fees and fines, licenses and permits of the City.

Property tax revenues account for \$1,913,833 or 25.0 percent of total governmental revenues. Another major component of governmental revenues was income taxes, which accounted for \$1,503,823 or 19.7 percent.

Intergovernmental revenues not related to specific programs amounted to \$1,162,022 or 15.2 percent. The majority of these revenues consisted of roll back credits, local government funds, estate tax, and motor vehicle taxes.

REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES

Graph 1



City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. Comparisons to 2002 have been made available.

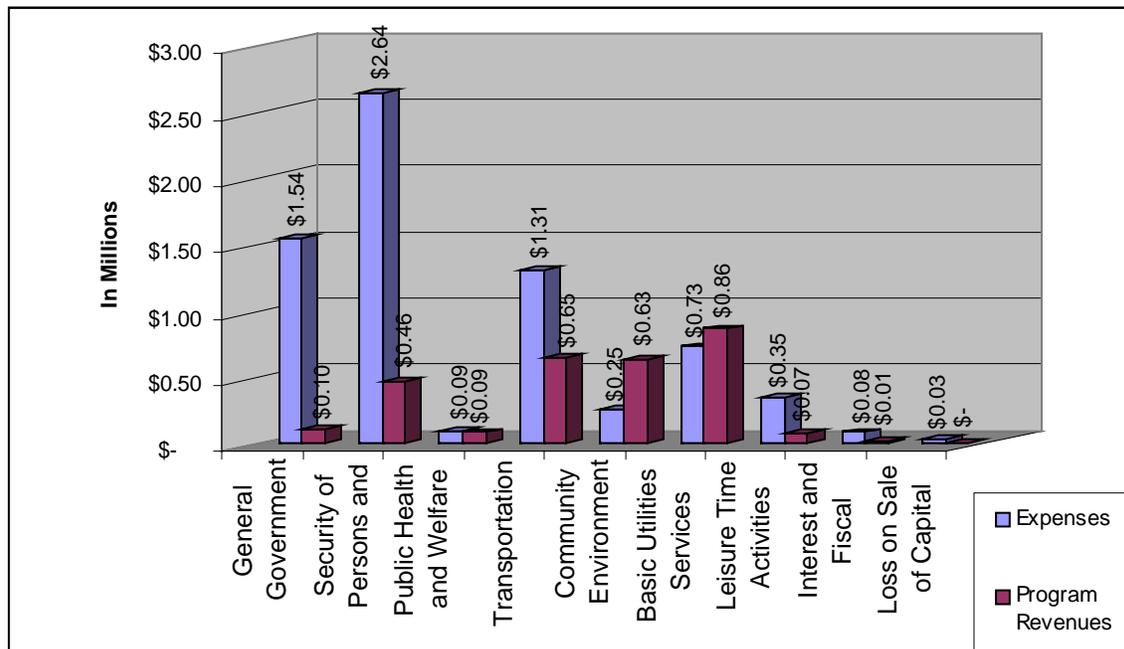
GOVERNMENTAL ACTIVITIES

Table 3

	Total cost of services		Net cost of services	
	2003	2002	2003	2002
General government	\$1,544,444	\$1,508,885	(\$1,440,324)	(\$917,972)
Security of persons and property	2,642,654	2,365,207	(2,181,663)	(2,320,566)
Public health and welfare	91,653	99,363	(6,521)	(19,181)
Transportation	1,306,700	1,794,180	(658,432)	(1,708,155)
Community environment	252,554	195,107	381,020	(151,440)
Basic utility services	729,577	734,278	132,657	51,661
Leisure time activities	349,714	335,771	(276,484)	(212,230)
Interest and fiscal charges	84,624	102,156	(70,185)	(102,156)
Gain and loss on sale of capital assets	26,947	0	(26,947)	0
Total expenses	\$7,028,867	\$7,134,947	(4,146,879)	(\$5,380,039)

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES

Graph 2



City of Vermilion, Ohio
 Management's Discussion and Analysis
 For the Year Ended December 31, 2003
 Unaudited

General government activities include support departments of the mayor, council, finance, engineering, law and other adjunct support services not specifically related to a specific function or activity.

Security of persons and property reflect the costs incurred for police, fire, and safety administration. This is the most significant service provided to the local citizenry. With the advent of increased security precautions made necessary by the events of 9/11, and the addition of a school resource officer, these costs have continued to increase.

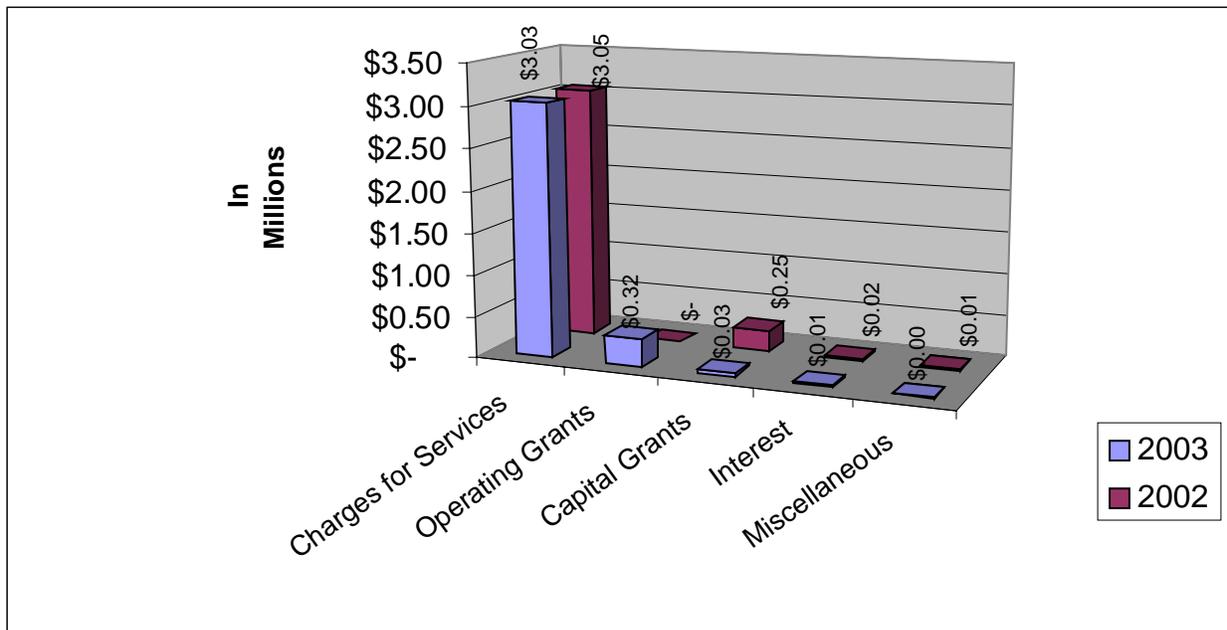
Transportation represents the City's commitment to improving its roads and maintaining access into and out of the City. These costs will continue to fluctuate as more, or less revenues are made available out of available expendable resources. In an effort to continue the high level of attention given to roadways an income tax increase was proposed in 2003. As a result of the current economic climate the citizenry turned down this proposal at the general election in 2003. It is expected that this issue will continue to be discussed.

Business-Type Activities

The business-type activities include water, sewer, and storm water drainage.

The net assets for business-type activities increased from \$1.2 million to \$1.5 million. The increase of the net assets was mainly due to a state grant for a sewer project and decrease in expenses in the sewer fund. Charges for services were the largest program revenue, accounting for \$3,031,701 or 89.0 percent of total business-type revenues.

REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES
 Graph 3

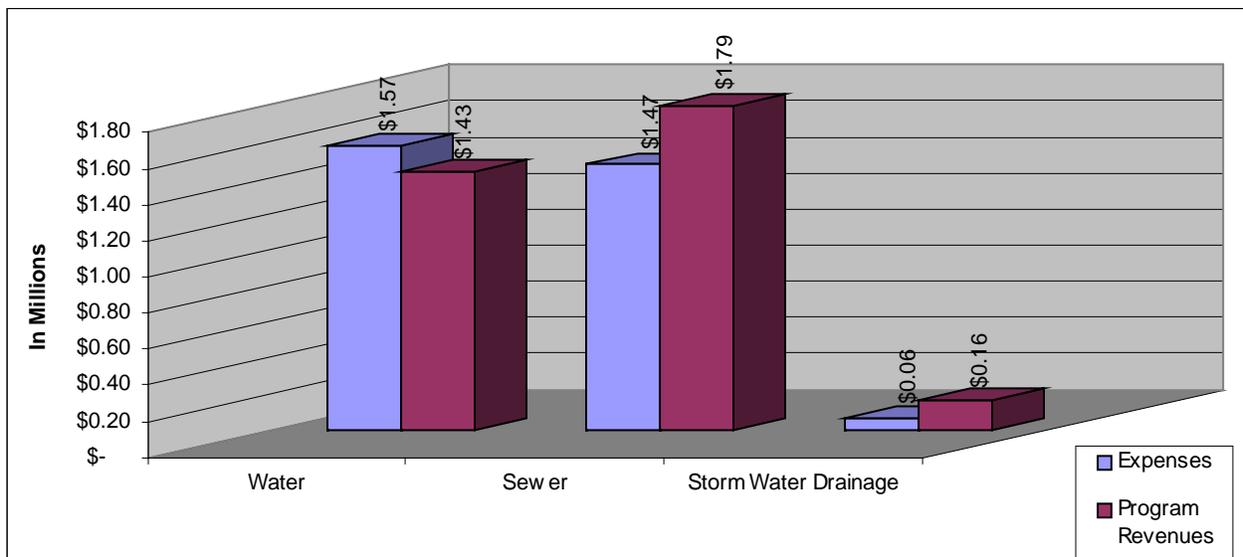


City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Overall changes in net assets for business-type activities ended on an increase of \$301,649. Water operations experienced a \$140,234 negative operating balance for fiscal year 2003. The losses were mainly due to the increase cost of operation in the water fund. Sewer operation performed better than the previous year, which gained \$343,105 from its operation. Revenues were up slightly while the expenses were lower compared to the previous year. For storm water drainage operation, although the revenues were lower and expenses were higher compared to the previous year, the operating balance still resulted in a \$98,778 gain for the current year.

EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES

Graph 4



Financial Analysis of City Funds

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

Governmental Funds – the focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City’s net resources available for spending at the end of the year.

As of December 31, 2003, the City’s governmental funds reported a combined ending fund balance of \$3,498,337, an increase of \$119,412 in comparison with the prior year. \$2,486,191, or 71.1 percent of this total, constitutes unreserved undesignated fund balance, which is available for spending at the City’s discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year (\$288,392) or has been loaned for the long-term to other funds (\$723,754). While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the state or federal government.

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

The General Fund is the primary operating fund of the City. At the end of 2003, unreserved fund balance was \$355,120 while total fund balance was \$1,154,326. As a measure of the General Fund's liquidity it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9.4 percent to total General Fund expenditures, while total fund balance represents 30.7 percent of that same amount.

The fund balance of the City's General Fund decreased by \$106,771 thousand during 2003. The decrease was caused largely in part by the necessity to transfer money to supplement other funds, including the self-insurance fund.

Proprietary Funds – The City maintains three different types of proprietary funds. Enterprise funds are used to report functions presented as a business-type activities on the government-wide financial statements. The City uses enterprise funds to account for Water Fund operations, Sewer Fund operations and Storm Water Drainage lines. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's other programs and activities. The City uses an internal service fund to account for the self-insurance program.

As of December 31, 2003, net assets for the City's enterprise funds were \$1,590,407. Of that total, \$642,363 represents unrestricted net assets that are available for spending at the City's discretion.

As of December 31, 2003, unrestricted net assets in the self-insurance program were (\$212,224). The Self-Insurance Fund has posted operating deficits for several years. Program revenues (premiums) have been insufficient to cover rising claims activity in the City's self-insured hospitalization program. To attempt to offset the operating deficit, the City has negotiated plan changes in its union contracts to provide for increased employee participation (deductibles increased, more stringent enforcement of the plan document, greater use of medical participation options).

Budgetary Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. By State statute, the City Council adopts a temporary operating budget for the City prior to the first day of January. The City Council adopts a permanent annual operating budget for the City prior to the first day of April.

For the General Fund, changes from the original budget to the final budget have been minimal. Fluctuations in growth and diversity have typically not occurred in the City, allowing department managers the ability to consistently predict revenues and expenditures.

Capital Assets and Debt Administration

Capital Assets – The City's capital assets for governmental and business-type activities as of December 31, 2003, were \$18,050,463 (net of accumulated depreciation). This includes land and improvements, buildings and improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure.

For governmental activities, significant capital asset additions during 2003 included a pumper truck and road resurfacing.

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

For business-type activities, major capital asset additions during 2003 included the completion of various waterline projects and meter replacements and various sanitary sewer projects.

Table 4 shows fiscal year 2003 gross capital assets balances for governmental activities and business-type activities (net of depreciation) compared to the prior fiscal year. The capital assets activities during fiscal year 2003 can be found at Note 7 on the notes to the basic financial statements.

CAPITAL ASSETS AT DECEMBER 31, 2003
(NET OF ACCUMULATED DEPRECIATION)

Table 4

	Governmental Activities		Business-Type Activities	
	2003	2002	2003	2002
Land and Land Improvement	\$ 1,387,995	\$ 1,350,453	\$ 109,032	\$ 109,933
Building	1,209,698	1,206,553	2,116,013	2,402,140
Equipment and Furniture	165,145	172,915	1,247,134	965,298
Infrastructure	5,706,764	5,873,516	4,103,034	3,811,124
Traffic Lights	54,715	56,894	-	-
Vehicles	1,213,952	1,076,188	20,431	31,813
Construction in Progress	-	-	716,550	723,794
Total Capital Assets	\$ 9,738,269	\$ 9,736,519	\$ 8,312,194	\$ 8,044,102

Long Term Debt – As of December 31, 2003, the City had total general obligation bonded debt outstanding principal of \$1,156,440. All of this debt is expected to be repaid through governmental activities. The City's long-term general obligation bonded debt decreased by \$99,340 (7.9 percent) during 2003. Other outstanding long-term debt included \$2,980,000 of refunding bonds, O.W.D.A. loans of \$1,929,811 Water and Sewer general obligation bonds of \$1,585,000 and special assessment bonds of \$74,560.

Moody's Investors Services, Inc. has assigned an underlying rating of "A2" to the outstanding general obligation debt of the City.

In addition to the bonded debt, the City's long-term obligations include compensated absences and the unfunded police and fire pension liability. Additional information on the City's long-term debt can be found in Note 9 of this report.

The City retired the \$450,000 of street improvement bond anticipation notes that were issued in 2002.

During 2003, various purpose bond anticipation notes were issued in the amount of \$2,667,000. These notes were issued for water and sanitary sewer projects and replacement of water meters. Note 10 on the notes to the basic financial statements provides information regarding bond anticipation notes.

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Economic Factors

The unemployment rate for Erie County is currently 6.0 percent and Lorain County is 7.3 percent, which are big increases from 5.4 percent and 6.3 percent a year ago, respectively. The State's rate is currently 6.1 percent and the current national rate of 6.0 percent. The increase demonstrates the impact from the national recession.

The City's \$220,767,939 tax base has increased 20.1 percent over the last three years. This increase is attributed to many new construction projects throughout the City and updated real/tangible personal property values.

The City's general fund balance has declined in recent years. This is attributed to the general fund subsidizing other City funds for various projects within the City and transferring money to the self-insurance fund.

The various economic factors were considered in the preparation of the City's 2003 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources.

A further discussion of the City and the economic factors which affect the City and its operations can be found in the transmittal letter of this report.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Laurence Rush, CPA, 5511 Liberty Avenue, Vermilion, Ohio 44089.

City of Vermilion, Ohio
Statement of Net Assets
December 31, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,902,448	\$ 2,754,934	\$ 5,657,382	\$ 90,460
Cash and Cash Equivalents in Segregated Accounts	15,248	-	15,248	-
Cash and Cash Equivalents with Fiscal Agents	365	-	365	-
Receivables:				
Taxes	2,740,502	-	2,740,502	-
Accounts	63,259	185,219	248,478	5,194
Intergovernmental	740,209	324,999	1,065,208	76,854
Special Assessments	97,896	-	97,896	-
Materials and Supplies Inventory	7,334	9,961	17,295	-
Internal Balances	441,834	(441,834)	-	-
Nondepreciable Capital Assets	719,099	821,690	1,540,789	1,059,388
Depreciable Capital Assets, Net	9,019,170	7,490,504	16,509,674	185,244
<i>Total Assets</i>	16,747,364	11,145,473	27,892,837	1,417,140
Liabilities				
Accounts Payable	149,266	61,859	211,125	12,060
Accrued Wages and Benefits	82,375	30,222	112,597	615
Compensated Absences Payable	-	16,827	16,827	-
Intergovernmental Payable	124,200	31,839	156,039	928
Pension Obligation Payable	79,841	13,648	93,489	315
Deferred Revenue	2,255,994	-	2,255,994	-
Claims Payable	65,024	-	65,024	-
Accrued Interest Payable	30,172	77,908	108,080	115,797
Matured Interest Payable	365	-	365	-
Notes Payable	-	2,667,000	2,667,000	960,000
Long-Term Liabilities:				
Due Within One Year	219,456	433,489	652,945	-
Due Within More Than One Year	1,498,164	6,222,274	7,720,438	-
<i>Total Liabilities</i>	4,504,857	9,555,066	14,059,923	1,089,715
Net Assets				
Invested in Capital Assets, Net of Related Debt	8,507,269	948,044	9,455,313	284,632
Restricted for:				
Capital Projects	1,077,828	-	1,077,828	-
Debt Service	156,488	-	156,488	-
Other Purposes	1,592,577	-	1,592,577	-
Unrestricted (Deficit)	908,345	642,363	1,550,708	42,793
<i>Total Net Assets</i>	\$ 12,242,507	\$ 1,590,407	\$ 13,832,914	\$ 327,425

See accompanying notes to the basic financial statements

City of Vermilion, Ohio
Statement of Activities
For the Year Ended December 31, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,544,444	\$ 104,120	\$ -	\$ -
Security of persons and property	2,642,654	413,222	47,769	-
Public health and welfare	91,653	85,132	-	-
Transportation	1,306,700	139	533,051	115,078
Community environment	252,554	233,574	400,000	-
Basic utility services	729,577	669,368	60,000	132,866
Leisure time activities	349,714	73,230	-	-
Interest and fiscal charges	84,624	14,439	-	-
Loss in Sale of Capital Assets	26,947	-	-	-
<i>Total governmental activities</i>	<u>7,028,867</u>	<u>1,593,224</u>	<u>1,040,820</u>	<u>247,944</u>
Business-type activities:				
Water	1,571,763	1,401,471	-	29,842
Sewer	1,466,510	1,466,548	324,999	-
Storm Water Drainage	64,904	163,682	-	-
<i>Total business-type activities</i>	<u>3,103,177</u>	<u>3,031,701</u>	<u>324,999</u>	<u>29,842</u>
<i>Total primary government</i>	<u>\$ 10,132,044</u>	<u>\$ 4,624,925</u>	<u>\$ 1,365,819</u>	<u>\$ 277,786</u>
Component unit:				
Port Authority	<u>\$ 240,759</u>	<u>\$ 126,330</u>	<u>\$ 151,009</u>	<u>\$ -</u>

General revenues:
Income taxes
Property taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets Beginning of Year - As Restated (See Note 17)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (1,440,324)	\$ -	\$ (1,440,324)	\$ -
(2,181,663)	-	(2,181,663)	-
(6,521)	-	(6,521)	-
(658,432)	-	(658,432)	-
381,020	-	381,020	-
132,657	-	132,657	-
(276,484)	-	(276,484)	-
(70,185)	-	(70,185)	-
(26,947)	-	(26,947)	-
<u>(4,146,879)</u>	<u>-</u>	<u>(4,146,879)</u>	<u>-</u>
-	(140,450)	(140,450)	-
-	325,037	325,037	-
-	98,778	98,778	-
<u>-</u>	<u>283,365</u>	<u>283,365</u>	<u>-</u>
<u>\$ (4,146,879)</u>	<u>\$ 283,365</u>	<u>\$ (3,863,514)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,580</u>
\$ 1,503,823	\$ -	\$ 1,503,823	\$ -
1,913,833	-	1,913,833	-
1,162,022	-	1,162,022	-
63,465	14,449	77,914	-
120,821	3,835	124,656	27
<u>4,763,964</u>	<u>18,284</u>	<u>4,782,248</u>	<u>27</u>
617,085	301,649	918,734	36,607
<u>11,625,422</u>	<u>1,288,758</u>	<u>12,914,180</u>	<u>290,818</u>
<u>\$ 12,242,507</u>	<u>\$ 1,590,407</u>	<u>\$ 13,832,914</u>	<u>\$ 327,425</u>

City of Vermilion, Ohio
Balance Sheet
Governmental Funds
December 31, 2003

	General	Street Maintenance and Repair	Fire Operating	Sanitation	Fire Apparatus	Other Governmental Funds	Total Governmental Funds
Assets:							
Cash and Cash Equivalents	\$ 217,177	\$ 60,267	\$ 1,058,850	\$ 202,476	\$ 629,300	\$ 596,126	\$ 2,764,196
Cash and Cash Equivalents with Fiscal and Escrow Agents	-	-	-	-	-	365	365
Receivables:							
Taxes	2,056,124	-	220,768	-	220,768	242,842	2,740,502
Accounts	15,273	-	3,670	34,134	-	10,182	63,259
Intergovernmental	152,403	113,181	14,059	-	14,059	446,507	740,209
Interfund	34,541	-	-	-	-	-	34,541
Special Assessments	-	-	-	-	-	97,896	97,896
Due from Other Funds	146,225	-	-	-	-	-	146,225
Advances to Other Funds	723,754	-	-	-	-	-	723,754
Materials and Supplies Inventory	-	7,334	-	-	-	-	7,334
<i>Total Assets</i>	<u>3,345,497</u>	<u>180,782</u>	<u>1,297,347</u>	<u>236,610</u>	<u>864,127</u>	<u>1,393,918</u>	<u>7,318,281</u>
Liabilities and Fund Balances:							
Liabilities							
Accounts Payable	23,932	16,647	30,305	56,923	2,014	19,445	149,266
Accrued Wages and Benefits	63,007	11,274	6,222	-	-	1,872	82,375
Advances from Other Funds	-	5,554	-	-	-	121,891	127,445
Intergovernmental Payable	75,500	11,758	34,629	-	-	2,313	124,200
Pension Obligation Payable	21,111	5,088	2,159	-	-	587	28,945
Deferred Revenue	2,007,621	71,121	234,827	-	234,827	724,411	3,272,807
Interfund Payable	-	-	-	-	-	34,541	34,541
Matured Interest Payable	-	-	-	-	-	365	365
<i>Total Liabilities</i>	<u>2,191,171</u>	<u>121,442</u>	<u>308,142</u>	<u>56,923</u>	<u>236,841</u>	<u>905,425</u>	<u>3,819,944</u>
Fund Balance (Deficit)							
Reserved for Encumbrances	75,452	36,890	18,896	54,686	-	102,468	288,392
Reserved for Advances	723,754	-	-	-	-	-	723,754
Unreserved:							
Undesignated, Reported in:							
General Fund	355,120	-	-	-	-	-	355,120
Special Revenue Funds	-	22,450	970,309	125,001	-	281,257	1,399,017
Debt Service Funds	-	-	-	-	-	69,401	69,401
Capital Projects Funds	-	-	-	-	627,286	3,532	630,818
Permanent Fund	-	-	-	-	-	31,835	31,835
<i>Total Fund Balances</i>	<u>1,154,326</u>	<u>59,340</u>	<u>989,205</u>	<u>179,687</u>	<u>627,286</u>	<u>488,493</u>	<u>3,498,337</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,345,497</u>	<u>\$ 180,782</u>	<u>\$ 1,297,347</u>	<u>\$ 236,610</u>	<u>\$ 864,127</u>	<u>\$ 1,393,918</u>	<u>\$ 7,318,281</u>

See accompanying notes to the basic financial statements

City of Vermilion, Ohio
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2003

Total Governmental Fund Balances \$ 3,498,337

Amount 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 9,738,269

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

Taxes	289,795	
Intergovernmental	629,122	
Special Assessments	97,896	

Total 1,016,813

An 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 the governmental activities in the statement of net assets (212,224)

Pension obligation payable is pension contributions not expected to be paid with available resources, and therefore, are not reported in the funds (50,896)

Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(1,156,440)	
Special Assessment Bonds	(74,560)	
Compensated Absences	(370,423)	
Police and Fire Unfunded Pension Liabilities	(116,197)	
Accrued Interest Payable	(30,172)	

Total (1,747,792)

Net Assets of Governmental Activities \$ 12,242,507

See accompanying notes to the basic financial statements

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Street Maintenance and Repair	Fire Operating	Sanitation	Fire Apparatus	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 2,832,674	\$ -	\$ 197,896	\$ -	\$ 199,043	\$ 218,945	\$ 3,448,558
Charges for Services	101,405	100	33	669,368	140	192,438	963,484
Fines, Licenses and Permits	507,099	-	-	-	-	102,918	610,017
Intergovernmental	973,198	326,261	113,397	60,000	24,401	325,351	1,822,608
Interest	62,246	-	-	-	-	1,219	63,465
Special Assessments	-	-	-	-	-	23,339	23,339
Other	105,733	39	6,215	-	-	10,713	122,700
<i>Total Revenues</i>	<u>4,582,355</u>	<u>326,400</u>	<u>317,541</u>	<u>729,368</u>	<u>223,584</u>	<u>874,923</u>	<u>7,054,171</u>
Expenditures:							
Current:							
General Government	1,531,271	-	-	-	-	48,825	1,580,096
Security of Persons and Property	1,907,040	-	264,835	-	-	335,507	2,507,382
Public Health and Welfare	-	-	-	-	-	93,930	93,930
Transportation	-	759,890	-	-	-	138,926	898,816
Community Environment	177,155	-	-	-	-	92,661	269,816
Basic Utility Services	-	-	-	729,577	-	-	729,577
Leisure Time Activities	148,495	-	-	-	-	93,961	242,456
Capital Outlay	-	-	-	-	310,029	110,725	420,754
Debt Service:							
Principal Retirement	-	-	860	-	-	104,878	105,738
Interest and Fiscal Charges	-	-	2,506	-	-	83,688	86,194
<i>Total Expenditures</i>	<u>3,763,961</u>	<u>759,890</u>	<u>268,201</u>	<u>729,577</u>	<u>310,029</u>	<u>1,103,101</u>	<u>6,934,759</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>818,394</u>	<u>(433,490)</u>	<u>49,340</u>	<u>(209)</u>	<u>(86,445)</u>	<u>(228,178)</u>	<u>119,412</u>
Other Financing Sources (Uses):							
Transfers In	-	363,000	-	-	-	562,165	925,165
Transfers Out	(925,165)	-	-	-	-	-	(925,165)
<i>Total Other Financing Sources (Uses)</i>	<u>(925,165)</u>	<u>363,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>562,165</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>(106,771)</u>	<u>(70,490)</u>	<u>49,340</u>	<u>(209)</u>	<u>(86,445)</u>	<u>333,987</u>	<u>119,412</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,261,097</u>	<u>129,830</u>	<u>939,865</u>	<u>179,896</u>	<u>713,731</u>	<u>154,506</u>	<u>3,378,925</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 1,154,326</u>	<u>\$ 59,340</u>	<u>\$ 989,205</u>	<u>\$ 179,687</u>	<u>\$ 627,286</u>	<u>\$ 488,493</u>	<u>\$ 3,498,337</u>

See accompanying notes to the basic financial statements.

City of Vermilion, Ohio
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
 of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2003

Net Change in Fund Balances - Governmental Funds		\$ 119,412
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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. This is the amount by which capital outlay exceeded depreciation in the current period		
Capital Asset Additions	861,846	
Current Year Depreciation	(833,149)	
Loss of Sale of Capital Assets	<u>(26,947)</u>	
Total		1,750
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund		
Taxes	(30,902)	
Intergovernmental	383,639	
Special Assessments	<u>(8,900)</u>	
Total		343,837
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities		
General Obligation Bonds	99,340	
Special Assessment Bonds	4,660	
Police and Fire Unfunded Pension Liabilities	<u>1,738</u>	
Total		105,738
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.		
		1,570
Compensated absences and pension obligation payable reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds		
Pension Obligation Payable	61,726	
Compensated Absences	<u>(48,853)</u>	
Total		12,873
The internal service fund used by management to charge the costs of insurance to the individual funds is not reported in the statement of activities governmental fund expenditures and the related internal service fund revenues are eliminated. The net expenses of the internal service fund is allocated among governmental activities		
		<u>31,905</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 617,085</u></u>

See accompanying notes to the basic financial statements

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,874,224	\$ 3,161,997	\$ 2,719,711	\$ (442,286)
Charges for Services	112,556	112,556	101,007	(11,549)
Licenses and Permits	150,000	150,000	175,138	25,138
Fines and Forfeitures	218,736	218,736	327,138	108,402
Intergovernmental	390,133	690,133	959,155	269,022
Interest	125,000	125,000	62,246	(62,754)
Other	65,000	65,000	105,733	40,733
Total Revenues	3,935,649	4,523,422	4,450,128	(73,294)
Expenditures:				
Current:				
Security of Persons and Property				
Safety Administration				
Salaries	12,377	12,377	11,152	1,225
Other	8,855	15,729	7,559	8,170
Police				
Salaries	1,581,463	1,685,114	1,685,105	9
Other	153,053	170,844	166,032	4,812
Total Security of Persons and Property	1,755,748	1,884,064	1,869,848	14,216
Leisure Time Activities				
Park Maintenance				
Salaries	50,369	50,369	46,573	3,796
Other	109,540	111,456	109,741	1,715
Total Leisure Time Activities	159,909	161,825	156,314	5,511
Community Environment				
Building Department				
Salaries	139,485	133,085	132,365	720
Other	60,328	60,255	48,488	11,767
Total Community Environment	199,813	193,340	180,853	12,487
General Government				
Council and Clerk				
Salaries	90,023	91,023	89,018	2,005
Other	12,166	12,140	9,941	2,199
Mayor				
Salaries	84,117	84,798	84,796	2
Other	24,416	22,540	21,086	1,454
Law Director				
Salaries	87,394	87,394	54,546	32,848
Other	2,701	2,701	2,548	153
Finance Director				
Salaries	210,213	196,453	195,643	810
Other	40,500	40,385	35,807	4,578
Municipal Court				
Salaries	441,194	471,323	467,985	3,338
Other	42,635	44,533	43,842	691

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund (Continued)
For the Fiscal Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Other	405,696	391,748	365,630	26,118
Income Tax				
Other	59,176	59,721	43,071	16,650
Boards and Commission				
Salaries	46,797	48,485	48,482	3
Other	16,740	6,453	2,362	4,091
Service Administration				
Salaries	92,412	89,412	89,259	153
Other	55,006	54,758	48,331	6,427
Engineering				
Salaries	27,288	27,316	27,311	5
Other	10,744	11,066	7,658	3,408
Total General Government	<u>1,749,218</u>	<u>1,742,249</u>	<u>1,637,316</u>	<u>104,933</u>
Total Expenditures	<u>3,864,688</u>	<u>3,981,478</u>	<u>3,844,331</u>	<u>137,147</u>
Excess of Revenues Over (Under) Expenditures	70,961	541,944	605,797	63,853
Other Financing Sources (Uses):				
Transfer Out	(481,569)	(925,165)	(925,165)	-
Total Other Financing Sources (Uses)	<u>(481,569)</u>	<u>(925,165)</u>	<u>(925,165)</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(410,608)	(383,221)	(319,368)	63,853
Fund Balances (Deficit) at Beginning of Year	445,019	445,019	445,019	-
Unexpended Prior Year Encumbrances	19,709	19,709	19,709	-
Fund Balances (Deficit) at End of Year	<u>\$ 54,120</u>	<u>\$ 81,507</u>	<u>\$ 145,360</u>	<u>\$ 63,853</u>

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Street Maintenance and Repair Fund
For the Fiscal Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 25	\$ 25	\$ 100	\$ 75
Intergovernmental	327,603	327,603	325,784	(1,819)
Other	2,372	2,372	39	(2,333)
Total Revenues	330,000	330,000	325,923	(4,077)
Expenditures:				
Current:				
Transportation				
Salaries	529,406	519,406	519,402	4
Other	234,670	227,892	226,856	1,036
Total Expenditures	764,076	747,298	746,258	1,040
Excess of Revenues Over (Under) Expenditures	(434,076)	(417,298)	(420,335)	(3,037)
Other Financing Sources (Uses):				
Transfer In	370,000	370,000	363,000	(7,000)
Total Other Sources (Uses)	370,000	370,000	363,000	(7,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(64,076)	(47,298)	(57,335)	(10,037)
Fund Balances (Deficit) at Beginning of Year	64,001	64,001	64,001	-
Unexpended Prior Year Encumbrances	10,750	10,750	10,750	-
Fund Balances (Deficit) at End of Year	\$ 10,675	\$ 27,453	\$ 17,416	\$ (10,037)

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Fire Operating Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 216,545	\$ 216,545	\$ 197,896	\$ (18,649)
Charges for Services	-	-	33	33
Intergovernmental	56,500	56,500	113,397	56,897
Other	-	-	2,545	2,545
Total Revenues	<u>273,045</u>	<u>273,045</u>	<u>313,871</u>	<u>40,826</u>
Expenditures:				
Current:				
Security of Persons and Property				
Salaries	122,940	122,940	116,671	6,269
Other	110,228	139,634	119,985	19,649
Total Expenditures	<u>233,168</u>	<u>262,574</u>	<u>236,656</u>	<u>25,918</u>
Excess of Revenues Over (Under) Expenditures	39,877	10,471	77,215	66,744
Fund Balances (Deficit) at Beginning of Year	935,843	935,843	935,843	-
Fund Balances (Deficit) at End of Year	<u>\$ 975,720</u>	<u>\$ 946,314</u>	<u>\$ 1,013,058</u>	<u>\$ 66,744</u>

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Sanitation Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 775,000	\$ 813,456	\$ 701,053	\$ (112,403)
Intergovernmental	38,456	60,000	60,000	-
Total Revenues	<u>813,456</u>	<u>873,456</u>	<u>761,053</u>	<u>(112,403)</u>
Expenditures:				
Current:				
Basic Utility Services				
Other	911,317	860,900	765,715	95,185
Total Expenditures	<u>911,317</u>	<u>860,900</u>	<u>765,715</u>	<u>95,185</u>
Excess of Revenues Over (Under) Expenditures	(97,861)	12,556	(4,662)	(17,218)
Fund Balances (Deficit) at Beginning of Year	140,955	140,955	140,955	-
Unexpended Prior Year Encumbrances	11,498	11,498	11,498	-
Fund Balances (Deficit) at End of Year	<u>\$ 54,592</u>	<u>\$ 165,009</u>	<u>\$ 147,791</u>	<u>\$ (17,218)</u>

City of Vermilion, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Storm Water Drainage	Total	
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 634,800	\$ 1,612,021	\$ 508,113	\$ 2,754,934	\$ 138,252
Cash and Cash Equivalents in Segregated Accounts	-	-	-	-	15,248
Receivables:					
Accounts	63,922	98,054	23,243	185,219	-
Intergovernmental	-	324,999	-	324,999	-
Materials and Supplies Inventory	9,741	220	-	9,961	-
Total Current Assets	708,463	2,035,294	531,356	3,275,113	153,500
Non-current Assets:					
Nondepreciable Capital Assets	80,940	721,488	19,262	821,690	-
Depreciable Capital Assets, Net	3,822,561	3,063,656	604,287	7,490,504	-
Total Non-current Assets	3,903,501	3,785,144	623,549	8,312,194	-
Total Assets	4,611,964	5,820,438	1,154,905	11,587,307	153,500
Liabilities					
Current Liabilities:					
Accounts Payable	9,856	35,953	16,050	61,859	-
Accrued Wages and Benefits	14,197	16,025	-	30,222	-
Compensated Absences Payable	-	16,827	-	16,827	-
Intergovernmental Payable	16,983	14,856	-	31,839	-
Pension Obligation Payable	6,322	7,326	-	13,648	-
Due to Other Funds	146,225	-	-	146,225	-
Advances from Other Funds	-	295,609	-	295,609	300,700
Claims Payable	-	-	-	-	65,024
Accrued Interest Payable	52,983	23,246	1,679	77,908	-
Notes Payable	935,000	1,422,000	310,000	2,667,000	-
Current Portion of OWDA Loans Payable	50,355	85,062	-	135,417	-
Current Portion of General Obligation Bonds Payable	40,000	35,000	-	75,000	-
Current Portion of Refunding Bonds Payable	90,000	95,000	-	185,000	-
Total Current Liabilities	1,361,921	2,046,904	327,729	3,736,554	365,724
Long-Term Liabilities:					
Compensated Absences	77,089	83,863	-	160,952	-
OWDA Loans Payable (Net Current Portion)	671,891	1,122,503	-	1,794,394	-
General Obligation Bonds Payable (Net Current Portion)	645,000	865,000	-	1,510,000	-
Refunding Bonds Payable (Net Current Portion)	2,360,000	435,000	-	2,795,000	-
Total Long-Term Liabilities	3,753,980	2,506,366	-	6,260,346	-
Total Liabilities	5,115,901	4,553,270	327,729	9,996,900	365,724
Net Assets					
Invested in Capital Assets, Net of Related Debt	(487,922)	1,105,690	330,276	948,044	-
Unrestricted (Deficit)	(16,015)	161,478	496,900	642,363	(212,224)
Total Net Assets	\$ (503,937)	\$ 1,267,168	\$ 827,176	\$ 1,590,407	\$ (212,224)

See accompanying notes to the basic financial statements

City of Vermilion, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Storm Water Drainage	Total	
Operating Revenues					
Charges for Services	\$ 1,401,471	\$ 1,466,548	\$ 163,682	\$ 3,031,701	\$ 789,402
Other Operating Revenues	216	3,619	-	3,835	-
<i>Total Operating Revenues</i>	1,401,687	1,470,167	163,682	3,035,536	789,402
Operating Expenses					
Personal Services	780,525	716,901	-	1,497,426	-
Contractual Services	188,169	367,071	41,208	596,448	-
Materials and Supplies	128,934	74,565	14,349	217,848	-
Claims	4,124	786	92	5,002	757,497
Depreciation	279,566	142,249	9,254	431,069	-
<i>Total Operating Expenses</i>	1,381,318	1,301,572	64,903	2,747,793	757,497
<i>Operating Income (Loss)</i>	20,369	168,595	98,779	287,743	31,905
Non-Operating Revenues (Expenses)					
Interest Income	-	14,449	-	14,449	-
Grants	-	324,999	-	324,999	-
Interest and Fiscal Charges	(190,350)	(101,151)	(1)	(291,502)	-
Loss on Disposal of Capital Assets	(95)	(63,787)	-	(63,882)	-
Capital Contributions	29,842	-	-	29,842	-
<i>Total Non-Operating Revenues (Expenses)</i>	(160,603)	174,510	(1)	13,906	-
<i>Changes in Net Assets</i>	(140,234)	343,105	98,778	301,649	31,905
Net Assets (Deficit) Beginning of Year	(363,703)	924,063	728,398	1,288,758	(244,129)
Net Assets (Deficit) End of Year	<u>\$ (503,937)</u>	<u>\$ 1,267,168</u>	<u>\$ 827,176</u>	<u>\$ 1,590,407</u>	<u>\$ (212,224)</u>

See accompanying notes to the basic financial statements

City of Vermilion, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Business-Type Activities			Total	Governmental Activities - Internal Service Fund
	Water	Sewer	Storm Water Drainage		
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash received from customers	\$ 1,448,830	\$ 1,512,728	\$ 169,822	\$ 3,131,380	\$ 799,642
Cash received from other revenues	216	3,619	-	3,835	-
Cash payments for employee service and benefits	(619,032)	(723,864)	-	(1,342,896)	(730,635)
Cash payments to goods and services	(322,311)	(419,375)	(83,972)	(825,658)	-
Net Cash Provided by Operating Activities	507,703	373,108	85,850	966,661	69,007
Cash Flows from Capital Financing Activities:					
Proceeds of notes	935,000	1,422,000	310,000	2,667,000	-
Payments for capital acquisition	(339,202)	(141,021)	(226,446)	(706,669)	-
Principal paid on notes	(1,105,000)	(1,100,000)	(310,000)	(2,515,000)	-
Principal paid on general obligation bonds	(40,000)	(35,000)	-	(75,000)	-
Principal paid on refunding bonds	(95,000)	(85,000)	-	(180,000)	-
Principal paid on OWDA loans	(47,484)	(84,832)	-	(132,316)	-
Interest paid on notes, bonds and OWDA loans	(226,405)	(102,150)	(5,260)	(333,815)	-
Net Cash Provided by Capital Financing Activities	(918,091)	(126,003)	(231,706)	(1,275,800)	-
Cash Flows from Investing Activities:					
Interest income	-	14,449	-	14,449	-
Net Cash Provided by Investing Activities	-	14,449	-	14,449	-
Net Increase (Decrease) in Cash and Cash Equivalents	(410,388)	261,554	(145,856)	(294,690)	69,007
Cash and Cash Equivalents at Beginning of Year	1,045,188	1,350,467	653,969	3,049,624	84,493
Cash and Cash Equivalents at End of Year	<u>\$ 634,800</u>	<u>\$ 1,612,021</u>	<u>\$ 508,113</u>	<u>\$ 2,754,934</u>	<u>\$ 153,500</u>

(Continued)

City of Vermilion, Ohio
Statement of Cash Flows
Proprietary Funds - Continued
For the Year Ended December 31, 2003

	Business-Type Activities			Total	Governmental
	Water	Sewer	Storm Water Drainage		Activities - Internal Service Fund
Reconciliation of Operating Income to					
Net Cash Provided by Operating Activities:					
Operating Income	\$ 20,369	\$ 168,595	\$ 98,779	\$ 287,743	\$ 31,905
Adjustments to Reconcile Operating Income					
to Net Cash Provided by Operating Activities:					
Depreciation	279,566	142,249	9,254	431,069	-
Total Adjustments	<u>279,566</u>	<u>142,249</u>	<u>9,254</u>	<u>431,069</u>	<u>-</u>
Changes in Assets and Liabilities					
(Increase) Decrease in accounts receivable	47,359	46,180	6,140	99,679	10,240
(Increase) Decrease in inventory	(4,408)	(220)	-	(4,628)	-
Increase (Decrease) in accounts payable	3,324	23,267	(28,323)	(1,732)	-
Increase (Decrease) in accrued wages	2,233	1,730	-	3,963	-
Increase (Decrease) in compensated absences	11,540	(2,116)	-	9,424	-
Increase (Decrease) in due to other governments	12,096	9,033	-	21,129	-
Increase (Decrease) in pension obligation payable	(10,601)	(15,610)	-	(26,211)	-
Increase (Decrease) in due to the funds	146,225	-	-	146,225	-
Increase (Decrease) in claims payable	-	-	-	-	26,862
Total Adjustments	<u>207,768</u>	<u>62,264</u>	<u>(22,183)</u>	<u>247,849</u>	<u>37,102</u>
Net Cash Provided by Operating Activities	<u>\$ 507,703</u>	<u>\$ 373,108</u>	<u>\$ 85,850</u>	<u>\$ 966,661</u>	<u>\$ 69,007</u>

See accompanying notes to the basic financial statements

City of Vermilion, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

Assets

Equity in Pooled Cash and Cash Equivalents	\$ 125,642
Cash and Cash Equivalents in Segregated Accounts	<u>23,588</u>

<i>Total Assets</i>	<u><u>\$ 149,230</u></u>
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Liabilities

Intergovernmental Payable	61,795
Undistributed Monies	23,588
Refundable Deposits	<u>63,847</u>

<i>Total Liabilities</i>	<u><u>\$ 149,230</u></u>
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City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 1 – Description of the City

The City of Vermilion (the “City”) is a charter municipal corporation operating under the laws of the State of Ohio. Vermilion was incorporated as a City in 1962. The current charter provides for a council-mayor form of government. Legislative power is vested in a seven-member council, each elected to two year terms. Five council members are elected from their ward with two elected at large. The four-year term mayor appoints department directors and public members of administrative bodies. The judge for the Vermilion Municipal Court is elected to a six year term.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standard Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standard Board (“FASB”) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

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 City provides various services including police protection, fire fighting and prevention, emergency medical services, street maintenance and repairs, sanitation services, building inspection services, parks and recreation, water and sewer services, water safety and ice breaking services, cemeteries, and a municipal court. The operation of each of these activities is directly controlled by the council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

Component units are legally separate organizations for which the City, as the primary government, 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 the budget, the issuance of debt, or the levying of taxes.

Based on the above criteria, the following organization is included in the City’s financial statements as a discretely presented component unit.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The Vermilion Port Authority – Current state legislation provides for the Port Authority to operate as a separate body politic. The Vermilion Port Authority consists of five members appointed by the Mayor and approved by City Council. Monies are received, and disbursed by the City’s Finance Director on behalf of the Port Authority as directed by the five member board. All Vermilion Port Authority expenditures are subject to Council authorized appropriations. Additionally, all debt issuances are subject to Council approval.

The following potential component units are not part of the reporting entity of the City of Vermilion and are excluded from the financial statements because the City is not financially accountable for these organizations nor does the City approve the budget, the levying of taxes or the issuance of debt for these organizations:

Vermilion Local School District
Firelands Local School District
Ritter Public Library

B. Basis of Presentation

The City’s basis financial statements consist of government-wide financial 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 single business-type activity 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. The policy of the City is to not allocate indirect expenses to the functions in the statement of activities. Program revenues include charges paid by 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, which are not classified as program revenue, 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 business segment or governmental function 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 Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

C. Fund Accounting

The City and Vermilion Port Authority's accounting system is organized and operated on the basis of funds. The operation of each fund is accounted for within a set of self-balancing accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the City's major governmental funds:

General Fund This fund is used to account 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 general laws of Ohio.

Street Maintenance and Repair Fund This fund is used to account for that portion of the State gasoline tax and motor vehicle registration fees designated for street maintenance and repair.

Fire Operating This fund is used to accumulate property taxes levied for the payment of operating expenses of the City's fire department.

Sanitation Fund This fund is used to account for monies received and expended for the administration of the City's trash hauling contract.

Fire Apparatus Fund This fund is used to accumulate property taxes levied for the payment of equipment used by the City's fire department.

Proprietary Funds – Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those found in the private sector. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this approach, the focus is upon the determination of net income, financial position and cash flows. Proprietary funds are classified either enterprise or internal service:

Enterprise Funds The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water Fund This fund accounts for the revenues and expenses of the City owned water system.

Sewer Fund This fund accounts for the revenues and expenses of the City owned sewer system.

Storm Water Drainage Fund This fund accounts for the revenues and expenses of the City owned storm drainage system.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Internal Service Fund The 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 internal service fund is used to account for the operating of the City's self-insurance program for employee health benefits and prescription drugs.

Fiduciary Funds – Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is spilt 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement if results of operations. The City's agency funds account for municipal court operation, collections from commercial building, street opening and state highway patrol, and deposits held for contractors.

D. 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 increase (e.g. revenues) and decrease (e.g. expenses) in the 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 resources (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 fund types 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 increase (i.e., revenues) and decrease (i.e., expenses) in net total assets. The statement of cash flows provides information about the City finances and meets the cash flow needs of its proprietary activities.

Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

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

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Revenue – Exchange and Non-exchange Transaction – 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, including income taxes, estate taxes, motel-hotel taxes, property taxes, estate taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes, estate taxes, and motel-hotel taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal 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 the 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, interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

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

Delinquent property taxes and property taxes for which there is an enforcement legal claim as of December 31, 2003, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met also recorded as deferred revenue.

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

Expense/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 the governmental funds.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within the department for the General Fund and the fund level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget – During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources – The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2003.

Appropriations – A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level in the general fund and at the fund level for all other funds. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated.

Encumbrances – As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

G. Cash and Cash Equivalents

Cash received by the City is deposited into several bank accounts. Monies for all funds, including enterprise funds, are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the City's records. During 2003, investments were limited to repurchase agreements, Star Ohio, the State Treasurer's investment pool, certificates of deposit, and manuscript note. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The City has invested funds in the State Treasurer's Asset Reserve of Ohio (STAROhio) during the fiscal year 2003. STAROhio is an investment pool managed by the State Treasurer's Office, 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, 2003.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$62,246.

The City has segregated bank accounts for monies held separate from the City's central bank accounts. These interest bearing deposit accounts are presented on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City's treasury.

For presentation on the basic financial statements, investments with an original maturity of three months or less are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

H. Materials and Supplies Inventory

On the 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 the fund financial statements, inventories of governmental funds are stated at cost, on the first-in, first-out basis. Cost of inventory items are recorded as expenditures in the governmental fund types when used.

I. 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.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Capital assets were initially determined at December 31, 1989 by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain capital assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 for the governmental activities. No capitalization threshold is used for the business-type activities and component unit. The City's infrastructure consists of roads, guardrails, bridges, water lines, sewer lines and storm water drainage. 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 not capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Depreciation is determined by allocating the cost of capital assets over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

Description	Governmental Activities Estimated Lives	Business-type Activities Estimated Lives	Component Unit Estimated Lives
Buildings	20 Years	20 Years	20 Years
Equipment	5-10 Years	5-10 Years	5-10 Years
Furniture	20 Years	5-10 Years	5-10 Years
Land Improvement	10-20 Years	10-20 Years	10-20 Years
Infrastructure	20 Years	5-50 Years	5-50 Years
Traffic Light	20 Years	-	-
Vehicles	3-5 Years	3-5 Years	3-5 Years

Interest is capitalized on capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2003, interest costs incurred on construction projects were not material.

J. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In accordance with the provision of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if 1) employees' rights to receive compensation are attributable to services already rendered; and 2) it is probable that the City will compensate the employees for the benefits through paid time off or some other means. A liability for sick leave is based on the sick leave accumulated at December 31, 2003. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The entire compensated absences liability is reported on the government-wide statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

K. 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 in the proprietary fund financial statements.

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, special termination benefits 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, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

L. Interfund Transactions

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

During the normal course of operations, the City has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in the governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are treated similarly when involving other funds of the City.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. These amounts are eliminated in the Statement of Net Assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances".

Long-term advances between funds, as reported in the governmental fund financial statements, are often offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

M. Fund Balance Reserves and Designations

Reserved or designated fund balances indicate that portion of fund balance which is not available for current appropriation or use. The unreserved or undesignated portions of fund balance reflected in the governmental funds are available for use within the specific purposes of funds.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The City reports amounts representing encumbrances outstanding, and long-term advances in the governmental funds.

O. 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 the water, sewer, storm water drainage, and self-insurance program. Operating expenses are necessary costs incurred to provide the good and service that is primary activity of the fund.

P. Capital Contributions

Capital contributions in statement of activities and proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Q. 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 accumulated depreciation, reduced by 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 law or regulations of other governments.

R. Estimates

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

S. Extraordinary and Special Items

Extraordinary items are transactions and events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence.

Note 3 – Budgetary Basis of Accounting

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

- Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

- Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- Encumbrances are treated as expenditures/expenses for all funds (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP).
- Short-term note proceeds and note principal retirement for governmental funds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis financial statements to the budgetary basis financial statements for the major governmental funds.

	Net Change in Fund Balances Major Governmental Funds			
	General	Street Maintenance and Repair	Fire Operating	Sanitation
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GAAP Basis	\$ (106,771)	\$ (70,490)	\$ 49,340	\$ (209)
Increase (Decrease):				
Accrued Revenues not included in Budget Basis	(132,227)	(477)	(3,670)	31,685
Accrued Expenses not included in Budget Basis	(158,814)	(29,219)	(14,247)	(90,824)
Encumbrances Outstanding at 12/31/03	78,444	42,851	45,792	54,686
Budget Basis	<u>\$ (319,368)</u>	<u>\$ (57,335)</u>	<u>\$ 77,215</u>	<u>\$ (4,662)</u>

Note 4 – Deposits and Investments

A. Primary Government

Monies held by the City are classified by State Statute into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. U.S. treasury notes, bills, bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase and reverse repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

The City may also invest any monies not required to be used for a period of six months or more in the following:

7. Bonds of State of Ohio;
8. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and obligations of the city.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short-selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Protection of the City’s deposits is provided by the federal deposit insurance corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

During 2003, the City’s investments were limited to a repurchase agreement and certificate of deposit, a manuscript note, and STAR Ohio. During the fiscal year, all investments of the City had a maturity of two years or less. At fiscal year end, the City had \$50 in undeposited cash on hand which is included on the balance sheet of the City as part of “equity in pooled cash and cash equivalents.”

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements.”

Deposits: At year-end, the carrying amount of the City’s deposits, excluding change funds of \$50, was \$751,291 and the bank balance was \$1,065,761. \$231,149 of the bank balance was covered by federal depository insurance. \$834,612 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City’s name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments: GASB Statement No. 3 requires the City to categorize investments to give an indication of the level of risk assumed by the City at year-end. 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 which 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 is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 2	Category 3	Carrying Value	Fair Value
STAR Ohio	\$0	\$0	\$0	\$1,905,076	\$1,905,076
Manuscript Note	960,000	0	0	960,000	960,000
Money Market	0	0	200,988	200,988	200,988
Federal Home Loan Notes	0	2,004,820	0	2,004,820	2,004,820
Total Investments	\$960,000	\$2,004,820	\$200,988	\$5,070,884	\$5,070,884

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. Cash equivalents are defined as investments with original maturities of three months or less.

A reconciliation between the classification of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement 9	\$4,830,390	\$991,835
Cash on Hand	(50)	0
Investments:		
Star Ohio	(1,905,076)	1,905,076
Money Market	(200,988)	200,988
Federal Home Loan Notes	(2,004,820)	2,004,820
Certificates of Deposit	31,835	(31,835)
GASB Statement 3	\$751,291	\$5,070,884

B. Discretely presented Component Unit

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement 9	\$90,460	\$0
Investments:		
Star Ohio	(9,032)	9,032
GASB Statement 3	\$81,428	\$9,032

At December 31, 2003, the carrying amount of the Vermilion Port Authority's deposits was \$81,428 and the bank balance was \$81,428. All of the bank balance was covered by federal depository insurance. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

Notes 5 - Taxes

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts 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 Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Vermilion. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2003 was \$10.75 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Estate – 2002	
Residential/Agricultural/Other	\$203,124,270
Tangible Personal Property – 2002	
Public Utility	5,589,790
General Tangible Personal Property	<u>12,053,879</u>
Total Valuation	<u>\$220,767,939</u>

B. Income Taxes

The City levies a municipal income tax of one percent on all salaries, wages, commission and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of one hundred percent of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are receipted to the General Fund. Fifteen percent of the proceeds collected are allocated, either directly to a project, or indirectly to other funds for the purpose of paying for capital projects.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 6. Receivables

Receivables at December 31, 2003 consisted of taxes, accounts (billing for user charged services), intergovernmental receivables, entitlements or shared revenues, special assessments and interest on investments. All receivables are considered fully collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of intergovernmental receivables follows:

	Governmental Activities	Business-Type Activities	Component Unit
Gasoline Tax	\$ 116,868	\$ -	\$ -
Local Government	27,448	-	-
Permissive Tax	12,536	-	-
Homestead/Rollback	156,215	-	-
Motor Vehicle Registration	5,491	-	-
State Grants	400,000	324,999	76,854
Forfeiture Distribution	1,635	-	-
County Reimbursement	20,016	-	-
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 740,209</u>	<u>\$ 324,999</u>	<u>\$ 76,854</u>

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 7 – Capital Assets

A. Primary Government

Capital asset activity for the fiscal year ended December 31, 2003 was as follows:

	Balance January 1, 2003	Additions	Deletions	Adjustment	Balance December 31, 2003
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 719,099	\$ -	\$ -	\$ -	\$ 719,099
Total capital assets, not depreciated:	719,099	-	-	-	719,099
Capital assets, being depreciated:					
Buildings	1,461,443	33,331	-	-	1,494,774
Equipment	578,859	63,862	(43,393)	-	599,328
Furniture	5,996	5,873	-	-	11,869
Infrastructure	15,550,417	329,507	-	-	15,879,924
Land Improvement	854,994	120,072	-	-	975,066
Traffic Lights	68,195	1,330	-	-	69,525
Vehicles	2,236,423	307,871	(43,136)	-	2,501,158
Total capital assets, being depreciated:	20,756,327	861,846	(86,529)	-	21,531,644
Less accumulated depreciation for:					
Buildings	(254,890)	(30,186)	-	-	(285,076)
Equipment	(411,640)	(65,521)	33,819	(1,517)	(444,859)
Furniture	(300)	(893)	-	-	(1,193)
Infrastructure	(9,676,901)	(496,259)	-	-	(10,173,160)
Land Improvement	(223,640)	(82,530)	-	-	(306,170)
Traffic Lights	(11,301)	(3,476)	-	(33)	(14,810)
Vehicles	(1,160,235)	(152,734)	25,763	-	(1,287,206)
Total accumulated depreciation	(11,738,907)	(831,599)	59,582	(1,550)	(12,512,474)
Total capital assets, being depreciated, net	9,017,420	30,247	(26,947)	(1,550)	9,019,170
Governmental activities capital assets, net	\$ 9,736,519	\$ 30,247	\$ (26,947)	\$ (1,550)	\$ 9,738,269

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Balance January 1, 2003	Additions	Deletions	Adjustment	Balance December 31, 2003
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 105,140	\$ -	\$ -	\$ -	\$ 105,140
Construction in progress	723,794	98,602	(98,970)	(6,876)	716,550
Total capital assets, not being depreciated	<u>828,934</u>	<u>98,602</u>	<u>(98,970)</u>	<u>(6,876)</u>	<u>821,690</u>
Capital assets, being depreciated:					
Building	6,031,339	-	(107,211)	-	5,924,128
Equipment	2,889,909	368,782	(40,287)	-	3,218,404
Furniture	21,078	-	-	-	21,078
Land improvement	43,749	-	-	-	43,749
Infrastructure	4,660,846	401,964	-	(459)	5,062,351
Vehicles	322,051	-	-	-	322,051
Total capital assets, being depreciated	<u>13,968,972</u>	<u>770,746</u>	<u>(147,498)</u>	<u>(459)</u>	<u>14,591,761</u>
Less accumulated depreciation for:					
Building	(3,629,199)	(222,340)	43,424	-	(3,808,115)
Equipment	(1,931,950)	(79,995)	40,192	(5,468)	(1,977,221)
Furniture	(13,739)	(1,388)	-	-	(15,127)
Land improvement	(38,956)	(901)	-	-	(39,857)
Infrastructure	(849,722)	(114,388)	-	4,793	(959,317)
Vehicles	(290,238)	(11,382)	-	-	(301,620)
Total accumulated depreciation	<u>(6,753,804)</u>	<u>(430,394)</u>	<u>83,616</u>	<u>(675)</u>	<u>(7,101,257)</u>
Total capital assets, being depreciated, net	<u>7,215,168</u>	<u>340,352</u>	<u>(63,882)</u>	<u>(1,134)</u>	<u>7,490,504</u>
Business-type activities capital assets, net	<u>\$ 8,044,102</u>	<u>\$ 438,954</u>	<u>\$ (162,852)</u>	<u>\$ (8,010)</u>	<u>\$ 8,312,194</u>

In fiscal year 2003, the City discovered \$126,815 of infrastructure that should have been recorded during the prior year. Therefore, the beginning balance of infrastructure was restated at \$4,660,864 in the current year.

Depreciation expense was charged to the functions/program of the primary government as followed:

Governmental activities	
General government	\$ 32,945
Security of persons and property	159,280
Leisure time activity	89,568
Transportation	<u>549,806</u>
Total depreciation expense – governmental activities	<u>\$ 831,599</u>

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Business-type activities	
Water	\$ 279,566
Sewer	141,574
Storm Drainage	<u>9,254</u>
Total depreciation expense – business-type activities	<u>\$ 430,394</u>

B. Discretely Presented Component Unit

Activity for the Port Authority for the year ended December 31, 2003, was as follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Capital assets, not being depreciated:				
Land	\$ 1,059,388	\$ -	\$ -	\$ 1,059,388
Capital assets, being depreciated:				
Building	90,437	-	-	90,437
Equipment	40,593	698	-	41,291
Land improvement	329,642	-	-	329,642
Total capital assets being depreciated	<u>460,672</u>	<u>698</u>	<u>-</u>	<u>461,370</u>
Less accumulated depreciation for:				
Building	(18,374)	(2,236)	-	(20,610)
Equipment	(21,007)	(3,117)	-	(24,124)
Land improvement	(208,855)	(22,537)	-	(231,392)
Total accumulated depreciation	<u>(248,236)</u>	<u>(27,890)</u>	<u>-</u>	<u>(276,126)</u>
Total capital assets, being depreciated, net	<u>212,436</u>	<u>(27,192)</u>	<u>-</u>	<u>185,244</u>
Port Authority capital assets, net	<u>\$ 1,271,824</u>	<u>\$ (27,192)</u>	<u>\$ -</u>	<u>\$ 1,244,632</u>

Note 8 – Compensated Absences

Employees earn vacation and sick leave at different rates which is also affected by length of service. Vacation cannot be carried over for use in the following year. Sick leave accrual is continuous, without limit. Overtime worked is always paid to employees on the paycheck for the period in which it was worked. Upon retirement or death, employees with seven years of continuous service can be paid a maximum of 720 hours of sick leave, except police department employees who can receive a maximum of 840 hours. Upon retirement, accrued vacation is paid for the time the employees have earned but not used.

The current portion of unpaid compensated absences is recorded as a current liability on the fund financial statements in the fund from which the employees who have accumulated unpaid leave are paid. On the government-wide statements, the entire amount of compensated absences is reported as a liability. As of December 31, 2003 the liability for long-term unpaid compensated absences was \$370,423 for the governmental activities, which would be paid from general, and street maintenance and repair fund; and liability for long-term unpaid compensated absences was \$160,925, which would be paid from water and sewer fund.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 9 – Long-term Obligations

The City's long-term obligations at year-end and a schedule of current year activity follows:

	Interest Rate	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003	Amount Due in One Year
Governmental Activities:						
<u>General obligation bonds</u>						
1995 Vermilion Rd. Sewer-City Portion	6.25%	\$ 90,780	\$ -	\$ (5,340)	\$ 85,440	\$ 5,340
1997 Court Facility	5.75%	445,000	-	(29,000)	416,000	29,000
1997 Street Sweeper	5.75%	50,000	-	(10,000)	40,000	10,000
2000 Park Improvement	4.55-5.90%	520,000	-	(20,000)	500,000	20,000
2001 Motor Vehicle	3.00-3.70%	150,000	-	(35,000)	115,000	35,000
Total general obligation bonds		<u>1,255,780</u>	<u>-</u>	<u>(99,340)</u>	<u>1,156,440</u>	<u>99,340</u>
<u>Special assessment bond</u>						
1995 Vermilion Rd. Sewer-S.A. Portion	6.25%	79,220	-	(4,660)	74,560	4,660
<u>Other long-term obligations</u>						
Compensated Absences		321,570	296,383	(247,530)	370,423	113,645
Police and Fire Unfunded Pension Liability		117,935	-	(1,738)	116,197	1,811
Total other long-term obligations		<u>439,505</u>	<u>296,383</u>	<u>(249,268)</u>	<u>486,620</u>	<u>115,456</u>
Total governmental activities, long-term obligations		<u>\$ 1,774,505</u>	<u>\$ 296,383</u>	<u>\$ (353,268)</u>	<u>\$ 1,717,620</u>	<u>\$ 219,456</u>
Business-type Activities:						
<u>General obligation bonds</u>						
1995 Water Plant Improvement	4.40-6.15%	\$ 725,000	\$ -	\$ (40,000)	\$ 685,000	\$ 40,000
1999 E. Liberty Avenue Phase I	4.15-6.50%	810,000	-	(30,000)	780,000	30,000
2001 Highbridge Rd. Sewer System	3.00-5.00%	125,000	-	(5,000)	120,000	5,000
Total general revenue bonds		<u>1,660,000</u>	<u>-</u>	<u>(75,000)</u>	<u>1,585,000</u>	<u>75,000</u>
<u>Refunding bonds</u>						
2001 Waterwork Improvement	3.00-5.00%	2,545,000	-	(95,000)	2,450,000	90,000
2001 Sanitary Sewage	3.00-4.20%	615,000	-	(85,000)	530,000	95,000
Total refunding bonds		<u>3,160,000</u>	<u>-</u>	<u>(180,000)</u>	<u>2,980,000</u>	<u>185,000</u>

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Business-type Activities:	Interest Rate	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003	Amount Due in One Year
<u>OWDA loans</u>						
1993 West Lake Road						
Water Main Improvement	6.16%	\$ 503,269	\$ -	\$ (29,555)	\$ 473,714	\$ 31,375
1999 High Service Water Pumps	5.86%	266,461	-	(17,929)	248,532	18,980
2001 Park Drive Lift Station	4.38%	86,039	-	(3,290)	82,749	3,398
2001 Contract B Lift Stations /Digesters/Water Resource Restoration	0.20%	1,206,358	-	(81,542)	1,124,816	81,664
Total OWDA loans		<u>2,062,127</u>	<u>-</u>	<u>(132,316)</u>	<u>1,929,811</u>	<u>135,417</u>
Compensated Absences Payable		<u>168,355</u>	<u>105,140</u>	<u>(112,543)</u>	<u>160,952</u>	<u>38,072</u>
Total business-type activities, long-term obligation		<u>\$ 7,050,482</u>	<u>\$ 105,140</u>	<u>\$ (499,859)</u>	<u>\$ 6,655,763</u>	<u>\$ 433,489</u>

General obligation bonds will be paid from the general bond retirement fund from property taxes. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The police pension liability will be paid from taxes receipted in the police pension special revenue fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. The enterprise related general obligation bonds, refunding bonds and OWDA loans will be paid from water and sewer fund user charges.

The amortization schedules for the Park Drive Lift Station OWDA loan and Contract B Lift Stations/Digesters/Water Resource Restoration OWDA loan are not available from OWDA as of the balance sheet date. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003 are as follows:

Years	General Obligation Bonds	Special Assessment Bonds	Police and Fire Pension	OWDA	Water Refunding Bonds	Sewer Refunding Bonds
2004	\$331,190	\$9,320	\$6,731	\$94,100	\$201,858	\$114,568
2005	337,884	9,029	6,731	94,100	204,203	116,675
2006	328,618	8,738	6,731	94,100	206,020	118,325
2007	284,139	8,446	6,731	94,100	202,320	119,440
2008	226,685	8,155	6,731	94,100	193,320	125,040
2009-2013	1,090,928	46,600	33,653	470,051	1,101,780	119,440
2014-2018	1,401,693	17,912	33,653	0	980,573	0
2019-2023	205,525	0	33,653	0	589,250	0
2024-2028	0	0	33,653	0	0	0
2029-2033	0	0	33,653	0	0	0
2034-2035	<u>0</u>	<u>0</u>	<u>9,797</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$4,206,662</u>	<u>\$108,200</u>	<u>\$211,717</u>	<u>\$940,551</u>	<u>\$3,679,324</u>	<u>\$713,488</u>

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The City's overall legal debt margin was \$17,454,035 at December 31, 2003 and the unvoted legal debt margin was \$6,415,638.

Note 10 – Note Debt

The City's short-term notes at year-end and a schedule of current year activity follows:

	Interest Rate	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003
Governmental Activities:					
Street Improvement Notes Series 2002	1.75%	\$ 450,000	-	\$ (450,000)	-
Total governmental activities, short-term notes		<u>\$ 450,000</u>	<u>\$ -</u>	<u>\$ (450,000)</u>	<u>\$ -</u>
Business-type Activities:					
2002 Water Treatment System Improvement Notes	1.70%	\$ 605,000	\$ -	\$ (605,000)	\$ -
Utility Improvement Notes Series 2002-2	1.70%	500,000	-	(500,000)	-
2002 Wastewater Treatment Plant Improvement Notes	1.70%	1,100,000	-	(1,100,000)	-
2002 Highbridge Rd. Storm Sewer Improvement Notes	1.70%	310,000	-	(310,000)	-
Various Purpose Notes Series 2003	1.30%	-	2,015,000	-	2,015,000
Utility Improvement Notes Series 2003	1.45%	-	652,000	-	652,000
Total business-type activities, short-term notes		<u>\$ 2,515,000</u>	<u>\$ 2,667,000</u>	<u>\$ (2,515,000)</u>	<u>\$ 2,667,000</u>

All of the notes are backed by the full faith and credit of the City and mature within one year. The note liability is reflected in the fund that received the proceeds.

The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

Note 11 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

All City full-time employees, other than Police and Firemen, participate in the Ohio Public Employees Retirement System (OPERS) which administered by the Ohio Public Employees Retirement Board. OPERS administers three separate pension plans. The Traditional Pension Plan (TP) is a cost-sharing multiple-employer defined benefit pension plan. The Member-Direct Plan (MD) is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five year at 20% per year). Under the Member-Direct Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The Combined Plan (CO) is a cost-sharing multiple-employer defined pension plan. Under the Combined Plan, employer contribution are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

OPERS provides retirement and disability benefits, survivor and death benefits and annual cost of living adjustments to Traditional Plan and Combined Plan members and beneficiaries. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614)466-2085 or 1-800-222-PERS(7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent. The City's required contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$369,852, \$351,100, \$332,769, and \$251,980 respectively. The full amount has been contributed for 2002 and 2001, and 87.9 percent has been contributed for 2003. \$42,593 representing the unpaid contribution for 2003 is recorded as a liability within the respective funds.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations, while the City is required to contribute 19.5 percent and 24 percent for police officers and firefighters. During 2003, the City did not have paid firefighters. The City's contributions to OP&F for police were \$190,165 for the year ended December 2003, \$179,037 for 2002, and \$132,317 for 2001. The full amount has been contributed for 2002 and 2001, and 73.2 percent has been contributed for 2003. \$50,896, representing the unpaid contribution for 2003, is recorded as a liability in the governmental activities.

Note 12 – Post Employment Benefit

A. Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees must have 10 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 Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate for local government employer units was 13.55% of covered payroll, of which 5.00% was used to fund health care for the year. The Ohio Revised Code provides the statutory authority to require public employers to fund post retirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8.00%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The rates stated above are the actuarially determined contribution requirements for OPERS. The portion of employer contributions that were used to fund post employment benefits was \$136,475. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered position 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 years 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 his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (the “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 full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer’s contribution rate. 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. The Ohio Revised Code provides the statutory authority allowing OP&F Board of Trustees to provide health care coverage to all eligible individual.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expense. The board defined allocation was 7.75 percent of covered payroll in 2002 and 2003. 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 2003 that were used to fund postemployment benefits were \$75,496 for police. The number of participants eligible to receive health care benefits as of December 31, 2002 (the latest information available) was 13,527 for police and 10,396 for firefighters. The Fund’s total health care expenses for the year ending December 31, 2002 (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875.

Note 13 – Risk Management

The City of Vermilion 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 disaster. During 2003, the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Commercial Union	General Liability Property and Crime Automobile Liability	\$1,000 contents \$1,000 buildings Various
Hartford	Boiler Coverage	\$1,000
National Casualty	Public Officials Errors and Omissions Police Liability	\$10,000 \$3,500
Landmark American	Umbrella Coverage	\$10,000
Great American	Yacht Liability	\$2,000

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the City did not significantly reduce its limits of liability during 2003.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

All employees of the City are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

Workers' compensation coverage is provided by the State. 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 provides employees medical, prescription, and dental benefits through a self-insurance program. All funds of the City participate in the program and make payments to the medical self insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The medical self-insurance fund provides coverage for up to a maximum of \$27,500 for each individual. The City utilizes a third party administrator, Self Funded Plans, Inc., to review all claims which are then paid by the City. The cost to the City for the third party administrator is \$5,640 annually. The City purchases stop-loss coverage from Seaboard Life Insurance Company at a cost of \$108,936 annually. Stop-loss coverage provides a maximum of \$1,000,000 per individual for their lifetime. During 2003, a total of \$757,497 was paid in benefits and administrative costs. Changes in the internal service fund's claim liability amount in 2002 and 2003 were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	\$77,222	583,659	(622,719)	\$38,162
2003	\$38,162	784,359	(757,497)	\$65,024

Note 14 – Internal Balances

Internal balances at December 31, 2003 consist of the following individual long-term advance to/from, and short-term due from/to:

Fund	Advance To	Advance From	Due To	Due From
Major Funds:				
General	\$723,754	\$0	\$0	\$146,225
Water	0	0	146,225	0
Sewer	0	295,609	0	0
Other Non-Major				
Governmental Funds	0	127,445	0	0
Self-Insurance	0	300,700	0	0
Total	\$723,754	\$723,754	\$146,225	\$146,225

The long-term advance from in the Sewer Fund is to fund the various capital projects before the receipts of grants or other sources of revenue.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The long-term advance from in the other non-major governmental funds is to provide monies to fund various programs in the special revenue funds and to fund the capital projects before the receipts of grants or other sources of revenue.

The long-term advance from in the Self-Insurance Fund is a result of the liability from City funds to the Self Insurance Fund for the healthcare cost.

The short-term due to in the Water Fund is a result of the liability from the Water Funds to the General Fund for the administrative support.

The interfund payable for the year ended December 31, 2003 consisted of the following:

Fund	Interfund Receivable	Interfund Payable
Major Funds:		
General	\$34,541	\$0
Other Non-Major Governmental Funds	0	34,541
Total	<u>\$34,541</u>	<u>\$34,541</u>

The interfund payable in the other non-major governmental funds is to fund the CDBG project before the receipts of grants.

Interfund transfers for the year ended December 31, 2003 consisted of the following:

Fund	Transfer Out	Transfer In
Major Funds:		
General	\$925,165	\$0
Street Maintenance and Repair	0	363,000
Other Non-Major Governmental Funds	0	562,165
Total	<u>\$925,165</u>	<u>\$925,165</u>

The above mentioned Transfers From/To were used to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 15 – Accountability and Compliance

A. Fund Deficits

The following funds had a deficit fund balance or deficit net assets as of December 31, 2003.

Fund	Deficit Fund Balance	Deficit Net Asset
<u>Capital Projects Fund:</u>		
CDBG	\$108,105	
<u>Enterprise Fund:</u>		
Water		\$503,937
<u>Internal Service Fund:</u>		
Self-Insurance		212,224

The deficit in the CDBG capital projects fund, and Water enterprise fund are largely the result of the recognition of liabilities in accordance with general accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit in the Self-Insurance internal service fund is due to accrued liabilities and failure to adequately fund the healthcare program.

B. Compliance

Expenditures Exceeding Appropriations: Section 5705.41(B), Ohio Revised Code, prohibits the City from making any expenditure of money unless it has been properly appropriated. The CDBG Fund was found to have expenditures exceeding appropriations.

Appropriation Exceeding Estimated Resources: Sections 5705.36 and 5705.39, Revised Code, state that appropriations from each fund shall not exceed the total estimated resources certified as available for expenditure by the county budget commission. The Police Pension Fund, Watercraft Safety Fund and the Contraband Forfeiture Fund were found to have appropriations exceeding estimated resources.

Note 16 – Contingency

A. Primary Government

The City of Vermilion is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Discretely Presented Component Unit

Currently, no potential liability is expected to be incurred by Vermilion Port Authority.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 17 – Restatement of Prior Year Asset, Liabilities and Net Assets,

In fiscal year 2002, the City understated its capital assets by \$126,815.

	<u>Governmental Activities</u>
Net Assets, December 31, 2002	\$ 11,498,607
Restated Asset	<u>126,815</u>
Governmental Activities Net Assets, January 1, 2003	<u><u>\$ 11,625,422</u></u>

In addition, the City also restated the beginning balances of agency fund's assets and liability.

	<u>Agency Funds</u>
Total Assets/Liabilities, December 31, 2002	\$ 158,667
Adjustments	<u>(5,691)</u>
Total Assets/Liabilities, January 1, 2003	<u><u>\$ 152,976</u></u>

Combining Statements
And
Individual Fund Schedules

City of Vermilion, Ohio
Fund Descriptions

Non-Major Special Revenue Funds

Special Revenue Funds are established to account for the proceeds of specific revenue sources (other than major trust and capital projects) that are restricted by law and administrative action to expenditures for specified purposes. The following is a description of the City's non-major special revenue funds.

State Highway Fund – To account for that portion of the State gasoline tax and motor vehicle registration fees designated for maintenance and repair of streets within the City.

Permissive Use Tax Fund – To account for the additional motor vehicle registrations fees designated for maintenance and repair of streets within the City.

Recreation Fund – To account for the operations and maintenance of the City's recreation programs and the operation of the City's public pool.

Miscellaneous Local Funds – To account for monies received by the City from taxes, fees, fines and forfeitures, and state and federal sources which are used to support various local programs.

Non-Major Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term and special assessment principal, interest, and related costs. Since there is only one debt service fund, no combining statement is presented.

Non-Major Capital Projects Funds

The Capital Projects Funds are established to account for financial resources to be used for the construction or acquisition of major capital facilities (other than those financed by proprietary funds).

Park Levy Fund - To account for monies received by the City from taxes are used to support the City's parks.

Miscellaneous Permanent Improvement Fund – To account for monies received by the City from fines and forfeitures, and state and federal sources to support the purchase or replacement of equipment, building improvements, and infrastructure.

CDBG Fund – To account for monies received by the City from state and federal sources to support the community improvement projects.

Non-major Permanent Fund

The Permanent Fund is used to account for the resources received from other parties, including individuals, private organizations, and other governments, whereby the use of the resources are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs. Since there is only one permanent fund, no combining statement is presented.

City of Vermilion, Ohio
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2003

	Non-Major Special Revenue Funds	Non-Major Debt Service Fund	Non-Major Capital Projects Funds	Non-Major Permanent Fund	Total Non-Major Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 325,974	\$ 69,401	\$ 168,916	\$ 31,835	\$ 596,126
Cash and Cash Equivalents: With Fiscal and Escrow Agents	-	365	-	-	365
Receivables:					
Taxes	66,229	66,229	110,384	-	242,842
Accounts	10,182	-	-	-	10,182
Intergovernmental	34,009	4,687	407,811	-	446,507
Special Assessments	-	97,896	-	-	97,896
Total Assets	436,394	238,578	687,111	31,835	1,393,918
Liabilities					
Accounts Payable	16,071	-	3,374	-	19,445
Accrued Wages	1,712	-	160	-	1,872
Pension obligation payable	450	-	137	-	587
Interfund Payable	-	-	34,541	-	34,541
Intergovernmental Payable	2,311	-	2	-	2,313
Deferred Revenue	76,683	168,812	478,916	-	724,411
Matured Interest Payable	-	365	-	-	365
Advances from Other Funds	6,474	-	115,417	-	121,891
Total Liabilities	103,701	169,177	632,547	-	905,425
Fund Balance (Deficit)					
Reserved for Encumbrances	51,436	-	51,032	-	102,468
Undesignated, Report In:					
Special Revenue Funds	281,257	-	-	-	281,257
Debt Service Fund	-	69,401	-	-	69,401
Capital Projects Funds	-	-	3,532	-	3,532
Permanent Fund	-	-	-	31,835	31,835
Total Fund Balance (Deficit)	332,693	69,401	54,564	31,835	488,493
Total Liabilities and Fund Balances	\$ 436,394	\$ 238,578	\$ 687,111	\$ 31,835	\$ 1,393,918

City of Vermilion, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended December 31, 2003

	Non-Major Special Revenue Funds	Non-Major Debt Service Fund	Non-Major Capital Projects Funds	Non-Major Permanent Fund	Total Non-Major Governmental Funds
Revenues					
Taxes	\$ 59,712	\$ 59,712	\$ 99,521	\$ -	\$ 218,945
Intergovernmental	265,486	7,720	52,145	-	325,351
Interest	1,219	-	-	-	1,219
Special Assessments	-	23,339	-	-	23,339
Charges for Services	174,120	-	18,318	-	192,438
Fines, Licenses and Permits	61,930	-	40,988	-	102,918
Miscellaneous	7,840	-	2,873	-	10,713
Total Revenues	570,307	90,771	213,845	-	874,923
Expenditures					
Current:					
Security of Persons and Property	335,507	-	-	-	335,507
Public Health	93,930	-	-	-	93,930
Community Environment	57,821	-	34,840	-	92,661
Transportation	138,926	-	-	-	138,926
General Government	-	-	48,825	-	48,825
Leisure Time Activities	93,961	-	-	-	93,961
Capital Outlay	-	-	110,725	-	110,725
Debt Service:					
Principal Retirement	878	84,000	20,000	-	104,878
Interest and Fiscal Charges	10,341	45,429	27,918	-	83,688
Total Expenditures	731,364	129,429	242,308	-	1,103,101
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(161,057)</u>	<u>(38,658)</u>	<u>(28,463)</u>	<u>-</u>	<u>(228,178)</u>
Other Financing Sources (Uses)					
Transfers In	497,832	53,333	11,000	-	562,165
Total Other Financing Sources (Uses)	497,832	53,333	11,000	-	562,165
Net Change in Fund Balances	336,775	14,675	(17,463)	-	333,987
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>(4,082)</u>	<u>54,726</u>	<u>72,027</u>	<u>31,835</u>	<u>154,506</u>
Fund Balances (Deficit) at End of Year	<u>\$ 332,693</u>	<u>\$ 69,401</u>	<u>\$ 54,564</u>	<u>\$ 31,835</u>	<u>\$ 488,493</u>

City of Vermilion, Ohio
Combining Balance Sheet
Non-Major Special Revenue Funds
December 31, 2003

	State Highway Improvement	Permissive Use Tax	Recreation	Miscellaneous Local	Total Non-Major Special Revenue Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 14,981	\$ 70,457	\$ 14,064	\$ 226,472	\$ 325,974
Receivables:					
Taxes	-	-	-	66,229	66,229
Accounts	-	-	-	10,182	10,182
Intergovernmental	9,178	12,536	-	12,295	34,009
<i>Total Assets</i>	<u>24,159</u>	<u>82,993</u>	<u>14,064</u>	<u>315,178</u>	<u>436,394</u>
Liabilities					
Accounts Payable	-	4,950	-	11,121	16,071
Accrued Wages	-	-	406	1,306	1,712
Pension obligation payable	-	-	195	255	450
Intergovernmental Payable	-	-	2,202	109	2,311
Deferred Revenue	5,767	-	-	70,916	76,683
Advances from Other Funds	-	-	5,474	1,000	6,474
<i>Total Liabilities</i>	<u>5,767</u>	<u>4,950</u>	<u>8,277</u>	<u>84,707</u>	<u>103,701</u>
Fund Balance (Deficit)					
Reserved for Encumbrances	-	40,000	5,596	5,840	51,436
Unreserved:					
Undesignated	18,392	38,043	191	224,631	281,257
<i>Total Fund Balance (Deficit)</i>	<u>18,392</u>	<u>78,043</u>	<u>5,787</u>	<u>230,471</u>	<u>332,693</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 24,159</u>	<u>\$ 82,993</u>	<u>\$ 14,064</u>	<u>\$ 315,178</u>	<u>\$ 436,394</u>

City of Vermilion, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended December 31, 2003

	State Highway Improvement	Permissive Use Tax	Recreation	Miscellaneous Local	Total Non-Major Special Revenue Funds
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 59,712	\$ 59,712
Intergovernmental	25,800	180,793	-	58,893	265,486
Interest	-	-	-	1,219	1,219
Charges for Services	-	-	53,482	120,638	174,120
Fines, Licenses and Permits	-	-	-	61,930	61,930
Miscellaneous	-	-	1,290	6,550	7,840
<i>Total Revenues</i>	<u>25,800</u>	<u>180,793</u>	<u>54,772</u>	<u>308,942</u>	<u>570,307</u>
Expenditures					
Current:					
Security of Persons and Property	-	-	-	335,507	335,507
Public Health	-	-	-	93,930	93,930
Community Environment	-	-	-	57,821	57,821
Transportation	542	138,384	-	-	138,926
General Government	-	-	-	-	-
Leisure Time Activities	-	-	93,961	-	93,961
Debt Service:					
Principal Retirement	-	-	-	878	878
Interest and Fiscal Charges	-	7,853	-	2,488	10,341
<i>Total Expenditures</i>	<u>542</u>	<u>146,237</u>	<u>93,961</u>	<u>490,624</u>	<u>731,364</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>25,258</u>	<u>34,556</u>	<u>(39,189)</u>	<u>(181,682)</u>	<u>(161,057)</u>
Other Financing Sources (Uses)					
Transfers In	-	379,796	40,268	77,768	497,832
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>379,796</u>	<u>40,268</u>	<u>77,768</u>	<u>497,832</u>
<i>Net Change in Fund Balances</i>	25,258	414,352	1,079	(103,914)	336,775
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>(6,866)</u>	<u>(336,309)</u>	<u>4,708</u>	<u>334,385</u>	<u>(4,082)</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 18,392</u>	<u>\$ 78,043</u>	<u>\$ 5,787</u>	<u>\$ 230,471</u>	<u>\$ 332,693</u>

City of Vermilion, Ohio
Combining Balance Sheet
Non-Major Capital Projects Funds
December 31, 2003

	Park Levy	Miscellaneous Permanent Improvement	CDBG	Total Non-Major Capital Projects Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 77,769	\$ 88,274	\$ 2,873	\$ 168,916
Receivables:				
Taxes	110,384	-	-	110,384
Intergovernmental	7,811	-	400,000	407,811
<i>Total Assets</i>	<u>195,964</u>	<u>88,274</u>	<u>402,873</u>	<u>687,111</u>
Liabilities				
Accounts Payable	3,374	-	-	3,374
Accrued Wages	-	-	160	160
Pension obligation payable	-	-	137	137
Interfund Payable	-	-	34,541	34,541
Intergovernmental Payable	-	-	2	2
Deferred Revenue	118,195	-	360,721	478,916
Advances from Other Funds	-	-	115,417	115,417
<i>Total Liabilities</i>	<u>121,569</u>	<u>-</u>	<u>510,978</u>	<u>632,547</u>
Fund Balance (Deficit)				
Reserved for Encumbrances	21,871	3,379	25,782	51,032
Unreserved:				
Undesignated	52,524	84,895	(133,887)	3,532
<i>Total Fund Balance (Deficit)</i>	<u>74,395</u>	<u>88,274</u>	<u>(108,105)</u>	<u>54,564</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 195,964</u>	<u>\$ 88,274</u>	<u>\$ 402,873</u>	<u>\$ 687,111</u>

City of Vermilion, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Year Ended December 31, 2003

	Park Levy	Miscellaneous Permanent Improvement	CDBG	Total Non-Major Capital Projects Funds
Revenues				
Taxes	\$ 99,521	\$ -	\$ -	\$ 99,521
Intergovernmental	12,866	-	39,279	52,145
Charges for Services	18,318	-	-	18,318
Fines, Licenses and Permits	-	40,988	-	40,988
Miscellaneous	-	-	2,873	2,873
<i>Total Revenues</i>	<u>130,705</u>	<u>40,988</u>	<u>42,152</u>	<u>213,845</u>
Expenditures				
Current:				
Community Environment	-	-	34,840	34,840
General Government	-	48,825	-	48,825
Capital Outlay	110,725	-	-	110,725
Debt Service:				
Principal Retirement	20,000	-	-	20,000
Interest and Fiscal Charges	27,918	-	-	27,918
<i>Total Expenditures</i>	<u>158,643</u>	<u>48,825</u>	<u>34,840</u>	<u>242,308</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(27,938)</u>	<u>(7,837)</u>	<u>7,312</u>	<u>(28,463)</u>
Other Financing Sources (Uses)				
Transfers In	-	11,000	-	11,000
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>
<i>Net Change in Fund Balances</i>	(27,938)	3,163	7,312	(17,463)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>102,333</u>	<u>85,111</u>	<u>(115,417)</u>	<u>72,027</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 74,395</u>	<u>\$ 88,274</u>	<u>\$ (108,105)</u>	<u>\$ 54,564</u>

City of Vermilion, Ohio
Agency Funds

Agency funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations. The following is a description of the City's agency funds.

Municipal Court Fund – To account for the activity of the City's municipal court.

Commercial Building Fund – The City serves as collecting and disbursing agent for all projects constructed under the rules governing Ohio Basic Building Code requirements within the City.

Street Openings Fund – To account for money held by the City to insure compliance with various City ordinances regarding street cuts within the City.

Contractors' Deposit Fund – To account for money held by the City to insure compliance with various City ordinances regarding mandatory engineering inspection fee incurred during the contraction progress. Any unspent monies held for inspection fee not applied are returned to the contractors.

State Highway Patrol Fund – To account for fines collected by the Court and held for the benefit of the Ohio State Highway Patrol.

City of Vermilion, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2003

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Municipal Court				
Assets:				
Cash in Segregated Accounts, Restated (See Note 17)	\$ 28,442	1,005,927	1,010,781	\$ 23,588
Total Assets	<u>\$ 28,442</u>	<u>1,005,927</u>	<u>1,010,781</u>	<u>\$ 23,588</u>
Liabilities:				
Undistributed Monies, Restated (See Note 17)	\$ 28,442	1,005,927	1,010,781	\$ 23,588
Total Liabilities	<u>\$ 28,442</u>	<u>1,005,927</u>	<u>1,010,781</u>	<u>\$ 23,588</u>
Commercial Buidling				
Assets:				
Cash and Cash Equivalents	\$ 212	1,191	705	\$ 698
Total Assets	<u>\$ 212</u>	<u>1,191</u>	<u>705</u>	<u>\$ 698</u>
Liabilities:				
Intergovernmental Payable	\$ 212	1,191	705	\$ 698
Total Liabilities	<u>\$ 212</u>	<u>1,191</u>	<u>705</u>	<u>\$ 698</u>
Street Openings				
Assets:				
Cash and Cash Equivalents	\$ 25,786	22,800	21,650	26,936
Total Assets	<u>\$ 25,786</u>	<u>22,800</u>	<u>21,650</u>	<u>26,936</u>
Liabilities:				
Intergovernmental Payable	\$ 25,786	22,800	21,650	26,936
Total Liabilities	<u>\$ 25,786</u>	<u>22,800</u>	<u>21,650</u>	<u>26,936</u>

(Continued)

City of Vermilion, Ohio
Combining Statement of Change in Assets and Liabilities
Agency Funds - Continued
For the Year Ended December 31, 2003

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Contractors' Deposits				
Assets:				
Cash and Cash Equivalents	\$ 53,299	33,321	22,773	\$ 63,847
Accounts Receivable	\$ 4,342	-	4,342	\$ -
Total Assets	<u>\$ 57,641</u>	<u>33,321</u>	<u>27,115</u>	<u>\$ 63,847</u>
Liabilities:				
Accounts Payable	\$ 4,302	-	4,302	\$ -
Refundable Deposits	\$ 53,339	33,321	22,813	\$ 63,847
Total Liabilities	<u>\$ 57,641</u>	<u>\$ 33,321</u>	<u>\$ 27,115</u>	<u>\$ 63,847</u>
State Highway Patrol Transfer				
Assets:				
Cash and Cash Equivalents	\$ 40,895	31,642	38,376	\$ 34,161
Total Assets	<u>\$ 40,895</u>	<u>31,642</u>	<u>38,376</u>	<u>\$ 34,161</u>
Liabilities:				
Intergovernmental Payable	\$ 40,895	31,642	38,376	\$ 34,161
Total Liabilities	<u>\$ 40,895</u>	<u>31,642</u>	<u>38,376</u>	<u>\$ 34,161</u>
Totals				
Assets:				
Cash and Cash Equivalents	\$ 120,192	88,954	83,504	\$ 125,642
Cash in Segregated Accounts	\$ 28,442	1,005,927	1,010,781	\$ 23,588
Accounts Receivable	\$ 4,342	-	4,342	\$ -
Total Assets	<u>\$ 152,976</u>	<u>1,094,881</u>	<u>1,098,627</u>	<u>\$ 149,230</u>
Liabilities:				
Accounts Payable	\$ 4,302	-	4,302	\$ -
Intergovernmental Payable	\$ 66,893	55,633	60,731	\$ 61,795
Undistributed Monies	\$ 28,442	1,005,927	1,010,781	\$ 23,588
Refundable Deposits	\$ 53,339	33,321	22,813	\$ 63,847
Total Liabilities	<u>\$ 152,976</u>	<u>1,094,881</u>	<u>1,098,627</u>	<u>\$ 149,230</u>

**Individual Fund Schedules of Revenues, Expenditures
and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual**

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City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
State Highway Fund
For the Fiscal Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 25,586	\$ 586
Total Revenues	25,000	25,000	25,586	586
Expenditures:				
Current:				
Transportation				
Other	25,000	25,000	20,510	4,490
Total Expenditures	25,000	25,000	20,510	4,490
Excess of Revenues Over (Under) Expenditures	-	-	5,076	5,076
Fund Balances (Deficit) at Beginning of Year	9,905	9,905	9,905	-
Fund Balances (Deficit) at End of Year	\$ 9,905	\$ 9,905	\$ 14,981	\$ 5,076

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Permissive Use Tax Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 180,755	\$ (169,245)
Total Revenues	<u>350,000</u>	<u>350,000</u>	<u>180,755</u>	<u>(169,245)</u>
Expenditures:				
Current:				
Transportation				
Other	110,224	279,217	155,085	124,132
Debt Service:				
Principal Retirement	450,000	450,000	450,000	-
Interest and Fiscal Charges	7,875	7,875	7,853	22
Total Expenditures	<u>568,099</u>	<u>737,092</u>	<u>612,938</u>	<u>124,154</u>
Excess of Revenues Over (Under) Expenditures	(218,099)	(387,092)	(432,183)	(45,091)
Other Financing Sources (Uses):				
Proceeds of Notes	450,000	450,000	-	(450,000)
Transfer In	200,000	200,000	379,796	179,796
Total Other Financing Sources (Uses)	<u>650,000</u>	<u>650,000</u>	<u>379,796</u>	<u>(270,204)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	431,901	262,908	(52,387)	(315,295)
Fund Balances (Deficit) at Beginning of Year	62,898	62,898	62,898	-
Unexpended Prior Year Encumbrances	14,995	14,995	14,995	-
Fund Balances (Deficit) at End of Year	<u>\$ 509,794</u>	<u>\$ 340,801</u>	<u>\$ 25,506</u>	<u>\$ (315,295)</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Recreation Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 55,000	\$ 55,000	\$ 53,482	\$ (1,518)
Other	5,000	5,000	1,290	(3,710)
Total Revenues	<u>60,000</u>	<u>60,000</u>	<u>54,772</u>	<u>(5,228)</u>
Expenditures:				
Current:				
Leisure Time Activities				
Salaries	71,599	78,710	77,585	1,125
Other	7,259	12,978	12,846	132
Total Expenditures	<u>78,858</u>	<u>91,688</u>	<u>90,431</u>	<u>1,257</u>
Excess of Revenues Over (Under) Expenditures	(18,858)	(31,688)	(35,659)	(3,971)
Other Financing Sources (Uses):				
Transfer In	15,000	36,401	40,268	3,867
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>36,401</u>	<u>40,268</u>	<u>3,867</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,858)	4,713	4,609	(104)
Fund Balances (Deficit) at Beginning of Year	3,859	3,859	3,859	-
Fund Balances (Deficit) at End of Year	<u>\$ 1</u>	<u>\$ 8,572</u>	<u>\$ 8,468</u>	<u>\$ (104)</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Police Pension Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 64,962	\$ 64,543	\$ 59,712	\$ (4,831)
Intergovernmental	-	-	7,719	7,719
Total Revenues	64,962	64,543	67,431	2,888
Expenditures:				
Current:				
Security of Persons and Property				
Other	144,458	194,409	194,408	1
Total Expenditures	144,458	194,409	194,408	1
Excess of Revenues Over (Under) Expenditures	(79,496)	(129,866)	(126,977)	2,889
Other Financing Sources (Uses):				
Transfer In	-	-	51,390	51,390
Total Other Financing Sources (Uses)	-	-	51,390	51,390
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(79,496)	(129,866)	(75,587)	54,279
Fund Balances (Deficit) at Beginning of Year	79,586	79,586	79,586	-
Fund Balances (Deficit) at End of Year	\$ 90	\$ (50,280)	\$ 3,999	\$ 54,279

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Watercraft Safety Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 22,552	\$ 12,552
Other	-	-	550	550
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>23,102</u>	<u>13,102</u>
Expenditures:				
Current:				
Security of Persons and Property				
Salaries	19,060	19,060	13,997	5,063
Other	19,051	19,046	18,395	651
Total Expenditures	<u>38,111</u>	<u>38,106</u>	<u>32,392</u>	<u>5,714</u>
Excess of Revenues Over (Under) Expenditures	(28,111)	(28,106)	(9,290)	18,816
Fund Balances (Deficit) at Beginning of Year	16,466	16,466	16,466	-
Fund Balances (Deficit) at End of Year	<u>\$ (11,645)</u>	<u>\$ (11,640)</u>	<u>\$ 7,176</u>	<u>\$ 18,816</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Cemetery Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 77,000	\$ 77,000	\$ 75,057	\$ (1,943)
Interest	3,000	3,000	1,219	(1,781)
Total Revenues	<u>80,000</u>	<u>80,000</u>	<u>76,276</u>	<u>(3,724)</u>
Expenditures:				
Current:				
Public Health and Welfare				
Other	88,742	93,942	93,930	12
Total Expenditures	<u>88,742</u>	<u>93,942</u>	<u>93,930</u>	<u>12</u>
Excess of Revenues Over (Under) Expenditures	(8,742)	(13,942)	(17,654)	(3,712)
Other Financing Sources (Uses):				
Transfer In	-	7,258	15,000	7,742
Total Other Sources (Uses)	<u>-</u>	<u>7,258</u>	<u>15,000</u>	<u>7,742</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(8,742)	(6,684)	(2,654)	4,030
Fund Balances (Deficit) at Beginning of Year	8,742	8,742	8,742	-
Fund Balances (Deficit) at End of Year	<u>\$ -</u>	<u>\$ 2,058</u>	<u>\$ 6,088</u>	<u>\$ 4,030</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Cable T.V. Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 48,000	\$ 48,000	\$ 45,315	\$ (2,685)
Total Revenues	<u>48,000</u>	<u>48,000</u>	<u>45,315</u>	<u>(2,685)</u>
Expenditures:				
Current:				
Community Environment				
Other	77,212	60,496	57,555	2,941
Total Expenditures	<u>77,212</u>	<u>60,496</u>	<u>57,555</u>	<u>2,941</u>
Excess of Revenues Over (Under) Expenditures	(29,212)	(12,496)	(12,240)	256
Fund Balances (Deficit) at Beginning of Year	15,182	15,182	15,182	-
Fund Balances (Deficit) at End of Year	<u>\$ (14,030)</u>	<u>\$ 2,686</u>	<u>\$ 2,942</u>	<u>\$ 256</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Drug Law Enforcement Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$ -	\$ -	\$ 6,827	\$ 6,827
Intergovernmental	50,000	50,000	26,359	(23,641)
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>33,186</u>	<u>(16,814)</u>
Expenditures:				
Current:				
Security of Persons and Property				
Salaries	49,128	50,028	48,849	1,179
Other	7,000	3,150	2,695	455
Total Expenditures	<u>56,128</u>	<u>53,178</u>	<u>51,544</u>	<u>1,634</u>
Excess of Revenues Over (Under) Expenditures	(6,128)	(3,178)	(18,358)	(15,180)
Other Financing Sources (Uses):				
Transfer In	-	-	11,378	11,378
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>11,378</u>	<u>11,378</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(6,128)	(3,178)	(6,980)	(3,802)
Fund Balances (Deficit) at Beginning of Year	11,444	11,444	11,444	-
Unexpended Prior Year Encumbrances	50	50	50	-
Fund Balances (Deficit) at End of Year	<u>\$ 5,366</u>	<u>\$ 8,316</u>	<u>\$ 4,514</u>	<u>\$ (3,802)</u>

City of Vermilion, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Contraband Forfeiture Fund
 For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$ 2,000	\$ 2,000	\$ 10,500	\$ 8,500
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>10,500</u>	<u>8,500</u>
Expenditures:				
Current:				
Security of Persons and Property				
Other	2,383	10,500	10,500	-
Total Expenditures	<u>2,383</u>	<u>10,500</u>	<u>10,500</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(383)	(8,500)	-	8,500
Fund Balances (Deficit) at Beginning of Year	383	383	383	-
Fund Balances (Deficit) at End of Year	<u>\$ -</u>	<u>\$ (8,117)</u>	<u>\$ 383</u>	<u>\$ 8,500</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Indigent Alcohol Treatment Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$ 2,000	\$ 2,000	\$ 4,476	\$ 2,476
Intergovernmental	-	-	5,400	5,400
Total Revenues	2,000	2,000	9,876	7,876
Expenditures:				
Current:				
Public Health and Welfare				
Other	2,122	2,122	-	2,122
Total Expenditures	2,122	2,122	-	2,122
Excess of Revenues Over (Under) Expenditures	(122)	(122)	9,876	9,998
Fund Balances (Deficit) at Beginning of Year	84,146	84,146	84,146	-
Fund Balances (Deficit) at End of Year	\$ 84,024	\$ 84,024	\$ 94,022	\$ 9,998

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Enforcement and Education Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$ 2,000	\$ 2,000	\$ 3,141	\$ 1,141
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>3,141</u>	<u>1,141</u>
Expenditures:				
Current:				
Security of Persons and Property				
Salaries	1,509	1,509	-	1,509
Other	1,020	1,020	-	1,020
Total Expenditures	<u>2,529</u>	<u>2,529</u>	<u>-</u>	<u>2,529</u>
Excess of Revenues Over (Under) Expenditures	(529)	(529)	3,141	3,670
Fund Balances (Deficit) at Beginning of Year	32,449	32,449	32,449	-
Fund Balances (Deficit) at End of Year	<u>\$ 31,920</u>	<u>\$ 31,920</u>	<u>\$ 35,590</u>	<u>\$ 3,670</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Court Computer Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$ 18,000	\$ 18,000	\$ 36,600	\$ 18,600
Total Revenues	<u>18,000</u>	<u>18,000</u>	<u>36,600</u>	<u>18,600</u>
Expenditures:				
Current:				
Security of Persons and Property				
Other	40,256	52,847	45,510	7,337
Total Expenditures	<u>40,256</u>	<u>52,847</u>	<u>45,510</u>	<u>7,337</u>
Excess of Revenues Over (Under) Expenditures	(22,256)	(34,847)	(8,910)	25,937
Fund Balances (Deficit) at Beginning of Year	63,317	63,317	63,317	-
Fund Balances (Deficit) at End of Year	<u>\$ 41,061</u>	<u>\$ 28,470</u>	<u>\$ 54,407</u>	<u>\$ 25,937</u>

City of Vermilion, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Railroad Grade Crossing Fund
 For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Total Revenue	5,000	5,000	-	(5,000)
Expenditures:				
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	5,000	5,000	-	(5,000)
Fund Balances (Deficit) at Beginning of Year	-	-	-	-
Fund Balances (Deficit) at End of Year	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Miscellaneous Trust Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other	\$ 10,000	\$ 15,650	\$ 15,749	\$ 99
Total Revenue	10,000	15,650	15,749	99
Expenditures:				
Current:				
General Government				
Legislative and Executive	-	15,000	9,339	5,661
Total Expenditures	-	15,000	9,339	5,661
Excess of Revenues Over (Under) Expenditures	10,000	650	6,410	5,760
Fund Balances (Deficit) at Beginning of Year	1	1	1	-
Fund Balances (Deficit) at End of Year	\$ 10,001	\$ 651	\$ 6,411	\$ 5,760

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Obligation Bond
For the Fiscal Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 64,962	\$ 64,962	\$ 59,712	\$ (5,250)
Intergovernmental	-	7,443	7,720	277
Total Revenues	64,962	72,405	67,432	(4,973)
Expenditures:				
Debt Service:				
Principal Retirement	50,000	79,340	79,340	-
Interest and Fiscal Charges	25,068	39,039	39,039	-
Total Expenditures	75,068	118,379	118,379	-
Excess of Revenues Over (Under) Expenditures	(10,106)	(45,974)	(50,947)	(4,973)
Other Financing Sources (Uses):				
Transfer In	-	48,000	53,333	5,333
Total Other Financing Sources (Uses)	-	48,000	53,333	5,333
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(10,106)	2,026	2,386	360
Fund Balances (Deficit) at Beginning of Year	10,106	10,106	10,106	-
Fund Balances (Deficit) at End of Year	\$ -	\$ 12,132	\$ 12,492	\$ 360

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Special Assessments Bond
For the Fiscal Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ -	\$ -	\$ 23,339	\$ 23,339
Total Revenues	<u>-</u>	<u>-</u>	<u>23,339</u>	<u>23,339</u>
Expenditures:				
Debt Service:				
Principal Retirement	26,112	25,601	4,660	20,941
Interest and Fiscal Charges	13,325	12,397	6,390	6,007
Total Expenditures	<u>39,437</u>	<u>37,998</u>	<u>11,050</u>	<u>26,948</u>
Excess of Revenues Over (Under) Expenditures	(39,437)	(37,998)	12,289	50,287
Fund Balances (Deficit) at Beginning of Year	44,620	44,620	44,620	-
Fund Balances (Deficit) at End of Year	<u>\$ 5,183</u>	<u>\$ 6,622</u>	<u>\$ 56,909</u>	<u>\$ 50,287</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Park Levy Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 108,272	\$ 108,272	\$ 99,521	\$ (8,751)
Charges for Services	-	-	18,318	18,318
Intergovernmental	-	-	12,866	12,866
Total Revenues	<u>108,272</u>	<u>108,272</u>	<u>130,705</u>	<u>22,433</u>
Expenditures:				
Capital Outlay	159,698	159,387	129,683	29,704
Debt Service:				
Principal Retirement	20,000	20,000	20,000	-
Interest and Fiscal Charge	27,918	27,918	27,918	-
Total Expenditures	<u>207,616</u>	<u>207,305</u>	<u>177,601</u>	<u>29,704</u>
Excess of Revenues Over (Under) Expenditures	(99,344)	(99,033)	(46,896)	52,137
Fund Balances (Deficit) at Beginning of Year	99,421	99,421	99,421	-
Fund Balances (Deficit) at End of Year	<u>\$ 77</u>	<u>\$ 388</u>	<u>\$ 52,525</u>	<u>\$ 52,137</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Fire Apparatus Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 186,000	\$ 186,000	\$ 199,043	\$ 13,043
Charges for Services	-	-	140	140
Intergovernmental	30,545	30,545	24,401	(6,144)
Total Revenues	216,545	216,545	223,584	7,039
Expenditures:				
Capital Outlay	357,000	357,000	310,015	46,985
Total Expenditures	357,000	357,000	310,015	46,985
Excess of Revenues Over (Under) Expenditures	(140,455)	(140,455)	(86,431)	54,024
Fund Balances (Deficit) at Beginning of Year	713,732	713,732	713,732	-
Fund Balances (Deficit) at End of Year	\$ 573,277	\$ 573,277	\$ 627,301	\$ 54,024

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Property Purchase Improvement Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
General Government				
Legislative and Executive	7,400	7,397	6,682	715
Total Expenditures	<u>7,400</u>	<u>7,397</u>	<u>6,682</u>	<u>715</u>
Excess of Revenues Over (Under) Expenditures	(7,400)	(7,397)	(6,682)	715
Other Financing Sources (Uses):				
Transfer In	6,500	6,500	6,500	-
Total Other Sources (Uses)	<u>6,500</u>	<u>6,500</u>	<u>6,500</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(900)	(897)	(182)	715
Fund Balances (Deficit) at Beginning of Year	981	981	981	-
Fund Balances (Deficit) at End of Year	<u>\$ 81</u>	<u>\$ 84</u>	<u>\$ 799</u>	<u>\$ 715</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Computer Purchase Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
General Government	5,800	5,800	400	5,400
Total Expenditures	5,800	5,800	400	5,400
Excess of Revenues Over (Under) Expenditures	(5,800)	(5,800)	(400)	5,400
Other Financing Sources (Uses):				
Transfer In	4,500	4,500	4,500	-
Total Other Sources (Uses)	4,500	4,500	4,500	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(1,300)	(1,300)	4,100	5,400
Fund Balances (Deficit) at Beginning of Year	1,321	1,321	1,321	-
Fund Balances (Deficit) at End of Year	\$ 21	\$ 21	\$ 5,421	\$ 5,400

City of Vermilion, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Street Maintenance Capital Fund
 For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balances (Deficit) at Beginning of Year	19	19	19	-
Fund Balances (Deficit) at End of Year	<u>\$ 19</u>	<u>\$ 19</u>	<u>\$ 19</u>	<u>\$ -</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Bridge Repair Capital Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfer Out	(6,666)	(6,666)	-	6,666
Total Other Sources (Uses)	(6,666)	(6,666)	-	6,666
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(6,666)	(6,666)	-	6,666
Fund Balances (Deficit) at Beginning of Year	6,666	6,666	6,666	-
Fund Balances (Deficit) at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,666</u>	<u>\$ 6,666</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Industrial Development Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
General Government				
Legislative and Executive	955	955	-	955
Total Expenditures	<u>955</u>	<u>955</u>	<u>-</u>	<u>955</u>
Excess of Revenues Over (Under) Expenditures	(955)	(955)	-	955
Fund Balances (Deficit) at Beginning of Year	955	955	955	-
Fund Balances (Deficit) at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 955</u>	<u>\$ 955</u>

City of Vermilion, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Street-Road-Bridge Capital Fund
 For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balances (Deficit) at Beginning of Year	740	740	740	-
Fund Balances (Deficit) at End of Year	<u>\$ 740</u>	<u>\$ 740</u>	<u>\$ 740</u>	<u>\$ -</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Court Building Fund
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$ 11,000	\$ 11,000	\$ 40,698	\$ 29,698
Total Revenues	<u>11,000</u>	<u>11,000</u>	<u>40,698</u>	<u>29,698</u>
Expenditures:				
Current:				
General Government:				
Judicial	45,000	43,272	32,571	10,701
Total Expenditures	<u>45,000</u>	<u>43,272</u>	<u>32,571</u>	<u>10,701</u>
Excess of Revenues Over (Under) Expenditures	(34,000)	(32,272)	8,127	40,399
Fund Balances (Deficit) at Beginning of Year	56,603	56,603	56,603	-
Unexpended Prior Year Encumbrances	2,073	2,073	2,073	-
Fund Balances (Deficit) at End of Year	<u>\$ 24,676</u>	<u>\$ 26,404</u>	<u>\$ 66,803</u>	<u>\$ 40,399</u>

City of Vermilion, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 2001 CDBG Fund - Highbridge Road
 For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 70,000	\$ -	\$ -	\$ -
Total Revenues	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	70,000	-	-	-
Fund Balances (Deficit) at Beginning of Year	-	-	-	-
Fund Balances (Deficit) at End of Year	<u>\$ 70,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
2002 CDBG Fund - Adam Street
For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 70,000	\$ 84,432	\$ -	\$ (84,432)
Other	-	-	2,873	2,873
Total Revenues	<u>70,000</u>	<u>84,432</u>	<u>2,873</u>	<u>(81,559)</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	70,000	84,432	2,873	(81,559)
Other Financing Sources (Uses):				
Advance Out	-	(2,873)	-	2,873
Total Other Sources (Uses)	<u>-</u>	<u>(2,873)</u>	<u>-</u>	<u>2,873</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	70,000	81,559	2,873	(78,686)
Fund Balances (Deficit) at Beginning of Year	-	-	-	-
Fund Balances (Deficit) at End of Year	<u>\$ 70,000</u>	<u>\$ 81,559</u>	<u>\$ 2,873</u>	<u>\$ (78,686)</u>

City of Vermilion, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 2003 CDBG Fund - Downtown Manager
 For the Year Ended December 31, 2003

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 60,323	\$ -	\$ (60,323)
Total Revenues	<u>-</u>	<u>60,323</u>	<u>-</u>	<u>(60,323)</u>
Expenditures:				
Current:				
Community Environment				
Salaries	-	6,779	6,777	2
Other	-	48,220	53,546	(5,326)
Total Expenditures	<u>-</u>	<u>54,999</u>	<u>60,323</u>	<u>(5,324)</u>
Excess of Revenues Over (Under) Expenditures	-	5,324	(60,323)	(65,647)
Fund Balances (Deficit) at Beginning of Year	-	-	-	-
Fund Balances (Deficit) at End of Year	<u>\$ -</u>	<u>\$ 5,324</u>	<u>\$ (60,323)</u>	<u>\$ (65,647)</u>

City of Vermilion, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Cemetery Endowment Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balances (Deficit) at Beginning of Year	31,835	31,835	31,835	-
Fund Balances (Deficit) at End of Year	<u>\$ 31,835</u>	<u>\$ 31,835</u>	<u>\$ 31,835</u>	<u>\$ -</u>

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Statistical Section

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City of Vermilion, Ohio
General Government
Revenue by Sources and Expenses/Expenditures by Function (1)
Last Ten Fiscal Years

	2003		2002		2001
	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual	
Program Revenues					
Charges for Services	\$ 1,593,224	NA	\$ 1,632,455	NA	N/A
Operating Grants and Contributions	1,040,820	NA	20,429	NA	N/A
Capital Grants and Contributions	247,944	NA	102,024	NA	N/A
General Revenues					
Taxes	3,417,656	\$ 3,448,558	3,379,863	\$ 3,377,605	\$ 3,295,621
Intergovernmental	1,162,022	1,822,608	1,358,290	1,477,598	1,332,271
Charges for Services	-	963,484	-	1,063,689	1,193,983
Fines, Licenses and Permits	-	610,017	-	568,766	508,321
Special Assessments	-	23,339	-	8,899	16,755
Interest	63,465	63,465	120,914	120,914	89,063
Other	120,821	122,700	247,860	237,620	88,742
<i>Total</i>	<u>\$ 7,645,952</u>	<u>\$ 7,054,171</u>	<u>\$ 6,861,835</u>	<u>\$ 6,855,091</u>	<u>\$ 6,524,756</u>
Expenses/Expenditures					
General Government	\$ 1,544,444	\$ 1,580,096	\$ 1,508,885	\$ 1,453,072	\$ 1,513,237
Security of Persons and Property	2,642,654	2,507,382	2,365,207	2,263,887	1,982,386
Public Health and Welfare	91,653	93,930	99,363	99,363	92,556
Leisure Time Activities	349,714	242,456	335,771	234,205	850,249
Community Environment	252,554	269,816	195,107	182,444	188,112
Basic Utility Services	729,577	729,577	734,278	779,259	812,530
Transportation	1,306,700	898,816	1,794,180	1,034,286	1,484,586
Capital Outlay	-	420,754	-	287,572	52,342
Loss in Sale of Capital Assets	26,947	-	-	-	-
Debt Service (2)	84,624	191,932	102,156	204,471	249,883
<i>Total</i>	<u>\$ 7,028,867</u>	<u>\$ 6,934,759</u>	<u>\$ 7,134,947</u>	<u>\$ 6,538,559</u>	<u>\$ 7,225,881</u>

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds for modified accrual and all governmental activities for full accrual.

(2) Represents all interest paid on bonds and notes in addition payments made to reduce the principal or the actual amount borrowed. Does not include the gross effect of note rollovers.

<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
N/A						
N/A						
N/A						
\$ 2,963,790	\$ 2,705,561	\$ 2,788,751	\$ 2,400,063	\$ 2,436,513	\$ 2,188,375	\$ 2,602,259
1,423,170	1,528,495	1,288,446	1,271,399	1,203,464	1,302,041	761,320
1,201,257	1,072,293	1,100,700	1,000,228	857,705	922,926	783,879
475,793	325,491	432,788	383,514	342,824	250,516	245,343
-	-	25,513	36,501	40,461	132,664	19,934
126,443	163,301	148,879	131,781	156,724	170,744	85,901
80,973	37,432	127,985	38,382	63,414	66,413	83,637
<u>\$ 6,271,426</u>	<u>\$ 5,832,573</u>	<u>\$ 5,913,062</u>	<u>\$ 5,261,868</u>	<u>\$ 5,101,105</u>	<u>\$ 5,033,679</u>	<u>\$ 4,582,273</u>
\$ 1,361,753	\$ 1,917,199	\$ 1,336,900	\$ 1,223,182	\$ 1,182,360	\$ 1,052,466	\$ 951,934
1,818,443	1,791,768	1,719,430	1,649,169	1,660,126	1,514,657	1,456,322
91,566	80,839	24,096	67,191	97,348	142,742	53,107
218,977	237,481	203,940	237,373	146,356	102,374	97,536
158,584	156,070	173,351	154,294	124,321	89,289	83,720
827,648	786,325	702,984	677,502	689,073	624,882	613,140
1,123,941	1,205,853	624,965	1,628,913	650,450	529,908	577,767
422,905	129,640	91,218	906,609	269,569	470,807	440,376
95,575	93,072	116,695	55,545	65,176	741,797	63,769
<u>\$ 6,119,392</u>	<u>\$ 6,398,247</u>	<u>\$ 4,993,579</u>	<u>\$ 6,599,778</u>	<u>\$ 4,884,779</u>	<u>\$ 5,268,922</u>	<u>\$ 4,337,671</u>

City of Vermilion, Ohio
Property Tax Levies and Collections
Last Nine Fiscal Years (2)

Collection Year	Current Tax Levy	(1) Current Tax Collections	Percent Levy Collected	Outstanding Delinquent Taxes	Percent of Outstanding Delinquent Taxes To Current Tax Levy
1995	\$1,346,079	\$1,306,566	97.1%	\$39,513	2.9%
1996	1,489,516	1,449,496	97.3	40,020	2.7
1997	1,562,396	1,499,081	95.9	63,315	4.1
1998	1,782,649	1,722,333	96.6	60,316	3.4
1999	1,839,190	1,782,495	96.9	56,695	3.1
2000	1,869,087	1,781,086	95.3	88,001	4.7
2001	2,109,662	2,002,617	94.9	143,270	6.8
2002	2,368,245	2,271,574	95.9	143,996	6.1
2003	2,327,852	2,284,681	98.2	91,197	3.9

(1) Represents amounts collected by the Counties for the City during the year indicated.

(2) Information prior to collection year 1995 is not available from the County Auditors.

Source: Lorain County Auditor and Erie County Auditor

City of Vermilion, Ohio
Assessed and Estimated Value of All Taxable Property (1)
Last Ten Fiscal Years

Collection Year	Real Property		Public Utility Tangible Property		Tangible Personal Property		Total		Ratio of Assessed Value to Estimated Actual Value
	Assessed Value	Estimated Value	Assessed Value	Estimated Value	Assessed Value	Estimated Value	Assessed Value	Estimated Value	
1994	\$115,530,120	\$316,657,486	\$6,499,780	\$7,386,113	\$5,785,640	\$23,142,560	\$127,815,540	\$347,186,159	36.81%
1995	127,361,520	383,690,049	7,185,180	8,164,977	6,247,764	24,991,056	140,794,464	416,846,082	33.78
1996	137,408,880	392,596,797	6,700,800	7,614,545	6,789,108	27,156,432	150,898,788	427,367,774	35.31
1997	140,452,580	401,293,083	6,529,950	7,420,398	9,417,683	37,670,722	156,400,213	446,384,203	35.04
1998	161,718,040	462,222,966	6,744,830	7,664,580	10,360,562	41,442,248	178,823,432	511,329,794	34.97
1999	165,693,780	473,410,799	6,497,530	7,383,557	9,478,247	37,913,988	181,669,557	518,708,344	35.02
2000	168,603,910	481,725,499	6,416,590	7,290,895	10,058,712	40,234,850	185,079,212	529,251,194	34.97
2001	198,374,290	566,783,680	6,311,790	7,172,490	10,457,666	41,830,664	215,143,746	615,786,830	34.94
2002	201,582,610	575,950,314	5,339,110	6,067,170	11,296,059	45,184,236	218,217,779	627,201,720	34.79
2003	203,124,270	580,355,057	5,589,790	6,352,034	12,053,879	48,215,516	220,767,939	634,922,607	35.33

- (1) The assessed valuation is computed at approximately the following percentage of estimated actual value:
- a) real property – 35%
 - b) public utility tangible property – 88%
 - c) tangible personal property – 1992-2000 – 25%

Source: Lorain County Auditor and Erie County Auditor

City of Vermilion, Ohio
Property Tax Rates – Direct and Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Fiscal Years

Tax Year	Collection Year	City	Lorain County and Special Taxing Districts	Erie County and Special Taxing Districts	Vermilion Township	Brownhelm Township	Firelands School District	Vermilion School District	Lorain County JVS for Firelands LSD	EHOVE JVS For Vermilion LSD	Total
1993	1994	10.75	11.49	7.00	0.45	1.15	51.55	60.35	2.45	3.95	149.14
1994	1995	10.75	11.49	7.00	0.45	1.15	50.70	60.35	2.45	3.95	148.29
1995	1996	10.75	12.69	6.80	0.45	1.15	50.60	64.30	2.45	3.95	153.14
1996	1997	10.75	12.69	7.30	0.45	1.15	56.35	60.35	2.45	3.95	155.44
1997	1998	10.75	10.79	7.30	0.45	1.15	53.10	59.55	2.45	3.95	149.49
1998	1999	10.75	10.79	7.30	0.45	1.15	53.10	59.55	2.45	3.95	149.49
1999	2000	10.75	10.79	7.30	0.45	1.15	52.70	67.54	2.45	3.95	157.08
2000	2001	10.75	10.79	7.30	0.45	1.15	51.30	66.85	2.45	3.95	154.99
2001	2002	10.75	12.89	9.40	0.45	1.15	51.25	64.00	2.45	3.95	156.29
2002	2003	10.75	12.89	9.40	0.45	1.15	51.09	65.10	3.95	3.95	158.73

Source: Lorain County Auditor and Erie County Auditor

City of Vermilion, Ohio
Property Tax Rates – Compared to Charter Limitations
(Per \$1,000 of Assessed Value)
Last Ten Fiscal Years

<u>Tax Year/ Collection Year</u>	<u>General Fund</u>	<u>Recreation Purposes</u>	<u>Fire Equipment</u>	<u>Bond Retirement</u>	<u>Police Pension</u>	<u>Fire Protection</u>	<u>Total City Millage</u>
1993/1994	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1994/1995	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1995/1996	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1996/1997	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1997/1998	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1998/1999	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1999/2000	7.65	0.50	1.00	0.30	0.30	1.00	10.75
2000/2001	7.65	0.50	1.00	0.30	0.30	1.00	10.75
2001/2002	7.65	0.50	1.00	0.30	0.30	1.00	10.75
2002/2003	7.65	0.50	1.00	0.30	0.30	1.00	10.75

Source: Lorain County Auditor and Erie County Auditor

City of Vermilion, Ohio
Special Assessment Billings and Collections
Last Ten Fiscal Years

<u>Collection Year</u>	<u>Amount Billed</u>	<u>(1) Amount Collected</u>	<u>Percent Collected</u>
1994	\$55,461	\$31,027	55.94%
1995	46,975	35,153	74.83
1996	50,477	41,729	82.67
1997	46,114	37,078	80.41
1998	41,324	30,337	73.41
1999	40,791	16,951	41.56
2000	42,450	16,191	38.14
2001	44,398	21,426	48.83
2002	48,269	20,116	41.67
2003	35,307	23,957	67.85

(1) Collection made by County Auditors only.

Source: Lorain County Auditor and Erie County Auditor

City of Vermilion, Ohio
 Computation of Legal Debt Margin – Statutory Debt Limitations
 December 31, 2003

Statutory (direct) debt limitation

Overall debt limitation 10-1/2% of assessed valuation		\$23,180,634
Gross indebttness	\$10,509,008	
Less: debt not subject to limitation	<u>(4,713,008)</u>	

Debt within 10-1/2% limitation	5,769,000	
Less: amount available in debt service fund	<u>(69,401)</u>	<u>(5,726,599)</u>

Legal debt margin within 10-1/2% limitation		<u><u>\$17,454,035</u></u>
--	--	----------------------------

Unvoted debt limitation 5-1/2% of assessed valuation		\$12,142,237
Gross indebttness	\$10,509,008	
Less: debt not subject to limitation	<u>(4,713,008)</u>	

Debt within 5-1/2% limitation	5,796,000	
Less: amount available in debt service fund	<u>(69,401)</u>	<u>(5,726,599)</u>

Legal debt margin within 5-1/2% limitation		<u><u>\$6,415,638</u></u>
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City of Vermilion, Ohio
Computation of Legal Debt Margin – Constitutional Debt Limitations
December 31, 2003

Constitutional (indirect) debt limitation

Overall debt limitation authorized by Charter	8.7500 mills
Encumbered millage as of December 31, 2003	<u>2.4576 mills</u>
Available millage as of December 31, 2003	<u>6.2924 mills</u>

Assume maturity over a twenty year period with 5.5% annual interest.

City of Vermilion, Ohio
 Computation of Direct and Overlapping Debt
 December 31, 2003

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Vermilion, Ohio (1)	Amount Applicable to City of Vermilion, Ohio
City of Vermilion	\$10,509,008	100.00%	\$10,509,008
Erie County	32,103,000	6.48	2,080,274
Lorain County	<u>25,320,000</u>	2.55	<u>645,660</u>
Totals:	<u>\$67,932,008</u>		<u>\$13,234,942</u>

(1) The percentage of gross indebtedness of the City's overlapping political subdivisions was determined by dividing the overlapping subdivision's assessed valuation with the City by its total assessed valuation.

City of Vermilion, Ohio
Ratio of Net General Debt to Assessed Value
and Net Debt Per Capital
Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value	Gross Debt	Special Assessment Debt	General Obligation Debt
1994	11,127	\$123,815,540	\$4,956,005	\$72,382	\$1,204,000
1995	11,127	140,794,464	3,294,745	152,520	2,168,480
1996	11,127	150,898,788	5,732,347	130,190	2,047,810
1997	11,127	156,400,213	6,193,135	112,860	2,613,050
1998	11,127	178,823,423	6,283,206	95,530	2,482,470
1999	11,127	181,669,557	6,946,348	93,200	3,236,800
2000	10,927	185,079,212	7,252,420	88,540	3,623,460
2001	10,927	215,143,746	11,428,251	83,880	3,745,120
2002	10,927	218,217,779	8,217,127	79,220	2,885,780
2003	10,297	220,767,939	10,509,008	74,560	2,741,440

General Obligation Debt Service Money Available	Net General Obligation Debt (1)	Ratio of Net Debt to Assessed Valuation	Net General Obligation Debt Per Capital
\$33,743	\$1,170,257	0.95%	\$105
51,260	2,117,220	1.50	190
74,743	1,973,067	1.31	177
102,744	2,510,306	1.61	226
78,366	2,404,104	1.34	216
55,906	3,180,894	1.75	286
39,363	3,584,097	1.94	328
0	3,745,120	1.74	343
54,726	2,831,054	1.30	259
12,492	2,728,948	1.24	265

(1) Does not include special assessment debt.

City of Vermilion, Ohio
Ratio of Annual Debt Service Expenditures
for General Bonded Debt to Total General Government Expenditures
Last Ten Fiscal Years

Year	(1) General Obligation Principal	General Obligation Interest	(2) General Obligation Debt Service	Total General Government Operating Expenditures	Ratio of General Obligation Debt Service to General Government Operating Expenditures
1994	\$104,000	\$93,724	\$197,724	\$4,337,671	4.56%
1995	103,000	87,410	190,410	5,268,922	3.61
1996	120,670	143,384	264,054	4,884,779	5.41
1997	120,670	135,633	256,303	6,599,778	3.88
1998	130,670	167,750	298,420	4,993,579	5.98
1999	130,670	159,827	290,497	6,398,247	4.54
2000	163,340	217,603	380,943	6,119,392	6.23
2001	188,340	341,693	530,033	7,225,881	7.34
2002	829,340	541,082	1,370,422	6,538,559	20.96
2003	105,738	86,194	191,932	6,934,759	2.77

(1) Does not include the rollover of principal due under bond anticipation notes.

(2) Debt service on General Obligation Bonds and Notes does not include debt service on Special Assessment Bonds and Notes.

City of Vermilion, Ohio
Demographic Statistics
Last Ten Fiscal Years

Year	(1) Population	(2) Vermilion Local School District	(2) Firelands Local School District	(3) Lorain County Unemployment Rate	(3) Erie County Unemployment Rate
1994	11,127	2,252	2,701	5.2%	5.9%
1995	11,127	2,176	2,732	4.9	6.4
1996	11,127	2,212	2,770	5.2	6.4
1997	11,127	2,153	2,721	5.1	5.8
1998	11,127	2,214	2,626	4.9	5.0
1999	11,127	2,071	2,296	4.3	4.8
2000	10,927	2,118	2,472	4.4	5.1
2001	10,927	2,530	2,135	5.7	5.3
2002	10,927	2,555	2,174	6.3	5.4
2003	10,927	2,425	2,189	7.3	6.0

(1) Census Statistics

(2) Records are not kept for each City by the Schools. School population is for district taken as a whole.

(3) Ohio Bureau of Employment Services Labor Marketing Information Department.

City of Vermilion, Ohio
 Construction, Bank Deposits and Assessed Property Values
 Last Ten Fiscal Years

Year	(1) Resident & Commercial Construction Value	(1) Residential & Commercial Construction Units	(2) County Bank Deposits (In Thousands)	(3 and 4) Total Assessed Property Values
1994	(5)	(5)	\$1,048,784	\$123,815,540
1995	(5)	(5)	1,052,214	140,794,464
1996	(5)	(5)	1,134,515	150,898,788
1997	(5)	(5)	1,188,994	156,400,213
1998	(5)	(5)	733,468	178,823,423
1999	\$4,625,000	25	747,281	181,669,557
2000	\$4,625,000	25	792,072	185,079,212
2001	\$5,675,466	37	854,344	215,143,746
2002	\$6,178,573	42	1,049,399	218,163,779
2003	\$8,868,761	53	1,054,868	220,797,939

(1) City of Vermilion Building Department.

(2) Federal Reserve Bank of Cleveland (total demand, time and saving deposits in Lorain and Erie County).

(3) Lorain and Erie County Auditors' Office.

(4) Represents the values assessed for taxation which range from 25% to 88% of estimated true value.

(5) Records not available prior to fiscal year 1999. Full-time local building department just initiated in 1999.

City of Vermilion, Ohio
Principal Taxpayers – Real Property
December 31, 2003

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Ohio Edison Co.	\$1,198,970	0.59%
Crystal Shore Apartments LTD	1,095,710	0.54
Vermilion F & H	1,094,650	0.53
Elden Properties LTD	997,460	0.49
Kingston Healthcare Co.	883,360	0.43
Acuity Lighting Group, Inc	787,950	0.39
Liberty Investment Group	787,040	0.39
Century Telephone of Ohio	581,630	0.29
WEC 97F Vermilion	525,000	0.26
Emmons Realty	<u>505,030</u>	<u>0.25</u>
	\$ <u><u>8,456,800</u></u>	<u><u>4.16%</u></u>
Total assessed valuation	\$ <u><u>203,124,270</u></u>	

Sources: Lorain and Erie County Auditors' Office.

City of Vermilion, Ohio
Principal Taxpayers – Personal Property
December 31, 2003

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Liberty Ford Lincoln	\$2,449,540	13.88%
Parnassos L P	1,628,890	9.23
Sharpnack Chevrolet Co	765,800	4.34
Liberty Vermilion Chrysler	434,640	2.46
Freeman-Eckley	361,130	2.05
Discount Drug Mart Inc	344,480	1.95
Riser Food Company	338,540	1.92
Coleys Inc	246,910	1.40
Carter Jones Lumber	180,100	1.02
Dewey Furniture & Carpet	<u>158,670</u>	<u>0.90</u>
	\$ <u><u>6,908,700</u></u>	<u><u>39.15%</u></u>
Total assessed valuation	\$ <u><u>17,645,669</u></u>	

Source: Lorain and Erie County Auditors' Office.

City of Vermilion, Ohio
Miscellaneous Statistics
December 31, 2003

Date of incorporation	1961
Form of government	Mayor-Council
Area	15 Square miles
Miles of streets	51
Number of street lights	420
Fire protection:	
Number of stations	2
Number of volunteer firemen and officers	42
Police protection:	
Number of stations	1
Number of full-time policemen and officers	19
Sewers:	
Sanitary sewers	47 miles
Water:	
Water mains	60 miles
Fire hydrants	37
Building permits issued for new construction:	
Residential	50
Nonresidential	3
Recreation:	
Number of parks	5
Employees:	
Full-time (classified)	63
Part-time	75

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**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

CITY OF VERMILION

ERIE 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
SEPTEMBER 30, 2004**