

***CITY OF VERMILION, OHIO***  
***Comprehensive Annual Financial Report***  
***For the year ended December 31, 2004***

Prepared By:  
Laurence Rush, Finance Director  
Department of Finance





**Auditor of State  
Betty Montgomery**

To the Honorable Mayor and City Council  
City of Vermilion  
Vermilion, Ohio

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 26, 2005

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 Comprehensive Annual Financial Report  
 December 31, 2004  
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## Introductory Section



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

July 29, 2005

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, 2004. In addition, this report includes the implementation of the new reporting model as promulgated by Governmental Accounting Standards Board (GASB) Statement No. 34.

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 sixth 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 2003 Certificate of Achievement for Excellence in Financial Reporting. The financial section, which begins with the Independent Auditors' Report, 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 Independent Auditors' Report.

## **REPORTING ENTITY**

For financial purposes, the City includes all funds, 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**

	<b>Within Lorain County</b>	<b>Within Erie County</b>
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 \$5,000 and a loss of income tax in the amount of \$60,000. 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 still in the process of being designed. The Sunnyside sewer was recently completed and is currently in the process of being assessed. 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. These developments are continuing to be developed and expanded.

## **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. At the end of 2004 a second round of downtown grants was approved and accepted. This second round will provide for streetscape improvements and proposed removal of private entity coal vaults in the right of way.

In 2004, an agreement was concluded with Brownhelm Township to provide for the joint action of the City and the Township to pave various roads within the Brownhelm portion of the City. The amount of the Township contribution is expected to be approximately \$75,000 per year on an ongoing basis. This continuing effort of cooperation is expected to be continued.

A major sewer improvement was concluded in 2004 that improved the Lagoons area of the City of Vermilion. This project was constructed with the use of Issue II grant funds, City contribution, and specific property assessments. A second resident initiative will commit \$450,000 of City funds for the improvement of roads and storm drains in this same area. This overall improvement will continue to benefit the property owners of this improved area and the City's sewer system as a whole. Additionally, the storm water improvements will help to alleviate problems of infiltration of storm water into the sanitary system. It is expected that this project will be concluded by the end of 2005.

## **FINANCIAL INFORMATION**

### *Basis of Accounting*

The City of Vermilion's accounting system is organized on a "fund basis". Each fund is defined as 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.

All governmental funds are required to be appropriated. Budgetary statements are presented on the basis of accounting similar to cash basis, whereas the basic financial statements are presented on the GAAP basis.

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 2004. The City's general fund unencumbered cash balance at year-end was \$275,360. This represents 7% 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 2004, \$84,332 of interest was deposited in the General Fund, \$442 in the Miscellaneous Local Fund, and \$14,924 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.

## **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 2003 report and received a Certificate of Achievement for Excellence in Financial Reporting, which marked the fifth 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, 2004, by our independent auditor, Rea and 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**

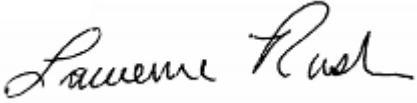
The publication of this CAFR represents an important achievement in the ability of the City of Vermilion to provide significantly enhanced financial information and accountability to the citizens of the City, its elected officials, City management, and investors. This report continues the aggressive 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 black ink that reads "Laurence Rush". The signature is written in a cursive style with a large initial 'L' and 'R'.

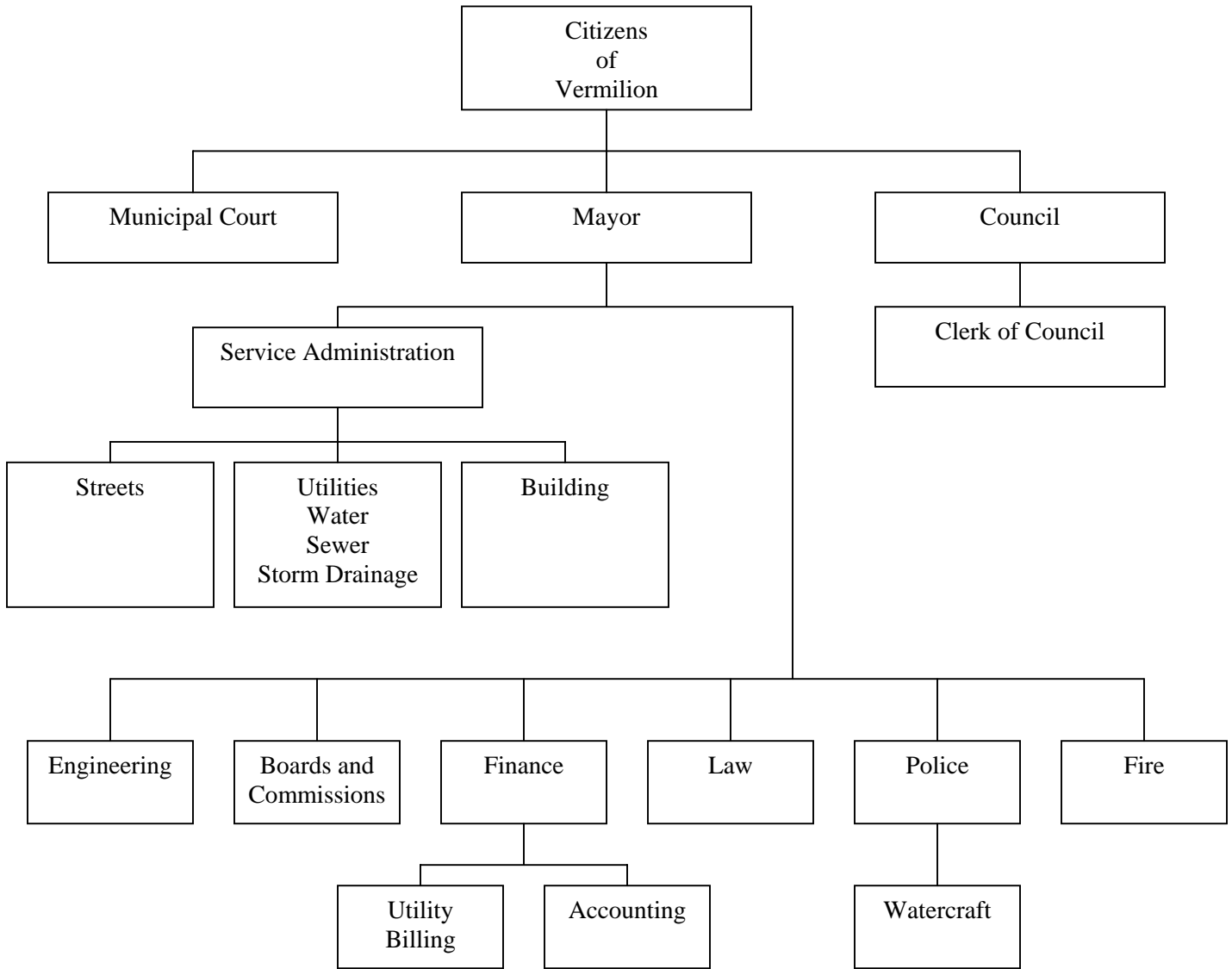
Laurence Rush, C.P.A.  
Finance Director

**City of Vermilion  
City Officials  
December 31, 2004**

<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	1/1/03 – 12/31/05	None	
Donald Flak	Councilman	1/1/03 – 12/31/05	None	
Joel Luby	Councilwoman	1/1/03 – 12/31/05	None	
Heidi Strickler	Councilman	1/1/03 – 12/31/05	None	
Steve Holoyacs	Councilman	1/1/03 – 12/31/05	None	
Sheri Haponek	Councilwoman	1/1/03 – 12/31/05	None	
Greg Butchko	Councilman	1/1/03 – 12/31/05	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: St. Paul Insurance Company

**City of Vermilion  
Organization Chart  
December 31, 2004**



# 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, 2003

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



*Nancy L. Zielle*

President

*Jeffrey R. Emer*

Executive Director

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## Financial Section

# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

July 29, 2005

To the Honorable Mayor and City Council  
City of Vermilion  
Erie County, Ohio

## INDEPENDENT AUDITOR'S REPORT

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the component unit, each major fund, and the aggregate remaining fund information of the City of Vermilion, as of December 31, 2004, the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund, street maintenance and repair fund, fire operating fund, and the sanitation fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2005, on our consideration of the City of Vermilion's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 to 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Vermilion's basic financial statements. The introductory section, combining and individual nonmajor statements and schedules, and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund statements to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section or statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Hea & Associates, Inc.*



City of Vermilion, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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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, 2004. 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 2004 are as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$14.6 million (net assets). Of this amount, \$1.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$0.77 million or 6% over 2003.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4.4 million, an increase of \$0.9 million, or 26%, in comparison of the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$0.6 million, or 15% of the total general fund expenditures.
- The City's total long-term debt obligation increased \$2.6 million, or 31%, during the current fiscal year. The key factor in this increase was the new issuances of bonds for the business-type activities.

## **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.

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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.

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 on page 17 through 19 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of 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.

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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.

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.

The governmental fund financial statements can be found starting on page 20 through 28 of this report.

**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. All enterprise 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 29 through 32 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 34 through 64 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 65 through 102 of the report.

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**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Vermilion, assets exceeded liabilities by \$14,599,243 at the close of the fiscal year.

City of Vermilion's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 8,147,323	\$ 7,009,095	\$ 2,082,677	\$ 2,833,279	\$ 10,230,000	\$ 9,842,374
Capital assets	9,608,786	9,738,269	10,543,274	8,312,194	20,152,060	18,050,463
<b>Total assets</b>	<b>17,756,109</b>	<b>16,747,364</b>	<b>12,625,951</b>	<b>11,145,473</b>	<b>30,382,060</b>	<b>27,892,837</b>
Current liabilities	3,284,483	2,787,237	1,553,016	2,899,303	4,837,499	5,686,540
Long-term liabilities	1,674,775	1,717,620	9,270,543	6,655,763	10,945,318	8,373,383
<b>Total liabilities</b>	<b>4,959,258</b>	<b>4,504,857</b>	<b>10,823,559</b>	<b>9,555,066</b>	<b>15,782,817</b>	<b>14,059,923</b>
Invested in capital assets, net of related debt	8,481,786	8,507,269	1,734,220	948,044	10,216,006	9,455,313
Restricted net assets	3,289,180	2,826,893	-	-	3,289,180	2,826,893
Unrestricted net assets	1,025,885	908,345	68,172	642,363	1,094,057	1,550,708
<b>Total net assets</b>	<b>\$ 12,796,851</b>	<b>\$ 12,242,507</b>	<b>\$ 1,802,392</b>	<b>\$ 1,590,407</b>	<b>\$ 14,599,243</b>	<b>\$ 13,832,914</b>

The largest portion of the City's net assets (70 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.

An additional portion of the City's net assets represent resources (23 percent) that are subject to external restrictions on how they may be used. The remaining balance if unrestricted net assets (\$1.1 million) may be used to meet the City's ongoing obligation to citizens and creditors.

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.

Total assets increased by \$2,489,223 from 2003 to 2004, and most of the increase was from the increase in capital assets. Total liabilities also increased by \$1,722,894. The most significant change in liabilities was mainly due to the increase in debt obligations.

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The City's net assets increased by \$766,329 during the current year. The increase is due to the acquisition of capital assets in the water, sewer, and storm water drainage funds. In addition, the City increased its usage rates of water, sewer, storm water drainage and garbage services in August 2004.

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.

### **Governmental Activities**

Governmental activities increased the City's net assets by \$554,344, thereby accounting for 5 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

- Charges for services were the largest program revenues, accounting for \$1,893,750 or 25 percent of total governmental revenues. The major charges for services are the sanitation fees and fines, licenses and permits of the City. Charges for services increased by \$300,526, and most of the increase is due to the 5% usage rate increase for the garbage services.
- Property tax revenues account for \$2,473,920 or 33 percent of total governmental revenues. Property tax revenues increased by \$560,087.

Intergovernmental revenues not related to specific programs amounted to \$1,201,926 or 16 percent. The majority of these revenues consisted of roll back credits, local government funds, estate tax, gasoline taxes and motor vehicle taxes. Another major component of general revenues was income taxes, which accounted for \$1,160,374 or 15 percent.

For the most part, the City maintained the same level of expenditures compared to the previous year. Budget cut and less assistance from the state and federal governments focused the City to operate under the tight budget.

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.

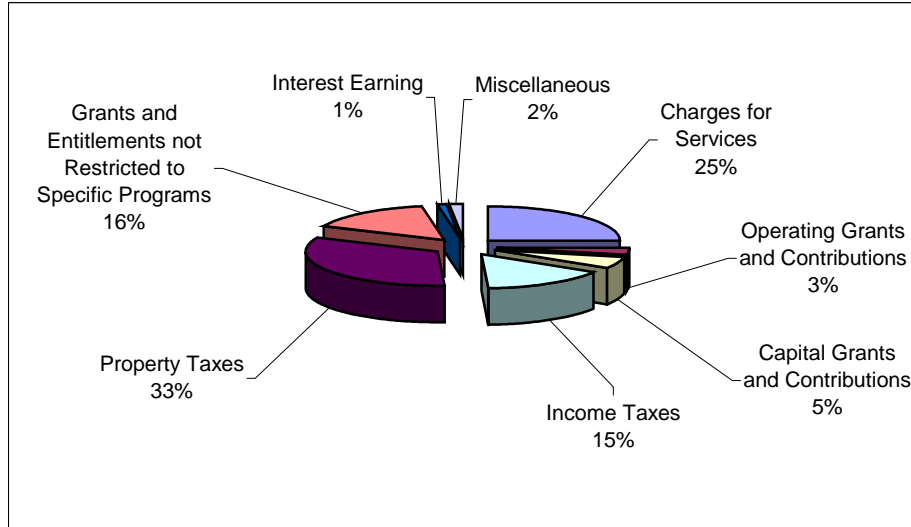
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City of Vermilion's Changes in Net Assets

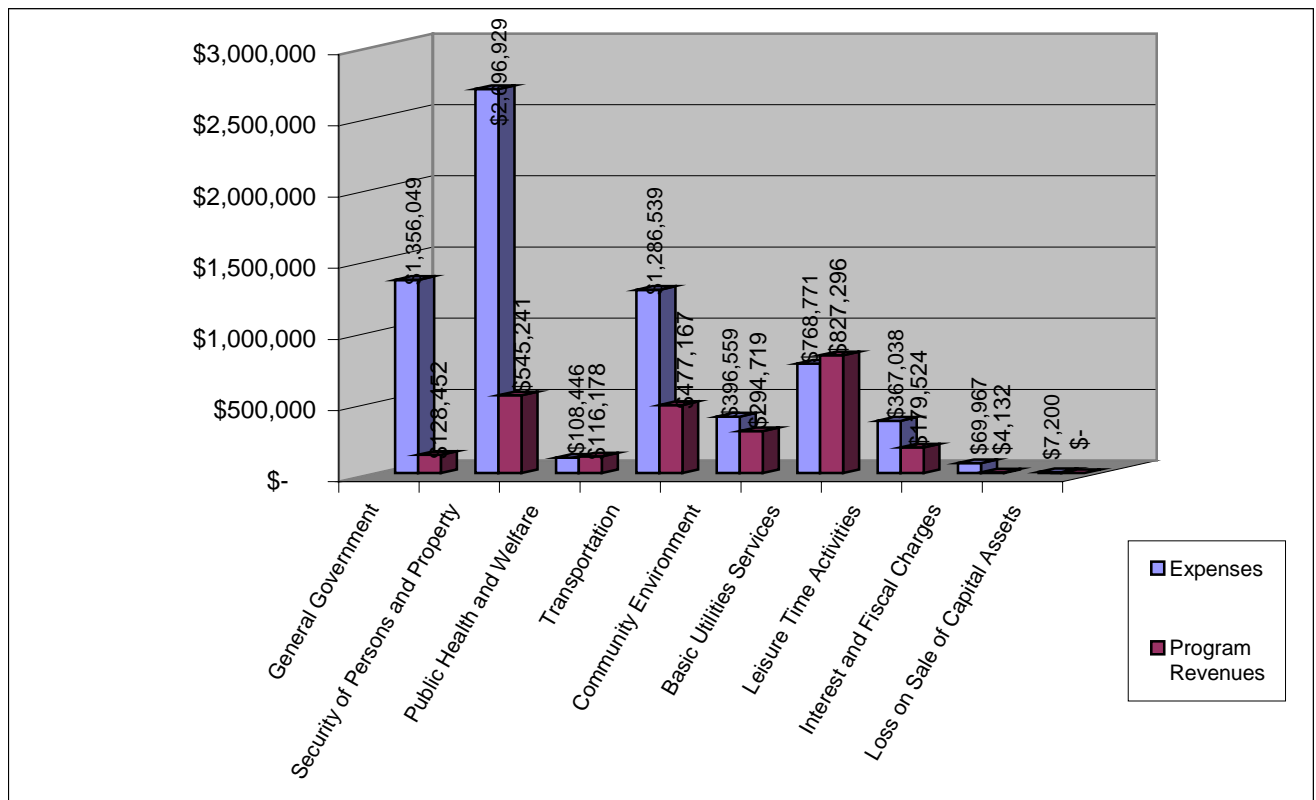
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenue:						
Charges for services	\$ 1,893,750	\$ 1,593,224	\$ 3,695,884	\$ 3,031,701	\$ 5,589,634	\$ 4,624,925
Operating grants and contribution	262,462	1,040,820	-	324,999	262,462	1,365,819
Capital grants and contribution	416,497	247,944	75,191	29,842	491,688	277,786
General revenue:						
Income taxes	1,160,374	1,503,823	-	-	1,160,374	1,503,823
Property taxes	2,473,920	1,913,833	-	-	2,473,920	1,913,833
Grant and entitlement not restricted to specific programs	1,201,926	1,162,022	-	-	1,201,926	1,162,022
Investment earnings	84,774	63,465	14,924	14,449	99,698	77,914
Miscellaneous	118,139	120,821	825	3,835	118,964	124,656
Total revenue	7,611,842	7,645,952	3,786,824	3,404,826	11,398,666	11,050,778
Expenses:						
General government	1,356,049	1,544,444	-	-	1,356,049	1,544,444
Security of persons and property	2,696,929	2,642,654	-	-	2,696,929	2,642,654
Public health and welfare	108,446	91,653	-	-	108,446	91,653
Transportation	1,286,539	1,306,700	-	-	1,286,539	1,306,700
Community environment	396,559	252,554	-	-	396,559	252,554
Basic utility services	768,771	729,577	-	-	768,771	729,577
Leisure time activities	367,038	349,714	-	-	367,038	349,714
Loss on sale of capital assets	7,200	26,947	-	-	7,200	26,947
Interest and fiscal charges	69,967	84,624	-	-	69,967	84,624
Water	-	-	1,698,334	1,571,763	1,698,334	1,571,763
Sewer	-	-	1,816,312	1,466,510	1,816,312	1,466,510
Storm Water Drainage	-	-	60,193	64,904	60,193	64,904
Total expenses	7,057,498	7,028,867	3,574,839	3,103,177	10,632,337	10,132,044
Increase (decrease) in net assets	554,344	617,085	211,985	301,649	766,329	918,734
Net assets at 1/1/04	12,242,507	40,735,657	1,590,407	17,677,380	13,832,914	12,914,180
Net assets at 12/31/04	<u>\$ 12,796,851</u>	<u>\$ 41,352,742</u>	<u>\$ 1,802,392</u>	<u>\$ 17,979,029</u>	<u>\$ 14,599,243</u>	<u>\$ 13,832,914</u>

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**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES**



**EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES**



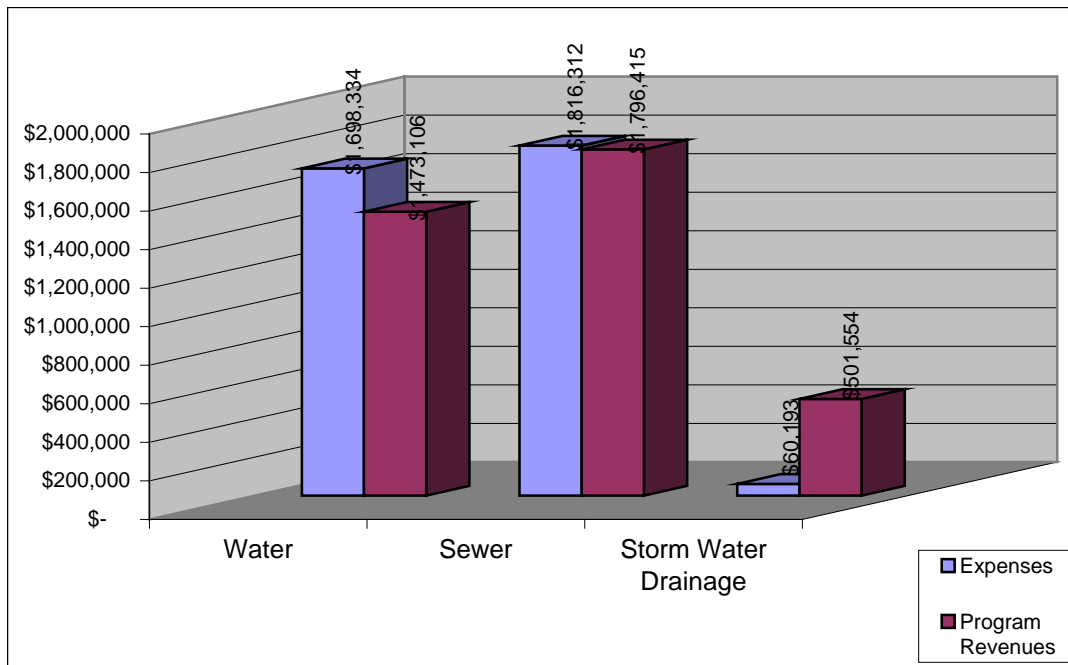
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**Business-Type Activities**

Business-type activities increased the City's net assets by \$211,985, accounting for 13 percent of the total growth in the government's net asset. Key elements of this increase are as follows.

- Charges for services for business-type activities increased by 22 percent. The increase could be broken down by two reasons. The City increased the usage rates for water, sewer and storm water drainage usage during the fiscal year. In addition, special assessment revenues from the sewer operation and storm water drainage lines operation contributed to this increase. As a result, charges for services in the water fund increased by \$62,885; charges for services in sewer fund increased by \$317,367; and charges for services in storm water drainage fund increased by \$283,931.
- Capital contribution increased by \$45,349 during the current fiscal year. This increase is the direct result of the capital assets received from other government and private entities.

**EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES**

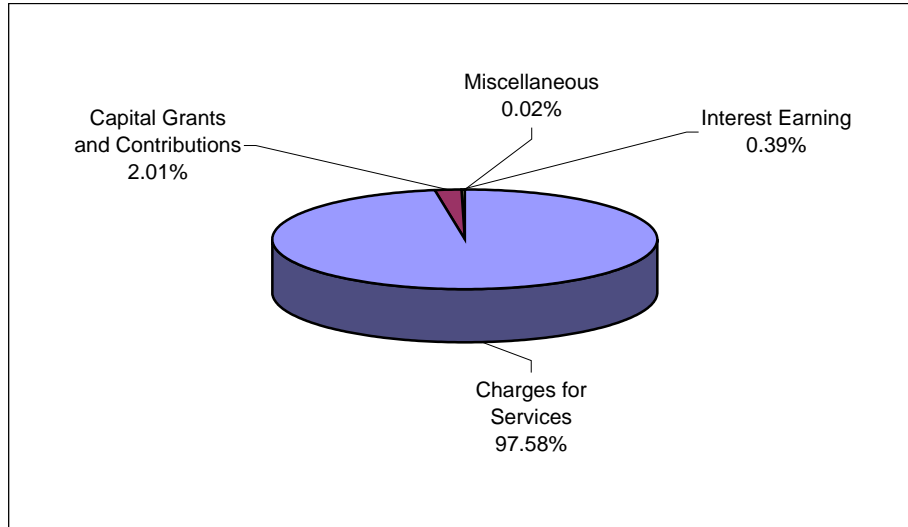




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**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES**



Overall changes in net assets for business-type activities ended on an increase of \$211,985. Water operations experienced a \$728,340 negative net assets for fiscal year 2004. The losses were mainly due to the increase cost of operation and issuance of debts for the capital improvements in the water fund. Sewer operation almost broke even during the current year. The sewer fund's net assets decreased by \$4,973 and ended at \$1,262,195 at the end of the fiscal year. Revenues and expenses were both up compared to the previous year. Sewer fund begins to receive special assessment revenues to repay the special assessment bonds that were issued in the current fiscal year. For storm water drainage operation, revenues went up significantly while the expenses went down slightly compared to the previous year, which resulted in a \$441,361 gain for the current year. The main reason of the increase in revenue was due to revenues from special assessment, which would be used to repay the special assessment bonds.

**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.

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As of December 31, 2004, the City's governmental funds reported a combined ending fund balance of \$4,417,572, an increase of \$919,235 in comparison with the prior year. \$3,588,229, or 81 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 (\$223,754), or has been loaned for the long-term to other funds (\$573,754), or can't be spent due to the legal restriction that was imposed (\$31,835). 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.

The general fund is the primary operating fund of the City. At the end of 2004, unreserved fund balance was \$633,374 while total fund balance was \$1,271,657. 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 17.5 percent to total General Fund expenditures, while total fund balance represents 35 percent of that same amount.

The fund balance of the City's general fund increased by \$137,831 during 2004. The increase was caused largely in part by reducing the transfer money to supplement other funds, including the self-insurance fund.

The street maintenance and repair fund has a total fund balance of \$133,843 at the end of the current fiscal year. Of the total fund balance above, \$133,843 represented the unreserved fund balance. The net increase in fund balance was a result of increase in revenue from the gasoline tax and motor vehicle registration fees.

The fire operating fund has a total fund balance of \$1,117,039, which included \$25,509 of reserved for encumbrances and \$1,091,530 of unreserved fund balance. The net increase in fund balance during the current year in the fire operating fund was \$127,834. The increase of fund balance was mainly because of the increase in revenue from taxes and reduction in spending during the current fiscal year.

The sanitation fund's fund balance increased \$13,612 during the current fiscal year, which increased the total fund balance to \$193,299 at the end of the fiscal year. The City raised the usage rate during the year and therefore revenues went up \$97,928 in the sanitation fund, which provided a significant amount to offset the increase in cost of the operation.

The fire apparatus fund has a total fund balance of \$881,402 at the end of the current fiscal year. \$3,000 was reserved for encumbrances, and the remaining balance (\$878,402) was unreserved. \$254,116 of net increase was added to the fund balance during the end of fiscal year. The main reason for this increase was no major equipment was purchased during the year. In addition, slight increase of tax revenue also contributed to the increase in fund balance of the fire apparatus fund.

*Proprietary Funds* – The City's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

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The City maintains two 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 operation, sewer operation and storm water drainage lines operation. 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, 2004, net assets for the City's enterprise funds were \$1,802,392. Of that total, \$68,172 represents unrestricted net assets that are available for spending at the City's discretion. Unrestricted net assets in the storm water drainage fund appear healthy at the end of the fiscal year, which amounted to \$854,179. Water and sewer fund's unrestricted net assets deteriorated at the end of the fiscal year due to significant amounts of debt that were issued during the year, which brought down the unrestricted net asset to (\$116,326) and (\$1,150,088) respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

As of December 31, 2004, unrestricted net assets in the self-insurance program were (\$193,509). 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. Fire operating and sanitation funds also did not experience significant changes from the original budget to final budget.

For the street maintenance and repair fund, the final budgeted revenue increased by \$84,213 compared to the original budgeted revenue. The increase was mainly caused by increase in revenue from gasoline tax and motor vehicle registration fees. Final budgeted expenditures decrease by \$42,911 compared to the original budgeted expenditures, which was a result of the cost cutting measures that taken by the City to reduce the overall expenditures of the City.

### **Capital Assets and Debt Administration**

*Capital Assets* – The City's capital assets for governmental and business-type activities as of December 31, 2004, were \$20,152,060 (net of accumulated depreciation). This includes land and improvements, buildings and improvements, improvements other than buildings, machinery and equipment, vehicles, infrastructure, and construction in progress.

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For governmental activities, significant capital asset additions during 2004 included a park improvements and road resurfacing.

For business-type activities, major capital asset additions during 2004 included the completion of various waterline projects and various sanitary sewer projects.

Table 4 shows fiscal year 2004 gross capital asset balances for governmental activities and business-type activities (net of depreciation) compared to the prior fiscal year. The capital assets activities during fiscal year 2004 can be found at Note 7 on the notes to the basic financial statements.

CITY OF VERMILION'S CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION)

	Governmental Activities		Business-Type Activities	
	2003	2004	2003	2004
Land and Land Improvement	\$ 1,387,995	\$ 1,598,492	\$ 109,032	\$ 108,131
Building	1,209,698	1,179,096	2,116,013	1,893,674
Equipment and Furniture	165,145	152,742	1,247,134	1,174,544
Infrastructure	5,706,764	5,557,703	4,103,034	4,849,126
Traffic Lights	54,715	51,239	-	-
Vehicles	1,213,952	1,069,514	20,431	11,120
Construction in Progress	-	-	716,550	2,506,679
<b>Total Capital Assets</b>	<b>\$ 9,738,269</b>	<b>\$ 9,608,786</b>	<b>\$ 8,312,194</b>	<b>\$ 10,543,274</b>

*Long Term Debt* – As of December 31, 2004, the City had total long-term outstanding debts of \$10,221,033. General obligation bonded debt outstanding principal of \$1,057,100 is expected to be repaid through governmental activities. For governmental activities, the City's general obligation bonded debt and special assessment bonded debt decreased by \$99,340 (8.6 percent) during 2004.

The City's total debts in business-type activities increased by \$2,599,222 during the current fiscal year. The key factor of this increase was \$2,995,000 of general obligation bonds issuance for the City's water, sewer, and storm water drainage funds. \$395,778 of principal payments was made during the current fiscal year, which included \$75,000 for general obligation bonds, \$185,000 for refunding bonds, and \$135,778 for OWDA loans.

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.

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CITY OF VERMILION'S OUTSTANDING DEBTS

	Governmental Activities		Business-Type Activities	
	2003	2004	2003	2004
General Obligation Bonds	\$ 1,156,440	\$ 1,057,100	\$ 1,585,000	\$ 4,505,000
Special Assessment Bonds	74,560	69,900	-	-
Refunding Bonds	-	-	2,980,000	2,795,000
OWDA Loans	-	-	1,929,811	1,794,033
<b>Total Long-term Debts</b>	<b>\$ 1,231,000</b>	<b>\$ 1,127,000</b>	<b>\$ 6,494,811</b>	<b>\$ 9,094,033</b>

**Economic Factors**

The unemployment rate for Erie County is currently 6.6 percent and Lorain County is 5.4 percent, which is a big increase from 6 percent for Erie County and a big decrease from 7.3 percent for Lorain County a year ago, respectively. The State's rate is currently 6.1 percent and the current national rate is 5.4 percent. The mix result demonstrates that the region still struggles to recover from the national recession.

The City's \$256,139,140 tax base has increased 16 percent over the last year. 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 2004 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.

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*City of Vermilion, Ohio*  
Statement of Net Assets  
December 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,711,046	\$ 2,305,346	\$ 6,016,392	\$ 199,265
Cash and Cash Equivalents in Segregated Accounts	9,513	-	9,513	-
Cash and Cash Equivalents with Fiscal Agents	365	-	365	-
Receivables:				
Taxes	3,109,601	-	3,109,601	-
Accounts	113,594	311,983	425,577	-
Intergovernmental	397,177	-	397,177	-
Special Assessments	88,996	179,653	268,649	-
Materials and Supplies Inventory	-	2,726	2,726	-
Internal Balances	717,031	(717,031)	-	-
Nondepreciable Capital Assets	719,099	2,611,819	3,330,918	1,059,388
Depreciable Capital Assets, Net	8,889,687	7,931,455	16,821,142	158,470
<i>Total Assets</i>	<u>17,756,109</u>	<u>12,625,951</u>	<u>30,382,060</u>	<u>1,417,123</u>
<b>Liabilities</b>				
Accounts Payable	130,061	620,535	750,596	-
Accrued Wages and Benefits	108,642	40,335	148,977	769
Intergovernmental Payable	121,165	33,732	154,897	1,300
Pension Obligation Payable	88,059	15,473	103,532	357
Deferred Revenue	2,612,227	-	2,612,227	-
Claims Payable	65,786	-	65,786	-
Accrued Interest Payable	28,178	142,941	171,119	9,420
Matured Interest Payable	365	-	365	-
Notes Payable	130,000	700,000	830,000	942,000
Long-Term Liabilities:				
Due Within One Year	261,065	541,595	802,660	-
Due Within More Than One Year	1,413,710	8,728,948	10,142,658	-
<i>Total Liabilities</i>	<u>4,959,258</u>	<u>10,823,559</u>	<u>15,782,817</u>	<u>953,846</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	8,481,786	1,734,220	10,216,006	275,858
Restricted for:				
Capital Projects	1,047,045	-	1,047,045	-
Debt Service	176,434	-	176,434	-
Endowment:				
Non-expendable	31,835	-	31,835	-
Other Purposes	2,033,866	-	2,033,866	-
Unrestricted (Deficit)	1,025,885	68,172	1,094,057	187,419
<i>Total Net Assets</i>	<u>\$ 12,796,851</u>	<u>\$ 1,802,392</u>	<u>\$ 14,599,243</u>	<u>\$ 463,277</u>

See accompanying notes to the basic financial statements.

*City of Vermilion, Ohio*  
Statement of Activities  
For the Year Ended December 31, 2004

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,356,049	\$ 128,452	\$ -	\$ -
Security of persons and property	2,696,929	502,025	43,216	-
Public health and welfare	108,446	110,549	5,629	-
Transportation	1,286,539	-	213,517	263,650
Community environment	396,559	294,619	100	-
Basic utility services	768,771	769,449	-	57,847
Leisure time activities	367,038	84,524	-	95,000
Interest and fiscal charges	69,967	4,132	-	-
Loss on Sale of Capital Assets	7,200	-	-	-
<i>Total governmental activities</i>	<u>7,057,498</u>	<u>1,893,750</u>	<u>262,462</u>	<u>416,497</u>
Business-type activities:				
Water	1,698,334	1,464,356	-	8,750
Sewer	1,816,312	1,783,915	-	12,500
Storm Water Drainage	60,193	447,613	-	53,941
<i>Total business-type activities</i>	<u>3,574,839</u>	<u>3,695,884</u>	<u>-</u>	<u>75,191</u>
<i>Total primary government</i>	<u>\$ 10,632,337</u>	<u>\$ 5,589,634</u>	<u>\$ 262,462</u>	<u>\$ 491,688</u>
<b>Component unit:</b>				
Port Authority	<u>\$ 135,009</u>	<u>\$ 148,198</u>	<u>\$ 16,350</u>	<u>\$ -</u>

General revenues:  
Income taxes levied for:  
    General purposes  
Property taxes levied for:  
    General purposes  
    Special purposes  
    Debt services  
    Capital projects  
Grants and entitlements not restricted to specific programs  
Investment earnings  
Miscellaneous

*Total general revenues*

Changes in net assets

*Net assets beginning of year*

*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
\$ (1,227,597)	\$	\$ (1,227,597)	\$
(2,151,688)		(2,151,688)	
7,732		7,732	
(809,372)		(809,372)	
(101,840)		(101,840)	
58,525		58,525	
(187,514)		(187,514)	
(65,835)		(65,835)	
(7,200)		(7,200)	
<u>(4,484,789)</u>		<u>(4,484,789)</u>	
-	(225,228)	(225,228)	
-	(19,897)	(19,897)	
-	441,361	441,361	
<u>-</u>	<u>196,236</u>	<u>196,236</u>	
<u>(4,484,789)</u>	<u>196,236</u>	<u>(4,288,553)</u>	
			<u>29,539</u>
1,160,374	-	1,160,374	-
1,773,909	-	1,773,909	-
293,550	-	293,550	-
67,743	-	67,743	-
338,718	-	338,718	-
1,201,926	-	1,201,926	-
84,774	14,924	99,698	116
118,139	825	118,964	106,197
<u>5,039,133</u>	<u>15,749</u>	<u>5,054,882</u>	<u>106,313</u>
554,344	211,985	766,329	135,852
<u>12,242,507</u>	<u>1,590,407</u>	<u>13,832,914</u>	<u>327,425</u>
<u>\$ 12,796,851</u>	<u>\$ 1,802,392</u>	<u>\$ 14,599,243</u>	<u>\$ 463,277</u>

*City of Vermilion, Ohio*  
Balance Sheet  
Governmental Funds  
December 31, 2004

	General	Street Maintenance and Repair	Fire Operating	Sanitation	Fire Apparatus	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>							
Cash and Cash Equivalents	\$ 380,682	\$ 127,933	\$ 1,149,466	\$ 178,847	\$ 881,402	\$ 929,252	\$ 3,647,582
Cash and Cash Equivalents with Fiscal and Escrow Agents	-	-	-	-	-	365	365
<b>Receivables:</b>							
Taxes	2,315,571	-	256,139	-	256,139	281,752	3,109,601
Accounts	17,899	-	-	75,583	-	20,112	113,594
Intergovernmental	142,562	178,154	14,584	-	14,584	47,293	397,177
Special Assessments	-	-	-	-	-	88,996	88,996
Due from Other Funds	471,422	-	-	-	-	-	471,422
Advances to Other Funds	573,754	-	-	-	-	-	573,754
<b>Total Assets</b>	<b>3,901,890</b>	<b>306,087</b>	<b>1,420,189</b>	<b>254,430</b>	<b>1,152,125</b>	<b>1,367,770</b>	<b>8,402,491</b>
<b>Liabilities and Fund Balances:</b>							
<b>Liabilities</b>							
Accounts Payable	34,464	7,202	1,099	61,131	-	26,165	130,061
Accrued Wages and Benefits	80,808	19,140	7,053	-	-	1,641	108,642
Advances from Other Funds	-	5,554	-	-	-	121,891	127,445
Intergovernmental Payable	82,906	12,353	23,367	-	-	2,539	121,165
Pension Obligation Payable	19,604	6,031	908	-	-	346	26,889
Deferred Revenue	2,282,451	121,964	270,723	-	270,723	394,491	3,340,352
Matured Interest Payable	-	-	-	-	-	365	365
Notes Payable	130,000	-	-	-	-	-	130,000
<b>Total Liabilities</b>	<b>2,630,233</b>	<b>172,244</b>	<b>303,150</b>	<b>61,131</b>	<b>270,723</b>	<b>547,438</b>	<b>3,984,919</b>
<b>Fund Balance (Deficit)</b>							
<b>Reserved for:</b>							
Encumbrances	64,529	26,116	25,509	4,863	3,000	99,737	223,754
Advances	573,754	-	-	-	-	-	573,754
Endowment	-	-	-	-	-	31,835	31,835
<b>Unreserved:</b>							
<b>Undesignated, Reported in:</b>							
General Fund	633,374	-	-	-	-	-	633,374
Special Revenue Funds	-	107,727	1,091,530	188,436	-	475,899	1,863,592
Debt Service Funds	-	-	-	-	-	97,137	97,137
Capital Projects Funds	-	-	-	-	878,402	115,724	994,126
<b>Total Fund Balances</b>	<b>1,271,657</b>	<b>133,843</b>	<b>1,117,039</b>	<b>193,299</b>	<b>881,402</b>	<b>820,332</b>	<b>4,417,572</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,901,890</b>	<b>\$ 306,087</b>	<b>\$ 1,420,189</b>	<b>\$ 254,430</b>	<b>\$ 1,152,125</b>	<b>\$ 1,367,770</b>	<b>\$ 8,402,491</b>

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, 2004

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**Total Governmental Fund Balances** \$ 4,417,572

*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 9,608,786

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

Taxes	346,749
Intergovernmental	292,380
Special Assessments	<u>88,996</u>

Total 728,125

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 (193,509)

Pension obligation payable is pension contributions not expected to be paid with available resources, and therefore, are not reported in the funds (61,170)

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	(1,057,100)
Special Assessment Bonds	(69,900)
Compensated Absences	(433,390)
Police and Fire Unfunded Pension Liabilities	(114,385)
Accrued Interest Payable	<u>(28,178)</u>

Total (1,702,953)

**Net Assets of Governmental Activities** \$ 12,796,851

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, 2004

	General	Street Maintenance and Repair	Fire Operating	Sanitation	Fire Apparatus	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes	\$ 2,899,630	\$ -	\$ 227,803	\$ -	\$ 227,804	\$ 250,584	\$ 3,605,821
Charges for Services	131,829	-	86,282	769,449	-	220,548	1,208,108
Fines, Licenses and Permits	549,287	-	-	-	-	110,316	659,603
Intergovernmental	647,803	413,077	28,754	57,847	28,593	654,422	1,830,496
Interest	84,332	-	-	-	-	442	84,774
Special Assessments	-	-	-	-	-	13,032	13,032
Other	74,562	-	826	-	-	55,820	131,208
<i>Total Revenues</i>	<u>4,387,443</u>	<u>413,077</u>	<u>343,665</u>	<u>827,296</u>	<u>256,397</u>	<u>1,305,164</u>	<u>7,533,042</u>
<b>Expenditures:</b>							
Current:							
General Government	1,315,828	-	-	-	-	12,027	1,327,855
Security of Persons and Property	1,978,933	-	213,344	-	-	344,990	2,537,267
Public Health and Welfare	-	-	-	-	-	98,143	98,143
Transportation	-	688,574	-	-	-	50,406	738,980
Community Environment	191,742	-	-	-	-	430,723	622,465
Basic Utility Services	-	-	-	813,684	-	-	813,684
Leisure Time Activities	132,517	-	-	-	-	96,210	228,727
Capital Outlay	-	-	-	-	2,281	75,970	78,251
Debt Service:							
Principal Retirement	-	-	670	-	-	105,142	105,812
Interest and Fiscal Charges	-	-	1,817	-	-	70,144	71,961
<i>Total Expenditures</i>	<u>3,619,020</u>	<u>688,574</u>	<u>215,831</u>	<u>813,684</u>	<u>2,281</u>	<u>1,283,755</u>	<u>6,623,145</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>768,423</u>	<u>(275,497)</u>	<u>127,834</u>	<u>13,612</u>	<u>254,116</u>	<u>21,409</u>	<u>909,897</u>
<b>Other Financing Sources (Uses):</b>							
Proceeds from Sale of Capital Assets	500	-	-	-	-	-	500
Bond Premium and Accrued Interest	-	-	-	-	-	8,838	8,838
Transfers In	-	350,000	-	-	-	281,092	631,092
Transfers Out	(631,092)	-	-	-	-	-	(631,092)
<i>Total Other Financing Sources (Uses)</i>	<u>(630,592)</u>	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,930</u>	<u>9,338</u>
<i>Net Change in Fund Balances</i>	<u>137,831</u>	<u>74,503</u>	<u>127,834</u>	<u>13,612</u>	<u>254,116</u>	<u>311,339</u>	<u>919,235</u>
<i>Fund Balances at Beginning of Year, Restated (See Note 17)</i>	<u>1,133,826</u>	<u>59,340</u>	<u>989,205</u>	<u>179,687</u>	<u>627,286</u>	<u>508,993</u>	<u>3,498,337</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 1,271,657</u>	<u>\$ 133,843</u>	<u>\$ 1,117,039</u>	<u>\$ 193,299</u>	<u>\$ 881,402</u>	<u>\$ 820,332</u>	<u>\$ 4,417,572</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, 2004

Net Change in Fund Balances - Governmental Funds		\$ 919,235
<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	713,689	
Capital Asset Adjustments	17,231	
Current Year Depreciation	(852,703)	
Loss of Sale of Capital Assets	<u>(7,700)</u>	
Total		(129,483)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund		
Taxes	28,473	
Intergovernmental	(308,261)	
Special Assessments	<u>(8,900)</u>	
Total		(288,688)
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>1,812</u>	
Total		105,812
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.		
		1,994
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	(10,274)	
Compensated Absences	<u>(62,967)</u>	
Total		(73,241)
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>18,715</u>
Change in Net Assets of Governmental Activities		<u>\$ 554,344</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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 2,874,224	\$ 3,161,997	\$ 2,915,237	\$ (246,760)
Charges for Services	112,556	112,556	129,737	17,181
Licenses and Permits	150,000	150,000	205,795	55,795
Fines and Forfeitures	218,736	218,736	345,004	126,268
Intergovernmental	669,822	690,133	657,420	(32,713)
Interest	125,000	125,000	84,332	(40,668)
Other	65,000	65,000	74,562	9,562
<b>Total Revenues</b>	4,215,338	4,523,422	4,412,087	(111,335)
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Safety Administration				
Salaries	11,238	11,288	11,275	13
Other	13,600	6,726	677	6,049
Police				
Salaries	1,737,618	1,801,281	1,798,893	2,388
Other	176,034	178,925	170,873	8,052
<b>Total Security of Persons and Property</b>	1,938,490	1,998,220	1,981,718	16,502
Leisure Time Activities				
Park Maintenance				
Salaries	47,934	44,934	43,779	1,155
Other	109,540	106,221	91,657	14,564
<b>Total Leisure Time Activities</b>	157,474	151,155	135,436	15,719
Community Environment				
Building Department				
Salaries	137,873	139,373	138,373	1,000
Other	54,749	45,299	41,103	4,196
<b>Total Community Environment</b>	192,622	184,672	179,476	5,196
General Government				
Council and Clerk				
Salaries	94,821	101,621	101,469	152
Other	13,962	13,213	11,555	1,658
Mayor				
Salaries	85,894	85,894	85,346	548
Other	24,269	19,244	14,193	5,051
Law Director				
Salaries	73,203	73,203	73,178	25
Other	3,742	4,334	3,721	613
Finance Director				
Salaries	205,367	202,883	201,491	1,392
Other	42,682	40,919	33,540	7,379
Municipal Court				
Salaries	471,151	470,651	456,747	13,904
Other	47,507	46,627	46,414	213

**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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Other	414,451	391,736	356,629	35,107
Income Tax				
Other	55,645	55,100	51,458	3,642
Boards and Commission				
Salaries	50,387	51,587	51,583	4
Other	6,936	4,757	3,469	1,288
Service Administration				
Salaries	92,947	92,285	90,609	1,676
Other	53,229	50,158	49,497	661
Engineering				
Salaries	25,633	25,633	24,235	1,398
Other	8,098	7,739	6,618	1,121
Total General Government	<u>1,769,924</u>	<u>1,737,584</u>	<u>1,661,752</u>	<u>75,832</u>
<b>Total Expenditures</b>	<u>4,058,510</u>	<u>4,071,631</u>	<u>3,958,382</u>	<u>113,249</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	156,828	451,791	453,705	1,914
<b>Other Financing Sources (Uses):</b>				
Proceeds of Notes	-	-	130,000	130,000
Sale of Capital Assets	-	-	500	500
Advances - In	-	-	150,000	150,000
Transfers In	-	-	26,887	26,887
Transfer Out	(558,333)	(631,092)	(631,092)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(558,333)</u>	<u>(631,092)</u>	<u>(323,705)</u>	<u>307,387</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	(401,505)	(179,301)	130,000	309,301
Fund Balances (Deficit) at Beginning of Year	66,616	66,616	66,616	-
Unexpended Prior Year Encumbrances	78,744	78,744	78,744	-
Fund Balances (Deficit) at End of Year	<u>\$ (256,145)</u>	<u>\$ (33,941)</u>	<u>\$ 275,360</u>	<u>\$ 309,301</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  
Street Maintenance and Repair Fund  
For the Fiscal Year Ended December 31, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	350,000	434,213	398,947	(35,266)
<b>Total Revenues</b>	350,000	434,213	398,947	(35,266)
<b>Expenditures:</b>				
Current:				
Transportation				
Salaries	544,311	544,311	508,961	35,350
Other	208,686	165,775	162,518	3,257
<b>Total Expenditures</b>	752,997	710,086	671,479	38,607
<b>Excess of Revenues Over (Under) Expenditures</b>	(402,997)	(275,873)	(272,532)	3,341
<b>Other Financing Sources (Uses):</b>				
Transfer In	350,000	350,000	350,000	-
<b>Total Other Sources (Uses)</b>	350,000	350,000	350,000	-
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	(52,997)	74,127	77,468	3,341
Fund Balances (Deficit) at Beginning of Year	(25,435)	(25,435)	(25,435)	-
Unexpended Prior Year Encumbrances	42,851	42,851	42,851	-
Fund Balances (Deficit) at End of Year	\$ (35,581)	\$ 91,543	\$ 94,884	\$ 3,341



*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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 225,268	\$ 225,268	\$ 227,803	\$ 2,535
Charges for Services	-	-	26	26
Intergovernmental	56,500	56,500	115,010	58,510
Other	-	-	4,496	4,496
<b>Total Revenues</b>	<u>281,768</u>	<u>281,768</u>	<u>347,335</u>	<u>65,567</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Salaries	122,941	172,940	147,077	25,863
Other	187,276	141,484	90,359	51,125
<b>Total Expenditures</b>	<u>310,217</u>	<u>314,424</u>	<u>237,436</u>	<u>76,988</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(28,449)	(32,656)	109,899	142,555
Fund Balances (Deficit) at Beginning of Year	967,266	967,266	967,266	-
Unexpended Prior Year Encumbrances	45,792	45,792	45,792	-
Fund Balances (Deficit) at End of Year	<u>\$ 984,609</u>	<u>\$ 980,402</u>	<u>\$ 1,122,957</u>	<u>\$ 142,555</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  
Sanitation Fund  
For the Year Ended December 31, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$ 775,000	\$ 775,000	\$ 728,000	\$ (47,000)
Intergovernmental	46,456	58,431	57,847	(584)
<b>Total Revenues</b>	<u>821,456</u>	<u>833,431</u>	<u>785,847</u>	<u>(47,584)</u>
<b>Expenditures:</b>				
Current:				
Basic Utility Services				
Other	911,317	861,123	761,187	99,936
<b>Total Expenditures</b>	<u>911,317</u>	<u>861,123</u>	<u>761,187</u>	<u>99,936</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(89,861)	(27,692)	24,660	52,352
Fund Balances (Deficit) at Beginning of Year	93,105	93,105	93,105	-
Unexpended Prior Year Encumbrances	54,686	54,686	54,686	-
Fund Balances (Deficit) at End of Year	<u>\$ 57,930</u>	<u>\$ 120,099</u>	<u>\$ 172,451</u>	<u>\$ 52,352</u>

See accompanying notes to the basic financial statements.

*City of Vermilion, Ohio*  
Statement of Fund Net Assets  
Proprietary Funds  
December 31, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Storm Water Drainage	Total	
<b>Assets</b>					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 555,937	\$ 1,095,532	\$ 653,877	\$ 2,305,346	\$ 63,464
Cash and Cash Equivalents in Segregated Accounts	-	-	-	-	9,513
Receivables:					
Accounts	116,598	163,912	31,473	311,983	-
Special Assessments	-	-	179,653	179,653	-
Materials and Supplies Inventory	2,508	218	-	2,726	-
<i>Total Current Assets</i>	<u>675,043</u>	<u>1,259,662</u>	<u>865,003</u>	<u>2,799,708</u>	<u>72,977</u>
Non-current Assets:					
Nondepreciable Capital Assets	104,183	2,488,374	19,262	2,611,819	-
Depreciable Capital Assets, Net	3,546,381	3,739,978	645,096	7,931,455	-
<i>Total Non-current Assets</i>	<u>3,650,564</u>	<u>6,228,352</u>	<u>664,358</u>	<u>10,543,274</u>	<u>-</u>
<i>Total Assets</i>	<u>4,325,607</u>	<u>7,488,014</u>	<u>1,529,361</u>	<u>13,342,982</u>	<u>72,977</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	29,537	585,860	5,138	620,535	-
Accrued Wages and Benefits	21,242	19,093	-	40,335	-
Intergovernmental Payable	17,153	16,579	-	33,732	-
Pension Obligation Payable	8,164	7,309	-	15,473	-
Due to Other Funds	191,026	280,396	-	471,422	-
Advances from Other Funds	-	245,609	-	245,609	200,700
Claims Payable	-	-	-	-	65,786
Accrued Interest Payable	76,504	60,751	5,686	142,941	-
Notes Payable	-	700,000	-	700,000	-
Current Portion of OWDA Loans Payable	53,400	87,832	-	141,232	-
Current Portion of General Obligation Bonds Payable	60,000	90,000	5,000	155,000	-
Current Portion of Refunding Bonds Payable	95,000	100,000	-	195,000	-
<i>Total Current Liabilities</i>	<u>552,026</u>	<u>2,193,429</u>	<u>15,824</u>	<u>2,761,279</u>	<u>266,486</u>
Non-current Liabilities:					
Compensated Absences	98,430	78,080	-	176,510	-
OWDA Loans Payable (Net Current Portion)	618,491	1,034,310	-	1,652,801	-
General Obligation Bonds Payable (Net Current Portion)	1,520,000	2,585,000	245,000	4,350,000	-
Refunding Bonds Payable (Net Current Portion)	2,265,000	335,000	-	2,600,000	-
<i>Total Long-Term Liabilities</i>	<u>4,501,921</u>	<u>4,032,390</u>	<u>245,000</u>	<u>8,779,311</u>	<u>-</u>
<i>Total Liabilities</i>	<u>5,053,947</u>	<u>6,225,819</u>	<u>260,824</u>	<u>11,540,590</u>	<u>266,486</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	(612,014)	1,931,876	414,358	1,734,220	-
Unrestricted (Deficit)	(116,326)	(669,681)	854,179	68,172	(193,509)
<i>Total Net Assets</i>	<u>\$ (728,340)</u>	<u>\$ 1,262,195</u>	<u>\$ 1,268,537</u>	<u>\$ 1,802,392</u>	<u>\$ (193,509)</u>

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, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Storm Water Drainage	Total	
<b>Operating Revenues</b>					
Charges for Services	\$ 1,464,356	\$ 1,635,949	\$ 189,754	\$ 3,290,059	\$ 781,791
Special Assessment	-	147,966	257,859	405,825	-
Other Operating Revenues	825	-	-	825	-
<i>Total Operating Revenues</i>	1,465,181	1,783,915	447,613	3,696,709	781,791
<b>Operating Expenses</b>					
Personal Services	742,564	994,696	-	1,737,260	-
Contractual Services	240,848	372,790	36,387	650,025	-
Materials and Supplies	193,254	112,062	2,608	307,924	-
Claims	3,669	2,193	47	5,909	763,076
Depreciation	286,492	147,612	-	434,104	-
Other	-	58,946	13,132	72,078	-
<i>Total Operating Expenses</i>	1,466,827	1,688,299	52,174	3,207,300	763,076
<i>Operating Income (Loss)</i>	(1,646)	95,616	395,439	489,409	18,715
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	-	14,924	-	14,924	-
Interest and Fiscal Charges	(231,507)	(128,013)	(8,019)	(367,539)	-
Capital Contributions	8,750	12,500	53,941	75,191	-
<i>Total Non-Operating Revenues (Expenses)</i>	(222,757)	(100,589)	45,922	(277,424)	-
<i>Changes in Net Assets</i>	(224,403)	(4,973)	441,361	211,985	18,715
Net Assets (Deficit) Beginning of Year	(503,937)	1,267,168	827,176	1,590,407	(212,224)
Net Assets (Deficit) End of Year	<u>\$ (728,340)</u>	<u>\$ 1,262,195</u>	<u>\$ 1,268,537</u>	<u>\$ 1,802,392</u>	<u>\$ (193,509)</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, 2004**

	Business-Type Activities			Total	Governmental Activities -
	Water	Sewer	Storm Water Drainage		Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>					
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers	\$ 1,411,680	\$ 1,718,057	\$ 259,730	\$ 3,389,467	\$ 781,791
Cash received from other revenues	825	-	-	825	-
Cash payments for employee service and benefits	(667,365)	(732,136)	-	(1,399,501)	(762,314)
Cash payments for goods and services	(410,857)	(138,270)	(49,954)	(599,081)	-
<b>Net Cash Provided by Operating Activities</b>	334,283	847,651	209,776	1,391,710	19,477
<b>Cash Flows from Noncapital Financing Activities:</b>					
Grants	-	266,053	-	266,053	-
Advance Out	-	(50,000)	-	(50,000)	(100,000)
<b>Net Cash Provided by Noncapital Financing Activities</b>	-	216,053	-	216,053	(100,000)
<b>Cash Flows from Capital Financing Activities:</b>					
Proceeds of notes	-	1,564,000	-	1,564,000	-
Proceeds of bonds	935,000	1,810,000	250,000	2,995,000	-
Payments for capital acquisition	(24,805)	(2,364,581)	-	(2,389,386)	-
Principal paid on notes	(935,000)	(2,286,000)	(310,000)	(3,531,000)	-
Principal paid on general obligation bonds	(40,000)	(35,000)	-	(75,000)	-
Principal paid on refunding bonds	(90,000)	(95,000)	-	(185,000)	-
Principal paid on OWDA loans	(50,355)	(85,423)	-	(135,778)	-
Interest paid on notes, bonds and OWDA loans	(207,986)	(103,113)	(4,012)	(315,111)	-
<b>Net Cash Provided by Capital Financing Activities</b>	(413,146)	(1,595,117)	(64,012)	(2,072,275)	-
<b>Cash Flows from Investing Activities:</b>					
Interest income	-	14,924	-	14,924	-
<b>Net Cash Provided by Investing Activities</b>	-	14,924	-	14,924	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(78,863)	(516,489)	145,764	(449,588)	(80,523)
<b>Cash and Cash Equivalents at Beginning of Year</b>	634,800	1,612,021	508,113	2,754,934	153,500
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 555,937</u>	<u>\$ 1,095,532</u>	<u>\$ 653,877</u>	<u>\$ 2,305,346</u>	<u>\$ 72,977</u>

(Continued)

**City of Vermilion, Ohio**  
Statement of Cash Flows  
Proprietary Funds - Continued  
For the Year Ended December 31, 2004

	Business-Type Activities				Governmental Activities - Internal Service Fund
	Water	Sewer	Storm Water Drainage	Total	
<b>Reconciliation of Operating Income to</b>					
<b>Net Cash Provided by Operating Activities:</b>					
Operating Income	\$ (1,646)	\$ 95,616	\$ 395,439	\$ 489,409	\$ 18,715
<b>Adjustments to Reconcile Operating Income</b>					
<b>to Net Cash Provided by Operating Activities:</b>					
Miscellaneous Expenses	-	58,946	-	58,946	-
Depreciation	286,492	147,612	13,132	447,236	-
<b>Total Adjustments</b>	<u>286,492</u>	<u>206,558</u>	<u>13,132</u>	<u>506,182</u>	<u>-</u>
<b>Changes in Assets and Liabilities</b>					
(Increase) Decrease in accounts receivable	(52,676)	(65,858)	(8,230)	(126,764)	-
(Increase) Decrease in special assessment receivable	-	-	(179,653)	(179,653)	-
(Increase) Decrease in inventory	7,233	2	-	7,235	-
Increase (Decrease) in accounts payable	19,681	348,773	(10,912)	357,542	-
Increase (Decrease) in accrued wages	7,045	3,068	-	10,113	-
Increase (Decrease) in compensated absences	21,341	(22,610)	-	(1,269)	-
Increase (Decrease) in due to other governments	170	1,723	-	1,893	-
Increase (Decrease) in pension obligation payable	1,842	(17)	-	1,825	-
Increase (Decrease) in due to the funds	44,801	280,396	-	325,197	-
Increase (Decrease) in claims payable	-	-	-	-	762
<b>Total Adjustments</b>	<u>49,437</u>	<u>545,477</u>	<u>(198,795)</u>	<u>396,119</u>	<u>762</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 334,283</u>	<u>\$ 847,651</u>	<u>\$ 209,776</u>	<u>\$ 1,391,710</u>	<u>\$ 19,477</u>
<b>Noncash Investing, Capital, and Financing</b>					
<b>Activities:</b>					
Contributions of capital assets from governments and others	8,750	12,500	53,941		-

See accompanying notes to the basic financial statements

*City of Vermilion, Ohio*  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2004

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 183,328
Cash and Cash Equivalents in Segregated Accounts	<u>24,691</u>
<i>Total Assets</i>	<u><u>\$ 208,019</u></u>
 <b>Liabilities</b>	
Accounts Payable	55,983
Intergovernmental Payable	36,040
Undistributed Monies	24,691
Refundable Deposits	<u>91,305</u>
<i>Total Liabilities</i>	<u><u>\$ 208,019</u></u>

See accompanying notes to the basic financial statements.

*City of Vermilion, Ohio*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**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, business-type activities, and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to follow FASB guidance for business-type activities and proprietary funds issued after November 30, 1989. 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, 2004

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*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.

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 basic 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. Non-major 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, 2004

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**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 the portion of the State gasoline tax and motor vehicle registration fees designated for street maintenance and repair.

*Fire Operating Fund* This fund is used to accumulate property taxes levied for the payment of expenditures 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, 2004

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*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, 2004

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**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 enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 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, 2004

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**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 2004.

**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, 2004

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**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 2004, investments were limited to repurchase agreements, Star Ohio, the State Treasurer's investment pool, certificates of deposit, federal home loan notes, 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 2004. 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, 2004.

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 2004 amounted to \$84,332, which includes \$76,734 assigned from other City's funds. The interest revenue credited to the miscellaneous local funds amounted to \$442, and sewer fund amounted to \$14,924.

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, 2004

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 2004, 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, 2004. 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, 2004

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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, 2004

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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. Net assets restricted for other purposes primarily consists of balances restricted for operating expenses of the City's fire department.

**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:

**City of Vermilion, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

- Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- 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
GAAP Basis	\$ 137,831	\$ 74,503	\$ 127,834	\$ 13,612
Increase (Decrease):				
Accrued Revenues not included in Budget Basis	331,531	(14,130)	3,670	(41,449)
Accrued Expenditures not included in Budget Basis	(439,615)	(15,953)	(48,114)	46,100
Encumbrances Outstanding at 12/31/04	100,253	33,048	26,509	6,397
Budget Basis	<u>\$ 130,000</u>	<u>\$ 77,468</u>	<u>\$ 109,899</u>	<u>\$ 24,660</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, 2004

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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, 2004

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 2004, the City’s investments were limited to a repurchase agreement and certificate of deposit, a manuscript note, federal home loan notes, 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 \$471,134 and the bank balance was \$680,789. \$227,980 of the bank balance was covered by federal depository insurance. \$452,809 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	\$2,576,404	\$2,576,404
Manuscript Note	942,000	0	0	942,000	942,000
Money Market	0	0	250,382	250,382	250,382
Federal Home Loan Notes	0	1,994,319	0	1,994,319	1,994,319
Total Investments	<u>\$942,000</u>	<u>\$1,994,319</u>	<u>\$250,382</u>	<u>\$5,763,105</u>	<u>\$5,763,105</u>

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  
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	Cash and Cash Equivalents/Deposit	Investments
GASB Statement 9	\$6,234,289	\$0
Cash on Hand	(50)	0
Investments:		
Star Ohio	(2,576,404)	2,576,404
Money Market	(250,382)	250,382
Federal Home Loan Notes	(1,994,319)	1,994,319
Manuscript Notes	(942,000)	942,000
GASB Statement 3	\$471,134	\$5,763,105

**B. Discretely presented Component Unit**

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement 9	\$199,265	\$0
Investments:		
Star Ohio	(9,148)	9,148
GASB Statement 3	\$190,117	\$9,148

*Deposits:* At December 31, 2004, the carrying amount of the Vermilion Port Authority's deposits was \$190,117 and the bank balance was \$190,117. \$130,516 of the bank balance was covered by federal depository insurance. \$59,601 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.

**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.

*City of Vermilion, Ohio*  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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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 for capital assets, and 23 percent of its true value for inventory. 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.

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, 2004 was \$10.75 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Estate – 2003	
Residential/Agricultural/Other	\$240,169,430
Tangible Personal Property – 2003	
Public Utility	4,940,790
General Tangible Personal Property	<u>11,028,920</u>
Total Valuation	<u><u>\$256,139,140</u></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. Regional Income Tax Agency (RITA) is the City's collection agent for its local income tax.

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, 2004

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**Note 6 – Receivables**

Receivables at December 31, 2004 consisted of taxes, accounts (billing for user charged services), intergovernmental receivables, and special assessments. 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
Gasoline Tax	\$ 158,818
Local Government	26,562
Permissive Tax	12,990
Homestead/Rollback	156,783
Motor Vehicle Registration	31,496
Federal Grants	3,928
County Reimbursement	<u>6,600</u>
Total	<u><u>\$ 397,177</u></u>

**City of Vermilion, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**Note 7 – Capital Assets**

**A. Primary Government**

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

	Balance January 1, 2004	Additions	Deletions	Adjustment	Balance December 31, 2004
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 719,099	\$ -	\$ -	\$ -	\$ 719,099
Total capital assets, not depreciated:	719,099	-	-	-	719,099
Capital assets, being depreciated:					
Buildings	1,494,774	-	-	-	1,494,774
Equipment	599,328	52,454	-	(7,588)	644,194
Furniture	11,869	-	-	-	11,869
Infrastructure	15,879,924	349,001	-	16,533	16,245,458
Land Improvement	975,066	296,834	-	5,032	1,276,932
Traffic Lights	69,525	-	-	-	69,525
Vehicles	2,501,158	15,400	(19,790)	-	2,496,768
Total capital assets, being depreciated:	21,531,644	713,689	(19,790)	13,977	22,239,520
Less accumulated depreciation for:					
Buildings	(285,076)	(30,602)	-	-	(315,678)
Equipment	(444,859)	(59,875)	-	3,793	(500,941)
Furniture	(1,193)	(1,187)	-	-	(2,380)
Infrastructure	(10,173,160)	(514,182)	-	(413)	(10,687,755)
Land Improvement	(306,170)	(91,243)	-	(126)	(397,539)
Traffic Lights	(14,810)	(3,476)	-	-	(18,286)
Vehicles	(1,287,206)	(152,138)	12,090	-	(1,427,254)
Total accumulated depreciation	(12,512,474)	(852,703)	12,090	3,254	(13,349,833)
Total capital assets, being depreciated, net	9,019,170	(139,014)	(7,700)	17,231	8,889,687
Governmental activities capital assets, net	\$ 9,738,269	\$ (139,014)	\$ (7,700)	\$ 17,231	\$ 9,608,786



**City of Vermilion, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 105,140	\$ -	\$ -	\$ 105,140
Construction in progress	716,550	1,815,757	(25,628)	2,506,679
Total capital assets, not being depreciated	<u>821,690</u>	<u>1,815,757</u>	<u>(25,628)</u>	<u>2,611,819</u>
Capital assets, being depreciated:				
Building	5,924,128	-	-	5,924,128
Equipment	3,218,404	13,179	-	3,231,583
Furniture	21,078	1,776	-	22,854
Land improvement	43,749	-	-	43,749
Infrastructure	5,062,351	873,232	-	5,935,583
Vehicles	322,051	-	-	322,051
Total capital assets, being depreciated	<u>14,591,761</u>	<u>888,187</u>	<u>-</u>	<u>15,479,948</u>
Less accumulated depreciation for:				
Building	(3,808,115)	(222,339)	-	(4,030,454)
Equipment	(1,977,221)	(86,289)	-	(2,063,510)
Furniture	(15,127)	(1,256)	-	(16,383)
Land improvement	(39,857)	(901)	-	(40,758)
Infrastructure	(959,317)	(127,140)	-	(1,086,457)
Vehicles	(301,620)	(9,311)	-	(310,931)
Total accumulated depreciation	<u>(7,101,257)</u>	<u>(447,236)</u>	<u>-</u>	<u>(7,548,493)</u>
Total capital assets, being depreciated, net	<u>7,490,504</u>	<u>440,951</u>	<u>-</u>	<u>7,931,455</u>
Business-type activities capital assets, net	<u>\$ 8,312,194</u>	<u>\$ 2,256,708</u>	<u>\$ (25,628)</u>	<u>\$ 10,543,274</u>

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

Governmental activities	
General government	\$ 25,789
Public health	6,508
Security of persons and property	156,381
Leisure time activity	105,787
Transportation	558,238
Total depreciation expense – governmental activities	<u>\$ 852,703</u>
Business-type activities	
Water	\$ 286,492
Sewer	147,612
Storm Drainage	13,132
Total depreciation expense – business-type activities	<u>\$ 447,236</u>

**City of Vermilion, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**B. Discretely Presented Component Unit**

Activity for the Port Authority for the year ended December 31, 2004, was as follows:

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
Capital assets, not being depreciated:				
Land	\$ 1,059,388	\$ -	\$ -	\$ 1,059,388
Capital assets, being depreciated:				
Building	90,437	-	-	90,437
Equipment	41,291	356	-	41,647
Land improvement	329,642	-	-	329,642
Total capital assets being depreciated	461,370	356	-	461,726
Less accumulated depreciation for:				
Building	(20,610)	(2,236)	-	(22,846)
Equipment	(24,124)	(2,532)	-	(26,656)
Land improvement	(231,392)	(22,362)	-	(253,754)
Total accumulated depreciation	(276,126)	(27,130)	-	(303,256)
Total capital assets, being depreciated, net	185,244	(26,774)	-	158,470
Port Authority capital assets, net	\$ 1,244,632	\$ (26,774)	\$ -	\$ 1,217,858

**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, 2004 the liability for long-term unpaid compensated absences was \$433,390 for the governmental activities, which would be paid from general, and street maintenance and repair fund; and liability for long-term unpaid compensated absences for business-type activities was \$176,510, 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, 2004

**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 1/1/2004	Additions	Reductions	Balance 12/31/2004	Due in One Year
<b>Governmental Activities:</b>						
<u>General obligation bonds</u>						
1995 Vermilion Rd. Sewer-City Portion	6.25%	\$ 85,440	\$ -	\$ (5,340)	\$ 80,100	\$ 5,340
1997 Court Facility	5.75%	416,000	-	(29,000)	387,000	29,000
1997 Street Sweeper	5.75%	40,000	-	(10,000)	30,000	10,000
2000 Park Improvement	4.55-5.90%	500,000	-	(20,000)	480,000	20,000
2001 Motor Vehicle	3.00-3.70%	115,000	-	(35,000)	80,000	40,000
Total general obligation bonds		1,156,440	-	(99,340)	1,057,100	104,340
<u>Special assessment bond</u>						
1995 Vermilion Rd. Sewer-S.A. Portion	6.25%	74,560	-	(4,660)	69,900	4,660
<u>Other long-term obligations</u>						
Compensated Absences		370,423	353,385	(290,418)	433,390	150,175
Police and Fire Unfunded Pension Liability		116,197	-	(1,812)	114,385	1,890
Total other long-term obligations		486,620	353,385	(292,230)	547,775	152,065
Total governmental activities, long-term obligations		<u>\$ 1,717,620</u>	<u>\$ 353,385</u>	<u>\$ (396,230)</u>	<u>\$ 1,674,775</u>	<u>\$ 261,065</u>
<b>Business-type Activities:</b>						
<u>General obligation bonds</u>						
1995 Water Plant Improvement	4.40-6.15%	\$ 685,000	\$ -	\$ (40,000)	\$ 645,000	\$ 45,000
1999 E. Liberty Avenue Phase I	4.15-6.50%	780,000	-	(30,000)	750,000	35,000
2001 Highbridge Rd. Sewer System	3.00-5.00%	120,000	-	(5,000)	115,000	5,000
2004 Water Plant Improvement	2.00-4.65%	-	605,000	-	605,000	15,000
2004 Metering Equipment	2.00-4.65%	-	330,000	-	330,000	10,000
2004 Lagoon Special Assessments	2.00-4.65%	-	388,000	-	388,000	3,000
2004 Wastewater Treatment	2.00-4.65%	-	1,422,000	-	1,422,000	37,000
2004 Highbridge Rd. Storm Sewer	2.00-4.65%	-	250,000	-	250,000	5,000
Total general obligation bonds		1,585,000	2,995,000	(75,000)	4,505,000	155,000
<u>Refunding bonds</u>						
2001 Waterwork Improvement	3.00-5.00%	2,450,000	-	(90,000)	2,360,000	95,000
2001 Sanitary Sewage	3.00-4.20%	530,000	-	(95,000)	435,000	100,000
Total refunding bonds		2,980,000	-	(185,000)	2,795,000	195,000

**City of Vermilion, Ohio**  
Notes to the Basic Financial Statements  
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<b>Business-type Activities:</b>	Interest Rate	Balance 1/1/2004	Additions	Reductions	Balance 12/31/2004	Amount Due in One Year
<u>OWDA loans</u>						
1993 West Lake Road						
Water Main Improvement	6.16%	\$ 473,714	\$ -	\$ (31,375)	\$ 442,339	\$ 33,308
1999 High Service Water Pumps	5.86%	248,532	-	(18,980)	229,552	20,092
2001 Park Drive Lift Station	4.38%	82,749	-	(3,718)	79,031	3,002
2001 Contract B Lift Stations /Digesters/Water Resource Restoration	0.20%	1,124,816	-	(81,705)	1,043,111	81,828
Total OWDA loans		1,929,811	-	(135,778)	1,794,033	138,230
Compensated Absences Payable		160,952	118,042	(102,484)	176,510	53,365
Total business-type activities, long-term obligation		<u>\$ 6,655,763</u>	<u>\$ 3,113,042</u>	<u>\$ (498,262)</u>	<u>\$ 9,270,543</u>	<u>\$ 541,595</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 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, 2004 are as follows:

	1995 Vermilion Rd Sewer - City Portion			1997 Court Facility		
	Principal	Interest	Total	Principal	Interest	Total
	2005	\$ 5,340	\$ 5,006	\$ 10,346	\$ 29,000	\$ 22,253
2006	5,340	4,673	10,013	29,000	25,585	54,585
2007	5,340	4,339	9,679	29,000	18,918	47,918
2008	5,340	4,005	9,345	30,000	17,250	47,250
2009	8,010	3,671	11,681	30,000	15,525	45,525
2010-2014	40,050	10,847	50,897	150,000	51,750	201,750
2015-2019	10,680	668	11,348	90,000	10,350	100,350
Total	<u>\$ 80,100</u>	<u>\$ 33,209</u>	<u>\$ 113,309</u>	<u>\$ 387,000</u>	<u>\$ 161,631</u>	<u>\$ 548,631</u>

**City of Vermilion, Ohio**  
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	1997			2001		
	Street Sweeper			Motor Vehicle		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 10,000	\$ 1,725	\$ 11,725	\$ 40,000	\$ 2,820	\$ 42,820
2006	10,000	1,150	11,150	40,000	1,480	41,480
2007	10,000	575	10,575	-	-	-
<b>Total</b>	<b>\$ 30,000</b>	<b>\$ 3,450</b>	<b>\$ 33,450</b>	<b>\$ 80,000</b>	<b>\$ 4,300</b>	<b>\$ 84,300</b>
	2000			1995		
	Park Improvement			Vermilion Rd. Sewer - SA Portion		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 20,000	\$ 26,330	\$ 46,330	\$ 4,660	\$ 4,369	\$ 9,029
2006	20,000	25,360	45,360	4,660	4,078	8,738
2007	20,000	24,380	44,380	4,660	3,786	8,446
2008	25,000	23,380	48,380	4,660	3,495	8,155
2009	25,000	22,118	47,118	6,990	3,204	10,194
2010-2014	140,000	90,148	230,148	34,950	9,466	44,416
2015-2019	185,000	46,243	231,243	9,320	583	9,903
2020	45,000	2,655	47,655	-	-	-
<b>Total</b>	<b>\$ 480,000</b>	<b>\$ 260,614</b>	<b>\$ 740,614</b>	<b>\$ 69,900</b>	<b>\$ 28,981</b>	<b>\$ 98,881</b>
	1995			1999		
	Water Plant Improvement			E. Liberty Ave Phase 1		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 45,000	\$ 38,973	\$ 83,973	\$ 35,000	\$ 46,078	\$ 81,078
2006	45,000	36,475	81,475	35,000	44,363	79,363
2007	50,000	33,933	83,933	35,000	42,648	77,648
2008	-	31,058	31,058	40,000	40,845	80,845
2009	-	31,058	31,058	40,000	38,785	78,785
2010-2014	-	155,288	155,288	240,000	154,700	394,700
2015-2019	505,000	31,058	536,058	325,000	66,625	391,625
<b>Total</b>	<b>\$ 645,000</b>	<b>\$ 357,843</b>	<b>\$ 1,002,843</b>	<b>\$ 750,000</b>	<b>\$ 434,044</b>	<b>\$ 1,184,044</b>
	2001			2004		
	Highbridge Rd Sewer			Water Plant Improvement		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 5,000	\$ 5,360	\$ 10,360	\$ 15,000	\$ 32,775	\$ 47,775
2006	5,000	5,193	10,193	20,000	25,020	45,020
2007	5,000	5,008	10,008	25,000	24,620	49,620
2008	5,000	4,808	9,808	25,000	24,120	49,120
2009	5,000	4,598	9,598	25,000	23,495	48,495
2010-2014	25,000	19,630	44,630	130,000	104,988	234,988
2015-2019	45,000	12,193	57,193	160,000	74,888	234,888
2020-2024	20,000	1,500	21,500	205,000	29,760	234,760
<b>Total</b>	<b>\$ 115,000</b>	<b>\$ 58,290</b>	<b>\$ 173,290</b>	<b>\$ 605,000</b>	<b>\$ 339,666</b>	<b>\$ 944,666</b>

**City of Vermilion, Ohio**  
Notes to the Basic Financial Statements  
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	2004		
	Metering Equipment		
	Principal	Interest	Total
2005	\$ 10,000	\$ 17,799	\$ 27,799
2006	10,000	13,550	23,550
2007	10,000	13,350	23,350
2008	15,000	13,150	28,150
2009	15,000	12,775	27,775
2010-2014	75,000	56,923	131,923
2015-2019	85,000	40,425	125,425
2020-2024	110,000	16,043	126,043
<b>Total</b>	<b>\$ 330,000</b>	<b>\$ 184,015</b>	<b>\$ 514,015</b>

	2004		
	Lagoon Special Assessment		
	Principal	Interest	Total
2005	\$ 3,000	\$ 21,281	\$ 24,281
2006	15,000	16,380	31,380
2007	15,000	16,080	31,080
2008	15,000	15,780	30,780
2009	15,000	15,405	30,405
2010-2014	85,000	69,893	154,893
2015-2019	105,000	49,263	154,263
2020-2024	135,000	19,530	154,530
<b>Total</b>	<b>\$ 388,000</b>	<b>\$ 223,612</b>	<b>\$ 611,612</b>

	2004		
	Wastewater Treatment		
	Principal	Interest	Total
2005	\$ 37,000	\$ 77,087	\$ 114,087
2006	55,000	58,812	113,812
2007	55,000	57,713	112,713
2008	55,000	56,613	111,613
2009	55,000	55,238	110,238
2010-2014	305,000	249,498	554,498
2015-2019	380,000	176,500	556,500
2020-2024	480,000	68,820	548,820
<b>Total</b>	<b>\$1,422,000</b>	<b>\$ 800,281</b>	<b>\$ 2,222,281</b>

	2004		
	Highbridge Rd. Storm Sewer		
	Principal	Interest	Total
2005	\$ 5,000	\$ 13,647	\$ 18,647
2006	10,000	10,443	20,443
2007	10,000	10,243	20,243
2008	10,000	10,043	20,043
2009	10,000	9,793	19,793
2010-2014	50,000	44,328	94,328
2015-2019	70,000	31,863	101,863
2020-2024	85,000	12,555	97,555
<b>Total</b>	<b>\$ 250,000</b>	<b>\$ 142,915</b>	<b>\$ 392,915</b>

	2001		
	Waterwork Improvement Refunding		
	Principal	Interest	Total
2005	\$ 95,000	\$ 109,203	\$ 204,203
2006	100,000	106,020	206,020
2007	100,000	102,320	202,320
2008	95,000	98,320	193,320
2009	225,000	94,330	319,330
2010-2014	610,000	370,238	980,238
2015-2019	770,000	209,535	979,535
2020-2024	365,000	27,500	392,500
<b>Total</b>	<b>\$2,360,000</b>	<b>\$1,117,466</b>	<b>\$ 3,477,466</b>

	2001		
	Sanitary Sewage Refunding		
	Principal	Interest	Total
2005	\$ 100,000	\$ 16,675	\$ 116,675
2006	105,000	13,325	118,325
2007	110,000	9,440	119,440
2008	120,000	5,040	125,040
2009	-	-	-
2010-2014	-	-	-
2015-2019	-	-	-
2020-2024	-	-	-
<b>Total</b>	<b>\$ 435,000</b>	<b>\$ 44,480</b>	<b>\$ 479,480</b>

**City of Vermilion, Ohio**  
Notes to the Basic Financial Statements  
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	Police and Fire Unfunded Pension Liability		
	Principal	Interest	Total
2005	\$ 1,890	\$ 4,841	\$ 6,731
2006	1,971	4,760	6,731
2007	2,056	4,675	6,731
2008	2,144	4,587	6,731
2009	2,236	4,495	6,731
2010-2014	12,706	20,948	33,654
2015-2019	15,679	17,974	33,653
2020-2024	19,347	14,305	33,652
2025-2029	23,876	9,778	33,654
2030-2034	29,463	4,190	33,653
2035	3,017	50	3,067
<b>Total</b>	<b>\$ 114,385</b>	<b>\$ 90,603</b>	<b>\$ 204,988</b>

	2001 Park Drive Lift Station		
	Principal	Interest	Total
2005	\$ 3,002	\$ 3,367	\$ 6,369
2006	3,678	3,290	6,968
2007	3,841	3,127	6,968
2008	4,011	2,957	6,968
2009	4,188	2,780	6,968
2010-2014	23,893	10,947	34,840
2015-2019	29,673	5,167	34,840
2020-2024	6,745	223	6,968
2025-2029	-	-	-
2030-2034	-	-	-
2035	-	-	-
<b>Total</b>	<b>\$ 79,031</b>	<b>\$ 31,858</b>	<b>\$ 110,889</b>

	1993 West Lake Road Water Main Improvement		
	Principal	Interest	Total
2005	\$ 33,308	\$ 27,248	\$ 60,556
2006	35,360	25,196	60,556
2007	37,538	23,018	60,556
2008	39,850	20,706	60,556
2009	42,305	18,251	60,556
2010-2014	253,978	48,803	302,781
<b>Total</b>	<b>\$ 442,339</b>	<b>\$ 163,222</b>	<b>\$ 605,561</b>

	1999 High Service Water Pumps		
	Principal	Interest	Total
2005	\$ 20,092	\$ 13,452	\$ 33,544
2006	21,270	12,274	33,544
2007	22,516	11,028	33,544
2008	23,835	9,709	33,544
2009	25,232	8,312	33,544
2010-2014	116,607	17,569	134,176
<b>Total</b>	<b>\$ 229,552</b>	<b>\$ 72,344</b>	<b>\$ 301,896</b>

The City's overall legal debt margin was \$25,864,297 at December 31, 2004 and the unvoted legal debt margin was \$13,057,790.

**City of Vermilion, Ohio**  
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**Note 10 – Note Debt**

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

	Interest Rate	Balance 1/1/2004	Additions	Reductions	Balance 12/31/2004
<b>Governmental Activities:</b>					
Various Purpose Notes Series 2004	1.75%	\$ -	130,000	\$ -	130,000
Total governmental activities, short-term notes		<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>
<b>Business-type Activities:</b>					
Various Purpose Notes Series 2004	1.90%	\$ -	\$ 700,000	\$ -	\$ 700,000
Utility Improvement Notes Series 2004	1.40%	-	864,000	(864,000)	-
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>\$ 2,667,000</u>	<u>\$ 1,564,000</u>	<u>\$ (3,531,000)</u>	<u>\$ 700,000</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 is 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 years 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 contributions 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.

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)222-6701 or 1-800-222-PERS(7377).



*City of Vermilion, Ohio*  
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The Ohio Revised Code provides statutory authority for member and employer contributions. 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, 2004, 2003, and 2002 were \$393,723, \$369,852, and \$351,100 respectively. The full amount has been contributed for 2003 and 2002, and 89.2 percent has been contributed for 2004. \$42,719 representing the unpaid contribution for 2004 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 respectively for police officers and firefighters. During 2004, the City did not have paid firefighters. The City's contributions to OP&F for police were \$212,455 for the year ended December 31, 2004, \$190,165 for 2003, and \$179,037 for 2002. The full amount has been contributed for 2003 and 2002, and 71.2 percent has been contributed for 2004. \$61,170, representing the unpaid contribution for 2004, 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 - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - 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 benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plan must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement 12.

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 OPERS law enforcement program is separated into two divisions, law enforcement and public safety with separate employee contribution rates and benefits. For local government employer units, the City's contribution rate was 13.55 percent of covered payroll, of which 4 percent 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.

*City of Vermilion, Ohio*  
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The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2003. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of 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 percent of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2003 was 8 percent. An annual increase of 4 percent, 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 percent base increase, were assumed to range from 0.5 to 6.3 percent. Health care costs were assumed to increase at the projected wages inflation rate plus an additional factor ranging from one to six percent for the next eight years. In subsequent years (nine and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation).

OPEBs are advance-funded on an actuarially determined basis. At year-end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885. 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 \$116,127. \$10.5 billion represents the actuarial value of the Retirement System's net assets available for OPEBs at December 31, 2003. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004 the OPERS' Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

#### **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's Board of Trustees to provide health care coverage to all eligible individual.

**City of Vermilion, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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 expenses. The board defined allocation was 7.75 percent of covered payroll in 2004 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. Beginning in 2001, all retirees and survivors have monthly healthcare contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$84,345 for police. The number of participants eligible to receive health care benefits as of December 31, 2003 (the latest information available) was 13,662 for police and 10,474 for firefighters. The Fund's total health care expenses for the year ending December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506.

**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 2004, 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 2004.

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.

**City of Vermilion, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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 \$37,500 for each individual. The City utilizes a third party administrator, Business Administration Consultants (BAC), to review all claims which are then paid by the City. The cost to the City for the third party administrator is \$1,500 monthly. The City purchases stop-loss coverage from United Healthcare at a cost of \$144,130 annually. Stop-loss coverage provides a maximum of \$1,000,000 per individual for their lifetime. During 2004, a total of \$763,076 was paid in benefits and administrative costs. Changes in the internal service fund's claim liability amount in 2003 and 2004 were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$38,162	784,359	(757,497)	\$65,024
2004	\$65,024	763,076	(762,314)	\$65,786

**Note 14 – Internal Balances**

Internal balances at December 31, 2004 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
<b>Major Funds:</b>				
General	\$573,754	\$0	\$0	\$471,422
Street Maintenance and Repair	0	5,554	0	0
Water	0	0	191,026	0
Sewer	0	245,609	280,396	0
<b>Other Non-Major</b>				
Governmental Funds	0	121,891	0	0
Self-Insurance	0	200,700	0	0
<b>Total</b>	\$573,754	\$573,754	\$471,422	\$471,422

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

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.

**City of Vermilion, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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

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

Fund	Transfer Out	Transfer In
Major Funds:		
General	\$631,092	\$0
Other Non-Major Governmental Funds	0	631,092
Total	\$631,092	\$631,092

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.

**Note 15 – Accountability and Compliance**

**A. Fund Deficits**

The following funds had a deficit fund balance or deficit net assets as of December 31, 2004.

Fund	Deficit Fund Balance	Deficit Net Asset
<u>Capital Projects Fund:</u>		
CDBG	\$110,889	
<u>Enterprise Fund:</u>		
Water		\$728,340
<u>Internal Service Fund:</u>		
Self-Insurance		193,509

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.

**City of Vermilion, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**B. Compliance**

*Appropriation Exceeding Estimated Resources:* Sections 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. During the year, the City had several funds that would not be in compliance with the State's statute. The City has procedures in place to monitor the budget closely during the year to ensure the City meets the all compliance requirements.

**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.

**Note 17 – Restatement of Prior Year Fund Balances**

In fiscal year 2004, the City corrected a prior year mistake on recording revenues in the incorrect fund. There was no effect on the government-wide financial statements.

	General	Other Governmental
Fund Balance, December 31, 2003	\$ 1,154,326	\$ 488,493
Restated Asset	(20,500)	20,500
Fund Balance, January 1, 2004	\$ 1,133,826	\$ 508,993

**Note 18 – Outstanding Commitment**

At the end of December 31, 2004, the City has outstanding commitments of approximately \$167,082 for sewer construction on Sunnyside Road.

Combining Statements  
And  
Individual Fund Schedules

*City of Vermilion, Ohio*  
**Non-major Governmental Funds**  
**Fund Descriptions**

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**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 registration 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, 2004**

	Non-major Special Revenue Funds	Non-major Debt Service Fund	Non-major Capital Projects Funds	Non-major Permanent Fund	Total Non-major Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 548,207	\$ 97,137	\$ 252,073	\$ 31,835	\$ 929,252
Cash and Cash Equivalents: With Fiscal and Escrow Agents	-	365	-	-	365
Receivables:					
Taxes	76,841	76,841	128,070	-	281,752
Accounts	20,112	-	-	-	20,112
Intergovernmental	35,625	4,375	7,293	-	47,293
Special Assessments	-	88,996	-	-	88,996
<b>Total Assets</b>	<b>680,785</b>	<b>267,714</b>	<b>387,436</b>	<b>31,835</b>	<b>1,367,770</b>
<b>Liabilities</b>					
Accounts Payable	23,072	-	3,093	-	26,165
Accrued Wages	1,241	-	400	-	1,641
Pension obligation payable	183	-	163	-	346
Intergovernmental Payable	2,533	-	6	-	2,539
Deferred Revenue	88,916	170,212	135,363	-	394,491
Matured Interest Payable	-	365	-	-	365
Advances from Other Funds	6,474	-	115,417	-	121,891
<b>Total Liabilities</b>	<b>122,419</b>	<b>170,577</b>	<b>254,442</b>	<b>-</b>	<b>547,438</b>
<b>Fund Balance (Deficit)</b>					
Reserved for Encumbrances	82,467	-	17,270	-	99,737
Reserved for Endowment	-	-	-	31,835	31,835
Unreserved:					
Undesignated, Report In:					
Special Revenue Funds	475,899	-	-	-	475,899
Debt Service Fund	-	97,137	-	-	97,137
Capital Projects Funds	-	-	115,724	-	115,724
<b>Total Fund Balance (Deficit)</b>	<b>558,366</b>	<b>97,137</b>	<b>132,994</b>	<b>31,835</b>	<b>820,332</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 680,785</b>	<b>\$ 267,714</b>	<b>\$ 387,436</b>	<b>\$ 31,835</b>	<b>\$ 1,367,770</b>

**City of Vermilion, Ohio**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-major Governmental Funds  
For the Year Ended December 31, 2004

	Non-major Special Revenue Funds	Non-major Debt Service Fund	Non-major Capital Projects Funds	Non-major Permanent Fund	Total Non-major Governmental Funds
<b>Revenues</b>					
Taxes	\$ 68,341	\$ 68,341	\$ 113,902	\$ -	\$ 250,584
Intergovernmental	269,476	9,047	375,899	-	654,422
Interest	442	-	-	-	442
Special Assessments	-	13,032	-	-	13,032
Charges for Services	182,790	-	37,758	-	220,548
Fines, Licenses and Permits	70,371	-	39,945	-	110,316
Miscellaneous	34,838	-	20,982	-	55,820
<b>Total Revenues</b>	<b>626,258</b>	<b>90,420</b>	<b>588,486</b>	<b>-</b>	<b>1,305,164</b>
<b>Expenditures</b>					
Current:					
Security of Persons and Property	343,019	-	1,971	-	344,990
Public Health	98,143	-	-	-	98,143
Community Environment	45,822	314	384,587	-	430,723
Transportation	50,406	-	-	-	50,406
General Government	-	467	11,560	-	12,027
Leisure Time Activities	96,210	-	-	-	96,210
Capital Outlay	-	-	75,970	-	75,970
Debt Service:					
Principal Retirement	1,142	84,000	20,000	-	105,142
Interest and Fiscal Charges	3,102	40,074	26,968	-	70,144
<b>Total Expenditures</b>	<b>637,844</b>	<b>124,855</b>	<b>521,056</b>	<b>-</b>	<b>1,283,755</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(11,586)</u>	<u>(34,435)</u>	<u>67,430</u>	<u>-</u>	<u>21,409</u>
<b>Other Financing Sources (Uses)</b>					
Accrued Interest and Bond Premiums	-	8,838	-	-	8,838
Transfers In	216,759	53,333	11,000	-	281,092
<b>Total Other Financing Sources (Uses)</b>	<b>216,759</b>	<b>62,171</b>	<b>11,000</b>	<b>-</b>	<b>289,930</b>
<b>Net Change in Fund Balances</b>	<b>205,173</b>	<b>27,736</b>	<b>78,430</b>	<b>-</b>	<b>311,339</b>
<i>Fund Balance (Deficit) at Beginning of Year, Restated (See Note 17)</i>	<u>353,193</u>	<u>69,401</u>	<u>54,564</u>	<u>31,835</u>	<u>508,993</u>
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$ 558,366</b>	<b>\$ 97,137</b>	<b>\$ 132,994</b>	<b>\$ 31,835</b>	<b>\$ 820,332</b>

**City of Vermilion, Ohio**  
**Combining Balance Sheet**  
**Non-major Special Revenue Funds**  
**December 31, 2004**

	State Highway Improvement	Permissive Use Tax	Recreation	Miscellaneous Local	Total Non-major Special Revenue Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 19,019	\$ 229,737	\$ 9,942	\$ 289,509	\$ 548,207
Receivables:					
Taxes	-	-	-	76,841	76,841
Accounts	-	-	-	20,112	20,112
Intergovernmental	11,660	12,990	-	10,975	35,625
<b>Total Assets</b>	<b>30,679</b>	<b>242,727</b>	<b>9,942</b>	<b>397,437</b>	<b>680,785</b>
<b>Liabilities</b>					
Accounts Payable	-	8,093	-	14,979	23,072
Accrued Wages	-	-	484	757	1,241
Pension obligation payable	-	-	183	-	183
Intergovernmental Payable	-	-	2,458	75	2,533
Deferred Revenue	7,700	-	-	81,216	88,916
Advances from Other Funds	-	-	5,474	1,000	6,474
<b>Total Liabilities</b>	<b>7,700</b>	<b>8,093</b>	<b>8,599</b>	<b>98,027</b>	<b>122,419</b>
<b>Fund Balance (Deficit)</b>					
Reserved for Encumbrances	-	72,264	6,384	3,819	82,467
Unreserved:					
Undesignated	22,979	162,370	(5,041)	295,591	475,899
<b>Total Fund Balance (Deficit)</b>	<b>22,979</b>	<b>234,634</b>	<b>1,343</b>	<b>299,410</b>	<b>558,366</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 30,679</b>	<b>\$ 242,727</b>	<b>\$ 9,942</b>	<b>\$ 397,437</b>	<b>\$ 680,785</b>

**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, 2004

	State Highway Improvement	Permissive Use Tax	Recreation	Miscellaneous Local	Total Non-major Special Revenue Funds
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ 68,341	\$ 68,341
Intergovernmental	32,896	178,688	-	57,892	269,476
Interest	-	-	-	442	442
Charges for Services	-	-	45,841	136,949	182,790
Fines, Licenses and Permits	-	-	-	70,371	70,371
Miscellaneous	-	-	925	33,913	34,838
<i>Total Revenues</i>	<u>32,896</u>	<u>178,688</u>	<u>46,766</u>	<u>367,908</u>	<u>626,258</u>
<b>Expenditures</b>					
Current:					
Security of Persons and Property	-	-	-	343,019	343,019
Public Health	-	-	-	98,143	98,143
Community Environment	-	-	-	45,822	45,822
Transportation	28,309	22,097	-	-	50,406
Leisure Time Activities	-	-	96,210	-	96,210
Debt Service:					
Principal Retirement	-	-	-	1,142	1,142
Interest and Fiscal Charges	-	-	-	3,102	3,102
<i>Total Expenditures</i>	<u>28,309</u>	<u>22,097</u>	<u>96,210</u>	<u>491,228</u>	<u>637,844</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,587</u>	<u>156,591</u>	<u>(49,444)</u>	<u>(123,320)</u>	<u>(11,586)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	45,000	171,759	216,759
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>171,759</u>	<u>216,759</u>
<i>Net Change in Fund Balances</i>	4,587	156,591	(4,444)	48,439	205,173
<i>Fund Balance (Deficit) at Beginning of Year, Restated (See Note 17)</i>	<u>18,392</u>	<u>78,043</u>	<u>5,787</u>	<u>250,971</u>	<u>353,193</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 22,979</u>	<u>\$ 234,634</u>	<u>\$ 1,343</u>	<u>\$ 299,410</u>	<u>\$ 558,366</u>

**City of Vermilion, Ohio**  
Combining Balance Sheet  
Non-major Capital Projects Funds  
December 31, 2004

	Park Levy	Miscellaneous Permanent Improvement	CDBG	Total Non-major Capital Projects Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 119,994	\$ 125,688	\$ 6,391	\$ 252,073
Receivables:				
Taxes	128,070	-	-	128,070
Intergovernmental	7,293	-	-	7,293
<i>Total Assets</i>	<u>255,357</u>	<u>125,688</u>	<u>6,391</u>	<u>387,436</u>
<b>Liabilities</b>				
Accounts Payable	1,799	-	1,294	3,093
Accrued Wages	-	-	400	400
Pension obligation payable	-	-	163	163
Intergovernmental Payable	-	-	6	6
Deferred Revenue	135,363	-	-	135,363
Advances from Other Funds	-	-	115,417	115,417
<i>Total Liabilities</i>	<u>137,162</u>	<u>-</u>	<u>117,280</u>	<u>254,442</u>
<b>Fund Balance (Deficit)</b>				
Fund Balance:				
Reserved for Encumbrances	9,647	5,400	2,223	17,270
Unreserved:				
Undesignated	108,548	120,288	(113,112)	115,724
<i>Total Fund Balance (Deficit)</i>	<u>118,195</u>	<u>125,688</u>	<u>(110,889)</u>	<u>132,994</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 255,357</u>	<u>\$ 125,688</u>	<u>\$ 6,391</u>	<u>\$ 387,436</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, 2004

	Park Levy	Miscellaneous Permanent Improvement	CDBG	Total Non-major Capital Projects Funds
<b>Revenues</b>				
Taxes	\$ 113,902	\$ -	\$ -	\$ 113,902
Intergovernmental	15,078	-	360,821	375,899
Charges for Services	37,758	-	-	37,758
Fines, Licenses and Permits	-	39,945	-	39,945
Miscellaneous	-	-	20,982	20,982
<i>Total Revenues</i>	<u>166,738</u>	<u>39,945</u>	<u>381,803</u>	<u>588,486</u>
<b>Expenditures</b>				
Current:				
Security of persons	-	1,971	-	1,971
Community Environment	-	-	384,587	384,587
General Government	-	11,560	-	11,560
Capital Outlay	75,970	-	-	75,970
Debt Service:				
Principal Retirement	20,000	-	-	20,000
Interest and Fiscal Charges	26,968	-	-	26,968
<i>Total Expenditures</i>	<u>122,938</u>	<u>13,531</u>	<u>384,587</u>	<u>521,056</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>43,800</u>	<u>26,414</u>	<u>(2,784)</u>	<u>67,430</u>
<b>Other Financing Sources (Uses)</b>				
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>	43,800	37,414	(2,784)	78,430
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>74,395</u>	<u>88,274</u>	<u>(108,105)</u>	<u>54,564</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 118,195</u>	<u>\$ 125,688</u>	<u>\$ (110,889)</u>	<u>\$ 132,994</u>

*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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 32,347	\$ 7,347
<b>Total Revenues</b>	<u>25,000</u>	<u>25,000</u>	<u>32,347</u>	<u>7,347</u>
<b>Expenditures:</b>				
Current:				
Transportation				
Other	28,553	28,553	28,309	244
<b>Total Expenditures</b>	<u>28,553</u>	<u>28,553</u>	<u>28,309</u>	<u>244</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(3,553)	(3,553)	4,038	7,591
Fund Balances (Deficit) at Beginning of Year	14,981	14,981	14,981	-
Fund Balances (Deficit) at End of Year	<u>\$ 11,428</u>	<u>\$ 11,428</u>	<u>\$ 19,019</u>	<u>\$ 7,591</u>

*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, 2004

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 450,000	\$ 450,000	\$ 178,234	\$ (271,766)
<b>Total Revenues</b>	<u>450,000</u>	<u>450,000</u>	<u>178,234</u>	<u>(271,766)</u>
<b>Expenditures:</b>				
Current:				
Transportation				
Other	89,801	89,801	54,360	35,441
<b>Total Expenditures</b>	<u>89,801</u>	<u>89,801</u>	<u>54,360</u>	<u>35,441</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	360,199	360,199	123,874	(236,325)
Fund Balances (Deficit) at Beginning of Year	(19,445)	(19,445)	(19,445)	-
Unexpended Prior Year Encumbrances	44,951	44,951	44,951	-
Fund Balances (Deficit) at End of Year	<u>\$ 385,705</u>	<u>\$ 385,705</u>	<u>\$ 149,380</u>	<u>\$ (236,325)</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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$ 45,000	\$ 60,000	\$ 45,841	\$ (14,159)
Other	-	-	925	925
<b>Total Revenues</b>	<u>45,000</u>	<u>60,000</u>	<u>46,766</u>	<u>(13,234)</u>
<b>Expenditures:</b>				
Current:				
Leisure Time Activities				
Salaries	71,599	78,710	81,012	(2,302)
Other	7,259	14,663	15,664	(1,001)
<b>Total Expenditures</b>	<u>78,858</u>	<u>93,373</u>	<u>96,676</u>	<u>(3,303)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(33,858)	(33,373)	(49,910)	(16,537)
<b>Other Financing Sources (Uses):</b>				
Transfer In	30,000	45,000	45,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>30,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	(3,858)	11,627	(4,910)	(16,537)
Fund Balances (Deficit) at Beginning of Year	2,872	2,872	2,872	-
Unexpended Prior Year Encumbrances	5,596	5,596	5,596	-
Fund Balances (Deficit) at End of Year	<u>\$ 4,610</u>	<u>\$ 20,095</u>	<u>\$ 3,558</u>	<u>\$ (16,537)</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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 66,229	\$ 66,229	\$ 68,341	\$ 2,112
Intergovernmental	-	-	9,047	9,047
<b>Total Revenues</b>	<u>66,229</u>	<u>66,229</u>	<u>77,388</u>	<u>11,159</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Other	194,409	206,893	206,891	2
<b>Total Expenditures</b>	<u>194,409</u>	<u>206,893</u>	<u>206,891</u>	<u>2</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(128,180)	(140,664)	(129,503)	11,161
<b>Other Financing Sources (Uses):</b>				
Transfer In	106,760	106,760	127,759	20,999
<b>Total Other Financing Sources (Uses)</b>	<u>106,760</u>	<u>106,760</u>	<u>127,759</u>	<u>20,999</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	(21,420)	(33,904)	(1,744)	32,160
Fund Balances (Deficit) at Beginning of Year	3,999	3,999	3,999	-
Fund Balances (Deficit) at End of Year	<u>\$ (17,421)</u>	<u>\$ (29,905)</u>	<u>\$ 2,255</u>	<u>\$ 32,160</u>

*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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 26,200	\$ 26,200	\$ 18,665	\$ (7,535)
<b>Total Revenues</b>	<u>26,200</u>	<u>26,200</u>	<u>18,665</u>	<u>(7,535)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Salaries	19,446	19,446	12,914	6,532
Other	19,275	18,676	14,228	4,448
<b>Total Expenditures</b>	<u>38,721</u>	<u>38,122</u>	<u>27,142</u>	<u>10,980</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(12,521)	(11,922)	(8,477)	3,445
<b>Other Financing Sources (Uses):</b>				
Transfers - In	14,000	14,000	14,000	-
<b>Total Other Sources (Uses)</b>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	1,479	2,078	5,523	3,445
Fund Balances (Deficit) at Beginning of Year	6,579	6,579	6,579	-
Unexpended Prior Year Encumbrances	597	597	597	-
Fund Balances (Deficit) at End of Year	<u>\$ 8,655</u>	<u>\$ 9,254</u>	<u>\$ 12,699</u>	<u>\$ 3,445</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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$ 77,000	\$ 89,000	\$ 86,279	\$ (2,721)
Interest	3,000	3,000	442	(2,558)
<b>Total Revenues</b>	80,000	92,000	86,721	(5,279)
<b>Expenditures:</b>				
Current:				
Public Health and Welfare				
Other	82,808	98,904	98,593	311
<b>Total Expenditures</b>	82,808	98,904	98,593	311
<b>Excess of Revenues Over (Under) Expenditures</b>	(2,808)	(6,904)	(11,872)	(4,968)
<b>Other Financing Sources (Uses):</b>				
Transfer In	10,000	10,000	10,000	-
<b>Total Other Sources (Uses)</b>	10,000	10,000	10,000	-
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	7,192	3,096	(1,872)	(4,968)
Fund Balances (Deficit) at Beginning of Year	6,088	6,088	6,088	-
Fund Balances (Deficit) at End of Year	\$ 13,280	\$ 9,184	\$ 4,216	\$ (4,968)

*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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$ 48,000	\$ 48,000	\$ 49,275	\$ 1,275
<b>Total Revenues</b>	<u>48,000</u>	<u>48,000</u>	<u>49,275</u>	<u>1,275</u>
<b>Expenditures:</b>				
Current:				
Community Environment				
Other	48,361	48,361	44,428	3,933
<b>Total Expenditures</b>	<u>48,361</u>	<u>48,361</u>	<u>44,428</u>	<u>3,933</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(361)	(361)	4,847	5,208
Fund Balances (Deficit) at Beginning of Year	2,942	2,942	2,942	-
Fund Balances (Deficit) at End of Year	<u>\$ 2,581</u>	<u>\$ 2,581</u>	<u>\$ 7,789</u>	<u>\$ 5,208</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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$ 7,500	\$ 7,500	\$ 7,685	\$ 185
Intergovernmental	42,500	32,500	25,559	(6,941)
<b>Total Revenues</b>	<u>50,000</u>	<u>40,000</u>	<u>33,244</u>	<u>(6,756)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Salaries	29,520	54,291	51,805	2,486
Other	3,150	3,100	1,070	2,030
<b>Total Expenditures</b>	<u>32,670</u>	<u>57,391</u>	<u>52,875</u>	<u>4,516</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	17,330	(17,391)	(19,631)	(2,240)
<b>Other Financing Sources (Uses):</b>				
Transfer In	-	17,500	20,000	2,500
<b>Total Other Sources (Uses)</b>	<u>-</u>	<u>17,500</u>	<u>20,000</u>	<u>2,500</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	17,330	109	369	260
Fund Balances (Deficit) at Beginning of Year	4,464	4,464	4,464	-
Unexpended Prior Year Encumbrances	50	50	50	-
Fund Balances (Deficit) at End of Year	<u>\$ 21,844</u>	<u>\$ 4,623</u>	<u>\$ 4,883</u>	<u>\$ 260</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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$ 2,000	\$ 2,000	\$ 20,350	\$ 18,350
<b>Total Revenues</b>	<u>2,000</u>	<u>2,000</u>	<u>20,350</u>	<u>18,350</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Other	3,217	15,382	13,991	1,391
<b>Total Expenditures</b>	<u>3,217</u>	<u>15,382</u>	<u>13,991</u>	<u>1,391</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(1,217)	(13,382)	6,359	19,741
Fund Balances (Deficit) at Beginning of Year	(2,835)	(2,835)	(2,835)	-
Unexpended Prior Year Encumbrances	3,218	3,218	3,218	-
Fund Balances (Deficit) at End of Year	<u>\$ (834)</u>	<u>\$ (12,999)</u>	<u>\$ 6,742</u>	<u>\$ 19,741</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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$ 2,000	\$ 2,000	\$ 4,174	\$ 2,174
Intergovernmental	-	-	5,629	5,629
<b>Total Revenues</b>	2,000	2,000	9,803	7,803
<b>Expenditures:</b>				
Current:				
Public Health and Welfare				
Other	2,122	2,122	-	2,122
<b>Total Expenditures</b>	2,122	2,122	-	2,122
<b>Excess of Revenues Over (Under) Expenditures</b>	(122)	(122)	9,803	9,925
Fund Balances (Deficit) at Beginning of Year	94,022	94,022	94,022	-
Fund Balances (Deficit) at End of Year	\$ 93,900	\$ 93,900	\$ 103,825	\$ 9,925



*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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$ 2,000	\$ 2,000	\$ 3,033	\$ 1,033
<b>Total Revenues</b>	<u>2,000</u>	<u>2,000</u>	<u>3,033</u>	<u>1,033</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Salaries	1,509	1,509	-	1,509
Other	1,020	1,020	-	1,020
<b>Total Expenditures</b>	<u>2,529</u>	<u>2,529</u>	<u>-</u>	<u>2,529</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(529)	(529)	3,033	3,562
Fund Balances (Deficit) at Beginning of Year	35,590	35,590	35,590	-
Fund Balances (Deficit) at End of Year	<u>\$ 35,061</u>	<u>\$ 35,061</u>	<u>\$ 38,623</u>	<u>\$ 3,562</u>

*City of Vermilion*  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP) and Actual  
Court Computer Fund  
For the Year Ended December 31, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$ 18,000	\$ 18,000	\$ 35,964	\$ 17,964
<b>Total Revenues</b>	<u>18,000</u>	<u>18,000</u>	<u>35,964</u>	<u>17,964</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Other	58,080	55,167	18,354	36,813
<b>Total Expenditures</b>	<u>58,080</u>	<u>55,167</u>	<u>18,354</u>	<u>36,813</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(40,080)	(37,167)	17,610	54,777
Fund Balances (Deficit) at Beginning of Year	51,494	51,494	51,494	-
Unexpended Prior Year Encumbrances	2,913	2,913	2,913	-
Fund Balances (Deficit) at End of Year	<u>\$ 14,327</u>	<u>\$ 17,240</u>	<u>\$ 72,017</u>	<u>\$ 54,777</u>

*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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Other	\$ 10,000	\$ 31,389	\$ 25,378	\$ (6,011)
<b>Total Revenue</b>	<u>10,000</u>	<u>31,389</u>	<u>25,378</u>	<u>(6,011)</u>
<b>Expenditures:</b>				
Current:				
General Government				
Legislative and Executive	12,000	27,000	25,378	1,622
<b>Total Expenditures</b>	<u>12,000</u>	<u>27,000</u>	<u>25,378</u>	<u>1,622</u>
<b>Excess of Revenues Over     (Under) Expenditures</b>	(2,000)	4,389	-	(4,389)
Fund Balances (Deficit) at Beginning of Year	6,411	6,411	6,411	-
<b>Fund Balances (Deficit) at End of Year</b>	<u><u>\$ 4,411</u></u>	<u><u>\$ 10,800</u></u>	<u><u>\$ 6,411</u></u>	<u><u>\$ (4,389)</u></u>

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

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 66,229	\$ 66,229	\$ 68,341	\$ 2,112
Intergovernmental	-	10,000	9,047	(953)
<b>Total Revenues</b>	66,229	76,229	77,388	1,159
<b>Expenditures:</b>				
Current:				
General Government:				
Legislative and Executive	-	467	467	-
Debt Service:				
Principal Retirement	79,340	79,340	79,340	-
Interest and Fiscal Charges	35,414	35,414	35,414	-
<b>Total Expenditures</b>	114,754	115,221	115,221	-
Excess of Revenues Over (Under) Expenditures	(48,525)	(38,992)	(37,833)	1,159
<b>Other Financing Sources (Uses):</b>				
Transfer In	10,000	75,821	53,333	(22,488)
Bond Premium	-	-	5,000	5,000
Accrued Interest Received	-	-	3,838	3,838
<b>Total Other Financing Sources (Uses)</b>	10,000	75,821	62,171	(13,650)
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(38,525)	36,829	24,338	(12,491)
Fund Balances (Deficit) at Beginning of Year	12,492	12,492	12,492	-
Fund Balances (Deficit) at End of Year	\$ (26,033)	\$ 49,321	\$ 36,830	\$ (12,491)

*City of Vermilion, Ohio*  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP) and Actual  
Special Assessment Bond Fund  
For the Fiscal Year Ended December 31, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Special Assessments	\$ 12,229	\$ 12,229	\$ 13,032	\$ 803
<b>Total Revenues</b>	<u>12,229</u>	<u>12,229</u>	<u>13,032</u>	<u>803</u>
<b>Expenditures:</b>				
Current:				
Basic Utility Service				
Other	1,439	1,439	314	1,125
Debt Service:				
Principal Retirement	25,601	25,601	4,660	20,941
Interest and Fiscal Charges	10,958	10,958	4,660	6,298
<b>Total Expenditures</b>	<u>37,998</u>	<u>37,998</u>	<u>9,634</u>	<u>28,364</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(25,769)	(25,769)	3,398	29,167
Fund Balances (Deficit) at Beginning of Year	56,908	56,908	56,908	-
Fund Balances (Deficit) at End of Year	<u>\$ 31,139</u>	<u>\$ 31,139</u>	<u>\$ 60,306</u>	<u>\$ 29,167</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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 110,384	\$ 110,384	\$ 113,902	\$ 3,518
Charges for Services	6,000	37,000	37,758	758
Intergovernmental	-	17,000	15,078	(1,922)
<b>Total Revenues</b>	<u>116,384</u>	<u>164,384</u>	<u>166,738</u>	<u>2,354</u>
<b>Expenditures:</b>				
Capital Outlay	164,654	139,409	63,746	75,663
Debt Service:				
Principal Retirement	20,000	20,000	20,000	-
Interest and Fiscal Charge	28,240	28,240	26,968	1,272
<b>Total Expenditures</b>	<u>212,894</u>	<u>187,649</u>	<u>110,714</u>	<u>76,935</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(96,510)	(23,265)	56,024	79,289
Fund Balances (Deficit) at Beginning of Year	27,278	27,278	27,278	-
Unexpended Prior Year Encumbrances	25,245	25,245	25,245	-
Fund Balances (Deficit) at End of Year	<u>\$ (43,987)</u>	<u>\$ 29,258</u>	<u>\$ 108,547</u>	<u>\$ -</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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 186,000	\$ 186,000	\$ 227,804	\$ 41,804
Intergovernmental	34,768	34,768	28,593	(6,175)
<b>Total Revenues</b>	<u>220,768</u>	<u>220,768</u>	<u>256,397</u>	<u>35,629</u>
<b>Expenditures:</b>				
Capital Outlay	359,000	357,000	5,295	351,705
<b>Total Expenditures</b>	<u>359,000</u>	<u>357,000</u>	<u>5,295</u>	<u>351,705</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(138,232)	(136,232)	251,102	387,334
Fund Balances (Deficit) at Beginning of Year	625,301	625,301	625,301	-
Unexpended Prior Year Encumbrances	2,000	2,000	2,000	-
Fund Balances (Deficit) at End of Year	<u>\$ 489,069</u>	<u>\$ 491,069</u>	<u>\$ 878,403</u>	<u>\$ 387,334</u>

*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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Total Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Current:				
General Government				
Legislative and Executive	6,500	6,500	6,487	13
<b>Total Expenditures</b>	<u>6,500</u>	<u>6,500</u>	<u>6,487</u>	<u>13</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(6,500)	(6,500)	(6,487)	13
<b>Other Financing Sources (Uses):</b>				
Transfer In	6,500	6,500	6,500	-
<b>Total Other Sources (Uses)</b>	<u>6,500</u>	<u>6,500</u>	<u>6,500</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	-	-	13	13
Fund Balances (Deficit) at Beginning of Year	799	799	799	-
Fund Balances (Deficit) at End of Year	<u>\$ 799</u>	<u>\$ 799</u>	<u>\$ 812</u>	<u>\$ 13</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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Total Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Current:				
General Government	5,800	10,478	(452)	10,930
<b>Total Expenditures</b>	5,800	10,478	(452)	10,930
<b>Excess of Revenues Over (Under) Expenditures</b>	(5,800)	(10,478)	452	10,930
<b>Other Financing Sources (Uses):</b>				
Transfer In	4,500	11,257	4,500	6,757
<b>Total Other Sources (Uses)</b>	4,500	11,257	4,500	6,757
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(1,300)	779	4,952	17,687
Fund Balances (Deficit) at Beginning of Year	4,086	4,086	4,086	-
Unexpended Prior Year Encumbrances	1,336	1,336	1,336	-
Fund Balances (Deficit) at End of Year	\$ 4,122	\$ 6,201	\$ 10,374	\$ 17,687

*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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Total Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
<b>Total Expenditures</b>	-	-	-	-
<b>Excess of Revenues Over     (Under) Expenditures</b>	-	-	-	-
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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Total Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
<b>Total Expenditures</b>	-	-	-	-
<b>Excess of Revenues Over (Under) Expenditures</b>	-	-	-	-
<b>Other Financing Sources (Uses):</b>				
Transfer Out	(6,666)	(6,666)	-	6,666
<b>Total Other Sources (Uses)</b>	(6,666)	(6,666)	-	6,666
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(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, 2004

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Total Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Current:				
General Government				
Legislative and Executive	955	955	-	955
<b>Total Expenditures</b>	<u>955</u>	<u>955</u>	<u>-</u>	<u>955</u>
<b>Excess of Revenues Over     (Under) Expenditures</b>	(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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Total Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
<b>Total Expenditures</b>	-	-	-	-
<b>Excess of Revenues Over     (Under) Expenditures</b>	-	-	-	-
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, 2004

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and Forfeitures	\$ 11,000	\$ 11,000	\$ 40,136	\$ 29,136
<b>Total Revenues</b>	<u>11,000</u>	<u>11,000</u>	<u>40,136</u>	<u>29,136</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Judicial	45,000	42,927	9,487	33,440
<b>Total Expenditures</b>	<u>45,000</u>	<u>42,927</u>	<u>9,487</u>	<u>33,440</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(34,000)	(31,927)	30,649	62,576
Fund Balances (Deficit) at Beginning of Year	64,730	64,730	64,730	-
Unexpended Prior Year Encumbrances	2,073	2,073	2,073	-
Fund Balances (Deficit) at End of Year	<u>\$ 32,803</u>	<u>\$ 34,876</u>	<u>\$ 97,452</u>	<u>\$ 62,576</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, 2004

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

*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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 425,000	\$ 403,899	\$ 400,100	\$ (3,799)
Other	-	-	20,982	20,982
<b>Total Revenues</b>	<u>425,000</u>	<u>403,899</u>	<u>421,082</u>	<u>17,183</u>
<b>Expenditures:</b>				
Current:				
Community Environment				
Salaries	12,323	12,323	11,793	530
Other	-	365,793	348,966	16,827
<b>Total Expenditures</b>	<u>12,323</u>	<u>378,116</u>	<u>360,759</u>	<u>17,357</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	412,677	25,783	60,323	34,540
Fund Balances (Deficit) at Beginning of Year	(86,105)	(86,105)	(86,105)	-
Unexpended Prior Year Encumbrances	25,782	25,782	25,782	-
Fund Balances (Deficit) at End of Year	<u>\$ 352,354</u>	<u>\$ (34,540)</u>	<u>\$ -</u>	<u>\$ 34,540</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, 2004

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Total Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
<b>Total Expenditures</b>	-	-	-	-
<b>Excess of Revenues Over (Under) Expenditures</b>	-	-	-	-
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>

**City of Vermilion, Ohio**  
**Agency Funds**  
**Fund Descriptions**

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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 Fiduciary Assets and Liabilities  
Agency Funds  
For the Year Ended December 31, 2004

	Municipal Court	Commercial Building	Street Opening	Contractors' Deposit	State Highway Patrol	Total
<b>Assets:</b>						
Cash and Cash Equivalents	\$ -	\$ 829	\$ 29,786	\$ 91,305	\$ 61,408	\$ 183,328
Cash in Segregated Accounts	24,691	-	-	-	-	24,691
<b>Total Assets</b>	<b>24,691</b>	<b>829</b>	<b>29,786</b>	<b>91,305</b>	<b>61,408</b>	<b>208,019</b>
<b>Liabilities:</b>						
Accounts Payable	-	-	-	-	55,983	55,983
Intergovernmental Payable	-	829	29,786	-	5,425	36,040
Undistributed Monies	24,691	-	-	-	-	24,691
Refundable Deposits	-	-	-	91,305	-	91,305
<b>Total Liabilities</b>	<b>\$ 24,691</b>	<b>\$ 829</b>	<b>\$ 29,786</b>	<b>\$ 91,305</b>	<b>\$ 61,408</b>	<b>\$ 208,019</b>

*City of Vermilion, Ohio*  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended December 31, 2004

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
<b>Municipal Court</b>				
<b>Assets:</b>				
Cash in Segregated Accounts	\$ 23,588	1,038,933	1,037,830	\$ 24,691
<b>Total Assets</b>	<u>\$ 23,588</u>	<u>1,038,933</u>	<u>1,037,830</u>	<u>\$ 24,691</u>
<b>Liabilities:</b>				
Undistributed Monies	\$ 23,588	1,038,933	1,037,830	\$ 24,691
<b>Total Liabilities</b>	<u>\$ 23,588</u>	<u>1,038,933</u>	<u>1,037,830</u>	<u>\$ 24,691</u>
<b>Commercial Buidling</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 698	2,299	2,168	\$ 829
<b>Total Assets</b>	<u>\$ 698</u>	<u>2,299</u>	<u>2,168</u>	<u>\$ 829</u>
<b>Liabilities:</b>				
Intergovernmental Payable	\$ 698	2,299	2,168	\$ 829
<b>Total Liabilities</b>	<u>\$ 698</u>	<u>2,299</u>	<u>2,168</u>	<u>\$ 829</u>
<b>Street Openings</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 26,936	20,500	17,650	\$ 29,786
<b>Total Assets</b>	<u>\$ 26,936</u>	<u>20,500</u>	<u>17,650</u>	<u>\$ 29,786</u>
<b>Liabilities:</b>				
Intergovernmental Payable	\$ 26,936	20,500	17,650	\$ 29,786
<b>Total Liabilities</b>	<u>\$ 26,936</u>	<u>20,500</u>	<u>17,650</u>	<u>\$ 29,786</u>

(Continued)

*City of Vermilion, Ohio*  
Combining Statement of Change in Assets and Liabilities  
Agency Funds - Continued  
For the Year Ended December 31, 2004

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
<b>Contractors' Deposits</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 63,847	47,786	20,328	\$ 91,305
<b>Total Assets</b>	<u>\$ 63,847</u>	<u>47,786</u>	<u>20,328</u>	<u>\$ 91,305</u>
<b>Liabilities:</b>				
Refundable Deposits	\$ 63,847	47,786	20,328	\$ 91,305
<b>Total Liabilities</b>	<u>\$ 63,847</u>	<u>\$ 47,786</u>	<u>\$ 20,328</u>	<u>\$ 91,305</u>
<b>State Highway Patrol Transfer</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 34,161	27,247	-	\$ 61,408
<b>Total Assets</b>	<u>\$ 34,161</u>	<u>27,247</u>	<u>-</u>	<u>\$ 61,408</u>
<b>Liabilities:</b>				
Accounts Payable	\$ -	55,983	-	\$ 55,983
Intergovernmental Payable	\$ 34,161	-	28,736	\$ 5,425
<b>Total Liabilities</b>	<u>\$ 34,161</u>	<u>55,983</u>	<u>28,736</u>	<u>\$ 61,408</u>
<b>Totals</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 125,642	97,832	40,146	\$ 183,328
Cash in Segregated Accounts	\$ 23,588	1,038,933	1,037,830	\$ 24,691
<b>Total Assets</b>	<u>\$ 149,230</u>	<u>1,136,765</u>	<u>1,077,976</u>	<u>\$ 208,019</u>
<b>Liabilities:</b>				
Accounts Payable	\$ -	55,983	-	\$ 55,983
Intergovernmental Payable	\$ 61,795	22,799	48,554	\$ 36,040
Undistributed Monies	\$ 23,588	1,038,933	1,037,830	\$ 24,691
Refundable Deposits	\$ 63,847	47,786	20,328	\$ 91,305
<b>Total Liabilities</b>	<u>\$ 149,230</u>	<u>1,165,501</u>	<u>1,106,712</u>	<u>\$ 208,019</u>

## **Statistical Section**

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

	2004		2003		2002	
	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual
<b>Program Revenues</b>						
Charges for Services	\$ 1,893,750	NA	\$ 1,593,224	NA	\$ 1,632,455	NA
Operating Grants and Contributions	262,462	NA	1,040,820	NA	20,429	NA
Capital Grants and Contributions	416,497	NA	247,944	NA	102,024	NA
<b>General Revenues</b>						
Taxes	3,634,294	\$ 3,605,821	3,417,656	\$ 3,448,558	3,379,863	\$ 3,377,605
Intergovernmental	1,201,926	1,830,496	1,162,022	1,822,608	1,358,290	1,477,598
Charges for Services	-	1,208,108	-	963,484	-	1,063,689
Fines, Licenses and Permits	-	659,603	-	610,017	-	568,766
Special Assessments	-	13,032	-	23,339	-	8,899
Interest	84,774	84,774	63,465	63,465	120,914	120,914
Other	118,139	131,208	120,821	122,700	247,860	237,620
<i>Total</i>	<u>\$ 7,611,842</u>	<u>\$ 7,533,042</u>	<u>\$ 7,645,952</u>	<u>\$ 7,054,171</u>	<u>\$ 6,861,835</u>	<u>\$ 6,855,091</u>
<b>Expenses/Expenditures</b>						
General Government	\$ 1,356,049	\$ 1,327,855	\$ 1,544,444	\$ 1,580,096	\$ 1,508,885	\$ 1,453,072
Security of Persons and Property	2,696,929	2,537,267	2,642,654	2,507,382	2,365,207	2,263,887
Public Health and Welfare	108,446	98,143	91,653	93,930	99,363	99,363
Leisure Time Activities	367,038	228,727	349,714	242,456	335,771	234,205
Community Environment	396,559	622,465	252,554	269,816	195,107	182,444
Basic Utility Services	768,771	813,684	729,577	729,577	734,278	779,259
Transportation	1,286,539	738,980	1,306,700	898,816	1,794,180	1,034,286
Capital Outlay	-	78,251	-	420,754	-	287,572
Loss on Sale of Capital Assets	7,200	-	26,947	-	-	-
Debt Service (2)	69,967	177,773	84,624	191,932	102,156	204,471
<i>Total</i>	<u>\$ 7,057,498</u>	<u>\$ 6,623,145</u>	<u>\$ 7,028,867</u>	<u>\$ 6,934,759</u>	<u>\$ 7,134,947</u>	<u>\$ 6,538,559</u>

(1) Includes General, Special Revenue, Debt Service, Capital Projects and Permanent 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>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
\$ 3,295,621	\$ 2,963,790	\$ 2,705,561	\$ 2,788,751	\$ 2,400,063	\$ 2,436,513	\$ 2,188,375
1,332,271	1,423,170	1,528,495	1,288,446	1,271,399	1,203,464	1,302,041
1,193,983	1,201,257	1,072,293	1,100,700	1,000,228	857,705	922,926
508,321	475,793	325,491	432,788	383,514	342,824	250,516
16,755	-	-	25,513	36,501	40,461	132,664
89,063	126,443	163,301	148,879	131,781	156,724	170,744
88,742	80,973	37,432	127,985	38,382	63,414	66,413
<u>\$ 6,524,756</u>	<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>
\$ 1,513,237	\$ 1,361,753	\$ 1,917,199	\$ 1,336,900	\$ 1,223,182	\$ 1,182,360	\$ 1,052,466
1,982,386	1,818,443	1,791,768	1,719,430	1,649,169	1,660,126	1,514,657
92,556	91,566	80,839	24,096	67,191	97,348	142,742
850,249	218,977	237,481	203,940	237,373	146,356	102,374
188,112	158,584	156,070	173,351	154,294	124,321	89,289
812,530	827,648	786,325	702,984	677,502	689,073	624,882
1,484,586	1,123,941	1,205,853	624,965	1,628,913	650,450	529,908
52,342	422,905	129,640	91,218	906,609	269,569	470,807
-	-	-	-	-	-	-
249,883	95,575	93,072	116,695	55,545	65,176	741,797
<u>\$ 7,225,881</u>	<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>

**City of Vermilion, Ohio**  
**Property Tax Levies and Collections**  
**Last Ten Years**

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
2004	2,789,604	2,618,429	93.9	198,408	7.1

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

Source: Lorain County Auditor and Erie County Auditor

**City of Vermilion, Ohio**  
**Assessed and Estimated Value of All Taxable Property (1)**  
**Last Ten 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	
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	34.77
2004	240,169,430	686,198,370	4,940,790	5,614,534	11,028,920	44,115,680	256,139,140	735,928,584	34.80

(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 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
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	2.45	3.95	157.23
2003	2004	10.75	12.89	8.80	0.45	1.15	47.62	64.45	2.45	3.95	152.51

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 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>
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
2003/2004	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 Years

<u>Collection Year</u>	<u>Amount Billed</u>	<u>(1) Amount Collected</u>	<u>Percent Collected</u>
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	48.26
2002	48,269	20,116	41.67
2003	35,307	23,957	67.85
2004	31,274	13,875	44.37

(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, 2004

**Statutory (direct) debt limitation**

Overall debt limitation 10-1/2% of assessed valuation		\$26,894,160
Gross indebttness	\$11,051,033	
Less: debt not subject to limitation	<u>(9,924,033)</u>	

Debt within 10-1/2% limitation	1,127,000	
Less: amount available in debt service fund	<u>(97,137)</u>	<u>(1,029,863)</u>

<b>Legal debt margin within 10-1/2% limitation</b>		<u><u>\$25,864,297</u></u>
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Unvoted debt limitation 5-1/2% of assessed valuation		\$14,087,653
Gross indebttness	\$11,051,033	
Less: debt not subject to limitation	<u>(9,924,033)</u>	

Debt within 5-1/2% limitation	1,127,000	
Less: amount available in debt service fund	<u>(97,137)</u>	<u>(1,029,863)</u>

<b>Legal debt margin within 5-1/2% limitation</b>		<u><u>\$13,057,790</u></u>
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*City of Vermilion, Ohio*  
Computation of Legal Debt Margin – Constitutional Debt Limitations  
December 31, 2004

**Constitutional (indirect) debt limitation**

Overall debt limitation authorized by Charter	8.25 mills
Encumbered millage as of December 31, 2004	<u>2.49 mills</u>
Available millage as of December 31, 2004	<u>5.76 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, 2004

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Vermilion, Ohio (1)	Amount Applicable to City of Vermilion, Ohio
City of Vermilion	\$11,051,033	100.00%	\$11,051,033
Erie County	57,716,477	6.84	3,947,807
Lorain County	28,165,000	2.08	585,832
Fireland Local School District	272,000	3.36	9,139
Vermilion Local School District	<u>2,698,650</u>	3.10	<u>83,658</u>
Totals:	<u>\$99,903,316</u>		<u>\$15,677,469</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 Years

Fiscal Year	Population	Assessed Value	Gross Debt	Special Assessment Debt	General Obligation Debt
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
2004	10,297	256,139,140	11,051,033	69,900	5,562,100

General Obligation Debt Service Money Available	Net General Obligation Debt (1)	Ratio of Net Debt to Assessed Valuation	Net General Obligation Debt Per Capital
\$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
36,830	5,525,270	2.16	540

(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 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
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
2004	99,340	71,961	171,301	6,623,145	2.59

(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 Years

Year	(1) Population	(2) Vermilion Local School District	(2) Firelands Local School District	(3) Lorain County Unemployment Rate	(3) Erie County Unemployment Rate
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
2004	10,927	2,425	2,155	5.4	6.6

(1) Census Statistics

(2) Records are not kept for each City by the Schools. School population is for the 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 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
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
2004	\$14,632,263	85	1,074,929	256,139,140

(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, 2004

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Arnold Trust LLC	\$ 1,290,770	0.54%
Vermilion F & H	1,149,370	0.48
Crystal Shores Apartments LTD	1,042,640	0.43
Elden Properties LP	997,460	0.42
Liberty Investment Co.	942,280	0.39
Kingston Healthcare Co.	927,540	0.38
Ohio Edison	889,130	0.37
Acuity Lighting Group	787,950	0.33
WEC 97F Vermilion	551,260	0.23
Emmons Realty	<u>530,310</u>	<u>0.22</u>
	\$ <u>9,108,710</u>	<u>3.79%</u>
Total assessed valuation	\$ <u>240,169,430</u>	

Sources: Lorain and Erie County Auditors' Office.

*City of Vermilion, Ohio*  
Principal Taxpayers – Personal Property  
December 31, 2004

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Liberty Ford Lincoln Mercury Inc	\$ 2,448,300	15.33%
Parnassos LP	1,516,680	9.50
Acuity Lighting Group	1,502,380	9.41
Liberty Vermilion Chrysler Dodge LLC	1,234,440	7.73
Sharpnack Chevrolet Co.	1,060,270	6.63
Century Telephone	581,630	3.64
Ohio Edison	549,570	3.44
Freeman-Eckley Inc	463,010	2.90
Riser Foods Company	365,940	2.29
Discount Drug Mart Inc	<u>352,660</u>	<u>2.21</u>
	<u>\$ 10,074,880</u>	<u>63.08%</u>
Total assessed valuation	<u>\$ 15,969,710</u>	

Source: Lorain and Erie County Auditors' Office.



*City of Vermilion, Ohio*  
Miscellaneous Statistics  
December 31, 2004

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

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

July 29, 2005

To the Honorable Mayor and City Council  
City of Vermilion  
Erie County, Ohio

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the component unit, each major fund and the aggregate remaining fund information of the City of Vermilion as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Vermilion'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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City of Vermilion in a separate letter dated July 29, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Vermilion's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Vermilion in a separate letter dated July 29, 2005.

This report is intended solely for the information and use of City Council and management, and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*





**Auditor of State  
Betty Montgomery**

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**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  
NOVEMBER 10, 2005**