

CITY OF VERMILION, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2002

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



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the City of Vermilion, Erie County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 24, 2003

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CITY OF VERMILION, OHIO
AUDIT REPORT
For the Year Ended December 31, 2002

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

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

OPINION ON SUPPLEMENTARY SCHEDULE
OF FEDERAL AWARDS EXPENDITURES

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

We have audited the accompanying financial statements of the City of Vermilion as of and for the year ended December 31, 2002, and have issued our report thereon dated August 29, 2003 in which the City adopted Governmental Accounting Standards Board Statements No. 34, 37, 38 and GASB Interpretation 6. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Our audit was performed for the purpose of forming an opinion on the financial statements of the City of Vermilion taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget, Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
August 29, 2003

CITY OF VERMILION
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2002

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Receipts Recognized</u>	<u>Program Expenditures</u>
<i><u>U.S. Department of Transportation</u></i>			
Passed Through the Ohio Department of Transportation Highway Planning and Construction	20.205	\$ <u>439,500</u>	\$ <u>439,500</u>
Total U.S. Department of Transportation		439,500	439,500
<i><u>U.S. Department of Housing and Urban Development</u></i>			
Pass through Ohio Department of Development 2001 CDBG Highbridge Road	14.228	42,000	116,985
2002 CDBG Adams Street	14.228	<u>44,000</u>	<u>84,432</u>
Total U.S. Department of Housing and Urban Development		<u>86,000</u>	<u>201,417</u>
Total Federal Awards Expenditures		\$ <u><u>525,500</u></u>	\$ <u><u>640,917</u></u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

CITY OF VERMILION
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2002

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

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Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the basic financial statements of the City of Vermilion, Ohio as of and for the year ended December 31, 2002 and have issued our report thereon dated August 29, 2003 wherein we noted the City adopted Governmental Accounting Standards Board Statements Nos. 34, 37, 38 and GASB Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated August 29, 2003.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated August 29, 2003.

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

Charles E. Harris & Associates, Inc.
August 29, 2003

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Vermilion with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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

Charles E. Harris & Associates, Inc.
August 29, 2003

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**CITY OF VERMILION
LORAIN COUNTY
December 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Highway Planning Admin. CFDA#20.205
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

CITY OF VERMILION
LORAIN COUNTY
December 31, 2002

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2001, included no material citations or recommendations.

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City of Vermilion, Ohio
Comprehensive Annual Financial Report
For the year ended December 31, 2002



Prepared By:

Laurence Rush, CPA, Finance Director
City of Vermilion Finance Department

CITY OF VERMILION, OHIO
Comprehensive Annual Financial Report
For the year ended December 31, 2002

Prepared By:
Laurence Rush, Finance Director
Department of Finance

Introductory Section

CITY OF VERMILION, OHIO

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

August 29, 2003

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, 2002. In addition, this report includes the early implementation of the new reporting model as promulgated by Governmental Accounting Standards Board (GASB) Statement No. 34. Note 2 to the basic financial statements provides additional information concerning this implementation.

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 third 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 2001 Certificate of Achievement for Excellence in Financial Reporting. The financial section, which begins with the Report of Independent Accountants, includes the basic financial statements, notes that provide an overview of the City's financial position and operating results, and the combining statements for non-major funds and other schedules that provide detailed information relative to the basic financial statements. The statistical section includes financial and demographic information which is generally presented on a multi-year basis.

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

REPORTING ENTITY

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

Port management services are assumed by a locally controlled independent Port Authority. The Port Authority is a separate legal entity and its operations are controlled by the Authority's Board. The participation of the City of Vermilion is limited to approval of the Authority's budget. Since the Port Authority is an independent organizational unit, it is discretely presented in the basic financial statements. 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 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:

	<u>Percent of Assessed Valuation of Real Property</u>	
	<u>Within Lorain County</u>	<u>Within Erie County</u>
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. The impact of this closing on the General Fund is estimated to be a loss of property taxes in the amount of \$60,000 and a loss of income tax in the amount of \$5,000. This loss of revenue is estimated to be approximately 1.5% of total General Fund revenues. This loss however, is expected to be recouped through increasing real estate values and, ongoing construction along with the continued development of the Industrial Parks.

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

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

MAJOR INITIATIVES

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

In 2001, the City entered into a two year street repair program at no extra cost to the residents of the streets repaired. The expended cash in 2002 was \$1,331,965 and relates primarily to the retirement of debt for construction that was completed in 2001. Total debt relating to the multiyear street program enacted in 2001 is expected to be retired in 2003.

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

The City concluded its purchase of six new police cruisers at a cost of \$180,000 by accepting delivery of the vehicles in June of 2002. Additional snow plow equipment was added in the service department at a cost of \$10,122.

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

FINANCIAL INFORMATION

Basis of Accounting

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

Internal Accounting Controls

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

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

Budgetary Controls

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

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

CASH MANAGEMENT

The City of Vermilion continues to maintain its strong financial reserves during 2002. The City's general fund unencumbered cash balance at year-end was \$445,019. This represents 9% 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 2002, \$116,584 of interest was deposited in the General Fund, \$3,305 in the Special Revenue fund, \$1,025 in the Debt Service Fund, and \$23,076 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 \$10,254,000.

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

DEBT MANAGEMENT

In 2002, the City issued \$450,000 in notes for the purpose of street improvements. \$2,015,000 in notes were issued for sewer plant improvements, water plant telemetry upgrades, and the Highbridge Road storm water project. \$500,000 in notes were issued for the City's meter replacement program and upgrade to the utility billing system. Also, the City entered into a loan agreement with Ohio Water Development Authority (OWDA) for \$1,287,737 for sewer plant improvements and upgrades to City's various lift stations. The amount of loan was finalized as of December 31, 2002. See note 9 to the basic financial statements for further description.

In February 2002, the City defeased \$3,295,000 of prior Water and Sewer Fund debt to take advantage of lower interest rates. The proceeds from the sale of these bonds were received in December 2001.

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

Under current state statutes, the total voted net debt of the City, less the same exempt debt, shall never exceed 10.5% of the total assessed property valuation. The total unvoted debt less the same exempt debt, shall never exceed 5.5% of the assessed valuation. At December 31, 2002, the total legal debt margin was \$16,812,593 with an unvoted debt margin of \$5,901,704.

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 2001 report and received a Certificate of Achievement for Excellence in Financial Reporting, which marked the second 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, 2002, by our independent auditor, Charles E. Harris & Associates, Inc. Their audit was conducted in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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

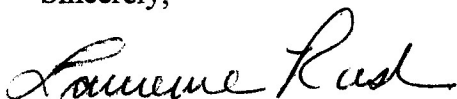
ACKNOWLEDGMENTS

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

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

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

Sincerely,



Laurence Rush, C.P.A.
Finance Director

CITY OF VERMILION, OHIO

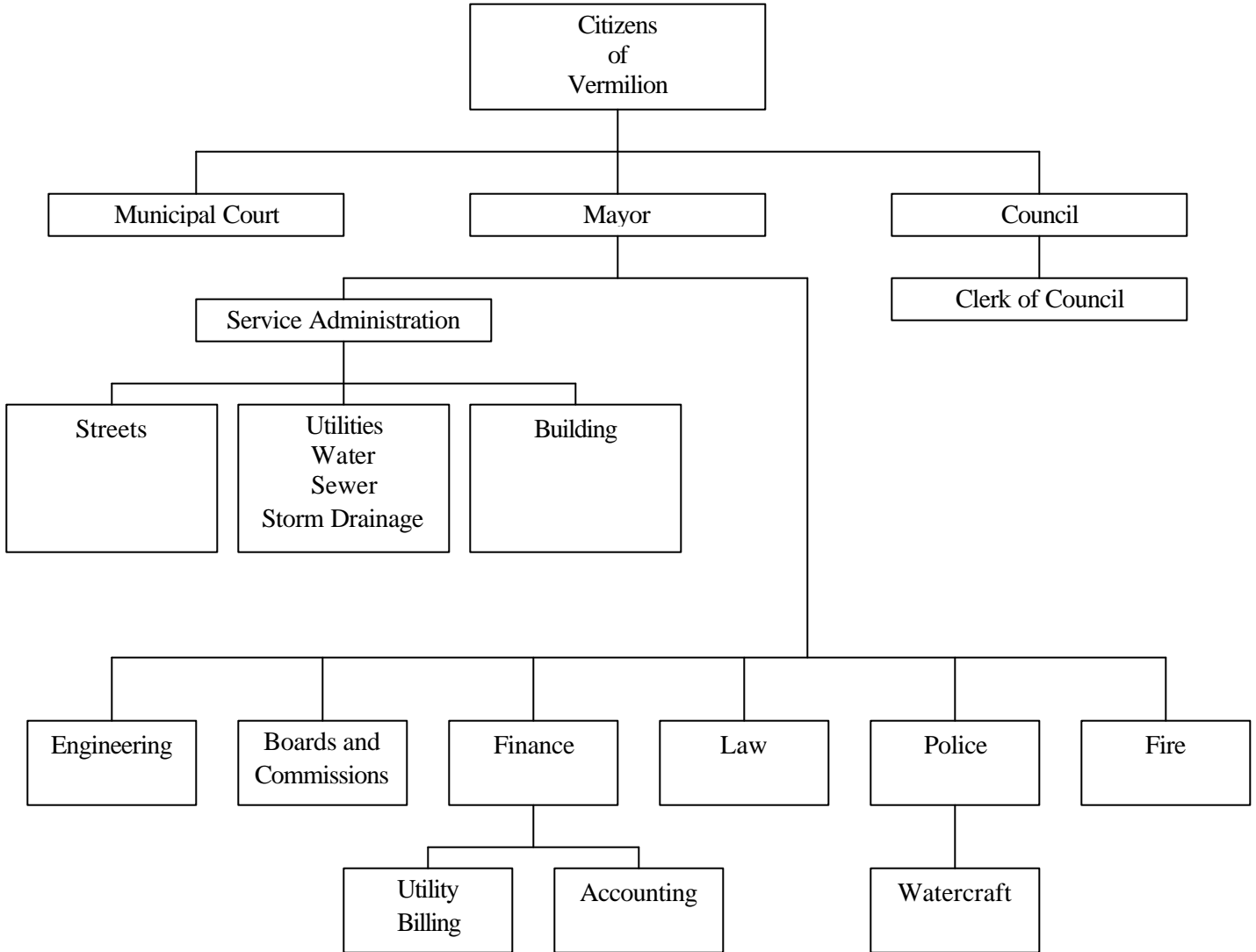
City Officials

December 31, 2002

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

A = St. Paul Insurance Company

City of Vermilion
Organization Chart
December 31, 2002



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, 2001

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



President

Executive Director

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Financial Section

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

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the remaining fund information of the City of Vermilion (the City), as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the remaining fund information of the City as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Fire Operating, Sanitation, Fire Apparatus, Water, and Sewer Funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17 to the basic financial statements, during 2002, the City adopted Governmental Accounting and Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We conducted our audit to form an opinion on the basic financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical tables are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund statements and schedules 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 and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Charles E. Harris & Associates, Inc.

Charles E. Harris & Associates, Inc.
August 29, 2003

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

The discussion and analysis of The City of Vermilion's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2002. 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 2002 are as follows:

- In total, net assets of \$11,498,607 remained virtually unchanged. Of this balance, \$932,210 (unrestricted net assets) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the end of the current year, the City's governmental funds reported a combined ending fund balance of \$3,378,925, an increase of \$316,532 from the previous year. Of this amount, \$2,428,256 is available for spending (unreserved, undesignated fund balance) on behalf of its citizens.
- The City's bonded debt decreased \$3,584,000, primarily due to the defeasance of Water and Sewer Fund bonds from the prior year to take advantage of lower interest rates.

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 nonmajor funds presented in total in one column.

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

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

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

The government-wide financial statements can be found starting on page 13 of this report.

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

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

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

The City of Vermilion maintains 32 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, 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 nonmajor 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. Although the City combines numerous individual funds together for

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

external reporting purposes, the combining budgetary statements disclose budgetary information for the funds separately to demonstrate state legal compliance.

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

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and storm water operations as they 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 25 through 28 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 30 through 58 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 nonmajor governmental funds are presented, as well as individual detailed budgetary comparisons for all nonmajor funds. This information can be found on pages 59 through 97 of the report.

Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2002?" The statement of net assets and statement of activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by a private business. The basis for this accounting considers all of the current year revenues and expenses regardless of when the cash was received or paid. These two statements report the City's net assets and the changes in those assets. The change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or declined. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

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

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

The City of Vermilion as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2002 compared to 2001.

NET ASSETS
Table 1

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
Current and other assets	\$6,550,640	\$6,689,105	\$3,044,246	\$4,723,349	\$9,594,886	\$11,412,454
Capital assets, net	9,609,704	10,068,823	8,044,102	7,148,142	17,653,806	17,216,965
Total assets	\$16,160,344	\$16,757,928	\$11,088,348	\$11,871,491	\$27,248,692	\$28,629,419
Current and other liabilities	\$2,887,232	\$3,172,277	\$2,749,108	\$635,975	\$5,636,340	\$3,808,252
Long-term liabilities:						
Due within one year	208,941	151,666	437,457	3,621,028	646,398	3,772,694
Due in more than one year	1,565,564	1,662,266	6,613,025	6,479,587	8,178,589	8,141,853
Total liabilities	\$4,661,737	\$4,986,209	\$9,799,590	\$10,736,590	\$14,461,327	\$15,722,799
Invested in capital assets, net of related debt	\$8,274,704	\$8,520,222	\$1,047,665	\$433,891	\$9,322,369	\$8,954,113
Restricted for:						
Capital projects	843,449	671,898	0	0	843,449	671,898
Debt service	152,940	146,356	0	0	152,940	146,356
Other purposes	1,295,304	1,138,172	0	0	1,295,304	1,138,172
Unrestricted	932,210	1,295,071	241,093	700,901	1,173,303	1,995,972
Total net assets	\$11,498,607	\$11,771,719	\$1,288,758	\$1,134,901	\$12,787,365	\$12,906,620

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City of Vermilion, total assets exceed total liabilities by \$12,787,365 at the close of the most recent year.

City of Vermilion, Ohio
Management's Discussion and Analysis
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The largest portion of the City's net assets (72.9 percent) reflects investments in capital assets (e.g. land, construction in progress, buildings, improvements, machinery and equipment, vehicles, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets decreased by \$1,380,727 from 2001 to 2002, while the City's total liabilities decreased by \$1,261,472. The most significant change in assets was a decrease in Equity in Pooled Cash and Cash Equivalents, where there was a decrease of \$1,746,217 during the year. This is due to the City retiring notes, and the payment of construction contracts relating to infrastructure improvements. The decrease in liabilities was mainly due to the retirement of debt to finance the various improvements of the City.

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

The total net assets of the City's governmental activities decreased \$273,112 during the current year. The decrease is due to conclusion of the 2001 two year road program and an advance of \$180,700 to the Health Insurance Fund.

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. Since this is the first year that the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2001 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

CHANGES IN NET ASSETS

Table 2

	Governmental Activities 2002	Business-Type Activities 2002	Total 2002
Revenues:			
Program revenues:			
Charges for services	\$1,632,455	\$3,047,045	\$4,679,500
Operating grants and contributions	20,429	0	20,429
Capital grants and contributions	102,024	253,382	355,406
Total program revenues	<u>1,754,908</u>	<u>3,300,427</u>	<u>5,055,335</u>
General revenues:			
Property taxes	2,102,594	0	2,102,594
Income taxes	1,277,269	0	1,277,269
Intergovernmental	1,358,290	0	1,358,290
Interest	120,914	23,076	143,990
Gain on the sale of assets	0	25	25
Miscellaneous	247,860	6,761	254,621
Total general revenues	<u>5,106,927</u>	<u>29,862</u>	<u>5,136,789</u>
Total revenues	<u>6,861,835</u>	<u>3,330,289</u>	<u>10,192,124</u>
Program expenses:			
General government	1,508,885	0	1,508,885
Security of persons and property	2,365,207	0	2,365,207
Public health and welfare	99,363	0	99,363
Transportation	1,794,180	0	1,794,180
Community environment	195,107	0	195,107
Basic utility services	734,278	0	734,278
Leisure time activities	335,771	0	335,771
Interest and fiscal charges	102,156	0	102,156
Sewer	0	1,581,298	1,581,298
Water	0	1,552,618	1,552,618
Storm Drainage	0	42,407	42,407
Total expenses	<u>7,134,947</u>	<u>3,176,323</u>	<u>10,311,270</u>
Increase/(decrease) in net assets	<u>(\$273,112)</u>	<u>\$153,966</u>	<u>(\$119,146)</u>

Governmental Activities

Charges for services were the largest program revenues, accounting for \$1,632,455 or 23.8 percent of total governmental revenues. The major charges for services are the sanitation fees and fines, licenses and permits of the City.

Property tax revenues account for \$2,102,594 or 30.6 percent of total governmental revenues. Another major component of governmental revenues was income taxes, which accounted for \$1,277,269 or 18.6 percent.

City of Vermilion, Ohio
Management's Discussion and Analysis
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Intergovernmental revenues not related to specific programs amounted to \$1,358,290 or 19.8 percent. The majority of these revenues consisted of roll back credits, local government funds, estate tax, and motor vehicle taxes.

Business-Type Activities

The net assets for business-type activities increased \$153,966 during 2002. Charges for services were the largest program revenue, accounting for \$3,047,045 or 92.3 percent of total business-type revenues.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. Comparisons to 2001 have not been made since they are not available.

GOVERNMENTAL ACTIVITIES

Table 3

	Total cost of services 2002	Net cost of services 2002
General government	\$1,508,885	(\$917,972)
Security of persons and property	2,365,207	(2,320,566)
Public health and welfare	99,363	(19,181)
Transportation	1,794,180	(1,708,155)
Community environment	195,107	(151,440)
Basic utility services	734,278	51,661
Leisure time activities	335,771	(212,230)
Interest and fiscal charges	102,156	(102,156)
 Total expenses	 \$7,134,947	 (\$5,380,039)

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 these costs will continue to increase.

Transportation represents the City's commitment to improving its roads and maintaining access into and out of the City. These costs will continue to fluctuate as more or less revenues are made available out of available expendable resources. In an effort to continue the high level of attention given to roadways an income tax increase has been proposed for 2003, and will be voted on by the citizenry in 2003.

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

Financial Analysis of City Funds

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

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

As of December 31, 2002, the City's governmental funds reported a combined ending fund balance of \$3,378,925, an increase of \$316,532 thousand in comparison with the prior year. \$2,428,256, or 71.9 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 (\$226,915) or has been loaned for the long-term to other funds (\$723,754). While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the state or federal government.

The General Fund is the primary operating fund of the City. At the end of 2002, unreserved fund balance was \$462,286, while total fund balance was \$1,261,097. 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 13.2 percent to total General Fund expenditures, while total fund balance represents 35.9 percent of that same amount.

The fund balance of the City's General Fund decreased by \$20,092 thousand during 2002. The decrease was caused largely in part by the necessity to transfer money to supplement other funds, including the self-insurance fund.

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

As of December 31, 2002, net assets for the City's enterprise funds were \$1,288,758. Of that total, \$241,093 represents unrestricted net assets that are available for spending at the City's discretion.

As of December 31, 2002, unrestricted net assets in the self-insurance program were (\$244,129). 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 plans to increase monthly premium costs.

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

Budgetary Highlights

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

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

Capital Assets and Debt Administration

Capital Assets – The City's capital assets for governmental and business-type activities as of December 31, 2002, were \$17,653,806 (net of accumulated depreciation). This includes land and improvements, buildings and improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure.

For governmental activities, significant capital asset additions during 2002 included numerous police cruisers and road resurfacing.

For business-type activities, major capital asset additions during 2002 included the completion of various waterline projects and meter replacements and various sanitary sewer projects.

Note 7 - Capital Assets provides capital asset activity during 2002.

Long Term Debt – As of December 31, 2002, the City had total general obligation bonded debt outstanding principal of \$1,255,780. All of this debt is expected to be repaid through governmental activities. The City's long-term general obligation bonded debt decreased by \$89,340 (6.6 percent) during 2002. Other outstanding long-term debt included refunding bonds of \$3,160,000, O.W.D.A. loans of \$2,062,127, Water and Sewer general obligation bonds of \$1,660,000 and special assessment bonds of \$79,220.

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.

During 2002, street improvement bond anticipation notes were issued in the amount of \$450,000 and \$950,000 were retired.

During 2002, various purpose bond anticipation notes were issued in the amount of \$2,515,000. These notes were issued for water and sanitary sewer projects and replacement of water meters. Note 10 provides information regarding bond anticipation notes.

City of Vermilion, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

Economic Factors

The unemployment rate for Erie County is currently 5.4 percent and Lorain County is 6.3 percent, which are slight increases from 5.3 percent and 5.7 percent a year ago, respectively. The State's rate is currently 6.5 percent and the current national rate of 6.2 percent. The increase demonstrates the impact from the national recession.

The City's \$218,217,779 tax base has increased 20.1 percent over the last three years. This increase is attributed to many new construction projects throughout the City and updated real/tangible personal property values.

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

The various economic factors were considered in the preparation of the City's 2002 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources.

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

Requests for Information

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

City of Vermilion, Ohio
Statement of Net Assets
December 31, 2002

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 3,330,517	\$ 3,049,624	\$ 6,380,141	\$ 133,781
Cash and Cash Equivalents in Segregated Accounts	29,164	-	29,164	-
Cash and Cash Equivalents with Fiscal Agents	365	-	365	-
Receivables:				
Taxes	2,381,121	-	2,381,121	-
Accounts	101,412	284,898	386,310	350
Intergovernmental	305,656	-	305,656	-
Special Assessments	106,796	-	106,796	-
Materials and Supplies Inventory	-	5,333	5,333	-
Internal Balances	295,609	(295,609)	-	-
Nondepreciable Capital Assets	719,099	828,934	1,548,033	1,059,388
Depreciable Capital Assets, Net	8,890,605	7,215,168	16,105,773	212,436
<i>Total Assets</i>	<u>16,160,344</u>	<u>11,088,348</u>	<u>27,248,692</u>	<u>1,405,955</u>
Liabilities				
Accounts Payable	155,206	63,591	218,797	16,671
Accrued Wages and Benefits	70,816	26,259	97,075	133
Intergovernmental Payable	49,645	10,710	60,355	56
Pension Obligation Payable	112,622	39,859	152,481	243
Deferred Revenue	1,978,674	-	1,978,674	-
Claims Payable	38,162	-	38,162	-
Accrued Interest Payable	31,742	93,689	125,431	113,034
Matured Interest Payable	365	-	365	-
Notes Payable	450,000	2,515,000	2,965,000	985,000
Long-Term Liabilities:				
Due Within One Year	208,941	437,457	646,398	-
Due Within More Than One Year	1,565,564	6,613,025	8,178,589	-
<i>Total Liabilities</i>	<u>4,661,737</u>	<u>9,799,590</u>	<u>14,461,327</u>	<u>1,115,137</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	8,274,704	1,047,665	9,322,369	286,824
Restricted for:				
Capital Projects	843,449	-	843,449	-
Debt Service	152,940	-	152,940	-
Other Purposes	1,295,304	-	1,295,304	-
Unrestricted (Deficit)	932,210	241,093	1,173,303	3,994
<i>Total Net Assets</i>	<u>\$ 11,498,607</u>	<u>\$ 1,288,758</u>	<u>\$ 12,787,365</u>	<u>\$ 290,818</u>

See accompanying notes to the basic financial statements

City of Vermilion, Ohio
Statement of Activities
For the Year Ended December 31, 2002

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,508,885	\$ 590,913	\$ -	\$ -
Security of persons and property	2,365,207	22,176	6,441	16,024
Public health and welfare	99,363	80,182	-	-
Transportation	1,794,180	25	-	86,000
Community environment	195,107	43,667	-	-
Basic utility services	734,278	785,939	-	-
Leisure time activities	335,771	109,553	13,988	-
Interest and fiscal charges	102,156	-	-	-
<i>Total governmental activities</i>	<u>7,134,947</u>	<u>1,632,455</u>	<u>20,429</u>	<u>102,024</u>
Business-type activities:				
Water	1,552,618	1,476,907	-	-
Sewer	1,581,298	1,394,965	-	253,382
Storm Water Drainage	42,407	175,173	-	-
<i>Total business-type activities</i>	<u>3,176,323</u>	<u>3,047,045</u>	<u>-</u>	<u>253,382</u>
<i>Total primary government</i>	<u>\$ 10,311,270</u>	<u>\$ 4,679,500</u>	<u>\$ 20,429</u>	<u>\$ 355,406</u>
Component unit:				
Port Authority	<u>\$ 579,802</u>	<u>\$ 83,298</u>	<u>\$ 439,500</u>	<u>\$ -</u>

General revenues:

Income taxes
Property taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Gain on Sale of Capital Assets
Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets Beginning of Year - As Restated

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
\$ (917,972)	\$ -	\$ (917,972)	\$ -
(2,320,566)	-	(2,320,566)	-
(19,181)	-	(19,181)	-
(1,708,155)	-	(1,708,155)	-
(151,440)	-	(151,440)	-
51,661	-	51,661	-
(212,230)	-	(212,230)	-
(102,156)	-	(102,156)	-
<u>(5,380,039)</u>	<u>-</u>	<u>(5,380,039)</u>	<u>-</u>
-	(75,711)	(75,711)	-
-	67,049	67,049	-
-	132,766	132,766	-
<u>-</u>	<u>124,104</u>	<u>124,104</u>	<u>-</u>
<u>\$ (5,380,039)</u>	<u>\$ 124,104</u>	<u>\$ (5,255,935)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,004)</u>
\$ 1,277,269	\$ -	\$ 1,277,269	\$ -
2,102,594	-	2,102,594	-
1,358,290	-	1,358,290	-
120,914	23,076	143,990	-
-	25	25	-
247,860	6,761	254,621	1,074
<u>5,106,927</u>	<u>29,862</u>	<u>5,136,789</u>	<u>1,074</u>
(273,112)	153,966	(119,146)	(55,930)
<u>11,771,719</u>	<u>1,134,792</u>	<u>12,906,511</u>	<u>346,748</u>
<u>\$ 11,498,607</u>	<u>\$ 1,288,758</u>	<u>\$ 12,787,365</u>	<u>\$ 290,818</u>

City of Vermilion, Ohio
 Balance Sheet
 Governmental Funds
 December 31, 2002

	General	Fire Operating	Sanitation	Fire Apparatus	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and Cash Equivalents	\$ 549,315	\$ 946,618	\$ 210,996	\$ 713,731	\$ 854,528	\$ 3,275,188
Cash and Cash Equivalents with Fiscal and Escrow Agents	-	-	-	-	365	365
Receivables:						
Taxes	1,709,835	216,545	-	216,545	238,196	2,381,121
Accounts	14,875	-	65,819	-	10,478	91,172
Intergovernmental	122,392	12,435	-	12,435	158,394	305,656
Special Assessments	-	-	-	-	106,796	106,796
Advances to Other Funds	723,754	-	-	-	-	723,754
Total Assets	3,120,171	1,175,598	276,815	942,711	1,368,757	6,884,052
Liabilities and Fund Balances:						
Liabilities						
Accounts Payable	24,555	1,036	96,919	-	32,696	155,206
Accrued Wages and Benefits	52,562	4,698	-	-	13,556	70,816
Advances from Other Funds	-	-	-	-	127,445	127,445
Intergovernmental Payable	23,630	1,019	-	-	24,996	49,645
Deferred Revenue	1,758,327	228,980	-	228,980	435,363	2,651,650
Matured Interest Payable	-	-	-	-	365	365
Notes Payable	-	-	-	-	450,000	450,000
Total Liabilities	1,859,074	235,733	96,919	228,980	1,084,421	3,505,127
Fund Balance (Deficit)						
Reserved for Encumbrances	75,057	9,738	29,374	-	112,746	226,915
Reserved for Advances	723,754	-	-	-	-	723,754
Unreserved:						
Undesignated, Reported in:						
General Fund	462,286	-	-	-	-	462,286
Special Revenue Funds	-	930,127	150,522	-	30,570	1,111,219
Debt Service Funds	-	-	-	-	54,726	54,726
Capital Projects Funds	-	-	-	713,731	54,459	768,190
Permanent Fund	-	-	-	-	31,835	31,835
Total Fund Balances	1,261,097	939,865	179,896	713,731	284,336	3,378,925
Total Liabilities and Fund Balances	\$ 3,120,171	\$ 1,175,598	\$ 276,815	\$ 942,711	\$ 1,368,757	\$ 6,884,052

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, 2002

Total Governmental Fund Balances \$ 3,378,925

*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 9,609,704

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

Taxes	100,946	
Intergovernmental	572,030	

Total		672,976
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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 (244,129)

Pension obligation payable is pension contributions not expected to be paid
 with available resources, and therefore, are not reported in the funds (112,622)

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	1,255,780	
Special Assessment Bonds	79,220	
Compensated Absences	321,570	
Police and Fire Unfunded Pension Liabilities	117,935	
Accrued Interest Payable	31,742	

Total		(1,806,247)
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Net Assets of Governmental Activities \$ 11,498,607

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, 2002

	General	Fire Operating	Sanitation	Fire Apparatus	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 2,786,796	\$ 198,567	\$ -	\$ 186,951	\$ 205,291	\$ 3,377,605
Charges for Services	144,316	29	721,244	-	198,100	1,063,689
Fines, Licenses and Permits	459,919	-	-	-	108,847	568,766
Intergovernmental	589,257	93,762	60,000	30,200	704,379	1,477,598
Interest	116,584	-	-	-	4,330	120,914
Special Assessments	-	-	-	-	8,899	8,899
Other	208,547	3,989	-	-	25,084	237,620
<i>Total Revenues</i>	<u>4,305,419</u>	<u>296,347</u>	<u>781,244</u>	<u>217,151</u>	<u>1,254,930</u>	<u>6,855,091</u>
Expenditures:						
Current:						
General Government	1,435,258	-	-	-	17,814	1,453,072
Security of Persons and Property	1,793,822	193,487	-	-	276,578	2,263,887
Public Health and Welfare	-	-	-	-	99,363	99,363
Transportation	-	-	-	-	1,034,286	1,034,286
Community Environment	138,777	-	-	-	43,667	182,444
Basic Utility Services	-	-	779,259	-	-	779,259
Leisure Time Activities	145,290	-	-	-	88,915	234,205
Capital Outlay	-	-	-	14,995	272,577	287,572
Debt Service:						
Principal Retirement	-	842	-	-	94,824	95,666
Interest and Fiscal Charges	-	2,524	-	-	106,281	108,805
<i>Total Expenditures</i>	<u>3,513,147</u>	<u>196,853</u>	<u>779,259</u>	<u>14,995</u>	<u>2,034,305</u>	<u>6,538,559</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>792,272</u>	<u>99,494</u>	<u>1,985</u>	<u>202,156</u>	<u>(779,375)</u>	<u>316,532</u>
Other Financing Sources (Uses):						
Operating Transfers - In	-	-	-	-	812,364	812,364
Operating Transfers - Out	(812,364)	-	-	-	-	(812,364)
<i>Total Other Financing Sources (Uses)</i>	<u>(812,364)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>812,364</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>(20,092)</u>	<u>99,494</u>	<u>1,985</u>	<u>202,156</u>	<u>32,989</u>	<u>316,532</u>
<i>Fund Balances at Beginning of Year, as Restated, See Note 17</i>	<u>1,281,189</u>	<u>840,371</u>	<u>177,911</u>	<u>511,575</u>	<u>251,347</u>	<u>3,062,393</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 1,261,097</u>	<u>\$ 939,865</u>	<u>\$ 179,896</u>	<u>\$ 713,731</u>	<u>\$ 284,336</u>	<u>\$ 3,378,925</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, 2002

Net Change in Fund Balances - Governmental Funds \$ 316,532

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period

Capital Asset Additions	327,117	
Current Year Depreciation	(790,030)	
	(462,913)	(462,913)
Total		

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund

Taxes	2,258	
Intergovernmental	3,145	
Special Assessments	(8,899)	
	(3,496)	(3,496)
Total		

Repayment of principal an expenditure in the governmental funds, but the repayment reduces long-term liabilities

General Obligation Bonds	89,340	
Special Assessments Bonds	4,660	
Police and Fire Unfunded Pension Liabilities	1,666	
	95,666	95,666
Total		

Compensated absences, pension obligation payable, accrued interest payable and intergovernmental 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 (156,812)

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 (62,089)

Change in Net Assets of Governmental Activities \$ (273,112)

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, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,661,997	\$ 2,895,850	\$ 2,777,533	\$ (118,317)
Charges for Services	112,556	162,556	144,603	(17,953)
Licenses and Permits	150,000	150,000	140,237	(9,763)
Fines and Forfeitures	218,736	348,736	318,018	(30,718)
Intergovernmental	543,363	674,280	620,014	(54,266)
Interest	125,000	125,000	116,584	(8,416)
Other	65,000	80,000	208,831	128,831
Total Revenues	3,876,652	4,436,422	4,325,820	(110,602)
Expenditures:				
Current:				
Security of Persons and Property				
Safety Administration				
Salaries	40,500	24,900	2,812	22,088
Other	8,758	8,758	7,604	1,154
Police				
Salaries	1,402,168	1,454,168	1,447,189	6,979
Other	155,061	155,061	152,200	2,861
Total Security of Persons and Property	1,606,487	1,642,887	1,609,805	33,082
Leisure Time Activities				
Park Maintenance				
Salaries	56,640	56,640	42,512	14,128
Other	109,540	109,540	98,818	10,722
Total Leisure Time Activities	166,180	166,180	141,330	24,850
Community Environment				
Building Department				
Salaries	123,842	123,842	111,205	12,637
Other	56,590	56,590	32,029	24,561
Total Community Environment	180,432	180,432	143,234	37,198
General Government				
Council and Clerk				
Salaries	83,366	87,366	63,511	23,855
Other	20,185	19,185	16,320	2,865
Mayor				
Salaries	76,318	76,318	64,966	11,352
Other	21,388	21,388	18,306	3,082
Law Director				
Salaries	55,172	58,172	42,143	16,029
Other	2,701	2,701	1,720	981
Finance Director				
Salaries	210,368	189,868	161,306	28,562
Other	36,580	36,580	34,199	2,381
Municipal Court				
Salaries	390,098	403,598	401,757	1,841
Other	32,732	42,732	39,588	3,144

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, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Other	363,229	363,229	362,976	253
Income Tax				
Other	61,052	61,052	52,168	8,884
Boards and Commission				
Salaries	40,947	42,947	40,795	2,152
Other	16,740	16,740	12,394	4,346
Service Administration				
Salaries	87,354	87,354	59,841	27,513
Other	54,247	54,247	49,547	4,700
Engineering				
Salaries	25,629	25,629	16,435	9,194
Other	8,243	8,743	7,884	859
Total General Government	<u>1,586,349</u>	<u>1,597,849</u>	<u>1,445,856</u>	<u>151,993</u>
Total Expenditures	3,539,448	3,587,348	3,340,225	247,123
Excess of Revenues Over (Under) Expenditures	337,204	849,074	985,595	136,521
Other Financing Sources (Uses):				
Advances - Out	(50,000)	(345,000)	(328,754)	16,246
Operating Transfers - In	90,000	90,000	-	(90,000)
Operating Transfers - Out	(845,364)	(812,364)	(812,364)	-
Total Other Financing Sources (Uses)	<u>(805,364)</u>	<u>(1,067,364)</u>	<u>(1,141,118)</u>	<u>(73,754)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(468,160)	(218,290)	(155,523)	62,767
Fund Balances (Deficit) at Beginning of Year	588,187	588,187	588,187	-
Unexpended Prior Year Encumbrances	12,355	12,355	12,355	-
Fund Balances (Deficit) at End of Year	<u>\$ 132,382</u>	<u>\$ 382,252</u>	<u>\$ 445,019</u>	<u>\$ 62,767</u>

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, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 215,144	\$ 215,144	\$ 198,567	\$ (16,577)
Charges for Services	-	-	29	29
Intergovernmental	56,500	56,500	93,762	37,262
Other	-	-	4,210	4,210
Total Revenues	271,644	271,644	296,568	24,924
Expenditures:				
Current:				
Security of Persons and Property				
Salaries	122,940	130,200	117,872	12,328
Other	93,228	111,861	81,119	30,742
Total Expenditures	216,168	242,061	198,991	43,070
Excess of Revenues Over (Under) Expenditures	55,476	29,583	97,577	67,994
Fund Balances (Deficit) at Beginning of Year	838,266	838,266	838,266	-
Fund Balances (Deficit) at End of Year	\$ 893,742	\$ 867,849	\$ 935,843	\$ 67,994

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, 2002

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 756,456	\$ 763,874	\$ 728,688	\$ (35,186)
Intergovernmental	60,000	60,000	60,000	-
Total Revenues	<u>816,456</u>	<u>823,874</u>	<u>788,688</u>	<u>(35,186)</u>
Expenditures:				
Current:				
Basic Utility Services				
Other	911,317	911,317	757,859	153,458
Total Expenditures	<u>911,317</u>	<u>911,317</u>	<u>757,859</u>	<u>153,458</u>
Excess of Revenues Over (Under) Expenditures	(94,861)	(87,443)	30,829	118,272
Fund Balances (Deficit) at Beginning of Year	110,126	110,126	110,126	-
Fund Balances (Deficit) at End of Year	<u>\$ 15,265</u>	<u>\$ 22,683</u>	<u>\$ 140,955</u>	<u>\$ 118,272</u>

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Fire Apparatus Fund
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 185,144	\$ 185,144	\$ 186,951	\$ 1,807
Intergovernmental	30,000	30,000	30,227	227
Total Revenues	215,144	215,144	217,178	2,034
Expenditures:				
Capital Outlay	357,000	356,979	14,974	342,005
Total Expenditures	357,000	356,979	14,974	342,005
Excess of Revenues Over (Under) Expenditures	(141,856)	(141,835)	202,204	344,039
Fund Balances (Deficit) at Beginning of Year	511,528	511,528	511,528	-
Fund Balances (Deficit) at End of Year	\$ 369,672	\$ 369,693	\$ 713,732	\$ 344,039

City of Vermilion, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2002

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Storm Water Drainage	Total	
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,045,188	\$ 1,350,467	\$ 653,969	\$ 3,049,624	\$ 55,329
Cash and Cash Equivalents in Segregated Accounts	-	-	-	-	29,164
Receivables:					
Accounts	111,281	144,234	29,383	284,898	10,240
Materials and Supplies Inventory	5,333	-	-	5,333	-
Total Current Assets	1,161,802	1,494,701	683,352	3,339,855	94,733
Non-current Assets:					
Nondepreciable Capital Assets	80,940	626,073	121,921	828,934	-
Depreciable Capital Assets, Net	3,711,388	3,224,086	279,694	7,215,168	-
Total Assets	3,792,328	3,850,159	401,615	8,044,102	-
Total Assets	4,954,130	5,344,860	1,084,967	11,383,957	94,733
Liabilities					
Current Liabilities:					
Accounts Payable	6,532	12,686	44,373	63,591	-
Accrued Wages and Benefits	11,964	14,295	-	26,259	-
Compensated Absences Payable	20,974	27,389	-	48,363	-
Intergovernmental Payable	4,887	5,823	-	10,710	-
Pension Obligation Payable	16,923	22,936	-	39,859	-
Advances from Other Funds	-	295,609	-	295,609	300,700
Claims Payable	-	-	-	-	38,162
Accrued Interest Payable	67,248	24,245	2,196	93,689	-
Notes Payable	1,105,000	1,100,000	310,000	2,515,000	-
Current Portion of OWDA Loans Payable	49,262	84,832	-	134,094	-
Current Portion of General Obligation Bonds Payable	40,000	35,000	-	75,000	-
Current Portion of Refunding Bonds Payable	95,000	85,000	-	180,000	-
Total Current Liabilities	1,417,790	1,707,815	356,569	3,482,174	338,862
Long-Term Liabilities:					
Compensated Absences	44,575	75,417	-	119,992	-
OWDA Loans Payable (Net Current Portion)	720,468	1,207,565	-	1,928,033	-
General Obligation Bonds Payable (Net Current Portion)	685,000	900,000	-	1,585,000	-
Refunding Bonds Payable (Net Current Portion)	2,450,000	530,000	-	2,980,000	-
Total Long-Term Liabilities	3,900,043	2,712,982	-	6,613,025	-
Total Liabilities	5,317,833	4,420,797	356,569	10,095,199	338,862
Net Assets					
Invested in Capital Assets, Net of Related Debt	(617,261)	1,310,684	354,242	1,047,665	-
Unrestricted (Deficit)	253,558	(386,621)	374,156	241,093	(244,129)
Total Net Assets	\$ (363,703)	\$ 924,063	\$ 728,398	\$ 1,288,758	\$ (244,129)

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, 2002

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Storm Water Drainage	Total	
Operating Revenues					
Charges for Services	\$ 1,476,907	\$ 1,394,965	\$ 175,173	\$ 3,047,045	\$ 545,015
Other Operating Revenues	817	5,944	-	6,761	10,240
<i>Total Operating Revenues</i>	1,477,724	1,400,909	175,173	3,053,806	555,255
Operating Expenses					
Personal Services	643,532	738,052	-	1,381,584	-
Contractual Services	194,922	536,122	24,458	755,502	-
Materials and Supplies	114,773	65,141	9,808	189,722	-
Claims	4,211	1,333	29	5,573	737,295
Depreciation	258,936	145,452	5,916	410,304	-
<i>Total Operating Expenses</i>	1,216,374	1,486,100	40,211	2,742,685	737,295
<i>Operating Income (Loss)</i>	261,350	(85,191)	134,962	311,121	(182,040)
Non-Operating Revenues (Expenses)					
Interest Income	-	23,076	-	23,076	-
Interest and Fiscal Charges	(334,883)	(95,198)	(2,196)	(432,277)	-
Gain or Loss on Disposal of Fixed Assets	(1,336)	-	-	(1,336)	-
Grants	-	253,382	-	253,382	-
<i>Total Non-Operating Revenues (Expenses)</i>	(336,219)	181,260	(2,196)	(157,155)	-
<i>Changes in Net Assets</i>	(74,869)	96,069	132,766	153,966	(182,040)
Net Assets (Deficit) Beginning of Year, as Restated (See Note 17)	(288,834)	827,994	595,632	1,134,792	(62,089)
Net Assets (Deficit) End of Year	<u>\$ (363,703)</u>	<u>\$ 924,063</u>	<u>\$ 728,398</u>	<u>\$ 1,288,758</u>	<u>\$ (244,129)</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, 2002

	Business-Type Activities				Governmental Activities - Internal Service Fund
	Water	Sewer	Storm		
			Water Drainage	Total	
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash received from customers	\$ 1,467,941	\$ 1,373,916	\$ 172,774	\$ 3,014,631	\$ -
Cash received from other revenues	817	6,544	-	7,361	-
Cash received from quasi-external transactions	-	-	-	-	545,015
Cash payments for employee service and benefits	(636,565)	(709,985)	-	(1,346,550)	(777,556)
Cash payments to goods and services	(315,505)	(605,762)	(43,623)	(964,890)	-
Net Cash Provided by Operating Activities	516,688	64,713	129,151	710,552	(232,541)
Cash Flows from Noncapital Financing Activities:					
Grants	-	253,382	-	253,382	-
Advances in	-	20,609	-	20,609	180,700
Net Cash Provided by Noncapital Financing Activities	-	273,991	-	273,991	180,700
Cash Flows from Capital Financing Activities:					
Proceeds of notes	1,710,000	2,200,000	310,000	4,220,000	-
Proceeds of OWDA loans	-	503,904	-	503,904	-
Payments for capital acquisition	(574,595)	(625,555)	(47,373)	(1,247,523)	-
Proceeds from the sale of assets	25	-	-	25	-
Principal paid on notes	(605,000)	(1,100,000)	-	(1,705,000)	-
Principal paid on general obligation bonds	(35,000)	(705,000)	-	(740,000)	-
Principal paid on revenue bonds	(2,625,000)	-	-	(2,625,000)	-
Principal paid on refunding bonds	(40,000)	(85,000)	-	(125,000)	-
Principal paid on OWDA loans	(44,777)	(86,251)	-	(131,028)	-
Interest paid on notes, bonds and OWDA loans	(361,269)	(112,015)	-	(473,284)	-
Net Cash Provided by Capital Financing Activities	(2,575,616)	(9,917)	262,627	(2,322,906)	-
Cash Flows from Investing Activities:					
Interest income	-	23,076	-	23,076	-
Net Cash Provided by Investing Activities	-	23,076	-	23,076	-
Net Increase (Decrease) in Cash and Cash Equivalents	(2,058,928)	351,863	391,778	(1,315,287)	(51,841)
Cash and Cash Equivalents at Beginning of Year	3,104,116	998,604	262,191	4,364,911	136,334
Cash and Cash Equivalents at End of Year	\$ 1,045,188	\$ 1,350,467	\$ 653,969	\$ 3,049,624	\$ 84,493

(Continued)

City of Vermilion, Ohio
Statement of Cash Flows
Proprietary Funds - Continued
For the Year Ended December 31, 2002

	Business-Type Activities			Total	Governmental
	Water	Sewer	Storm Water Drainage		Activities - Internal Service Fund
Reconciliation of Operating Income to					
Net Cash Provided by Operating Activities:					
Operating Income	\$ 261,350	\$ (85,191)	\$ 134,962	\$ 311,121	\$ (182,040)
Adjustments to Reconcile Operating Income					
to Net Cash Provided by Operating Activities:					
Depreciation	258,936	145,452	5,916	410,304	-
Total Adjustments	<u>258,936</u>	<u>145,452</u>	<u>5,916</u>	<u>410,304</u>	<u>-</u>
Changes in Assets and Liabilities					
(Increase) Decrease in accounts receivable	(8,966)	(20,449)	(2,399)	(31,814)	(10,240)
(Increase) Decrease in inventory	(2,022)	570	-	(1,452)	0
Increase (Decrease) in accounts payable	423	(3,736)	(9,328)	(12,641)	(1,201)
Increase (Decrease) in accrued wages	(191)	2,582	-	2,391	0
Increase (Decrease) in compensated absences	4,072	17,799	-	21,871	0
Increase (Decrease) in due to other governments	2,565	3,654	-	6,219	0
Increase (Decrease) in pension obligation payable	521	4,032	-	4,553	0
Increase (Decrease) in claims payable	-	-	-	-	(39,060)
Total Adjustments	<u>(3,598)</u>	<u>4,452</u>	<u>(11,727)</u>	<u>(10,873)</u>	<u>(50,501)</u>
Net Cash Provided by Operating Activities	<u>\$ 516,688</u>	<u>\$ 64,713</u>	<u>\$ 129,151</u>	<u>\$ 710,552</u>	<u>\$ (232,541)</u>

See accompanying notes to the basic financial statements

City of Vermilion, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2002

Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 120,076
Cash and Cash Equivalents in Segregated Accounts	34,249
Receivables:	
Accounts	<u>4,342</u>
<i>Total Assets</i>	<u><u>\$ 158,667</u></u>
 Liabilities	
Accounts Payable	4,302
Intergovernmental Payable	66,893
Undistributed Monies	34,133
Refundable Deposits	<u>53,339</u>
<i>Total Liabilities</i>	<u><u>\$ 158,667</u></u>

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

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

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

Component units are legally separate organizations for which the City, as the primary government, is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes.

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

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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

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

Vermilion Local School District
Firelands Local School District
Ritter Public Library

B. Basis of Presentation

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

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

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

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

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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.

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

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

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

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

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

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

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

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

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds.

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, 2002

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, including income taxes, estate taxes, motel-hotel taxes, property taxes, estate taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes, estate taxes, and motel-hotel taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from the non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

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

Delinquent property taxes and property taxes for which there is an enforcement legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met also recorded as deferred revenue.

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

Expense/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 2002.

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, 2002

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 2002, investments were limited to repurchase agreements, Star Ohio, the State Treasurer's investment pool, certificates of deposit, and manuscript note. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The City has invested funds in the State Treasurer's Asset Reserve of Ohio (STAROhio) during the fiscal year 2002. 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, 2002.

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 2002 amounted to \$247,860.

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, 2002

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 fixed assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed 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. 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 fixed 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
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 2002, 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, 2002. 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, 2002

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 equity which is not available for current appropriation or use. The unreserved or undesignated portions of fund equity 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, 2002

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. Contributions of Capital

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

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

R. Estimates

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

S. Extraordinary and Special Items

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

Note 3 – Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance/retained earnings 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, major special revenue funds and major capital projects funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP are:

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

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

- 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	Fire Operating	Sanitation	Fire Apparatus
GAAP Basis	(\$20,092)	\$99,494	\$1,985	\$202,156
Increase (Decrease):				
Accrued Revenues not included in Budget Basis	20,401	221	7,444	27
Accrued Expenses not included in Budget Basis	(237,337)	(12,912)	(48,642)	21
Encumbrances outstanding at 12/31/02	81,505	10,774	70,042	0
Budget Basis	<u>(\$155,523)</u>	<u>\$97,577</u>	<u>\$30,829</u>	<u>\$202,204</u>

Note 4 – Deposits and Investments

A. Primary Government

Monies held by the City are classified by State Statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active 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.

Monies held by the City which are not considered active are classified as inactive and can 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;

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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.

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 2002, the City's investments were limited to a repurchase agreement and certificate of deposit, a manuscript note, and STAR Ohio. During the fiscal year, all investments of the City had a maturity of two years or less. At fiscal year end, the City had \$50 in undeposited cash on hand which is included on the balance sheet of the City as part of "equity in pooled cash and cash equivalents."

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

Deposits: At year-end, the carrying amount of the City's deposits, excluding change funds of \$50, was \$131,885 and the bank balance was \$370,086. \$143,975 of the bank balance was covered by federal depository insurance. \$226,111 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.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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. The carrying value of deposits and investments are presented in the balance sheet as equity in pooled cash and cash equivalents. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Carrying Value	Fair Value
STAR Ohio	0	0	\$3,123,540	\$3,123,540
Manuscript Note	\$985,000	0	985,000	985,000
Repurchase Agreement	0	\$2,169,195	2,169,195	2,169,195
Total Investments	\$985,000	\$2,169,195	\$6,277,735	\$6,277,735

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:

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement 9	\$5,392,835	\$1,016,835
Cash on Hand	(50)	0
Investments:		
Star Ohio	(3,123,540)	3,123,540
Repurchase Agreement	(2,169,195)	2,169,195
Certificates of Deposit	31,835	(31,835)
GASB Statement 3	\$131,885	\$6,277,735

B. Discretely presented Component Unit

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement 9	\$133,781	\$0
Investments:		
Star Ohio	(8,933)	8,933
GASB Statement 3	\$124,848	\$8,933

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

At December 31, 2002, the carrying amount of the Vermilion Port Authority's deposits was \$124,848 and the bank balance was \$124,848. \$100,000 of the bank balance was covered by federal depository insurance. \$24,848 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.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

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, 2002 was \$10.75 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Estate – 2001	
Residential/Agricultural/Other	\$210,582,610
Tangible Personal Property – 2001	
Public Utility	5,339,110
General Tangible Personal Property	<u>11,296,059</u>
Total Valuation	<u><u>\$218,217,779</u></u>

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

B. Income Taxes

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

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

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

Note 6. Receivables

Receivables at December 31, 2002 consisted of taxes, accounts (billing for user charged services), intergovernmental receivables, entitlements or shared revenues, special assessments and interest on investments. All receivables are considered fully collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:

Gasoline Tax	\$ 115,935
Local Government	27,265
Permissive Tax	12,498
Homestead/Rollback	133,677
Motor Vehicle Registration	5,536
County Reimbursement	8,750
Indigent Fees	<u>1,995</u>
Total	<u>\$ 305,656</u>

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 7 – Capital Assets

A. Primary Government

The capital asset balances of the governmental activities have been restated to include the \$5,000 threshold and the retroactive infrastructure assets.

	Balance 12/31/2001	\$5,000 Threshold	GASB 34 Adjustment	Restated Balance 1/1/2002
Governmental Activities:				
Land	\$ 715,235	\$ (21,220)	\$ -	\$ 694,015
Building	1,588,294	(126,851)	-	1,461,443
Equipment	1,202,342	(636,460)	-	565,882
Furniture	101,301	(101,301)	-	-
Infrastructure	-	-	15,423,602	15,423,602
Land improvement	925,919	(75,991)	-	849,928
Vehicles	2,079,324	(18,370)	-	2,060,954
Total capital assets	6,612,415	(980,193)	15,423,602	21,055,824
Less: accumulated depreciation				
Building	-	-	(225,121)	(225,121)
Equipment	-	-	(344,205)	(344,205)
Infrastructure	-	-	(9,191,065)	(9,191,065)
Land Improvement	-	-	(142,412)	(142,412)
Traffic Lights	-	-	(8,637)	(8,637)
Vehicles	-	-	(1,075,561)	(1,075,561)
Total accumulated depreciation	-	-	(10,987,001)	(10,987,001)
Total governmental activities capital assets, net	\$ 6,612,415	\$ (980,193)	\$ 4,436,601	\$ 10,068,823

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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

	Restated Balance January 1, 2002	Additions	Deletions	Adjustment	Department Transfer In	Department Transfer Out	Balance December 31, 2002
Governmental activities:							
Capital assets, not being depreciated:							
Land	\$ 694,015	\$ 25,084	\$ -	\$ -	\$ -	\$ -	\$ 719,099
Total capital assets, not depreciated:	694,015	25,084	-	-	-	-	719,099
Capital assets, being depreciated:							
Buildings	1,461,443	-	-	-	-	-	1,461,443
Equipment	565,882	47,566	-	3,794	-	(38,383)	578,859
Furniture	-	5,996	-	-	-	-	5,996
Infrastructure	15,423,602	-	-	-	-	-	15,423,602
Land Improvement	849,928	5,066	-	-	-	-	854,994
Traffic Lights	-	29,812	-	-	38,383	-	68,195
Vehicles	2,060,954	213,593	(38,124)	-	-	-	2,236,423
Total capital assets, being depreciated:	20,361,809	302,033	(38,124)	3,794	38,383	(38,383)	20,629,512
Less accumulated depreciation for:							
Buildings	(225,121)	(29,769)	-	-	-	-	(254,890)
Equipment	(344,205)	(67,435)	-	-	-	-	(411,640)
Furniture	-	(300)	-	-	-	-	(300)
Infrastructure	(9,191,065)	(485,836)	-	-	-	-	(9,676,901)
Land Improvement	(142,412)	(81,228)	-	-	-	-	(223,640)
Traffic Lights	(8,637)	(2,664)	-	-	-	-	(11,301)
Vehicles	(1,075,561)	(122,798)	38,124	-	-	-	(1,160,235)
Total accumulated depreciation	(10,987,001)	(790,030)	38,124	-	-	-	(11,738,907)
Total capital assets, being depreciated, net	9,374,808	(487,997)	-	3,794	38,383	(38,383)	8,890,605
Governmental activities capital assets, net	<u>\$ 10,068,823</u>	<u>\$ (462,913)</u>	<u>\$ -</u>	<u>\$ 3,794</u>	<u>\$ 38,383</u>	<u>\$ (38,383)</u>	<u>\$ 9,609,704</u>

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

	Balance January 1, 2002	Additions	Deletions	Adjustment	Balance December 31, 2002
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 105,140	\$ -	\$ -	\$ -	\$ 105,140
Construction in progress	620,524	693,619	(590,349)	-	723,794
Total capital assets, not being depreciated	<u>725,664</u>	<u>693,619</u>	<u>(590,349)</u>	<u>-</u>	<u>828,934</u>
Capital assets, being depreciated:					
Building	5,443,791	587,548	-	-	6,031,339
Equipment	2,274,065	615,844	-	-	2,889,909
Furniture	20,574	504	-	-	21,078
Land improvement	43,749	-	-	-	43,749
Infrastructure	4,660,387	459	-	-	4,660,846
Vehicles	335,664	-	(13,613)	-	322,051
Total capital assets, being depreciated	<u>12,778,230</u>	<u>1,204,355</u>	<u>(13,613)</u>	<u>-</u>	<u>13,968,972</u>
Less accumulated depreciation for:					
Building	(3,417,161)	(212,038)	-	-	(3,629,199)
Equipment	(1,878,303)	(53,647)	-	-	(1,931,950)
Furniture	(12,214)	(1,525)	-	-	(13,739)
Land improvement	(38,055)	(901)	-	-	(38,956)
Infrastructure	(734,560)	(115,162)	-	-	(849,722)
Vehicles	(275,459)	(25,691)	12,252	(1,340)	(290,238)
Total accumulated depreciation	<u>(6,355,752)</u>	<u>(408,964)</u>	<u>12,252</u>	<u>(1,340)</u>	<u>(6,753,804)</u>
Total capital assets, being depreciated, net	<u>6,422,478</u>	<u>795,391</u>	<u>(1,361)</u>	<u>(1,340)</u>	<u>7,215,168</u>
Business-type activities capital assets, net	<u>\$ 7,148,142</u>	<u>\$ 1,489,010</u>	<u>\$ (591,710)</u>	<u>\$ (1,340)</u>	<u>\$ 8,044,102</u>

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

Governmental activities	
General government	\$ 32,460
Security of persons and property	138,286
Leisure time activity	86,872
Transportation	532,412
Total depreciation expense – governmental activities	<u>\$ 790,030</u>
Business-type activities	
Water	\$ 257,596
Sewer	145,452
Storm Drainage	5,916
Total depreciation expense – business-type activities	<u>\$ 408,964</u>

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

B. Discretely Presented Component Unit

Activity for the Port Authority for the year ended December 31, 2002, was as follows:

	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Capital assets, not being depreciated:				
Land	\$ 1,059,388	\$ -	\$ -	\$ 1,059,388
Capital assets, being depreciated:				
Building	90,437	-	-	90,437
Equipment	40,593	-	-	40,593
Land improvement	329,642	-	-	329,642
Total capital assets being depreciated	460,672	-	-	460,672
Less accumulated depreciation for:				
Building	(16,139)	(2,235)	-	(18,374)
Equipment	(17,061)	(3,946)	-	(21,007)
Land improvement	(186,250)	(22,605)	-	(208,855)
Total accumulated depreciation	(219,450)	(28,786)	-	(248,236)
Total capital assets, being depreciated, net	241,222	(28,786)	-	212,436
Port Authority capital assets, net	\$ 1,300,610	\$ (28,786)	\$ -	\$ 1,271,824

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, 2002 the liability for unpaid compensated absences was \$489,925 for the entire City.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 1/1/2002	Additions	Reductions	Balance 12/31/2002	Amount Due in One Year
Governmental Activities:						
<u>General obligation bonds</u>						
1995 Vermilion Rd. Sewer-City Portion	6.25%	\$ 96,120	\$ -	\$ (5,340)	\$ 90,780	\$ 5,340
1997 Court Facility	5.75%	474,000	-	(29,000)	445,000	29,000
1997 Street Sweeper	5.75%	60,000	-	(10,000)	50,000	10,000
2000 Park Improvement	4.55-5.90%	535,000	-	(15,000)	520,000	20,000
2001 Motor Vehicle	3.00-3.70%	180,000	-	(30,000)	150,000	35,000
Total general obligation bonds		<u>1,345,120</u>	<u>-</u>	<u>(89,340)</u>	<u>1,255,780</u>	<u>99,340</u>
<u>Special assessment bond</u>						
1995 Vermilion Rd. Sewer-S.A. Portion	6.25%	83,880	-	(4,660)	79,220	4,660
<u>Other long-term obligations</u>						
Compensated Absences		265,331	56,239	-	321,570	103,205
Police and Fire Unfunded Pension Liability		119,601	-	(1,666)	117,935	1,736
Total other long-term obligations		<u>384,932</u>	<u>56,239</u>	<u>(1,666)</u>	<u>439,505</u>	<u>104,941</u>
Total governmental activities, long-term obligations		<u>\$ 1,813,932</u>	<u>\$ 56,239</u>	<u>\$ (95,666)</u>	<u>\$ 1,774,505</u>	<u>\$ 208,941</u>
Business-type Activities:						
<u>General obligation bonds</u>						
1995 Water Plant Improvement	4.40-6.15%	\$ 760,000	\$ -	\$ (35,000)	\$ 725,000	\$ 40,000
1988 Sanitary Sewage	7.44%	670,000	-	(670,000)	-	-
1999 E. Liberty Avenue Phase I	4.15-6.50%	840,000	-	(30,000)	810,000	30,000
2001 Highbridge Rd. Sewer System	3.00-5.00%	130,000	-	(5,000)	125,000	5,000
Total general revenue bonds		<u>2,400,000</u>	<u>-</u>	<u>(740,000)</u>	<u>1,660,000</u>	<u>75,000</u>
<u>Revenue bond</u>						
1991 Water System Improvement	4.75%	2,625,000	-	(2,625,000)	-	-
<u>Refunding bonds</u>						
2001 Waterwork Improvement	3.00-5.00%	2,585,000	-	(40,000)	2,545,000	95,000
2001 Sanitary Sewage	3.00-4.20%	700,000	-	(85,000)	615,000	85,000
Total refunding bonds		<u>3,285,000</u>	<u>-</u>	<u>(125,000)</u>	<u>3,160,000</u>	<u>180,000</u>

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Business-type Activities:	Interest Rate	Balance 1/1/2002	Additions	Reductions	Balance 12/31/2002	Amount Due in One Year
<u>OWDA loans</u>						
1993 West Lake Road						
Water Main Improvement	6.16%	\$ 531,109	\$ -	\$ (27,840)	\$ 503,269	\$ 31,333
1999 High Service Water Pumps	5.86%	283,398	-	(16,937)	266,461	17,929
2001 Park Drive Lift Station	4.38%	90,911	-	(4,872)	86,039	3,290
2001 Contract B Lift Stations /Digesters/Water Resource Restoration	0.20%	783,833	503,904	(81,379)	1,206,358	81,542
Total OWDA loans		1,689,251	503,904	(131,028)	2,062,127	134,094
Compensated Absences Payable		146,484	21,871	-	168,355	48,363
Total business-type activities, long-term obligation		<u>\$ 10,145,735</u>	<u>\$ 525,775</u>	<u>\$ (3,621,028)</u>	<u>\$ 7,050,482</u>	<u>\$ 437,457</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 reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid. The enterprise related general obligation bonds, refunding bonds and OWDA loans will be paid from water and sewer fund user charges.

The amortization schedules for the Park Drive Lift Station OWDA loan and Contract B Lift Stations/Digesters/Water Resource Restoration OWDA loan are not available from OWDA as of the balance sheet date. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2002 are as follows:

Years	General Obligation Bonds	Special Assessment Bonds	Police and Fire Pension	OWDA	Water Refunding Bonds	Sewer Refunding Bonds
2003	\$339,466	\$9,611	\$6,732	\$96,218	\$209,708	\$107,028
2004	331,190	9,320	6,732	96,218	201,858	114,568
2005	337,884	9,029	6,732	96,218	204,203	116,675
2006	328,618	8,738	6,732	96,218	206,020	118,325
2007	284,139	8,446	6,732	96,218	202,320	119,440
2008-2012	1,105,004	46,309	33,660	480,490	1,096,203	244,480
2013-2017	1,475,562	26,358	33,660	119,490	984,720	0
2018-2022	344,265	0	33,660	0	784,000	0
2023-2027	0	0	33,660	0	0	0
2028-2032	0	0	33,660	0	0	0
2033-2035	0	0	20,196	0	0	0
Totals	<u>\$4,546,128</u>	<u>\$117,811</u>	<u>\$222,156</u>	<u>\$1,081,070</u>	<u>\$3,889,032</u>	<u>\$820,516</u>

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

The City's overall legal debt margin was \$16,812,593 at December 31, 2002 and the unvoted legal debt margin was \$5,901,704.

Defeased Debt

On December 27, 2001, the City issued \$3,595,000 Various Purpose Improvement and Refunding Bonds, and retired the 1991 Water System Improvement Bonds and 1998 Sanitary Sewage Bonds on February 15, 2002. The refunding bonds of \$3,285,000 with the interest rates of 3% to 5% to advance refund \$2,625,000 of 1991 Water System Improvement Bonds with an interest rate of 4.75% and \$670,000 of 1988 Sanitation Sewage Bonds with an interest rate of 7.44%. The 1991 Water System Improvement Bonds mature on December 31, 2021, and were callable on August 15, 2004. The 1988 Sanitary Sewage Bonds mature on December 15, 2008. The Various Purpose Improvement and Refunding Bonds were issued at \$3,595,000 and after paying issuance costs and underwriter's discount of \$106,402, the net proceeds were \$3,488,598. The net proceeds from the issuance of the Various Purpose Improvement and Refunding Bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the refunded bonds. The advance refunding met the requirements of an in-substance debt defeasance and the 1991 Water System Improvement Bonds and 1998 Sanitary Sewage Bonds were removed from the City's government-wide financial statements.

As a result of the advance refunding, the City reduced its total debt service requirements by \$1,092,628, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$508,300.

Note 10 – Note Debt

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

	Interest Rate	Balance 1/1/2002	Additions	Reductions	Balance 12/31/2002
Governmental Activities:					
Street Improvement Notes Series 2001	2.85%	\$ 950,000	\$ -	\$ (950,000)	\$ -
Street Improvement Notes Series 2002	1.75%	-	450,000	-	450,000
Total governmental activities, short-term notes		<u>\$ 950,000</u>	<u>\$ 450,000</u>	<u>\$ (950,000)</u>	<u>\$ 450,000</u>
Business-type Activities:					
2002 Water Treatment System Improvement Notes	1.95%	\$ -	\$ 605,000	\$ (605,000)	\$ -
2002 Water Treatment System Improvement Notes	1.70%	-	605,000	-	605,000
2002 Wastewater Treatment Plant Improvement Notes	1.95%	-	1,100,000	(1,100,000)	-
2002 Wastewater Treatment Plant Improvement Notes	1.70%	-	1,100,000	-	1,100,000
2002 Highbridge Rd. Storm Sewer Improvement Notes	1.70%	-	310,000	-	310,000
Utility Improvement Notes Series 2002-2	1.75%	-	500,000	-	500,000
Total business-type activities, short-term notes		<u>\$ -</u>	<u>\$ 4,220,000</u>	<u>\$ (1,705,000)</u>	<u>\$ 2,515,000</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.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 Public Employees Retirement System of Ohio (OPERS), a cost sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614)466-2085 or 1-800-222-PERS(7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$351,100, \$332,769, and \$251,980 respectively. The full amount has been contributed for 2001 and 2000, and 69.78 percent has been contributed for 2002. \$106,108 representing the unpaid contribution for 2002 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's Disability and Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations, while the City is required to contribute 19.5 percent and 24 percent for police officers and firefighters. During 2002, the City did not have paid firefighters. The City's contributions to OP&F for police were \$179,037 for the year ended December 2002, \$132,317 for 2001, and \$156,674 for 2000. The full amount has been contributed for 2001 and 2000, and 74.1 percent has been contributed for 2002. \$46,373, representing the unpaid contribution for 2002, is recorded as a liability within the respective funds.

Note 12 – Post Employment Benefit

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service employees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employee's contribution to OPERS is set aside for the funding of postretirement health care based on the authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll for employees; 5 percent was the portion that was used to fund health care.

Benefits are advanced funded using the entry age normal cost method. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health and Medicare, along with investments income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. As of December 31, 2001 (the latest information available), the actuarial value of the OPERS's net assets available for future OPEB payments were \$11.6 billion. At December 31, 2001 (the latest information available), the total number of active contributing participants eligible for OPEB through OPERS was 402,041. The actuarially accrued liability and the unfounded actuarial accrued liability, base on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively. The City's actual contributions for 2002 which were used to fund OPEB were \$129,556.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choice Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (the “OP&F”) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer’s contribution rate. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll. The Ohio Revised Code provides the statutory authority allowing OP&F Board of Trustees to provide health care coverage to all eligible individual.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expense. The board defined allocation was 7.5 percent and 7.75 percent of covered payroll in 2001 and 2002, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City’s actual contributions for 2002 that were used to fund postemployment benefits were \$71,078 for police. The number of participants eligible to receive health care benefits as of December 31, 2001 (the latest information available) was 13,174 for police and 10,239 for firefighters. The Fund’s total health care expenses for the year ending December 31, 2001 (the latest information available) was \$122,298,771, which was net of member contributions of \$6,874,699.

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 2002, 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

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 2002.

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

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

The City provides employees medical, prescription, and dental benefits through a self-insurance program. All funds of the City participate in the program and make payments to the medical self insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The medical self-insurance fund provides coverage for up to a maximum of \$27,500 for each individual. The City utilizes a third party administrator, Self Funded Plans, Inc., to review all claims which are then paid by the City. The cost to the City for the third party administrator is \$5,640 annually. The City purchases stop-loss coverage from Seaboard Life Insurance Company at a cost of \$108,936 annually. Stop-loss coverage provides a maximum of \$1,000,000 per individual for their lifetime. During 2002, a total of \$737,295 was paid in benefits and administrative costs. Changes in the internal service fund's claim liability amount in 2001 and 2002 were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2001	\$94,400	566,882	(584,060)	\$77,222
2002	\$77,222	583,659	(622,719)	\$38,162

Note 14 – Internal Balances

Internal balances at December 31, 2002 consist of the following individual long-term advance to/from:

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

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

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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.

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

Fund	Transfer Out	Transfer In
Major Funds:		
General	\$812,364	\$0
Other Non-Major Governmental Funds	0	812,364
Total	\$812,364	\$812,364

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, 2002.

Fund	Deficit Fund Balance	Deficit Net Asset
<u>Special Revenue Funds:</u>		
State Highway Improvement	\$6,866	
Permissive Use Tax	336,309	
<u>Capital Projects Fund:</u>		
CDBG	115,417	
<u>Enterprise Fund:</u>		
Water		\$363,703
<u>Internal Service Fund:</u>		
Self-Insurance		244,129

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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

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

B. Compliance

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

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 Equity

Changes in Accounting Principles For the year ended December 31, 2002, the City has implemented GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments,” GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus,” GASB No. 38, “Certain Financial Statement Note Disclosures,” and GASB Interpretation No. 6. “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” At December 31, 2001, there was no effect on fund balances as a result of implementing GASB Statements No. 37 and 38.

Restatements of Assets/Liabilities There were restatements of assets and liabilities for correction of prior year assets and liabilities in the agency funds.

	Assets/Liabilities December 31, 2001	Adjustment	Restated Assets/Liabilities December 31, 2001
Agency Funds	\$153,357	(\$27,488)	\$125,869

City of Vermilion, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Restatement of Fund Balances There were restatements of fund equity for corrections of prior year accrual balances and assets, and the implementation of Interpretation No. 6 had the following effect on fund balances of the major and non-major funds of the City as they were previously reported.

	General	Fire Operating	Fire Apparatus	Non-Major Funds
Fund Balances				
December 31, 2001	\$ 1,363,278	\$ 852,486	\$ 523,663	\$ 237,864
Restated Asset	-	-	-	(4,503)
Restated Liability	(99,497)	(12,115)	(12,088)	15,818
Interpretation No. 6 Compensated Absences	17,408	-	-	2,168
Restated Fund Balance December 31, 2001	<u>\$ 1,281,189</u>	<u>\$ 840,371</u>	<u>\$ 511,575</u>	<u>\$ 251,347</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as followed:

Restatement of Full Accrual Items:	
Governmental Fund Balance, December 31, 2001	\$ 3,062,393
GASB No. 34 Adjustments:	
Capital Assets	10,068,823
Internal Service Fund	(62,089)
Long-term Liabilities	(1,548,601)
Accrued Interest Payable	(38,391)
Pension Obligation Payable	(112,494)
Deferred Revenue	676,472
Compensated Absences	<u>(274,394)</u>
Governmental Activities Net Assets, December 31, 2001	<u>\$ 11,771,719</u>

The transition from proprietary fund equity to net assets of business-type activities is as followed:

	Water	Sewer	Storm Water Drainage	Total
Fund Equity, December 31, 2001	\$ (208,813)	\$ 849,446	\$ 595,632	\$ 1,236,265
Restated Asset	<u>(80,021)</u>	<u>(21,452)</u>	-	<u>(101,473)</u>
Business-type Activities Net Assets, December 31, 2001	<u>\$ (288,834)</u>	<u>\$ 827,994</u>	<u>\$ 595,632</u>	<u>\$ 1,134,792</u>

Combining Statements
And
Individual Fund Schedules

City of Vermilion, Ohio
Fund Descriptions

Non-Major Special Revenue Funds

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

Street Maintenance Fund - To account for that portion of the State gasoline tax and motor vehicle registration fees designated for street maintenance and repair.

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

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

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

Miscellaneous Local Fund – 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.

City of Vermilion, Ohio
Fund Descriptions
(Continued)

Non-major Permanent Fund

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, 2002

	Non-Major Special Revenue Funds	Non-Major Debt Service Fund	Non-Major Capital Projects Funds	Non-Major Permanent Fund	Total Non-Major Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 579,096	\$ 54,726	\$ 188,871	\$ 31,835	\$ 854,528
Cash and Cash Equivalents: With Fiscal and Escrow Agents	-	365	-	-	365
Receivables:					
Taxes	64,962	64,962	108,272	-	238,196
Accounts	10,478	-	-	-	10,478
Intergovernmental	148,445	3,731	6,218	-	158,394
Special Assessments	-	106,796	-	-	106,796
Total Assets	802,981	230,580	303,361	31,835	1,368,757
Liabilities					
Accounts Payable	31,269	-	1,427	-	32,696
Accrued Wages	13,556	-	-	-	13,556
Intergovernmental Payable	24,996	-	-	-	24,996
Deferred Revenue	145,384	175,489	114,490	-	435,363
Matured Interest Payable	-	365	-	-	365
Notes Payable	450,000	-	-	-	450,000
Advances from Other Funds	12,028	-	115,417	-	127,445
Total Liabilities	677,233	175,854	231,334	-	1,084,421
Fund Balance (Deficit)					
Reserved for Encumbrances	95,178	-	17,568	-	112,746
Undesignated, Report In:					
Special Revenue Funds	30,570	-	-	-	30,570
Debt Service Fund	-	54,726	-	-	54,726
Capital Projects Funds	-	-	54,459	-	54,459
Permanent Fund	-	-	-	31,835	31,835
Total Fund Balance (Deficit)	125,748	54,726	72,027	31,835	284,336
Total Liabilities and Fund Balances	\$ 802,981	\$ 230,580	\$ 303,361	\$ 31,835	\$ 1,368,757

City of Vermilion, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended December 31, 2002

	Non-Major Special Revenue Funds	Non-Major Debt Service Fund	Non-Major Capital Projects Funds	Non-Major Permanent Fund	Total Non-Major Governmental Funds
Revenues					
Taxes	\$ 55,989	\$ 55,988	\$ 93,314	\$ -	\$ 205,291
Intergovernmental	580,209	9,068	115,102	-	704,379
Interest	3,305	1,025	-	-	4,330
Special Assessments	-	8,899	-	-	8,899
Charges for Services	177,600	-	20,500	-	198,100
Fines, Licenses and Permits	66,831	-	42,016	-	108,847
Miscellaneous	12,584	12,500	-	-	25,084
Total Revenues	896,518	87,480	270,932	-	1,254,930
Expenditures					
Current:					
Security of Persons and Property	276,578	-	-	-	276,578
Public Health	99,363	-	-	-	99,363
Community Environment	43,667	-	-	-	43,667
Transportation	1,034,286	-	-	-	1,034,286
General Government	9,339	-	8,475	-	17,814
Leisure Time Activities	88,915	-	-	-	88,915
Capital Outlay	6,294	-	266,283	-	272,577
Debt Service:					
Principal Retirement	824	79,000	15,000	-	94,824
Interest and Fiscal Charges	29,541	48,110	28,630	-	106,281
Total Expenditures	1,588,807	127,110	318,388	-	2,034,305
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(692,289)</u>	<u>(39,630)</u>	<u>(47,456)</u>	<u>-</u>	<u>(779,375)</u>
Other Financing Sources (Uses)					
Operating Transfers In	748,031	53,333	11,000	-	812,364
Total Other Financing Sources (Uses)	748,031	53,333	11,000	-	812,364
Net Change in Fund Balances	55,742	13,703	(36,456)	-	32,989
Fund Balance (Deficit) at Beginning of Year	70,006	41,023	108,483	31,835	251,347
Fund Balances (Deficit) at End of Year	\$ 125,748	\$ 54,726	\$ 72,027	\$ 31,835	\$ 284,336

City of Vermilion, Ohio
 Combining Balance Sheet
 Non-Major Special Revenue Funds
 December 31, 2002

	Street Maintenance and Repair	State Highway Improvement	Permissive Use Tax	Recreation	Miscellaneous Local	Total Non-Major Special Revenue Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 114,698	\$ 9,905	\$ 117,624	\$ 11,140	\$ 325,729	\$ 579,096
Receivables:						
Taxes	-	-	-	-	64,962	64,962
Accounts	-	-	-	-	10,478	10,478
Intergovernmental	112,523	8,948	12,498	-	14,476	148,445
<i>Total Assets</i>	<u>227,221</u>	<u>18,853</u>	<u>130,122</u>	<u>11,140</u>	<u>415,645</u>	<u>802,981</u>
Liabilities						
Accounts Payable	4,922	-	16,431	-	9,916	31,269
Accrued Wages	12,220	-	-	309	1,027	13,556
Intergovernmental Payable	3,755	19,968	-	649	624	24,996
Deferred Revenue	70,940	5,751	-	-	68,693	145,384
Notes Payable	-	-	450,000	-	-	450,000
Advances from Other Funds	5,554	-	-	5,474	1,000	12,028
<i>Total Liabilities</i>	<u>97,391</u>	<u>25,719</u>	<u>466,431</u>	<u>6,432</u>	<u>81,260</u>	<u>677,233</u>
Fund Balance (Deficit)						
Reserved for Encumbrances	45,776	-	38,294	7,281	3,827	95,178
Unreserved:						
Undesignated	84,054	(6,866)	(374,603)	(2,573)	330,558	30,570
<i>Total Fund Balance (Deficit)</i>	<u>129,830</u>	<u>(6,866)</u>	<u>(336,309)</u>	<u>4,708</u>	<u>334,385</u>	<u>125,748</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 227,221</u>	<u>\$ 18,853</u>	<u>\$ 130,122</u>	<u>\$ 11,140</u>	<u>\$ 415,645</u>	<u>\$ 802,981</u>

City of Vermilion, Ohio
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-Major Special Revenue Funds
 For the Year Ended December 31, 2002

	Street Maintenance and Repair	State Highway Improvement	Permissive Use Tax	Recreation	Miscellaneous Local	Total Non-Major Special Revenue Funds
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 55,989	\$ 55,989
Intergovernmental	300,592	24,574	177,875	-	77,168	580,209
Interest	-	-	-	-	3,305	3,305
Charges for Services	25	-	-	52,172	125,403	177,600
Fines, Licenses and Permits	-	-	-	-	66,831	66,831
Miscellaneous	911	-	-	1,107	10,566	12,584
<i>Total Revenues</i>	<u>301,528</u>	<u>24,574</u>	<u>177,875</u>	<u>53,279</u>	<u>339,262</u>	<u>896,518</u>
Expenditures						
Current:						
Security of Persons and Property	-	-	-	-	276,578	276,578
Public Health	-	-	-	-	99,363	99,363
Community Environment	-	-	-	-	43,667	43,667
Transportation	646,665	19,968	367,653	-	-	1,034,286
General Government	-	-	-	-	9,339	9,339
Leisure Time Activities	-	-	-	88,915	-	88,915
Capital Outlay	-	-	-	-	6,294	6,294
Debt Service:						
Principal Retirement	-	-	-	-	824	824
Interest and Fiscal Charges	-	-	27,000	-	2,541	29,541
<i>Total Expenditures</i>	<u>646,665</u>	<u>19,968</u>	<u>394,653</u>	<u>88,915</u>	<u>438,606</u>	<u>1,588,807</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(345,137)</u>	<u>4,606</u>	<u>(216,778)</u>	<u>(35,636)</u>	<u>(99,344)</u>	<u>(692,289)</u>
Other Financing Sources (Uses)						
Operating Transfers In	350,000	-	250,271	27,000	120,760	748,031
<i>Total Other Financing Sources (Uses)</i>	<u>350,000</u>	<u>-</u>	<u>250,271</u>	<u>27,000</u>	<u>120,760</u>	<u>748,031</u>
<i>Net Change in Fund Balances</i>	4,863	4,606	33,493	(8,636)	21,416	55,742
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>124,967</u>	<u>(11,472)</u>	<u>(369,802)</u>	<u>13,344</u>	<u>312,969</u>	<u>70,006</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 129,830</u>	<u>\$ (6,866)</u>	<u>\$ (336,309)</u>	<u>\$ 4,708</u>	<u>\$ 334,385</u>	<u>\$ 125,748</u>

City of Vermilion, Ohio
Combining Balance Sheet
Non-Major Capital Projects Funds
December 31, 2002

	Park Levy	Miscellaneous Permanent Improvement	CDBG	Total Non-Major Capital Projects Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 102,333	\$ 86,538	\$ -	\$ 188,871
Receivables:				
Taxes	108,272	-	-	108,272
Intergovernmental	6,218	-	-	6,218
<i>Total Assets</i>	<u>216,823</u>	<u>86,538</u>	<u>-</u>	<u>303,361</u>
Liabilities				
Accounts Payable	-	1,427	-	1,427
Deferred Revenue	114,490	-	-	114,490
Advances from Other Funds	-	-	115,417	115,417
<i>Total Liabilities</i>	<u>114,490</u>	<u>1,427</u>	<u>115,417</u>	<u>231,334</u>
Fund Balance (Deficit)				
Reserved for Encumbrances	2,914	14,654	-	17,568
Unreserved:				
Undesignated	99,419	70,457	(115,417)	54,459
<i>Total Fund Balance (Deficit)</i>	<u>102,333</u>	<u>85,111</u>	<u>(115,417)</u>	<u>72,027</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 216,823</u>	<u>\$ 86,538</u>	<u>\$ -</u>	<u>\$ 303,361</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, 2002

	Park Levy	Miscellaneous Permanent Improvement	CDBG	Total Non-Major Capital Projects Funds
Revenues				
Taxes	\$ 93,314	\$ -	\$ -	\$ 93,314
Intergovernmental	29,102	-	86,000	115,102
Charges for Services	20,500	-	-	20,500
Fines, Licenses and Permits	-	42,016	-	42,016
<i>Total Revenues</i>	<u>142,916</u>	<u>42,016</u>	<u>86,000</u>	<u>270,932</u>
Expenditures				
Current:				
General Government	-	8,475	-	8,475
Capital Outlay	63,439	1,427	201,417	266,283
Debt Service:				
Principal Retirement	15,000	-	-	15,000
Interest and Fiscal Charges	28,630	-	-	28,630
<i>Total Expenditures</i>	<u>107,069</u>	<u>9,902</u>	<u>201,417</u>	<u>318,388</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>35,847</u>	<u>32,114</u>	<u>(115,417)</u>	<u>(47,456)</u>
Other Financing Sources (Uses)				
Operating 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>	35,847	43,114	(115,417)	(36,456)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>66,486</u>	<u>41,997</u>	<u>-</u>	<u>108,483</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 102,333</u>	<u>\$ 85,111</u>	<u>\$ (115,417)</u>	<u>\$ 72,027</u>

City of Vermilion, Ohio
Agency Funds

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

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

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

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

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

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

City of Vermilion, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2002

	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Municipal Court				
Assets:				
Cash in Segregated Accounts	\$ 34,249	882,732	882,848	\$ 34,133
Total Assets	<u>\$ 34,249</u>	<u>882,732</u>	<u>882,848</u>	<u>\$ 34,133</u>
Liabilities:				
Undistributed Monies	\$ 34,249	882,732	882,848	\$ 34,133
Total Liabilities	<u>\$ 34,249</u>	<u>882,732</u>	<u>882,848</u>	<u>\$ 34,133</u>
 Commercial Buidling				
Assets:				
Cash and Cash Equivalents	\$ 148	823	759	\$ 212
Total Assets	<u>\$ 148</u>	<u>823</u>	<u>759</u>	<u>\$ 212</u>
Liabilities:				
Intergovernmental Payable	\$ 148	823	759	\$ 212
Total Liabilities	<u>\$ 148</u>	<u>823</u>	<u>759</u>	<u>\$ 212</u>
 Street Openings				
Assets:				
Cash and Cash Equivalents	\$ 16,086	22,150	12,450	25,786
Total Assets	<u>\$ 16,086</u>	<u>22,150</u>	<u>12,450</u>	<u>25,786</u>
Liabilities:				
Intergovernmental Payable	\$ 16,086	22,150	12,450	25,786
Total Liabilities	<u>\$ 16,086</u>	<u>22,150</u>	<u>12,450</u>	<u>25,786</u>

City of Vermilion, Ohio
Combining Statement of Change in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2002

	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Contractors' Deposits				
Assets:				
Cash and Cash Equivalents	\$ 35,987	21,984	4,672	\$ 53,299
Accounts Receivable	\$ -	4,342	-	\$ 4,342
Total Assets	<u>\$ 35,987</u>	<u>26,326</u>	<u>4,672</u>	<u>\$ 57,641</u>
Liabilities:				
Refundable Deposits	\$ 35,987	26,326	4,672	\$ 57,641
Total Liabilities	<u>\$ 35,987</u>	<u>26,326</u>	<u>4,672</u>	<u>\$ 57,641</u>
State Highway Patrol Transfer				
Assets:				
Cash and Cash Equivalents	\$ 39,399	37,867	36,371	\$ 40,895
Total Assets	<u>\$ 39,399</u>	<u>37,867</u>	<u>36,371</u>	<u>\$ 40,895</u>
Liabilities:				
Intergovernmental Payable	\$ 39,399	37,867	36,371	\$ 40,895
Total Liabilities	<u>\$ 39,399</u>	<u>37,867</u>	<u>36,371</u>	<u>\$ 40,895</u>
Totals				
Assets:				
Cash and Cash Equivalents	\$ 91,620	82,824	54,252	\$ 120,192
Cash in Segregated Accounts	\$ 34,249	882,732	882,848	\$ 34,133
Accounts Receivable	\$ -	4,342	-	\$ 4,342
Total Assets	<u>\$ 125,869</u>	<u>969,898</u>	<u>937,100</u>	<u>\$ 158,667</u>
Liabilities:				
Intergovernmental Payable	\$ 55,633	60,840	49,580	\$ 66,893
Undistributed Monies	\$ 34,249	882,732	882,848	\$ 34,133
Refundable Deposits	\$ 35,987	26,326	4,672	\$ 57,641
Total Liabilities	<u>\$ 125,869</u>	<u>969,898</u>	<u>937,100</u>	<u>\$ 158,667</u>

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Individual Fund Schedules of Revenues, Expenditures
and Change in Fund Balance – Budget (Non-GAAP Basis) and Actual

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, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 25	\$ 25	\$ 25	\$ -
Intergovernmental	327,603	327,603	313,855	(13,748)
Other	2,391	2,391	911	(1,480)
Total Revenues	330,019	330,019	314,791	(15,228)
Expenditures:				
Current:				
Transportation				
Salaries	487,305	487,305	476,392	10,913
Other	227,391	220,332	176,069	44,263
Total Expenditures	714,696	707,637	652,461	55,176
Excess of Revenues Over (Under) Expenditures	(384,677)	(377,618)	(337,670)	39,948
Other Financing Sources (Uses):				
Advances - In	6,000	6,000	5,554	(446)
Operating Transfers - In	364,000	364,000	350,000	(14,000)
Total Other Sources (Uses)	370,000	370,000	355,554	(14,446)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(14,677)	(7,618)	17,884	25,502
Fund Balances (Deficit) at Beginning of Year	46,117	46,117	46,117	-
Fund Balances (Deficit) at End of Year	\$ 31,440	\$ 38,499	\$ 64,001	\$ 25,502

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
State Highway Fund
For the Fiscal Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 25,661	\$ 661
Total Revenues	25,000	25,000	25,661	661
Expenditures:				
Current:				
Transportation				
Other	25,000	25,000	18,648	6,352
Total Expenditures	25,000	25,000	18,648	6,352
Excess of Revenues Over (Under) Expenditures	-	-	7,013	7,013
Fund Balances (Deficit) at Beginning of Year	2,892	2,892	2,892	-
Fund Balances (Deficit) at End of Year	\$ 2,892	\$ 2,892	\$ 9,905	\$ 7,013

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Permissive Use Tax Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 345,911	\$ 603,889	\$ 176,944	\$ (426,945)
Total Revenues	<u>345,911</u>	<u>603,889</u>	<u>176,944</u>	<u>(426,945)</u>
Expenditures:				
Current:				
Transportation				
Other	626,675	66,650	8,122	58,528
Debt Services:				
Principal Retirement	-	950,000	950,000	-
Interest and Fiscal Charges	-	27,000	27,000	-
Total Expenditures	<u>626,675</u>	<u>1,043,650</u>	<u>985,122</u>	<u>58,528</u>
Excess of Revenues Over (Under) Expenditures	(280,764)	(439,761)	(808,178)	(368,417)
Other Financing Sources (Uses):				
Proceeds of Notes	-	450,000	450,000	-
Operating Transfers - In	224,894	224,894	250,271	25,377
Total Other Financing Sources (Uses)	<u>224,894</u>	<u>674,894</u>	<u>700,271</u>	<u>25,377</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(55,870)	235,133	(107,907)	(343,040)
Fund Balances (Deficit) at Beginning of Year	170,805	170,805	170,805	-
Fund Balances (Deficit) at End of Year	<u>\$ 114,935</u>	<u>\$ 405,938</u>	<u>\$ 62,898</u>	<u>\$ (343,040)</u>

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Recreation Fund
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 51,765	\$ 61,765	\$ 52,172	\$ (9,593)
Other	4,335	4,335	1,107	(3,228)
Total Revenues	56,100	66,100	53,279	(12,821)
Expenditures:				
Current:				
Leisure Time Activities				
Salaries	50,440	70,090	70,026	64
Other	26,583	21,408	20,441	967
Total Expenditures	77,023	91,498	90,467	1,031
Excess of Revenues Over (Under) Expenditures	(20,923)	(25,398)	(37,188)	(11,790)
Other Financing Sources (Uses):				
Advance In	-	6,000	5,474	(526)
Operating Transfers - In	18,900	26,016	27,000	984
Total Other Financing Sources (Uses)	18,900	32,016	32,474	458
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,023)	6,618	(4,714)	(11,332)
Fund Balances (Deficit) at Beginning of Year	8,573	8,573	8,573	-
Fund Balances (Deficit) at End of Year	\$ 6,550	\$ 15,191	\$ 3,859	\$ (11,332)

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Police Pension Fund
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 64,543	\$ 64,543	\$ 55,989	\$ (8,554)
Intergovernmental	-	-	9,068	9,068
Total Revenues	64,543	64,543	65,057	514
Expenditures:				
Current:				
Security of Persons and Property				
Other	163,623	163,623	163,623	-
Total Expenditures	163,623	163,623	163,623	-
Excess of Revenues Over (Under) Expenditures	(99,080)	(99,080)	(98,566)	514
Other Financing Sources (Uses):				
Operating Transfers - In	75,000	75,000	106,760	31,760
Total Other Financing Sources (Uses)	75,000	75,000	106,760	31,760
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(24,080)	(24,080)	8,194	32,274
Fund Balances (Deficit) at Beginning of Year	71,392	71,392	71,392	-
Fund Balances (Deficit) at End of Year	\$ 47,312	\$ 47,312	\$ 79,586	\$ 32,274

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Watercraft Safety Fund
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 16,024	\$ 6,024
Other	-	-	250	250
Total Revenues	10,000	10,000	16,274	6,274
Expenditures:				
Current:				
Security of Persons and Property				
Salaries	18,718	18,718	14,386	4,332
Other	18,386	17,456	12,902	4,554
Total Expenditures	37,104	36,174	27,288	8,886
Excess of Revenues Over (Under) Expenditures	(27,104)	(26,174)	(11,014)	15,160
Other Financing Sources (Uses):				
Operating Transfers - In	14,000	14,000	14,000	-
Total Other Sources (Uses)	14,000	14,000	14,000	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(13,104)	(12,174)	2,986	15,160
Fund Balances (Deficit) at Beginning of Year	13,480	13,480	13,480	-
Fund Balances (Deficit) at End of Year	\$ 376	\$ 1,306	\$ 16,466	\$ 15,160

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Cemetery Fund
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 106,912	\$ 107,112	\$ 80,182	\$ (26,930)
Interest	3,000	3,000	3,305	305
Total Revenues	109,912	110,112	83,487	(26,625)
Expenditures:				
Current:				
Public Health and Welfare				
Other	77,857	103,807	99,363	4,444
Capital Outlay	6,294	6,294	6,294	-
Total Expenditures	84,151	110,101	105,657	4,444
Excess of Revenues Over (Under) Expenditures	25,761	11	(22,170)	(22,181)
Other Financing Sources (Uses):				
Advance In	-	-	1,000	1,000
Total Other Sources (Uses)	-	-	1,000	1,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	25,761	11	(21,170)	(21,181)
Fund Balances (Deficit) at Beginning of Year	29,912	29,912	29,912	-
Fund Balances (Deficit) at End of Year	\$ 55,673	\$ 29,923	\$ 8,742	\$ (21,181)

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Cable T.V. Fund
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 48,000	\$ 48,000	\$ 45,113	\$ (2,887)
Total Revenues	48,000	48,000	45,113	(2,887)
Expenditures:				
Current:				
Community Environment				
Other	43,212	46,212	43,559	2,653
Total Expenditures	43,212	46,212	43,559	2,653
Excess of Revenues Over (Under) Expenditures	4,788	1,788	1,554	(234)
Fund Balances (Deficit) at Beginning of Year	13,628	13,628	13,628	-
Fund Balances (Deficit) at End of Year	\$ 18,416	\$ 15,416	\$ 15,182	\$ (234)

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Drug Law Enforcement Fund
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$ -	\$ -	\$ 9,737	\$ 9,737
Intergovernmental	50,000	54,124	45,448	(8,676)
Total Revenues	<u>50,000</u>	<u>54,124</u>	<u>55,185</u>	<u>1,061</u>
Expenditures:				
Current:				
Security of Persons and Property				
Salaries	49,128	49,128	43,415	5,713
Other	3,000	5,700	6,617	(917)
Total Expenditures	<u>52,128</u>	<u>54,828</u>	<u>50,032</u>	<u>4,796</u>
Excess of Revenues Over (Under) Expenditures	(2,128)	(704)	5,153	5,857
Fund Balances (Deficit) at Beginning of Year	6,291	6,291	6,291	-
Fund Balances (Deficit) at End of Year	<u>\$ 4,163</u>	<u>\$ 5,587</u>	<u>\$ 11,444</u>	<u>\$ 5,857</u>

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Contraband Forfeiture Fund
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$ 2,000	\$ 8,735	\$ 8,735	\$ -
Total Revenues	<u>2,000</u>	<u>8,735</u>	<u>8,735</u>	<u>-</u>
Expenditures:				
Current:				
Security of Persons and Property				
Salaries	383	383	-	383
Other	1,591	15,635	15,635	-
Total Expenditures	<u>1,591</u>	<u>15,635</u>	<u>15,635</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	409	(6,900)	(6,900)	-
Fund Balances (Deficit) at Beginning of Year	7,283	7,283	7,283	-
Fund Balances (Deficit) at End of Year	<u>\$ 7,692</u>	<u>\$ 383</u>	<u>\$ 383</u>	<u>\$ -</u>

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Indigent Alcohol Treatment Fund
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$ 2,000	\$ 2,000	\$ 4,273	\$ 2,273
Intergovernmental	-	-	4,500	4,500
Total Revenues	2,000	2,000	8,773	6,773
Expenditures:				
Current:				
Public Health and Welfare				
Other	2,122	2,122	-	2,122
Total Expenditures	2,122	2,122	-	2,122
Excess of Revenues Over (Under) Expenditures	(122)	(122)	8,773	8,895
Fund Balances (Deficit) at Beginning of Year	75,373	75,373	75,373	-
Fund Balances (Deficit) at End of Year	\$ 75,251	\$ 75,251	\$ 84,146	\$ 8,895

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Enforcement and Education Fund
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$ 2,000	\$ 2,000	\$ 2,944	\$ 944
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>2,944</u>	<u>944</u>
Expenditures:				
Current:				
Security of Persons and Property				
Salaries	1,509	1,509	-	1,509
Other	1,020	1,020	-	1,020
Total Expenditures	<u>2,529</u>	<u>2,529</u>	<u>-</u>	<u>2,529</u>
Excess of Revenues Over (Under) Expenditures	4,529	4,529	2,944	3,473
Fund Balances (Deficit) at Beginning of Year	29,505	29,505	29,505	-
Fund Balances (Deficit) at End of Year	<u>\$ 34,034</u>	<u>\$ 34,034</u>	<u>\$ 32,449</u>	<u>\$ 3,473</u>

City of Vermilion
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Court Computer Fund
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$ 18,000	\$ 18,000	\$ 39,878	\$ 21,878
Other	-	-	255	255
Total Revenues	18,000	18,000	40,133	22,133
Expenditures:				
Current:				
Security of Persons and Property				
Other	31,174	29,429	24,939	4,490
Total Expenditures	31,174	29,429	24,939	4,490
Excess of Revenues Over (Under) Expenditures	(13,174)	(11,429)	15,194	26,623
Fund Balances (Deficit) at Beginning of Year	48,123	48,123	48,123	-
Fund Balances (Deficit) at End of Year	\$ 34,949	\$ 36,694	\$ 63,317	\$ 26,623

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Miscellaneous Trust Fund
For the Year Ended December 31, 2002

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

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Obligation Bond
For the Fiscal Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 64,543	\$ 64,543	\$ 55,988	\$ (8,555)
Intergovernmental	-	-	9,068	9,068
Other	-	-	12,500	12,500
Total Revenues	64,543	64,543	77,556	13,013
Expenditures:				
Debt Service:				
Principal Retirement	3,299,008	3,101,641	3,101,640	1
Interest and Fiscal Charges	161,559	198,244	198,168	76
Total Expenditures	3,460,567	3,299,885	3,299,808	77
Excess of Revenues Over (Under) Expenditures	(3,396,024)	(3,235,342)	(3,222,252)	13,090
Other Financing Sources (Uses):				
Operating Transfers - In	15,185	56,111	53,333	(2,778)
Total Other Financing Sources (Uses)	15,185	56,111	53,333	(2,778)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(3,380,839)	(3,179,231)	(3,168,919)	10,312
Fund Balances (Deficit) at Beginning of Year	3,179,025	3,179,025	3,179,025	-
Fund Balances (Deficit) at End of Year	\$ (201,814)	\$ (206)	\$ 10,106	\$ 10,312

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Special Assessments Bond
For the Fiscal Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ -	\$ -	\$ 9,924	\$ 9,924
Total Revenues	<u>-</u>	<u>-</u>	<u>9,924</u>	<u>9,924</u>
Expenditures:				
Debt Service:				
Principal Retirement	26,112	26,112	4,660	21,452
Interest and Fiscal Charges	11,886	11,886	6,170	5,716
Total Expenditures	<u>37,998</u>	<u>37,998</u>	<u>10,830</u>	<u>27,168</u>
Excess of Revenues Over (Under) Expenditures	(37,998)	(37,998)	(906)	37,092
Fund Balances (Deficit) at Beginning of Year	45,526	45,526	45,526	-
Fund Balances (Deficit) at End of Year	<u>\$ 7,528</u>	<u>\$ 7,528</u>	<u>\$ 44,620</u>	<u>\$ 37,092</u>

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Park Levy Fund
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 107,000	\$ 107,000	\$ 93,314	\$ (13,686)
Charges for Services	19,918	20,500	20,500	-
Intergovernmental	-	79,910	29,102	(50,808)
Total Revenues	126,918	207,410	142,916	(64,494)
Expenditures:				
Capital Outlay	81,377	136,377	62,841	73,536
Total Expenditures	81,377	136,377	62,841	73,536
Excess of Revenues Over (Under) Expenditures	45,541	71,033	80,075	9,042
Fund Balances (Deficit) at Beginning of Year	19,346	19,346	19,346	-
Fund Balances (Deficit) at End of Year	\$ 64,887	\$ 90,379	\$ 99,421	\$ 9,042

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Property Purchase Improvement Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
General Government				
Legislative and Executive	11,997	11,997	11,017	980
Total Expenditures	<u>11,997</u>	<u>11,997</u>	<u>11,017</u>	<u>980</u>
Excess of Revenues Over (Under) Expenditures	(11,997)	(11,997)	(11,017)	980
Other Financing Sources (Uses):				
Operating Transfers - In	6,500	6,500	6,500	-
Total Other Sources (Uses)	<u>6,500</u>	<u>6,500</u>	<u>6,500</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(5,497)	(5,497)	(4,517)	980
Fund Balances (Deficit) at Beginning of Year	5,498	5,498	5,498	-
Fund Balances (Deficit) at End of Year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 981</u>	<u>\$ 980</u>

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Computer Purchase Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
General Government	6,000	6,000	4,680	1,320
Total Expenditures	<u>6,000</u>	<u>6,000</u>	<u>4,680</u>	<u>1,320</u>
Excess of Revenues Over (Under) Expenditures	(6,000)	(6,000)	(4,680)	1,320
Other Financing Sources (Uses):				
Operating Transfers - In	4,500	4,500	4,500	-
Total Other Sources (Uses)	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(1,500)	(1,500)	(180)	1,320
Fund Balances (Deficit) at Beginning of Year	1,501	1,501	1,501	-
Fund Balances (Deficit) at End of Year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1,321</u>	<u>\$ 1,320</u>

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Street Maintenance Capital Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balances (Deficit) at Beginning of Year	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
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Bridge Repair Capital Fund
For the Year Ended December 31, 2002

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

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Industrial Development Fund
For the Year Ended December 31, 2002

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

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Street-Road-Bridge Capital Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balances (Deficit) at Beginning of Year	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
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Court Building Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeitures	\$ 11,000	\$ 11,000	\$ 39,846	\$ 28,846
Total Revenues	<u>11,000</u>	<u>11,000</u>	<u>39,846</u>	<u>28,846</u>
Expenditures:				
Current:				
General Government:				
Judicial	30,000	29,347	8,206	21,141
Total Expenditures	<u>30,000</u>	<u>29,347</u>	<u>8,206</u>	<u>21,141</u>
Excess of Revenues Over (Under) Expenditures	(19,000)	(18,347)	31,640	49,987
Fund Balances (Deficit) at Beginning of Year	24,963	24,963	24,963	-
Fund Balances (Deficit) at End of Year	<u>\$ 5,963</u>	<u>\$ 6,616</u>	<u>\$ 56,603</u>	<u>\$ 49,987</u>

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
2001 CDBG Fund - Highbridge Road
For the Year Ended December 31, 2002

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 42,000	\$ 42,000	\$ -
Total Revenues	-	42,000	42,000	-
Expenditures:				
Capital Outlay	-	116,985	116,985	-
Total Expenditures	-	116,985	116,985	-
Excess of Revenues Over (Under) Expenditures	-	(74,985)	(74,985)	-
Other Financing Sources (Uses):				
Advance In	70,000	74,985	74,985	-
Total Other Sources (Uses)	70,000	74,985	74,985	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	70,000	-	-	-
Fund Balances (Deficit) at Beginning of Year	-	-	-	-
Fund Balances (Deficit) at End of Year	\$ 70,000	\$ -	\$ -	\$ -

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

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 44,000	\$ 44,000	\$ -
Total Revenues	-	44,000	44,000	-
Expenditures:				
Capital Outlay	-	84,432	84,432	-
Total Expenditures	-	84,432	84,432	-
Excess of Revenues Over (Under) Expenditures	-	(40,432)	(40,432)	-
Other Financing Sources (Uses):				
Advance In	-	40,432	40,432	-
Total Other Sources (Uses)	-	40,432	40,432	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	-	-	-	-
Fund Balances (Deficit) at Beginning of Year	-	-	-	-
Fund Balances (Deficit) at End of Year	\$ -	\$ -	\$ -	\$ -

City of Vermilion, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Cemetery Endowment Fund
For the Year Ended December 31, 2002

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

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Statistical Section

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

	2002		2001	2000
	Full Accrual	Modified Accrual		
Program Revenue				
Charges for Services	\$ 1,632,455	NA	N/A	N/A
Operating Grants and Contributions	20,429	NA	N/A	N/A
Capital Grants and Contributions	102,024	NA	N/A	N/A
General Revenues				
Taxes	3,379,863	\$ 3,377,605	\$ 3,295,621	\$ 2,963,790
Intergovernmental	1,358,290	1,477,598	1,332,271	1,423,170
Charges for Services	-	1,063,689	1,193,983	1,201,257
Fines, Licenses and Permits	-	568,766	508,321	475,793
Special Assessments	-	8,899	16,755	-
Interest	120,914	120,914	89,063	126,443
Other	247,860	237,620	88,742	80,973
<i>Total</i>	<u>\$ 6,861,835</u>	<u>\$ 6,855,091</u>	<u>\$ 6,524,756</u>	<u>\$ 6,271,426</u>
Expenses/Expenditures				
General Government	\$ 1,508,885	\$ 1,453,072	\$ 1,513,237	\$ 1,361,753
Security of Persons and Property	2,365,207	2,263,887	1,982,386	1,818,443
Public Health and Welfare	99,363	99,363	92,556	91,566
Leisure Time Activities	335,771	234,205	850,249	218,977
Community Environment	195,107	182,444	188,112	158,584
Basic Utility Services	734,278	779,259	812,530	827,648
Transportation	1,794,180	1,034,286	1,484,586	1,123,941
Capital Outlay	-	287,572	52,342	422,905
Debt Service (2)	102,156	204,471	249,883	95,575
<i>Total</i>	<u>\$ 7,134,947</u>	<u>\$ 6,538,559</u>	<u>\$ 7,225,881</u>	<u>\$ 6,119,392</u>

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

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

<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</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
N/A	N/A	N/A	N/A	N/A	N/A	N/A
\$ 2,705,561	\$ 2,788,751	\$ 2,400,063	\$ 2,436,513	\$ 2,188,375	\$ 2,602,259	\$ 2,428,375
1,528,495	1,288,446	1,271,399	1,203,464	1,302,041	761,320	828,326
1,072,293	1,100,700	1,000,228	857,705	922,926	783,879	788,822
325,491	432,788	383,514	342,824	250,516	245,343	224,108
-	25,513	36,501	40,461	132,664	19,934	-
163,301	148,879	131,781	156,724	170,744	85,901	59,435
37,432	127,985	38,382	63,414	66,413	83,637	67,550
<u>\$ 5,832,573</u>	<u>\$ 5,913,062</u>	<u>\$ 5,261,868</u>	<u>\$ 5,101,105</u>	<u>\$ 5,033,679</u>	<u>\$ 4,582,273</u>	<u>\$ 4,396,616</u>
\$ 1,917,199	\$ 1,336,900	\$ 1,223,182	\$ 1,182,360	\$ 1,052,466	\$ 951,934	\$ 795,771
1,791,768	1,719,430	1,649,169	1,660,126	1,514,657	1,456,322	1,446,648
80,839	24,096	67,191	97,348	142,742	53,107	60,323
237,481	203,940	237,373	146,356	102,374	97,536	95,136
156,070	173,351	154,294	124,321	89,289	83,720	79,489
786,325	702,984	677,502	689,073	624,882	613,140	609,772
1,205,853	624,965	1,628,913	650,450	529,908	577,767	606,493
129,640	91,218	906,609	269,569	470,807	440,376	420,173
93,072	116,695	55,545	65,176	741,797	63,769	56,721
<u>\$ 6,398,247</u>	<u>\$ 4,993,579</u>	<u>\$ 6,599,778</u>	<u>\$ 4,884,779</u>	<u>\$ 5,268,922</u>	<u>\$ 4,337,671</u>	<u>\$ 4,170,526</u>

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

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

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

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

Source: Lorain County Auditor and Erie County Auditor

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

Collection Year	Real Property		Public Utility Tangible Property		Tangible Personal Property		Total		Ratio of Assessed Value to Estimated Actual Value
	Assessed Value	Estimated Value	Assessed Value	Estimated Value	Assessed Value	Estimated Value	Assessed Value	Estimated Value	
1993	\$108,249,470	\$309,284,193	\$6,475,930	\$7,359,001	\$5,520,371	\$22,081,484	\$120,245,771	\$338,724,678	35.50%
1994	115,530,120	316,657,486	6,499,780	7,386,113	5,785,640	23,142,560	127,815,540	347,186,159	36.81
1995	127,361,520	383,690,049	7,185,180	8,164,977	6,247,764	24,991,056	140,794,464	416,846,082	33.78
1996	137,408,880	392,596,797	6,700,800	7,614,545	6,789,108	27,156,432	150,898,788	427,367,774	35.31
1997	140,452,580	401,293,083	6,529,950	7,420,398	9,417,683	37,670,722	156,400,213	446,384,203	35.04
1998	161,718,040	462,222,966	6,744,830	7,664,580	10,360,562	41,442,248	178,823,432	511,329,794	34.97
1999	165,693,780	473,410,799	6,497,530	7,383,557	9,478,247	37,913,988	181,669,557	518,708,344	35.02
2000	168,603,910	481,725,499	6,416,590	7,290,895	10,058,712	40,234,850	185,079,212	529,251,194	34.97
2001	198,374,290	566,783,680	6,311,790	7,172,490	10,457,666	41,830,664	215,143,746	615,786,830	34.94
2002	201,582,610	575,950,314	5,339,110	6,067,170	11,296,059	45,184,236	218,217,779	627,201,720	34.79

(1) The assessed valuation is computed at approximately the following percentage of estimated actual value:

- a) real property – 35%
- b) public utility tangible property – 88%
- c) tangible personal property – 1992-2000 – 25%

Source: Lorain County Auditor and Erie County Auditor

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

Tax Year	Collection Year	City	Lorain County and Special Taxing Districts	Erie County and Special Taxing Districts	Vermilion Township	Brownhelm Township	Firelands School District	Vermilion School District	Lorain County JVS for Firelands LSD	EHOVE JVS For Vermilion LSD	Total
1992	1993	10.75	11.39	7.00	0.45	1.15	45.60	60.25	2.45	3.95	142.99
1993	1994	10.75	11.49	7.00	0.45	1.15	51.55	60.35	2.45	3.95	149.14
1994	1995	10.75	11.49	7.00	0.45	1.15	50.70	60.35	2.45	3.95	148.29
1995	1996	10.75	12.69	6.80	0.45	1.15	50.60	64.30	2.45	3.95	153.14
1996	1997	10.75	12.69	7.30	0.45	1.15	56.35	60.35	2.45	3.95	155.44
1997	1998	10.75	10.79	7.30	0.45	1.15	53.10	59.55	2.45	3.95	149.49
1998	1999	10.75	10.79	7.30	0.45	1.15	53.10	59.55	2.45	3.95	149.49
1999	2000	10.75	10.79	7.30	0.45	1.15	52.70	67.54	2.45	3.95	157.08
2000	2001	10.75	10.79	7.30	0.45	1.15	51.30	66.85	2.45	3.95	154.99
2001	2002	10.75	12.89	9.40	0.45	1.15	51.25	64.00	2.45	3.95	156.29

Source: Lorain County Auditor and Erie County Auditor

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

<u>Tax Year/ Collection Year</u>	<u>General Fund</u>	<u>Recreation Purposes</u>	<u>Fire Equipment</u>	<u>Bond Retirement</u>	<u>Police Pension</u>	<u>Fire Protection</u>	<u>Total City Millage</u>
1992/1993	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1993/1994	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1994/1995	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1995/1996	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1996/1997	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1997/1998	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1998/1999	7.65	0.50	1.00	0.30	0.30	1.00	10.75
1999/2000	7.65	0.50	1.00	0.30	0.30	1.00	10.75
2000/2001	7.65	0.50	1.00	0.30	0.30	1.00	10.75
2001/2002	7.65	0.50	1.00	0.30	0.30	1.00	10.75

Source: Lorain County Auditor and Erie County Auditor

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

Collection Year	Amount Billed	(1) Amount Collected	Percent Collected
1993	\$54,680	\$32,596	59.61%
1994	55,461	31,027	55.94
1995	46,975	35,153	74.83
1996	50,477	41,729	82.67
1997	46,114	37,078	80.41
1998	41,324	30,337	73.41
1999	40,791	16,951	41.56
2000	42,450	16,191	38.14
2001	44,398	21,426	48.83
2002(2)	2,315	2,315	100.00

(1) Collection made by County Auditors only.

(2) Includes Erie County only. Data from Lorain County is unavailable.

Source: Lorain County Auditor and Erie County Auditor

City of Vermilion, Ohio
 Computation of Legal Debt Margin – Statutory Debt Limitations
 December 31, 2002

Statutory (direct) debt limitation

Overall debt limitation 10-1/2% of assessed valuation		\$22,912,867
Gross indebtedness	\$11,182,127	
Less: debt not subject to limitation	5,027,127	

Debt within 10-1/2% limitation	6,155,000	
Less: amount available in debt service fund	54,726	6,100,274

Legal debt margin within 10-1/2% limitation		<u><u>\$16,812,593</u></u>
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Unvoted debt limitation 5-1/2% of assessed valuation		\$12,001,978
Gross indebtedness	\$11,182,127	
Less: debt not subject to limitation	5,027,127	

Debt within 5-1/2% limitation	6,155,000	
Less: amount available in debt service fund	54,726	6,100,274

Legal debt margin within 5-1/2% limitation		<u><u>\$5,901,704</u></u>
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City of Vermilion, Ohio
Computation of Legal Debt Margin – Constitutional Debt Limitations
December 31, 2001

Constitutional (indirect) debt limitation

Overall debt limitation authorized by Charter 8.7500 mills

Encumbered millage as of December 31, 2002 3.6526 mills

Available millage as of December 31, 2002 5.0974 mills

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

City of Vermilion, Ohio
 Computation of Direct and Overlapping Debt
 December 31, 2002

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Vermilion, Ohio (1)	Amount Applicable to City of Vermilion, Ohio
City of Vermilion	\$8,217,127	100%	\$8,217,127
Erie County	43,320,500	7.63	3,305,354
Lorain County	<u>27,235,000</u>	2.00	<u>544,700</u>
Totals:	<u><u>\$78,772,627</u></u>		<u><u>\$12,067,181</u></u>

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

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

Fiscal Year	Population	Assessed Value	Gross Debt	Special Assessment Debt	General Obligation Debt
1993	11,127	\$120,245,771	\$4,637,833	\$94,764	\$1,308,000
1994	11,127	123,815,540	4,956,005	72,382	1,204,000
1995	11,127	140,794,464	3,294,745	152,520	2,168,480
1996	11,127	150,898,788	5,732,347	130,190	2,047,810
1997	11,127	156,400,213	6,193,135	112,860	2,613,050
1998	11,127	178,823,423	6,283,206	95,530	2,482,470
1999	11,127	181,669,557	6,946,348	93,200	3,236,800
2000	10,927	185,079,212	7,252,420	88,540	3,623,460
2001	10,927	215,143,746	11,428,251	83,880	3,745,120
2002	10,927	218,217,779	8,217,127	79,220	2,885,780

General Obligation Debt Service Money Available	Net General Obligation Debt	Ratio of Net Debt to Assessed Valuation	Net General Obligation Debt Per Capital
\$35,588	\$1,272,412	1.06%	\$114
33,743	1,170,257	0.95	105
51,260	2,117,220	1.50	190
74,743	1,973,067	1.31	177
102,744	2,510,306	1.61	226
78,366	2,404,104	1.34	216
55,906	3,180,894	1.75	286
39,363	3,584,097	1.94	328
0	3,745,120	1.74	343
54,726	2,831,054	1.30	259

(1) Does not include special assessment debt.

City of Vermilion, Ohio
Ratio of Annual Debt Service Expenditures
for General Bonded Debt to Total General Fund Expenditures
Last Nine Fiscal Years (3)

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

(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.

(3) Information prior to fiscal year 1994 is not available.

City of Vermilion, Ohio
Demographic Statistics
Last Ten Fiscal Years

Year	(1) Population	(2) Vermilion Local School District	(2) Firelands Local School District	(3) Lorain County Unemployment Rate	(3) Erie County Unemployment Rate
1993	11,127	2,273	2,742	6.5%	6.8%
1994	11,127	2,252	2,701	5.2	5.9
1995	11,127	2,176	2,732	4.9	6.4
1996	11,127	2,212	2,770	5.2	6.4
1997	11,127	2,153	2,721	5.1	5.8
1998	11,127	2,214	2,626	4.9	5.0
1999	11,127	2,071	2,296	4.3	4.8
2000	10,927	2,118	2,472	4.4	5.1
2001	10,927	2,530	2,135	5.7	5.3
2002	10,927	2,555	2,174	6.3	5.4

(1) Census Statistics

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

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

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

Year	(1) Resident & Commercial Construction Value	(1) Residential & Commercial Construction Units	(2) County Bank Deposits (In Thousands)	(3 and 4) Total Assessed Property Values
1993	(5)	(5)	\$996,268	\$120,245,771
1994	(5)	(5)	1,048,784	123,815,540
1995	(5)	(5)	1,052,214	140,794,464
1996	(5)	(5)	1,134,515	150,898,788
1997	(5)	(5)	1,188,994	156,400,213
1998	(5)	(5)	733,468	178,823,423
1999	\$4,625,000	25	747,281	181,669,557
2000	\$4,625,000	25	792,072	185,079,212
2001	\$5,675,466	37	854,344	215,143,746
2002	\$6,178,573	42	1,049,399	218,163,779

(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, 2002

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Arnold Trust LLC	\$1,199,420	0.60%
Vermilion F & H	1,094,650	0.54
Kingston Healthcare Co.	883,360	0.44
Crystal Shore Apartments LTD	872,630	0.43
Elden Properties	853,150	0.42
Liberty Investment Group	741,790	0.37
Vermilion Acres	532,310	0.26
WEC 97F Vermilion	525,000	0.26
Emmons Realty	505,030	0.25
Oster Construction Inc	471,380	0.23
	<u>\$ 7,678,720</u>	<u>3.80%</u>
Total assessed valuation	<u>\$ 201,582,610</u>	

Sources: Lorain and Erie County Auditors' Office.

City of Vermilion, Ohio
Principal Taxpayers – Personal Property
December 31, 2002

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Liberty Ford Lincoln	\$2,351,150	20.81%
National Service Industries	1,817,490	16.09
Parnassos L.P.	1,152,090	10.20
Sharpnack Chevrolet Co.	741,650	6.57
Freeman Eckley	367,950	3.26
Thoroughbred Tech & Telecom	330,300	2.92
Discount Drug Mart Inc.	328,580	2.90
Riser Foods Company	326,860	2.89
Coleys Inc.	275,660	2.44
Liberty Vermilion Chrysler	261,670	2.31
	<u>\$ 7,953,400</u>	<u>70.39%</u>
Total assessed valuation	<u>\$ 11,296,059</u>	

Source: Lorain and Erie County Auditors' Office.

City of Vermilion, Ohio

Miscellaneous Statistics

December 31, 2002

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:	
Residential	131
Nonresidential	12
Recreation:	
Number of parks	5
Employees:	
Full-time (classified)	63
Part-time	75

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**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF VERMILION

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 23, 2004**