

***CITY OF VERMILION***

***ERIE COUNTY, OHIO***

***REGULAR AUDIT***

**For the Year Ended December 31, 2024**







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Columbus, Ohio 43215  
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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, 2024 through December 31, 2024. 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.

KEITH FABER  
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM  
Chief Deputy Auditor

October 21, 2025

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**CITY OF VERMILION  
ERIE COUNTY  
REGULAR AUDIT  
For the Year Ending December 31, 2024**

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REGULAR AUDIT  
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**INDEPENDENT AUDITOR'S REPORT**

City of Vermilion  
Erie County  
5511 Liberty Avenue  
Vermilion, Ohio 44089

To the Members of the City Council:

***Report on the Audit of the Financial Statements***

***Opinion***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Vermilion, Erie County, Ohio (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. We did not modify our opinion regarding this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.




***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required budgetary comparison schedules, and schedules of net pension and other post-employment benefit assets/liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2025, 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 grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***

June 20, 2025

## CITY OF VERMILION, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)

The management's discussion and analysis of the City of Vermilion's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2024. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### Financial Highlights

Key financial highlights for 2024 are as follows:

- The total net position of the City increased \$5,500,434 from 2023's total restated net position. Net position of governmental activities increased \$2,744,963 or 10.21% from 2023's net position and net position of business-type activities increased \$2,755,471 or 30.86% from 2023's net position.
- General revenues accounted for \$11,129,163 or 65.48% of total governmental activities revenue. Program specific revenues accounted for \$5,866,272 or 34.52% of total governmental activities revenue.
- The City had \$14,250,472 in expenses related to governmental activities; \$5,866,272 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$8,384,200 were offset by general revenues (primarily property, income and other local taxes and unrestricted grants and entitlements) of \$11,129,163.
- The general fund had revenues and other financing sources of \$8,414,099 in 2024. The general fund had expenditures and other financing uses of \$7,458,885 in 2024. The net increase in fund balance for the general fund was \$955,214 or 13.26% from 2023's fund balance.
- The road improvement levy fund had revenues of \$2,881,530 in 2024. The road improvement levy fund had expenditures of \$3,115,881 in 2024. The net decrease in fund balance for the road improvement levy fund was \$234,351 or 11.50%.
- The VPD Station Construction fund had revenues of \$259,907 in 2024. The VPD Construction fund had expenditures of \$205,386 in 2024. The net increase in fund balance for the VPD Construction fund was \$54,521.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2024 by \$2,755,471 from 2023's net position.
- The water fund had operating revenues of \$3,119,454 and operating expenses of \$2,213,704 in 2024. The water fund also had net non-operating expenses of \$42,909. The water fund had capital contributions of \$1,587. The net increase in net position for the water fund was \$864,428 or 11.39% from 2023's restated net position.
- The sewer fund had operating revenues of \$4,515,383 and operating expenses of \$2,509,719 in 2024. The sewer fund also had net non-operating expenses of \$346,782 and net non-operating revenues of \$232,161. The net increase from 2023's restated net position for the sewer fund was \$1,891,043 or 141.45%.
- Budgetary information is presented for the general fund and the road improvement levy fund. In the general fund, the actual revenues and other financing sources were \$266,738 less than they were in the final budget and actual expenditures and other financing uses were \$1,932,789 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$25,637 from original to the final budget and budgeted expenditures and other financing uses increased \$1,202,522 from original to the final budget.

## **CITY OF VERMILION, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)**

#### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. 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 remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

#### **Reporting the City as a Whole**

##### ***Statement of Net Position and the Statement of Activities***

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2024?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in that position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

**Governmental activities** - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and other local taxes and intergovernmental revenues including federal and state grants and other shared revenues.

**Business-type activities** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water and sewer operations are reported here.

#### **Reporting the City's Most Significant Funds**

##### ***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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds.

## **CITY OF VERMILION, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)**

#### ***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 fund 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.

Because the focus of the 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, the 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 maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the road improvement levy fund, and the VPD Station Construction fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

#### ***Proprietary Funds***

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer functions. Both of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

#### ***Fiduciary Funds***

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

#### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability/asset, along with contributions to the pension systems and net OPEB asset/liability.

# CITY OF VERMILION, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)

### Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. For the table below, amounts for 2024 have been presented in accordance with the provisions of GASB Statement No. 101 (see Note 3) while amounts for 2023 have been presented in accordance with previous guidance. The table below provides a summary of the City's net position for 2024 compared to 2023.

	Net Position					
	2024	2023	2024	2023	2024	2023
	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities		
<u>Assets</u>						
Current and other assets	\$ 33,980,513	\$ 33,876,250	\$ 11,582,443	\$ 9,362,003	\$ 45,562,956	\$ 43,238,253
Capital assets, net	<u>24,600,802</u>	<u>21,503,824</u>	<u>16,093,013</u>	<u>13,862,511</u>	<u>40,693,815</u>	<u>35,366,335</u>
Total assets	<u>58,581,315</u>	<u>55,380,074</u>	<u>27,675,456</u>	<u>23,224,514</u>	<u>86,256,771</u>	<u>78,604,588</u>
Total deferred outflows of resources	<u>2,733,799</u>	<u>3,639,581</u>	<u>863,165</u>	<u>1,166,955</u>	<u>3,596,964</u>	<u>4,806,536</u>
<u>Liabilities</u>						
Current and other liabilities	852,210	701,206	335,715	327,192	1,187,925	1,028,398
Long-term liabilities:						
Due within one year	1,112,333	1,123,777	1,568,514	1,137,347	2,680,847	2,261,124
Net pension liability	7,814,525	8,230,004	2,297,159	2,433,103	10,111,684	10,663,107
Net OPEB liability	341,492	409,854	-	49,396	341,492	459,250
Other amounts	<u>16,435,943</u>	<u>16,950,857</u>	<u>12,556,357</u>	<u>11,281,948</u>	<u>28,992,300</u>	<u>28,232,805</u>
Total liabilities	<u>26,556,503</u>	<u>27,415,698</u>	<u>16,757,745</u>	<u>15,228,986</u>	<u>43,314,248</u>	<u>42,644,684</u>
Total deferred inflows of resources	<u>5,128,138</u>	<u>4,300,306</u>	<u>96,278</u>	<u>89,392</u>	<u>5,224,416</u>	<u>4,389,698</u>
<u>Net Position</u>						
Net investment in capital assets	13,720,430	10,639,439	6,073,230	5,518,779	19,793,660	16,158,218
Restricted	9,758,848	11,430,714	90,865	11,537	9,849,713	11,442,251
Unrestricted	<u>6,151,195</u>	<u>5,233,498</u>	<u>5,520,503</u>	<u>3,542,775</u>	<u>11,671,698</u>	<u>8,776,273</u>
Total net position	<u>\$ 29,630,473</u>	<u>\$ 27,303,651</u>	<u>\$ 11,684,598</u>	<u>\$ 9,073,091</u>	<u>\$ 41,315,071</u>	<u>\$ 36,376,742</u>

The net pension liability for governmental activities decreased \$415,479, deferred outflows of resources related to pension decreased \$672,508 and deferred inflows of resources related to pension decreased \$125,488. These changes were the result of changes at the pension system level for Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire (OP&F) Pension Fund.

The net pension liability for business-type activities decreased \$135,944, deferred outflows of resources related to pension decreased \$220,433 and deferred inflows of resources related to pension decreased approximately \$18,132. These changes were the result of changes at the pension system level for the Ohio Public Employees Retirement System (OPERS).

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net pension asset.

## CITY OF VERMILION, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability/asset or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2024, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$41,315,071. At year-end, net position was \$29,630,473 and \$11,684,598 for the governmental activities and the business-type activities, respectively.

## **CITY OF VERMILION, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)**

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets net represented 41.99% of total assets. Capital assets include land, construction in progress, buildings, equipment, infrastructure, land improvements, traffic lights, and vehicles. The net investment in capital assets at December 31, 2024, was \$13,720,430 and \$6,073,230 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position of governmental activities, \$9,758,848, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$6,151,195 may be used to meet the City's ongoing obligations to citizens and creditors.

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# CITY OF VERMILION, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)

During 2024, the City implemented GASB Statement No. 101 (see Note 3). For the table below, the implementation has been reported as a change in accounting principle. The following table shows the changes in net position for years 2024 and 2023.

### Change in Net Position

	2024 Governmental Activities	2023 Governmental Activities	2024 Business-Type Activities	2023 Business-Type Activities	2024 Total	2023 Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,229,796	\$ 2,982,080	\$ 7,135,681	\$ 6,051,891	\$ 10,365,477	\$ 9,033,971
Operating grants and contributions	1,028,109	2,659,231	-	-	1,028,109	2,659,231
Capital grants and contributions	1,608,367	483,011	1,587	8,413	1,609,954	491,424
Total program revenues	5,866,272	6,124,322	7,137,268	6,060,304	13,003,540	12,184,626
General revenues:						
Property and other local taxes	4,223,917	3,907,337	-	-	4,223,917	3,907,337
Income taxes	5,017,162	4,842,645	-	-	5,017,162	4,842,645
Unrestricted grants and entitlements	551,362	654,450	-	-	551,362	654,450
Investment earnings / fair value adjustment	1,075,887	1,037,344	232,161	136,577	1,308,048	1,173,921
Miscellaneous	260,835	266,543	499,156	162,285	759,991	428,828
Total general revenues	11,129,163	10,708,319	731,317	298,862	11,860,480	11,007,181
Total revenues	16,995,435	16,832,641	7,868,585	6,359,166	24,864,020	23,191,807
<b>Expenses:</b>						
General government	3,461,249	3,246,397	-	-	3,461,249	3,246,397
Security of persons and property - police	3,787,566	3,857,756	-	-	3,787,566	3,857,756
Security of persons and property - fire	1,352,745	705,934	-	-	1,352,745	705,934
Public health and welfare	175,496	221,292	-	-	175,496	221,292
Transportation	2,617,311	2,418,769	-	-	2,617,311	2,418,769
Leisure time activities	853,159	696,157	-	-	853,159	696,157
Other	8,954	76,782	-	-	8,954	76,782
Refuse	1,222,631	1,135,287	-	-	1,222,631	1,135,287
Utility services	149,868	135,332	-	-	149,868	135,332
Interest	621,493	694,415	-	-	621,493	694,415
Water	-	-	2,256,613	2,097,560	2,256,613	2,097,560
Sewer	-	-	2,856,501	2,589,025	2,856,501	2,589,025
Total expenses	14,250,472	13,188,121	5,113,114	4,686,585	19,363,586	17,874,706
Change in net position	2,744,963	3,644,520	2,755,471	1,672,581	5,500,434	5,317,101
Net position at beginning of year, as previously reported	27,303,651	23,659,131	9,073,091	7,400,510	36,376,742	31,059,641
Restatement - change in accounting principle	(418,141)	-	(143,964)	-	(562,105)	-
Net position at beginning of year, restated	26,885,510	23,659,131	8,929,127	7,400,510	35,814,637	31,059,641
Net position at end of year	\$ 29,630,473	\$ 27,303,651	\$ 11,684,598	\$ 9,073,091	\$ 41,315,071	\$ 36,376,742



## CITY OF VERMILION, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)

#### Governmental Activities

Governmental activities net position increased 10.21% or \$2,744,963 in 2024 from 2023's net position.

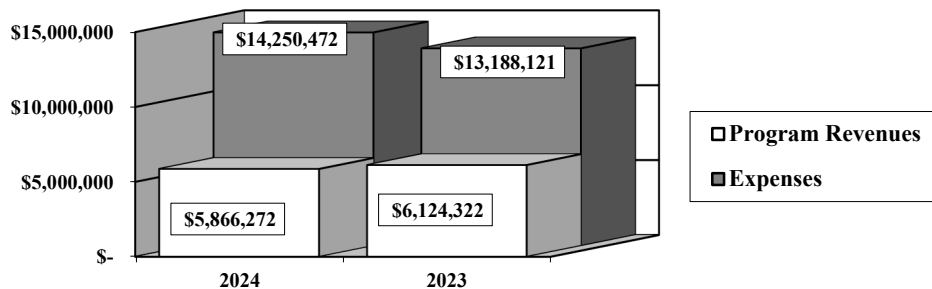
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$5,140,311 of the total expenses of the City. These expenses were funded by \$611,506 in direct charges to users of the services, \$132,897 in operating grants and contributions and \$227,736 in capital grants and contributions. Transportation expenses totaled \$2,617,311. Transportation expenses were funded by \$482,088 in direct charges to users of the services, \$774,497 in operating grants and contributions and \$1,213,131 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,028,109 in operating grants and contributions and \$1,609,954 in capital grants and contributions. These revenues are restricted to a particular program or purpose. General revenues totaled \$11,129,163 and amounted to 65.48% of total governmental revenues. These revenues primarily consist of property and other local tax revenue and income taxes of \$9,241,079. The other primary sources of general revenues are grants and entitlements not restricted to specific programs, including local government funds, making up \$551,362, and investment earnings of \$1,075,887 which fluctuate year to year.

Overall, expenses of the governmental activities increased approximately \$1.06 million. This increase is most notably attributable to an increase in security of persons and property expense, which increased \$576,621. This is due to the expenses associated with operating grants that were received in the prior year.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

**Governmental Activities - Program Revenues vs. Total Expenses**



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## CITY OF VERMILION, OHIO

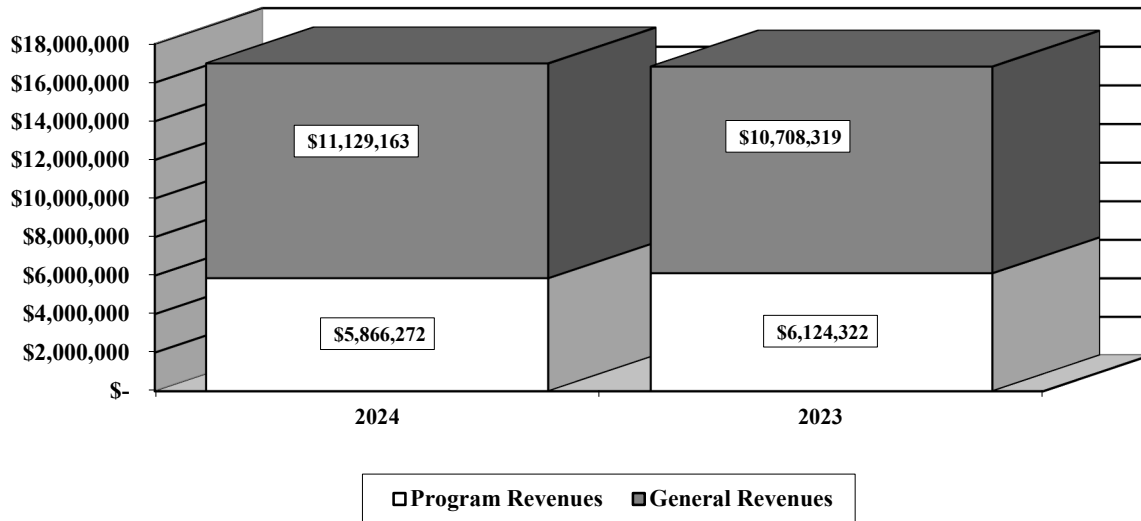
### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)

#### Governmental Activities

	Total Cost of Services <u>2024</u>	Total Cost of Services <u>2023</u>	Net Cost of Services <u>2024</u>	Net Cost of Services <u>2023</u>
Program Expenses:				
General government	\$ 3,461,249	\$ 3,246,397	\$ 2,759,867	\$ 1,956,848
Security of persons and property - police	3,787,566	3,857,756	2,945,644	3,336,978
Security of persons and property - fire	1,352,745	705,934	1,222,528	59,444
Public health and welfare	175,496	221,292	(58,564)	58,775
Transportation	2,617,311	2,418,769	147,595	589,679
Leisure time activity	853,159	696,157	469,263	315,185
Other	8,954	76,782	8,954	76,782
Utility services	149,868	135,332	149,868	135,332
Refuse	1,222,631	1,135,287	117,552	(159,639)
Interest	<u>621,493</u>	<u>694,415</u>	<u>621,493</u>	<u>694,415</u>
Total Expenses	<u>\$ 14,250,472</u>	<u>\$ 13,188,121</u>	<u>\$ 8,384,200</u>	<u>\$ 7,063,799</u>

The dependence upon general revenues for governmental activities is apparent, with 58.83% of expenses supported through taxes and other general revenues.

#### Governmental Activities - General and Program Revenues



#### Business-Type Activities

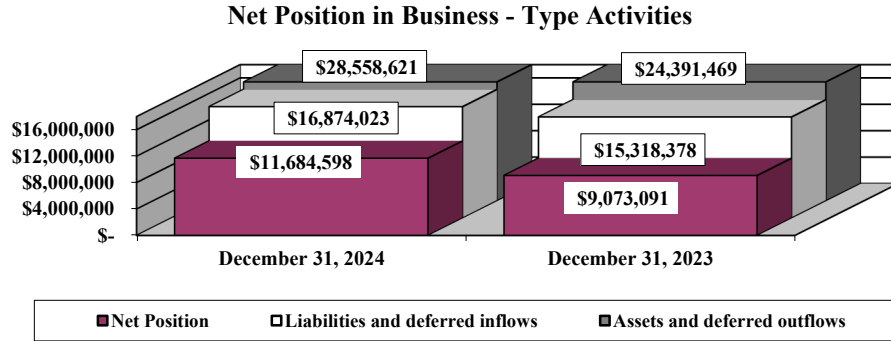
The City's business-type activities include the water and sewer funds. These programs had program revenues of \$7,137,268, general revenues of \$731,317 and expenses of \$5,113,114 for 2024.

Overall, expenses of the business-type activities increased approximately \$426,529. This increase is most notably the result of increased depreciation due to capital asset additions.

## CITY OF VERMILION, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)

The graph below shows the business-type activities assets and deferred outflows, liabilities and deferred inflows and net position at year-end 2024 and 2023. Amounts for 2024 have been presented in accordance with the provisions of GASB Statement No. 101 (see Note 3) while amounts for 2023 have been presented in accordance with previous guidance.



### Financial Analysis of the Government's 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 year-end.

The City's governmental funds reported a combined fund balance of \$25,539,297 which is \$1,253,980 under last year's total of \$26,793,277. This decrease in fund balance is primarily composed of an increase of \$1,426,395 in costs related to transportation expense and road improvements, an increase in security of persons and property expense of \$718,580 due to expenses associated with prior year grants, and a decrease in intergovernmental revenue \$1,342,311 due to the timing of grants received. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2024 for all major and nonmajor governmental funds.

	Fund Balances 12/31/24	Fund Balances 12/31/23	Change
Major Funds:			
General	\$ 8,160,953	\$ 7,205,739	\$ 955,214
Road Improvement	1,803,949	2,038,300	(234,351)
VPD Station Construction	4,084,520	4,029,999	54,521
Other nonmajor governmental funds	11,489,875	13,519,239	(2,029,364)
Total	<u>\$ 25,539,297</u>	<u>\$ 26,793,277</u>	<u>\$ (1,253,980)</u>

# CITY OF VERMILION, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)

### ***General Fund***

The City's general fund balance increased 13.26%. This is a lower increase than 2023's increase of 33.40% due to an increase of capital outlay in the general fund. The table that follows assists in illustrating the revenues of the general fund.

	<u>2024</u> <u>Amount</u>	<u>2023</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 5,904,146	\$ 5,817,498	1.49 %
Charges for services	175,287	166,934	5.00 %
Licenses and permits	397,868	366,037	8.70 %
Fines, forfeitures, and settlements	352,874	322,793	9.32 %
Intergovernmental	364,767	477,409	(23.59) %
Special assessments	1,535	5,519	(72.19) %
Investment income	1,050,351	1,021,939	2.78 %
Contributions and donations	17,511	61,623	(71.58) %
Other	<u>141,760</u>	<u>145,061</u>	(2.28) %
Total	<u>\$ 8,406,099</u>	<u>\$ 8,384,813</u>	0.25 %

Overall revenues of the general fund increased \$21,286 or 0.25%. Tax revenue represents 70.24% of all general fund revenue. Revenues generally remained consistent from 2023.

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2024</u> <u>Amount</u>	<u>2023</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 2,611,967	\$ 2,448,215	6.69 %
Security of persons and property - police	2,884,902	2,803,731	2.90 %
Security of persons and property - fire	169,852	108,132	57.08 %
Leisure time activities	71,909	83,744	(14.13) %
Other	8,954	55,781	(83.95) %
Utility services	129,270	119,054	8.58 %
Capital outlay	804,138	280,283	186.90 %
Debt service	<u>422,742</u>	<u>439,642</u>	(3.84) %
Total	<u>\$ 7,103,734</u>	<u>\$ 6,338,582</u>	12.07 %

The general fund's resources were primarily used for general government and security of persons and property which accounted for 79.77% of all general fund expenditures in 2024. The increase in capital outlay expenditures is due to City capital asset additions that are paid from the general fund.

## **CITY OF VERMILION, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)**

#### ***Road Improvement Levy Fund***

The road improvement levy fund had revenues of \$2,881,530 in 2024. This represents an increase of \$957,175 from 2023 revenues. The road improvement levy fund had expenditures of \$3,115,881 in 2024, which is \$921,726 more than expenditures in 2023. The net decrease in fund balance for the road improvement levy fund was \$234,351 or 11.50%.

#### ***VPD Station Construction Fund***

The VPD Station Construction fund had revenues of \$259,907 in 2024. The VPD Construction fund had expenditures of \$205,386 in 2024. The net increase in fund balance for the VPD Construction fund was \$54,521. The primary revenue source for this fund has been bond proceeds, although in 2024 the only revenues were investment income and contributions and donations. Future expenditures will be used for construction of a police station.

#### ***Budgeting 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. Council adopts a permanent annual operating budget for the City prior to the first day of April. From time to time during the year, the fund's budget may be amended as needs or conditions change.

In the general fund, budgeted revenues and other financing sources increased \$25,637 from original to the final budget and budgeted expenditures and other financing uses increased \$1,202,522 from original to the final budget. The actual revenues and other financing sources were \$266,738 less than they were in the final budget and actual expenditures and other financing uses were \$1,932,789 less than the amount in the final budget due to conservative spending.

#### ***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities.

The water fund had operating revenues of \$3,119,454 and operating expenses of \$2,213,704 in 2024. The water fund also had net non-operating expenses of \$42,909. The water fund had capital contributions of \$1,587. The net increase in net position for the water fund was \$864,428 or 11.39% from 2023's restated net position.

The sewer fund had operating revenues of \$4,515,383 and operating expenses of \$2,509,719 in 2024. The sewer fund also had net non-operating expenses of \$346,782 and net non-operating revenues of \$232,161. The net increase from 2023's restated net position for the sewer fund was \$1,891,043 or 141.45%.

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

##### ***Capital Assets***

At the end of 2024, the City had \$40,693,815 (net of accumulated depreciation/amortization) invested in land, construction in progress, buildings, equipment, furniture, infrastructure, land improvements, traffic lights, right to use assets, and vehicles. Of this total, \$24,600,802 was reported in governmental activities and \$16,093,013 was reported in business-type activities.

# CITY OF VERMILION, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)

The following table shows 2024 capital asset balances compared to 2023.

### Capital Assets at December 31 (Net of Depreciation/Amortization)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 3,870,430	\$ 3,870,430	\$ 258,003	\$ 258,003	\$ 4,128,433	\$ 4,128,433
Construction in progress	956,909	672,708	2,917,363	-	3,874,272	672,708
Buildings	4,943,740	5,102,477	531,216	599,340	5,474,956	5,701,817
Equipment	1,054,850	1,207,243	2,143,909	2,239,914	3,198,759	3,447,157
Infrastructure	9,915,417	6,493,294	10,058,405	10,499,758	19,973,822	16,993,052
Land improvements	1,811,768	1,922,274	811	1,622	1,812,579	1,923,896
Traffic lights	688,076	745,416	-	-	688,076	745,416
Right to use equipment	10,773	14,691	-	-	10,773	14,691
Right to use vehicles	-	129,249	-	-	-	129,249
Right to use software	167,386	266,496	-	-	167,386	266,496
Vehicles	1,181,453	1,079,546	183,306	263,874	1,364,759	1,343,420
Total	<u>\$ 24,600,802</u>	<u>\$ 21,503,824</u>	<u>\$ 16,093,013</u>	<u>\$ 13,862,511</u>	<u>\$ 40,693,815</u>	<u>\$ 35,366,335</u>

The City's largest capital asset category is infrastructure which includes roads, water lines, and sewer lines. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 49.08% of the City's total capital assets. See Note 8 to the basic financial statements for additional capital asset detail.

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## CITY OF VERMILION, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (UNAUDITED)

#### ***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2024 and 2023:

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2023</u>
Bonds:		
General obligation and refunding	\$ 14,017,633	\$ 14,634,824
Special assessment	636,146	708,140
2021 Improvement bonds	1,534,000	1,624,000
OPWC loans	281,758	307,685
Leases payable	11,190	113,426
SBITA payable	130,678	195,484
Financed purchases - notes payable	<u>-</u>	<u>36,759</u>
Total long-term obligations	<u>\$ 16,611,405</u>	<u>\$ 17,620,318</u>
	<u>Business-type Activities</u>	
	<u>2024</u>	<u>2023</u>
Bonds:		
General obligation and refunding	\$ 7,425,793	\$ 8,063,132
Special assessment	786,162	951,829
OWDA loans	5,602,524	3,180,278
Financed purchases - notes payable	<u>-</u>	<u>74,972</u>
Total long-term obligations	<u>\$ 13,814,479</u>	<u>\$ 12,270,211</u>

See Note 9 to the basic financial statements for detail on the City's long-term obligations.

#### **Economic Conditions and Outlook**

The City of Vermilion has experienced some financial difficulties, but in recent years accumulated a cash balance to help temper sudden unexpected situations as well as provide for infrastructure updates. The city is experiencing growth in new residential construction that continued in 2024 though at a slower pace as some existing developments reach capacity. Despite increased construction costs and interest rates low supply of existing homes has kept new construction active. A new PUD has been approved by Council that is moving forward. Retail and commercial properties remained at strong occupancy levels in 2024 as well, with regular new inquiries. The various economic factors were considered in the preparation of the City's 2024 budget and will be considered in the preparation of future budgets. New three-year collective bargaining agreements beginning in 2023 were ratified prior to the end of 2022. Appropriate measures will be taken to ensure spending is within available resources as the City prepares to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Vermilion with full disclosure of the financial position of the City.

#### **Contacting the City's Financial Management**

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 Amy L. Hendricks, Finance Director, 5511 Liberty Avenue, Vermilion, Ohio 44089.

# BASIC FINANCIAL STATEMENTS



**CITY OF VERMILION, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Vermilion Port Authority
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 25,279,047	\$ 9,832,140	\$ 35,111,187	\$ -
Cash with fiscal and escrow agents	-	-	-	105,536
Receivables:				
Income taxes	2,108,366	-	2,108,366	-
Real and other taxes	4,608,379	-	4,608,379	-
Accounts	261,257	1,074,873	1,336,130	-
Special assessments	375,577	550,428	926,005	-
Accrued interest	241,637	-	241,637	145
Due from other governments	834,712	524	835,236	32
Leases	-	-	-	34,810
Materials and supplies inventory	-	16,460	16,460	-
Prepayments	121,172	37,153	158,325	707
Net pension asset	22,276	15,526	37,802	-
Net OPEB asset	108,090	75,339	183,429	-
Internal balance	20,000	(20,000)	-	-
Capital assets:				
Land and construction in progress	4,827,339	3,175,366	8,002,705	1,059,388
Depreciable/amortizable capital assets, net	19,773,463	12,917,647	32,691,110	645,766
Total capital assets, net	24,600,802	16,093,013	40,693,815	1,705,154
Total assets	58,581,315	27,675,456	86,256,771	1,846,384
<b>Deferred outflows of resources:</b>				
Unamortized deferred charges on debt refunding	78,043	12,477	90,520	-
Pension	2,298,551	785,235	3,083,786	-
OPEB	357,205	65,453	422,658	-
Total deferred outflows of resources	2,733,799	863,165	3,596,964	-
<b>Liabilities:</b>				
Accounts payable	296,025	121,409	417,434	2,541
Contracts payable	273,014	117,559	390,573	-
Retainage payable	20,000	-	20,000	-
Accrued wages and benefits payable	127,896	46,271	174,167	-
Due to other governments	82,896	25,976	108,872	469
Accrued interest payable	52,379	24,500	76,879	-
Unearned revenue	-	-	-	7,150
Long-term liabilities:				
Due within one year	1,112,333	1,118,514	2,230,847	18,530
Due greater than one year:				
Net pension liability	7,814,525	2,297,159	10,111,684	-
Net OPEB liability	341,492	-	341,492	-
Other amounts due in more than one year	16,435,943	13,006,357	29,442,300	831,014
Total liabilities	26,556,503	16,757,745	43,314,248	859,704
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year	4,516,161	-	4,516,161	-
Leases	-	-	-	48,395
Unamortized deferred loss on debt refunding	-	39,706	39,706	-
Pension	253,142	8,413	261,555	-
OPEB	358,835	48,159	406,994	-
Total deferred inflows of resources	5,128,138	96,278	5,224,416	48,395
<b>Net position:</b>				
Net investment in capital assets	13,720,430	6,073,230	19,793,660	855,610
Restricted for:				
Debt service	203,665	-	203,665	-
Capital projects	3,991,733	-	3,991,733	-
Streets and highways	2,687,958	-	2,687,958	-
Fire and EMS	613,791	-	613,791	-
Police	1,229,973	-	1,229,973	-
Courts	422,744	-	422,744	-
Public health	158,115	-	158,115	-
Recreation	183,138	-	183,138	-
Pension and OPEB	130,366	90,865	221,231	-
Other purposes	137,365	-	137,365	-
Unrestricted	6,151,195	5,520,503	11,671,698	82,675
Total net position	\$ 29,630,473	\$ 11,684,598	\$ 41,315,071	\$ 938,285

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF VERMILION, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2024

		<b>Program Revenues</b>		
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
Current:				
General government	\$ 3,461,249	\$ 697,799	\$ 3,583	\$ -
Security of persons and property - police	3,787,566	544,809	79,377	217,736
Security of persons and property - fire	1,352,745	66,697	53,520	10,000
Public health and welfare	175,496	229,075	4,985	-
Transportation	2,617,311	482,088	774,497	1,213,131
Leisure time activity	853,159	104,249	112,147	167,500
Utility services	149,868	-	-	-
Other	8,954	-	-	-
Refuse	1,222,631	1,105,079	-	-
Interest	621,493	-	-	-
Total governmental activities	<u>14,250,472</u>	<u>3,229,796</u>	<u>1,028,109</u>	<u>1,608,367</u>
<b>Business-type activities:</b>				
Water	2,256,613	2,965,933	-	1,587
Sewer	2,856,501	4,169,748	-	-
Total business-type activities	<u>5,113,114</u>	<u>7,135,681</u>	<u>-</u>	<u>1,587</u>
Total primary government	<u>\$ 19,363,586</u>	<u>\$ 10,365,477</u>	<u>\$ 1,028,109</u>	<u>\$ 1,609,954</u>
Component Unit:				
Port Authority	<u>\$ 256,063</u>	<u>\$ 219,809</u>	<u>\$ -</u>	<u>\$ -</u>

**General revenues:**

Property taxes levied for:

General purposes

Debt service

Capital outlay

Other purposes

Income taxes levied for:

General purposes

Other purposes

Grants and entitlements not restricted  
to specific programs

Investment earnings / fair value adjustment

Other local taxes

Miscellaneous

Total general revenues

Change in net position

**Net position at beginning of year,  
as previously reported**

Restatement - change in accounting principle

**Net position at beginning of year, restated**

**Net position at end of year**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position			Component Unit Vermilion Port Authority
Governmental Activities	Business-type Activities	Total	
\$ (2,759,867)	\$ -	\$ (2,759,867)	\$ -
(2,945,644)	-	(2,945,644)	-
(1,222,528)	-	(1,222,528)	-
58,564	-	58,564	-
(147,595)	-	(147,595)	-
(469,263)	-	(469,263)	-
(149,868)	-	(149,868)	-
(8,954)	-	(8,954)	-
(117,552)	-	(117,552)	-
(621,493)	-	(621,493)	-
(8,384,200)	-	(8,384,200)	-
-	710,907	710,907	-
-	1,313,247	1,313,247	-
-	2,024,154	2,024,154	-
(8,384,200)	2,024,154	(6,360,046)	-
-	-	-	(36,254)
2,695,478	-	2,695,478	-
91,053	-	91,053	-
455,258	-	455,258	-
681,274	-	681,274	-
3,189,957	-	3,189,957	-
1,827,205	-	1,827,205	-
551,362	-	551,362	-
1,075,887	232,161	1,308,048	3,156
300,854	-	300,854	-
260,835	499,156	759,991	-
11,129,163	731,317	11,860,480	3,156
2,744,963	2,755,471	5,500,434	(33,098)
27,303,651	9,073,091	36,376,742	971,383
(418,141)	(143,964)	(562,105)	-
26,885,510	8,929,127	35,814,637	971,383
\$ 29,630,473	\$ 11,684,598	\$ 41,315,071	\$ 938,285

**CITY OF VERMILION, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2024

	<b>General</b>	<b>Road Improvement Levy</b>	<b>VPD Station Construction</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents	\$ 7,755,616	\$ 1,690,692	\$ 4,087,145	\$ 11,733,175	\$ 25,266,628
Receivables:					
Income taxes	1,349,459	758,907	-	-	2,108,366
Real and other taxes	3,070,230	-	-	1,538,149	4,608,379
Accounts	3,069	-	-	258,188	261,257
Special assessments	17,196	-	-	358,381	375,577
Interfund loans	32,744	-	-	-	32,744
Accrued interest	241,637	-	-	-	241,637
Due from other governments	335,708	-	-	499,004	834,712
Advances to other funds	20,000	-	-	-	20,000
Prepayments	108,975	-	-	12,197	121,172
Total assets	<u>\$ 12,934,634</u>	<u>\$ 2,449,599</u>	<u>\$ 4,087,145</u>	<u>\$ 14,399,094</u>	<u>\$ 33,870,472</u>
<b>Liabilities:</b>					
Accounts payable	\$ 61,194	\$ 4,594	\$ -	\$ 230,237	\$ 296,025
Contracts payable	-	-	2,625	270,389	273,014
Retainage payable	-	5,000	-	15,000	20,000
Accrued wages and benefits payable	101,284	-	-	26,612	127,896
Interfund loans payable	-	-	-	32,744	32,744
Due to other governments	49,189	-	-	33,707	82,896
Total liabilities	<u>211,667</u>	<u>9,594</u>	<u>2,625</u>	<u>608,689</u>	<u>832,575</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year	3,009,150	-	-	1,507,011	4,516,161
Delinquent property tax revenue not available	61,080	-	-	31,138	92,218
Accrued interest not available	61,196	-	-	-	61,196
Special assessments revenue not available	17,196	-	-	358,381	375,577
Miscellaneous revenue not available	-	-	-	70,578	70,578
Income tax revenue not available	1,116,391	636,056	-	-	1,752,447
Intergovernmental revenue not available	297,001	-	-	333,422	630,423
Total deferred inflows of resources	<u>4,562,014</u>	<u>636,056</u>	<u>-</u>	<u>2,300,530</u>	<u>7,498,600</u>
<b>Fund balances:</b>					
Nonspendable	128,999	-	-	12,197	141,196
Restricted	-	1,803,949	4,084,520	9,287,742	15,176,211
Committed	-	-	-	2,189,936	2,189,936
Assigned	1,730,141	-	-	-	1,730,141
Unassigned	6,301,813	-	-	-	6,301,813
Total fund balances	<u>8,160,953</u>	<u>1,803,949</u>	<u>4,084,520</u>	<u>11,489,875</u>	<u>25,539,297</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,934,634</u>	<u>\$ 2,449,599</u>	<u>\$ 4,087,145</u>	<u>\$ 14,399,094</u>	<u>\$ 33,870,472</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF VERMILION, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2024

<b>Total governmental fund balances</b>		<b>\$ 25,539,297</b>
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		24,600,802
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 1,752,447	
Real and other taxes receivable	92,218	
Accounts receivable	70,578	
Intergovernmental receivable	630,423	
Special assessments receivable	375,577	
Accrued interest receivable	61,196	
Total		2,982,439
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(52,379)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		78,043
Unamortized premiums on bond issuances are not recognized in the funds.		(319,779)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds		
Net pension asset	22,276	
Deferred outflows of resources	2,298,551	
Deferred inflows of resources	(253,142)	
Net pension liability	(7,814,525)	
Total		(5,746,840)
The net OPEB asset and net OPEB liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Net OPEB asset	108,090	
Deferred outflows of resources	357,205	
Deferred inflows of resources	(358,835)	
Net OPEB liability	(341,492)	
Total		(235,032)
An internal service fund is used by management to account for the City's self insurance. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service funds are:		12,419
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(901,348)	
Police and fire pension liability	(35,523)	
Lease payable	(11,190)	
SBITA payable	(130,678)	
General obligation bonds payable	(13,709,000)	
Direct placement bonds	(281,758)	
Loans payable	(1,534,000)	
Special assessment bonds payable	(625,000)	
Total		(17,228,497)
<b>Net position of governmental activities</b>		<b>\$ 29,630,473</b>

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, 2024

	<b>General</b>	<b>Road Improvement Levy</b>	<b>VPD Station Construction</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Income taxes	\$ 3,209,613	\$ 1,806,089	\$ -	\$ -	\$ 5,015,702
Real and other taxes	2,694,533	-	-	1,227,598	3,922,131
Charges for services	175,287	1,050	-	1,790,228	1,966,565
Licenses and permits	397,868	-	-	-	397,868
Fines, forfeitures, and settlements	352,874	-	-	214,336	567,210
Intergovernmental	364,767	1,046,835	-	1,182,528	2,594,130
Special assessments	1,535	-	-	58,879	60,414
Investment income / fair value adjustment	1,050,351	-	217,736	171,945	1,440,032
Contributions and donations	17,511	-	42,171	227,608	287,290
Other local taxes	-	-	-	300,854	300,854
Other	141,760	27,556	-	176,872	346,188
<b>Total revenues</b>	<b>8,406,099</b>	<b>2,881,530</b>	<b>259,907</b>	<b>5,350,848</b>	<b>16,898,384</b>
<b>Expenditures:</b>					
Current:					
General government	2,611,967	-	-	503,383	3,115,350
Security of persons and property - police	2,884,902	-	-	404,254	3,289,156
Security of persons and property - fire	169,852	-	-	1,099,719	1,269,571
Public health and welfare	-	-	-	158,244	158,244
Transportation	-	2,733,767	-	1,162,319	3,896,086
Leisure time activity	71,909	-	-	688,052	759,961
Utility services	129,270	-	-	-	129,270
Refuse	-	-	-	1,222,631	1,222,631
Other	8,954	-	-	-	8,954
Capital outlay	804,138	139,617	205,386	1,537,067	2,686,208
Debt service:					
Principal retirement	210,249	202,642	-	576,587	989,478
Interest	212,493	39,855	-	383,107	635,455
<b>Total expenditures</b>	<b>7,103,734</b>	<b>3,115,881</b>	<b>205,386</b>	<b>7,735,363</b>	<b>18,160,364</b>
Excess (deficiency) of revenues over (under) expenditures	1,302,365	(234,351)	54,521	(2,384,515)	(1,261,980)
<b>Other financing sources (uses):</b>					
Sale of capital assets	8,000	-	-	-	8,000
Transfers in	-	-	-	355,151	355,151
Transfers (out)	(355,151)	-	-	-	(355,151)
<b>Total other financing sources (uses)</b>	<b>(347,151)</b>	<b>-</b>	<b>-</b>	<b>355,151</b>	<b>8,000</b>
Net change in fund balances	955,214	(234,351)	54,521	(2,029,364)	(1,253,980)
<b>Fund balances at beginning of year</b>	<b>7,205,739</b>	<b>2,038,300</b>	<b>4,029,999</b>	<b>13,519,239</b>	<b>26,793,277</b>
<b>Fund balances at end of year</b>	<b>\$ 8,160,953</b>	<b>\$ 1,803,949</b>	<b>\$ 4,084,520</b>	<b>\$ 11,489,875</b>	<b>\$ 25,539,297</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF VERMILION, OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**Net change in fund balances - total governmental funds** \$ (1,253,980)

*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/amortization expense. This is the amount by which capital outlays exceeds depreciation/amortization expense in the current period.

Capital asset additions	\$ 4,400,214	
Current year depreciation/amortization	(1,303,236)	
Total		3,096,978

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

Income taxes	1,460	
Real and other taxes	932	
Intergovernmental revenues	40,426	
Special assessments	(41,881)	
Investment income	25,536	
Fines, forfeitures, and settlements	70,578	
Total		97,051

Repayment of bond, loan, lease, and SBITA principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 989,478

In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.

Increase in accrued interest payable	4,471	
Amortization of deferred amounts on refunding	(9,944)	
Amortization of bond premiums and discounts	19,435	
Total		13,962

Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.

Pension	628,528	
OPEB	9,446	
Total		637,974

Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	(755,752)	
OPEB	(28,753)	
Total		(784,505)

Some expenses reported in the statement of activities, such as compensated absences and the police pension liability do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (64,414)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

12,419

**Change in net position of governmental activities** \$ 2,744,963

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF VERMILION, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2024

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 2,774,726	\$ 7,057,414	\$ 9,832,140	\$ 12,419
Receivables:				
Accounts	443,753	631,120	1,074,873	-
Special assessments	3,903	546,525	550,428	-
Due from other governments	280	244	524	-
Materials and supplies inventory	10,950	5,510	16,460	-
Prepayments	22,568	14,585	37,153	-
Total current assets	3,256,180	8,255,398	11,511,578	12,419
Noncurrent assets:				
Net pension asset	8,193	7,333	15,526	-
Net OPEB asset	39,757	35,582	75,339	-
Capital assets:				
Land and construction in progress	2,824,891	350,475	3,175,366	-
Depreciable capital assets, net	7,920,798	4,996,849	12,917,647	-
Total capital assets, net	10,745,689	5,347,324	16,093,013	-
Total noncurrent assets	10,793,639	5,390,239	16,183,878	-
Total assets	14,049,819	13,645,637	27,695,456	12,419
<b>Deferred outflows of resources:</b>				
Unamortized deferred charges on debt refunding	6,574	5,903	12,477	-
Pension	416,077	369,158	785,235	-
OPEB	34,540	30,913	65,453	-
Total deferred outflows of resources	457,191	405,974	863,165	-
Total assets and deferred outflows of resources	14,507,010	14,051,611	28,558,621	12,419
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	59,974	61,435	121,409	-
Contracts payable	110,834	6,725	117,559	-
Accrued wages and benefits payable	32,731	13,540	46,271	-
Due to other governments	14,087	11,889	25,976	-
Accrued interest payable	3,373	21,127	24,500	-
Compensated absences payable - current	74,000	19,849	93,849	-
Advances from other funds	20,000	-	20,000	-
General obligation bonds payable	295,000	321,650	616,650	-
Special assessment bonds payable	-	166,850	166,850	-
OWDA loans payable	-	241,165	241,165	-
Total current liabilities	609,999	864,230	1,474,229	-
Long-term liabilities:				
Compensated absences payable	178,307	38,236	216,543	-
General obligation bonds payable	1,359,504	5,449,639	6,809,143	-
Special assessment bonds payable	-	619,312	619,312	-
OWDA loans payable	2,657,111	2,704,248	5,361,359	-
Net pension liability	1,212,231	1,084,928	2,297,159	-
Total long-term liabilities	5,407,153	9,896,363	15,303,516	-
Total liabilities	6,017,152	10,760,593	16,777,745	-
<b>Deferred inflows of resources:</b>				
Unamortized deferred loss on debt refunding	-	39,706	39,706	-
Pension	7,691	722	8,413	-
OPEB	25,549	22,610	48,159	-
Total deferred inflows of resources	33,240	63,038	96,278	-
<b>Net position:</b>				
Net investment in capital assets (deficit)	6,329,814	(256,584)	6,073,230	-
Restricted for pension and OPEB	47,950	42,915	90,865	-
Unrestricted	2,078,854	3,441,649	5,520,503	12,419
Total net position	\$ 8,456,618	\$ 3,227,980	\$ 11,684,598	\$ 12,419

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF VERMILION, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	
<b>Operating revenues:</b>				
Charges for services	\$ 2,965,933	\$ 4,169,748	\$ 7,135,681	\$ -
Other operating revenues	153,521	345,635	499,156	962,515
Total operating revenues	<u>3,119,454</u>	<u>4,515,383</u>	<u>7,634,837</u>	<u>962,515</u>
<b>Operating expenses:</b>				
Personal services	1,151,058	1,028,693	2,179,751	-
Contract services	223,356	667,690	891,046	30,139
Materials and supplies	254,292	137,615	391,907	-
Utilities	118,007	224,499	342,506	-
Claims expense	-	-	-	919,957
Depreciation	466,991	451,222	918,213	-
Total operating expenses	<u>2,213,704</u>	<u>2,509,719</u>	<u>4,723,423</u>	<u>950,096</u>
Operating income	<u>905,750</u>	<u>2,005,664</u>	<u>2,911,414</u>	<u>12,419</u>
<b>Nonoperating revenues (expenses):</b>				
Interest expense	(42,909)	(346,782)	(389,691)	-
Interest income	-	232,161	232,161	-
Total nonoperating revenues (expenses)	<u>(42,909)</u>	<u>(114,621)</u>	<u>(157,530)</u>	<u>-</u>
Income before contributions	862,841	1,891,043	2,753,884	12,419
Capital contributions	<u>1,587</u>	<u>-</u>	<u>1,587</u>	<u>-</u>
Change in net position	864,428	1,891,043	2,755,471	12,419
<b>Net position at beginning of year, as previously reported</b>	7,692,073	1,381,018	9,073,091	-
Restatement - change in accounting principle	(99,883)	(44,081)	(143,964)	-
<b>Net position at beginning of year, restated</b>	<u>7,592,190</u>	<u>1,336,937</u>	<u>8,929,127</u>	<u>-</u>
<b>Net position at end of year</b>	<u><u>\$ 8,456,618</u></u>	<u><u>\$ 3,227,980</u></u>	<u><u>\$ 11,684,598</u></u>	<u><u>\$ 12,419</u></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, 2024**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	
<b>Cash flows from operating activities:</b>				
Cash received from sales/charges for services	\$ 2,957,668	\$ 4,128,541	\$ 7,086,209	\$ -
Cash received from other operations	153,241	345,391	498,632	962,515
Cash payments for personal services	(1,093,273)	(994,627)	(2,087,900)	-
Cash payments for contractual services	(425,944)	(884,730)	(1,310,674)	(30,139)
Cash payments for materials and supplies	(265,154)	(137,429)	(402,583)	(919,957)
Net cash provided by operating activities	1,326,538	2,457,146	3,783,684	12,419
<b>Cash flows from capital and related financing activities:</b>				
Cash received from grants and subsidies	10,000	-	10,000	-
Acquisition of capital assets	(2,925,188)	(230,607)	(3,155,795)	-
Principal retirement	(326,486)	(760,601)	(1,087,087)	-
Interest	(52,075)	(369,607)	(421,682)	-
Issuance of bonds	2,657,111	-	2,657,111	-
Net cash (used in) capital and related financing activities	(636,638)	(1,360,815)	(1,997,453)	-
<b>Cash flows from investing activities:</b>				
Interest received	-	232,161	232,161	-
Net cash provided by investing activities	-	232,161	232,161	-
Net increase (decrease) in cash and cash equivalents	689,900	1,328,492	2,018,392	12,419
<b>Cash and cash equivalents at beginning of year</b>	2,084,826	5,728,922	7,813,748	-
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,774,726</u>	<u>\$ 7,057,414</u>	<u>\$ 9,832,140</u>	<u>\$ 12,419</u>

**CITY OF VERMILION, OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 905,750	\$ 2,005,664	\$ 2,911,414	\$ 12,419
Adjustments:				
Depreciation	466,991	451,222	918,213	-
Changes in assets, deferred outflows, liabilities and deferred inflows:				
Materials and supplies inventory	(325)	2,488	2,163	-
Accounts receivable	(4,442)	(132,365)	(136,807)	-
Special assessments	(3,823)	91,158	87,335	-
Intergovernmental receivable	(280)	(244)	(524)	-
Prepayments	(16,642)	(8,245)	(24,887)	-
Net pension asset	(2,131)	(1,858)	(3,989)	-
Net OPEB asset	(39,757)	(35,582)	(75,339)	-
Deferred outflows - pension	110,926	109,507	220,433	-
Deferred outflows - OPEB	42,919	38,861	81,780	-
Accounts payable	(19,544)	21,073	1,529	-
Accrued wages and benefits	12,349	5,306	17,655	-
Contracts payable	100	-	100	-
Intergovernmental payable	3,395	(4,280)	(885)	-
Compensated absences payable	19,963	(2,619)	17,344	-
Interfund loans payable	(58,413)	-	(58,413)	-
Net pension liability	(66,219)	(69,725)	(135,944)	-
Net OPEB liability	(25,955)	(23,441)	(49,396)	-
Deferred inflows - pension	(14,488)	(3,644)	(18,132)	-
Deferred inflows - OPEB	16,164	13,870	30,034	-
Net cash provided by operating activities	<u>\$ 1,326,538</u>	<u>\$ 2,457,146</u>	<u>\$ 3,783,684</u>	<u>\$ 12,419</u>

**Non-cash transactions:**

The water fund purchased \$110,834 and \$79,687 in capital assets on account in 2024 and 2023, respectively.

The sewer fund purchased \$6,725 and \$44,952 in capital assets on account in 2024 and 2023, respectively.

During 2024, the water fund received \$10,000 in capital grants, \$8,413 of which were recorded as receivables in 2023.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF VERMILION, OHIO**

**STATEMENT OF FIUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2024**

	<u><b>Custodial</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 109,131
Cash in segregated accounts	<u>22,479</u>
Total assets	<u>131,610</u>
<b>Liabilities:</b>	
Due to other governments	<u>31,410</u>
Total liabilities	<u>31,410</u>
<b>Net position:</b>	
Restricted for individuals, organizations and other governments	<u>100,200</u>
Total net position	<u><u>\$ 100,200</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF VERMILION, OHIO**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u><b>Custodial</b></u>
<b>Additions:</b>	
Fines and forfeitures for other governments	\$ 574,859
Other custodial fund collections	<u>2,944</u>
Total additions	<u>577,803</u>
<b>Deductions:</b>	
Fines and forfeitures distributions to other governments	624,551
Other custodial fund disbursements	<u>2,969</u>
Total deductions	<u>627,520</u>
Net change in fiduciary net position	(49,717)
<b>Net position beginning of year</b>	<u>149,917</u>
<b>Net position end of year</b>	<u><u>\$ 100,200</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### 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 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, firefighting 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.

*The Vermilion Municipal Court* - The City budgets and appropriates funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City’s share of the fines collected by the Court along with its share of the Court’s administrative and operating costs are recorded pursuant to State law in the City’s general fund. Due to this relationship, the Court is not considered a component unit of the City but rather as part of the primary government unit itself. Monies held by the Court in a fiduciary capacity are recorded as a custodial fund in the accompanying financial statements.

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

**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.



## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### **B. Basis of Presentation**

The City's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position 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 financial activities of the discretely presented component unit are also reflected on the government wide financial statements. 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 position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. 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 the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, 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. Fiduciary funds are reported by type.

##### **C. Fund Accounting**

The City'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, deferred inflows of resources 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 - 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.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Road Improvement Levy Fund - To account for expenditures on road improvements made from revenue derived from a .5% income tax levy.

VPD Station Construction Fund - To account for expenditures on construction of a police station made from revenue derived from a bond issuance.

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 as 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.

Internal Service Funds - The internal service funds are used to account 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 funds are used to account for the operating of the City's self-insurance program for employee health benefits and prescription drugs and associated claims.

Fiduciary Funds - Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's custodial funds account for municipal court's undistributed monies, and the collection of fees for commercial buildings and the state highway patrol and remitted to other governments.

#### D. Measurement Focus

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

**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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position 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. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

#### **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 inflows of resources, and in the presentation of expenses versus expenditures.

**Revenue - Exchange and Nonexchange 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.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include 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 6). 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 nonexchange 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 Outflows/Inflows of Resources** - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 11 and 12 for deferred outflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2024, but which were levied to finance 2025 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. Unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 11 and 12 for deferred inflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

**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.

#### 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 custodial funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level of personal services, capital expenses, and other for all funds. Budgetary modifications may only be made by ordinance 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 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 2024.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

*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 breakouts the personal services for each department in the general fund. The other funds show the amount for personal services and other. 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 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.

#### **G. Equity in Pooled Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds, except for the claims rotary trust internal service fund and municipal court agency fund, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

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

During 2024, investments were limited to negotiable certificates of deposits, port authority bond, federal agency securities, IBRD, U.S. government treasury notes, U.S. government money market and State Treasury Asset Reserve of Ohio (STAR Ohio). The federal agency securities held at year-end were issued from Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Federal Farm Credit Bank (FFCB).

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

The City's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

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 2024 amounted to \$1,050,351, which includes \$775,845 assigned from other City's funds.

#### H. 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 position 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 position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and should be updated for additions and retirements during the year. Capital assets were initially determined at December 31, 1989, by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain capital assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are recorded at their acquisition 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. In addition, assets having an estimated useful life of more than one year that are below the \$5,000 threshold and not considered repair or maintenance costs are collectively capitalized on the financial statements when the aggregate of those assets are considered significant.

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

	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Buildings	20 Years	20 Years
Equipment	5 - 10 Years	5 - 10 Years
Land Improvements	10 - 20 Years	10 - 20 Years
Infrastructure	20 Years	5 - 50 Years
Intangible leased assets	5 Years	5 Years
Traffic Lights	20 Years	N/A
Vehicles	3 - 5 Years	3 - 5 Years

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City is reporting intangible right to use assets related to leased equipment, vehicles and subscription-based software. The intangible assets are being amortized in a systematic and rational manner of the shorter of the lease/agreement term or the useful life of the underlying asset.

##### **I. Pension and Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, net pension asset, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

The current accounting standard requires Cities to report their proportionate share of the net pension/OPEB liability using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability equals the City's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the City. However, the City is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension/OPEB benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension/OPEB liability. The City has no control over the changes in the benefits, contributions rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension/OPEB liability is satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

##### **J. Compensated Absences**

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

##### Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### Sick Leave

The City's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the City and, upon separation from service, the employee receives compensation in accordance with the severance policy. A liability for estimated value of sick leave that will be used by employees as time off and at separation is included in the liability for compensated absences.

#### **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 and net pension/OPEB liability 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 noncurrent portion of interfund loans. These amounts are eliminated in the Statement of Net Position, 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 nonspendable fund balance classification in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

#### **M. 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 activities, and self-insurance program. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are classified as nonoperating.



## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, prepaid items, materials and supplies inventory, and endowments.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. The finance director is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is 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.

The City reported no significant net position balances restricted by enabling legislation. Net position restricted for other purposes primarily consists of balances restricted for operating expenses of the City's fire department and for capital improvements.

##### P. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

##### Q. Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles 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.

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### A. Change in Accounting Principles

For 2024, the City has implemented certain paragraphs from GASB Implementation Guide No. 2021-1, certain paragraphs of GASB Statement No. 99, "Omnibus 2022", GASB Statement No. 100, "Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62", Implementation Guide No. 2023-1 and GASB Statement No. 101, "Compensated Absences".

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on balances previously reported by the City.

GASB Statement No. 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the City.

GASB Statement No. 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Implementation Guide 2023-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2023-1 did not have an effect on the financial statements of the City.

GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

#### B. Restatement of Net Position

During 2024, there was a change in accounting principle related to the implementation of GASB Statement No. 101, "Compensated Absences". The effect of changing the accounting principle is shown in the table below.

	12/31/2023 As Previously Reported	Change in Accounting Principle	12/31/2023 As Restated
Net Position			
Governmental Activities	\$ 27,303,651	\$ (418,141)	\$ 26,885,510
Business-Type Activities	9,073,091	(143,964)	8,929,127
Total Net Position	<u>\$ 36,376,742</u>	<u>\$ (562,105)</u>	<u>\$ 35,814,637</u>
Proprietary Funds			
Major Funds:			
Water	\$ 7,692,073	\$ (99,883)	\$ 7,592,190
Sewer	1,381,018	(44,081)	1,336,937
Total Proprietary Funds	<u>\$ 9,073,091</u>	<u>\$ (143,964)</u>	<u>\$ 8,929,127</u>

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## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on 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.

Inactive deposits are public deposits that Council has identified as not required for use within the current 5-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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 with the City Finance Director 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.

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptances (for a period not to exceed one hundred eighty days and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligations or debt of the District 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.

*Deposits:* At year-end, the carrying amount of the City's deposits was \$4,258,501 and the bank balance was \$4,524,080. At year-end, the bank balance was protected by pledged collateral for any uninsured amounts. In addition, at year-end, the City had \$250 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

*Investments:* Investments are reported at fair value. As of December 31, 2024, the City had the following investments:

Measurement/ <u>Investment Type</u>	Measurement <u>Value</u>	Investment Maturities				
		6 months or <u>less</u>	7 to 12 <u>months</u>	13 to 18 <u>months</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
<i>Fair Value:</i>						
US Treasury Bills	\$ 1,242,125	\$ 1,242,125	\$ -	\$ -	\$ -	\$ -
US Treasury Note	4,138,118	300,588	193,430	262,867	424,012	2,957,221
US Tresaury Bonds	602,904	84,578	-	191,469	213,044	113,813
FAMC	1,890,583	1,758,698	-	-	-	131,885
FFCB	5,071,248	385,114	2,392,029	502,455	130,745	1,660,905
FHLB	6,598,597	3,103,421	2,868,098	-	414,884	212,194
FHLMC	2,813,828	1,399,090	919,078	-	495,660	-
FMCC	404,680	-	404,680	-	-	-
FNMA	4,100,892	98,907	3,504,540	-	-	497,445
IBRD	96,132	-	-	96,132	-	-
Negotiable CDs	1,130,571	648,649	242,680	-	-	239,242
PEFCO	98,020	-	-	-	-	98,020
TVA	103,307	-	-	-	-	103,307
Port Authority Bond	849,543	-	-	-	-	849,543
US Government Money Market	71,546	71,546	-	-	-	-
<i>Amortized Cost:</i>						
STAR Ohio	<u>1,771,952</u>	<u>1,771,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ 30,984,046	\$ 10,864,668	\$ 10,524,535	\$ 1,052,923	\$ 1,678,345	\$ 6,863,575

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The preceding table identifies the City's recurring fair value measurement as of December 31, 2024. As previously discussed, Star Ohio is reported at its net asset value. All other investments of the City are valued using Level 2 inputs using valuations techniques that incorporate market data for similar investments, broker quotes and inactive transactions prices.

*Custodial Credit Risk* is the risk that in the event of bank failure, the government's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by: eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be one hundred two percent of the deposits being secured or a lower rate if permitted by the Treasurer of State.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

*Custodial Risk:* For an investment, custodial risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The securities, held by the counterparty and not in the City's name, are the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), and International Bank for Reconstruction and Development (IBRD). The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

*Interest Rate Risk:* The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The City's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the City.

*Credit Risk:* is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The investments in FNMA, FHLMC, FHLB, FFCB, PEFCO, and TVA are registered and carry a rating AA+ by Standard & Poor's. The City's investments in IBRD are rated AAA by Standard & Poor's. The City's investment in STAR Ohio has an AAAM credit rating. The City's investment in the Vermilion Port Authority bond is not rated.

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2024:

<u>Measurement/ Investment Type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
US Treasury Bills	\$ 1,242,125	4.01%
US Treasury Note	4,138,118	13.36%
US Treasury Bonds	602,904	1.95%
FAMC	1,758,698	6.10%
FFCB	4,419,472	16.37%
FHLB	6,598,597	21.28%
FHLMC	2,813,828	9.08%
FMCC	404,680	1.31%
FNMA	4,100,892	13.24%
IBRD	96,132	0.31%
Negotiable CDs	1,130,571	3.65%
PEFCO	98,020	0.32%
TVA	103,307	0.33%
Port Authority Bond	849,543	2.74%
US Government Money Market	71,546	0.23%
<i>Amortized Cost:</i>		
STAR Ohio	1,771,952	5.72%
Total	<u>\$ 30,200,385</u>	<u>100.00%</u>

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

*Reconciliation of Cash to the Statement of Net Position:* The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of December 31, 2024:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,258,501
Investments	30,984,046
Cash on hand	250
Total	<u>\$ 35,242,797</u>
<u>Cash per statement of net position</u>	
Governmental activities	\$ 25,279,047
Business-type activities	9,832,140
Custodial funds	131,610
Total	<u>\$ 35,242,797</u>

### NOTE 5 - TAXES

#### A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2024 for real and public utility property taxes represents collections of the 2023 taxes. Property tax payments received during 2024 for tangible personal property (other than public utility property) is for 2023 taxes.

2023 real property taxes are levied after October 1, 2024, on the assessed value as of January 1, 2024, the lien date. Assessed values are established by State law at 35% of appraised market value. 2024 real property taxes are collected in and intended to finance 2025.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2023 public utility property taxes became a lien December 31, 2023, are levied after October 1, 2024, and are collected in 2025 with real property taxes.

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, 2024 was \$11.75 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2024 property tax receipts were based are as follows:

	<u>Erie County</u>	<u>Lorain County</u>
Real estate		
Residential/agricultural/other	\$ 142,407,760	\$ 161,662,900
Commercial/industrial	13,871,450	21,962,720
Public utility	43,060	78,930
Tangible personal property		
Public utility	<u>3,752,760</u>	<u>3,760,870</u>
Total	<u>\$ 160,075,030</u>	<u>\$ 187,465,420</u>

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 5 – TAXES - (Continued)

##### B. Income Taxes

The City levies a municipal income tax of 1.5% 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 not to exceed 100% of the tax paid to another municipality by the lower of the tax rate in such municipality or the rate of .5%.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Regional Income Tax Agency (RITA) is the City's collection agent for its local income tax. Income tax proceeds are receipted to the general fund and the road improvement levy fund.

#### NOTE 6 - RECEIVABLES

Receivables at December 31, 2024 consisted of taxes, accounts (billing for user charged services), intergovernmental receivables, and special assessments. All receivables are expected to be collected within the subsequent year with the exception of the opioid settlement receivable which will be collected over the course of the settlement agreements. Receivables in the amount of \$65,614 will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<b>Governmental activities</b>
Gasoline tax	\$ 329,351
Local government	131,250
Permissive tax	24,200
Homestead/rollback	289,904
Motor vehicle registration	45,606
Federal and State grants	5,075
Other	9,850
Total intergovernmental receivable	<u>\$ 835,236</u>

#### NOTE 7 - 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 (or the employees' estates) are paid for their accumulated leave with 1,000 hours being the maximum amount paid, except for patrolmen. Full-time patrolmen are paid for one half of their accumulated leave with 1,000 hours being the maximum amount paid. Part-time patrolmen and dispatchers who retire after accumulating 10 years in the Ohio Public Employees Retirement System are paid one half of their accumulated leave with 1,000 hours being the maximum amount paid. 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, 2024, the liability for long-term unpaid compensated absences was \$901,348 for the governmental activities. The liability for long-term unpaid compensated absences for business-type activities was \$310,392. The liability for unpaid compensated absences was restated as of December 31, 2023 (See Note 3 for detail).



# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 was as follows:

	Balance 1/1/2024	Additions	Deductions	Balance 12/31/2024
<i>Capital assets, not being depreciated/amortized:</i>				
Land	\$ 3,870,430	\$ -	\$ -	\$ 3,870,430
Construction in progress	672,708	284,201	-	956,909
Total capital assets, not being depreciated/amortized	4,543,138	284,201	-	4,827,339
<i>Capital assets, being depreciated/amortized:</i>				
Buildings	8,005,746	-	-	8,005,746
Equipment	2,894,403	-	-	2,894,403
Infrastructure	23,308,288	3,849,216	-	27,157,504
Land improvements	4,299,588	-	-	4,299,588
Traffic lights	1,216,320	-	-	1,216,320
Vehicles	5,348,787	266,797	-	5,615,584
Right to use - Equipment	20,568	-	-	20,568
Right to use - Vehicles	293,748	-	(293,748)	-
Intangible right to use - Software	333,097	-	(46,716)	286,381
Total capital assets, being depreciated/amortized	45,720,545	4,116,013	(340,464)	49,496,094
<i>Less: accumulated depreciated/amortization</i>				
Buildings	(2,903,269)	(158,737)	-	(3,062,006)
Equipment	(1,687,160)	(152,393)	-	(1,839,553)
Infrastructure	(16,814,994)	(427,093)	-	(17,242,087)
Land improvements	(2,377,314)	(110,506)	-	(2,487,820)
Traffic lights	(470,904)	(57,340)	-	(528,244)
Vehicles	(4,269,241)	(164,890)	-	(4,434,131)
Right to use - Equipment	(5,877)	(3,918)	-	(9,795)
Right to use - Vehicles	(164,499)	(129,249)	293,748	-
Intangible right to use - Software	(66,601)	(99,110)	46,716	(118,995)
Total accumulated depreciation/amortization	(28,759,859)	(1,303,236)	340,464	(29,722,631)
Governmental activities capital assets, net	\$ 21,503,824	\$ 3,096,978	\$ -	\$ 24,600,802

Depreciation/amortization expense was charged to governmental functions as follows:

#### **Governmental activities:**

General government	\$ 332,677
Security of persons and property - police	358,594
Security of persons and property - fire	73,004
Public health and welfare	17,252
Transportation	424,763
Leisure time activities	82,853
Utility services	14,093
Total depreciation/amortization expense - governmental activities	<u>\$ 1,303,236</u>

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 8 - CAPITAL ASSETS - (Continued)

Capital asset activity of the business-type activities for the year ended December 31, 2024 was as follows:

	Balance 1/1/2024	Additions	Deductions	Balance 12/31/2024
<i>Capital assets, not being depreciated:</i>				
Land	\$ 258,003	\$ -	\$ -	\$ 258,003
Construction in progress	-	2,917,363	-	2,917,363
Total capital assets, not being depreciated	258,003	2,917,363	-	3,175,366
<i>Capital assets, being depreciated:</i>				
Buildings	12,800,750	-	-	12,800,750
Equipment	10,005,157	231,352	-	10,236,509
Infrastructure	16,643,261	-	-	16,643,261
Land improvements	101,179	-	-	101,179
Vehicles	960,833	-	-	960,833
Total capital assets, being depreciated	40,511,180	231,352	-	40,742,532
<i>Less: accumulated depreciated</i>				
Buildings	(12,201,410)	(68,124)	-	(12,269,534)
Equipment	(7,765,242)	(327,358)	-	(8,092,600)
Infrastructure	(6,143,504)	(441,352)	-	(6,584,856)
Land improvements	(99,557)	(811)	-	(100,368)
Vehicles	(696,959)	(80,568)	-	(777,527)
Total accumulated depreciation	(26,906,672)	(918,213)	-	(27,824,885)
Business-type activities capital assets, net	\$ 13,862,511	\$ 2,230,502	\$ -	\$ 16,093,013

Depreciation expense was charged to business-type activities as follows:

#### Business-type activities

Water	\$ 466,991
Sewer	451,222
Total depreciation expense - business-type activities	\$ 918,213

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# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 9 - LONG-TERM OBLIGATIONS

Due to the implementation of GASB Statement No. 101 (See Note 3 for detail), the City has restated compensated absences as of December 31, 2023 which is reflected in the schedule below. The City's long-term obligations at year-end and a schedule of current year activity follow:

	Restated Balance 1/1/2024	Additions	Reductions	Balance 12/31/2024	Amounts Due in One Year
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
2018 Various Purpose Bonds	\$ 2,293,500	\$ -	\$ (202,000)	\$ 2,091,500	\$ 154,500
Premium	26,586	-	(3,274)	23,312	-
2019 Various Purpose Refunding Bonds	155,250	-	(37,750)	117,500	22,000
2019 Fire Station Improvement, 3-4%	3,630,000	-	(95,000)	3,535,000	100,000
Premium	37,569	-	(2,465)	35,104	-
2020 Various Purpose Refunding Bonds	1,300,000	-	(105,000)	1,195,000	120,000
Premium	40,483	-	(4,540)	35,943	-
2022 Various Purpose Bonds	6,930,000	-	(160,000)	6,770,000	165,000
Premium	221,436	-	(7,162)	214,274	-
Total general obligations bonds	14,634,824	-	(617,191)	14,017,633	561,500
<u>Special assessment bonds:</u>					
2011 Refunding - Edson Street, 2-3.85%	330,000	-	(35,000)	295,000	40,000
Premium	780	-	(167)	613	-
2018 Various Purpose Refunding Premium	497	-	(497)	-	-
2020 Various Purpose Refunding Lagoons	365,000	-	(35,000)	330,000	40,000
Premium	11,863	-	(1,330)	10,533	-
Total special assessment bonds	708,140	-	(71,994)	636,146	80,000
<u>Ohio Public Works (OPWC) Loans (Direct Borrowings):</u>					
Hollyview Drive Reconstruction - CE33V	116,875	-	(10,313)	106,562	3,438
Mapleview Drive Reconstruction - CE12X-0	127,187	-	(10,312)	116,875	3,437
Highbridge Road Reconstruction - CE26W	63,623	-	(5,302)	58,321	1,767
Total OPWC	307,685	-	(25,927)	281,758	8,642
<u>Other long-term obligations:</u>					
<u>Direct Placement Bonds:</u>					
2021 Storm Water System Improvement Bonds, 2.475%	1,134,000	-	(54,000)	1,080,000	56,000
2021 Recreational Facilities Improvement Bonds, 2.2%	490,000	-	(36,000)	454,000	37,000
Lease Payable	113,426	-	(102,236)	11,190	3,959
Financed Purchases - Notes Payable	36,759	-	(36,759)	-	-
SBITA Payable	195,484	-	(64,806)	130,678	63,992
Compensated Absences*	834,285	67,063	-	901,348	298,477
Police Unfunded Pension Liability	38,172	-	(2,649)	35,523	2,763
Net Pension Liability:					
OPERS	3,787,735	-	(491,973)	3,295,762	-
OP&F	4,442,269	76,494	-	4,518,763	-
Net OPEB Liability					
OPERS	76,897	-	(76,897)	-	-
OP&F	332,957	8,535	-	341,492	-
Total other long-term obligations	11,481,984	152,092	(865,320)	10,768,756	462,191
Total governmental activities					
long-term obligations	<u>\$ 27,132,633</u>	<u>\$ 152,092</u>	<u>\$ (1,580,432)</u>	<u>\$ 25,704,293</u>	<u>\$ 1,112,333</u>

\*The change in compensated absences liability is presented as a net change.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Business-type activities:	Restated Balance 1/1/2024	<u>Additions</u>	<u>Reductions</u>	Balance 12/31/2024	Amounts Due in One Year
<u>General obligation bonds:</u>					
Water fund:					
2012 Water System Refunding, 2.75-4%	\$ 225,000	\$ -	\$ (55,000)	\$ 170,000	\$ 55,000
Premium	579	-	(228)	351	-
2011 Water Improvement Bonds, 2-3.85%	140,000	-	(15,000)	125,000	15,000
Premium	324	-	(68)	256	-
2018 Various Purpose Refunding Bonds	174,500	-	(15,000)	159,500	11,500
Premium	1,491	-	(1,491)	-	-
2019 Various Purpose Refunding Bonds	280,500	-	(44,000)	236,500	43,500
2020 Water System Improvement Bonds - 2.0-5.0%	812,500	-	(125,000)	687,500	130,000
Premium	42,597	-	(7,200)	35,397	-
2020 General Obligation Refunding - Water 1.0-4.0%	275,000	-	(35,000)	240,000	40,000
Total water fund general obligations bonds	1,952,491	-	(297,987)	1,654,504	295,000
Sewer fund:					
2005 Sunny Side Sanitary Sewer, 4.9%	56,300	-	(28,150)	28,150	28,150
2018 Various Purpose Refunding Bonds	432,000	-	(38,000)	394,000	29,000
Premium	2,866	-	(2,866)	-	-
2019 Various Purpose Bonds	319,250	-	(50,250)	269,000	49,500
2020 Various Purpose Refunding Bonds - 1.0-4.0%	150,000	-	(15,000)	135,000	15,000
Premium	3,680	-	(413)	3,267	-
2020 Water System Improvement Bonds - 2.0-5.0%	812,500	-	(125,000)	687,500	130,000
Premium	42,597	-	(7,200)	35,397	-
2020 Sewer System Improvement Bonds - 2.0-5.0%	4,215,000	-	(70,000)	4,145,000	70,000
Premium	75,448	-	(2,473)	72,975	-
Total sewer fund general obligations bonds	6,109,641	-	(339,352)	5,770,289	321,650
Total general obligations bonds	8,062,132	-	(637,339)	7,424,793	616,650
<u>Special assessment bonds:</u>					
Sewer fund:					
2005 Sunny Side Sanitary SA 4.9%	43,700	-	(21,850)	21,850	21,850
2018 Various Purpose Refunding Premium	746	-	(746)	-	-
2020 Refunding - SS Subsystem K SA, 1.0-4.0%	880,000	-	(140,000)	740,000	145,000
Premium	27,383	-	(3,071)	24,312	-
Total special assessment bonds	951,829	-	(165,667)	786,162	166,850
<u>Ohio Water Development Authority (OWDA) Loans:</u>					
Sewer fund (Direct Borrowings):					
2011 WWTP Bio-solids Dewatering Facility, 2.62%	317,663	-	(36,186)	281,477	37,140
2012 Primary Clarifier Improvements, 2.80%	61,779	-	(6,126)	55,653	6,299
2012 Elberta Beach SSO Elimination, 2.48%	842,709	-	(71,194)	771,515	72,970
2015 River Pump Station, 2.78%	1,958,127	-	(121,359)	1,836,768	124,756
Water fund (Direct Borrowings):					
2023 Water Pollution Control Facility Improvements	-	2,657,111	-	2,657,111	-
Total OWDA loans	3,180,278	2,657,111	(234,865)	5,602,524	241,165

(Continued)

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

<b>Business-type activities (continued):</b>	Restated Balance 1/1/2024	Additions	Reductions	Balance 12/31/2024	Amounts Due in One Year
<u>Other long-term obligations:</u>					
Financed Purchase - Water	37,486	-	(37,486)	-	-
Financed Purchase- Sewer	37,486	-	(37,486)	-	-
Compensated Absences*	293,048	17,344	-	310,392	93,849
Net Pension Liability	2,433,103	-	(135,944)	2,297,159	-
Net OPEB Liability	49,396	-	(49,396)	-	-
Total other long-term obligations	<u>2,850,519</u>	<u>17,344</u>	<u>(260,312)</u>	<u>2,607,551</u>	<u>93,849</u>
Total business-type activities long-term obligations	<u>\$ 15,045,758</u>	<u>\$ 2,674,455</u>	<u>\$ (1,298,183)</u>	<u>\$ 16,422,030</u>	<u>\$ 1,118,514</u>

\*The change in compensated absences liability is presented as a net change.

On November 1, 2022, the City issued \$11,320,000 in Various Purpose Improvement Bonds. This issuance included sewer bonds and general obligation bonds. The interest rate on these bonds are 4.0% - 5.5%.

On February 16, 2021, the City issued \$597,000 in recreational facilities improvement bonds. These bonds were issued for the purpose of improving the City's park and recreational facilities. The interest rate on these bonds are 2.2%. These bonds were direct placement debt purchased by Huntington Public Capital Corporation and are to be paid from the proceeds of the levy of ad valorem taxes.

On May 27, 2021, the City issued \$1,305,000 in storm water system improvement bonds. These bonds were issued for the purpose of improving the City's storm water management system. The interest rate on these bonds are 2.475%. These bonds were direct placement debt purchased by Sterling National Bank and are to be paid from the proceeds of the levy of ad valorem taxes.

During 2020, the City issued \$3,745,000 in Various Purpose Refunding Bonds. This issuance included water refunding bonds, sewer refunding bonds, special assessment refunding bonds, and general obligation bonds. The interest rate on these bonds are 1.0% - 4.0%. The difference between the reacquisition price and the net carrying amount of the old debt will be amortized over the life of the new debt. The City refunded the old bonds to reduce their total debt service payments over the next ten years.

During 2020, the City issued \$2,200,000 in series 2020 Water System Improvement Bonds for the purpose of paying costs of acquiring and installing metering system equipment and technological improvements for the Water and Sewer funds. The interest rate on these bonds are 2.0% - 5.0%. The final maturity is December 1, 2029.

During 2019, the City issued, at par, \$1,206,000 Various Purpose Refunding Bonds with an interest rate of 2.26% to be used for the refunding of the 2009 Various Purpose Bonds. The proceeds of the new bonds, except those amounts used to cover the cost of issuance, were placed in an escrow account to repay \$1,155,000 of old bonds were called for redemption on December 1, 2019. The difference between the reacquisition price and the net carrying amount of the old debt was not significant and expensed. The City refunded the old bonds to reduce their total debt service payments over the next ten years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$84,135.

During 2019, the City issued \$4,000,000 of Fire Station Improvement Bonds with an average interest rate of 3- 4% and maturing December 1, 2043. The bonds were sold for a premium of \$48,064 and the proceeds are being used for the design and construction of a new Fire Station No. 1.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

During 2019 through 2021, the City received interest-free loan proceeds from the Ohio Public Works Commission (OPWC). These loans are direct borrowing. The \$137,500 loan for Hollyview Drive Reconstruction is scheduled to be paid back in equal installments over 20 years. The \$70,692 Highbridge Road Reconstruction is scheduled to be repaid in installments over 20 years. The \$137,500 Mapleview Drive Reconstruction is scheduled to be repaid in installments over 20 years. The OPWC may (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the City for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the City is located to pay the amount of the default from funds that would otherwise be appropriated to the City from such county's undivided local government fund pursuant to ORC 5747.51-5747.53, or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

During 2018, the City issued \$3,970,000 Various Purpose Bonds and Refunding Bonds with an average interest rate of 3-5% to current refund the 2004 Various Purpose General Obligation Bonds. As of December 31, 2018, all of the old bonds that were refunded have been called. The outstanding obligations are to be paid from the general obligation debt service fund, the special assessment bond retirement fund, the water fund and the sewer fund.

The 2018 Various Purpose Refunding bonds were used to refund the \$1,195,000 of the 2004 General Obligation bonds, which were called for December 19, 2018 to be redeemed. The bonds consisted of new bonds as well as refunding bonds. The bond proceeds for the refunding portion consisted of bond principal of \$1,165,000 and \$106,641 of premium. The new bond proceeds consisted of bond principal of \$2,805,000 and \$42,916 of premium. The net proceeds of \$1,223,916 (after payment of underwriting fees, insurance, and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for retirement of principal and interest due in December 2018. As a result, the bonds are considered to be defeased and the liability is not reported by the City. The difference between the reacquisition price and the net carrying amount of the old debt was not significant and expensed. The City refunded the old bonds to reduce their total debt service payments over the next seventeen years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$46,274.

In 2019, the City entered into a financed purchase agreement for the purchase of a Vactor Combination Sewer Cleaner Vehicle. This liability is paid from the Water, Sewer and Refuse fund (a nonmajor governmental fund).

The 2011 OWDA loan carrying a 2.62% interest rate was issued for the wastewater treatment plant bio-solids dewatering facilities project. The first principal payment was made January 1, 2012. Current operations are expected to provide cash flows for the repayment of this loan.

The 2012 OWDA loan carrying a 2.80% interest rate was issued for the primary clarifier improvements project. The first principal payment was made January 1, 2013. Current operations are expected to provide cash flows for the repayment of this loan.

The 2012 OWDA loan carrying a 2.48% interest rate was issued for the Elberta Beach SSO elimination project. The first principal payment was made July 1, 2014. Current operations are expected to provide cash flows for the repayment of this loan.

The 2015 OWDA loan carrying a 2.78% interest rate was issued for the River Pump Station project. Current operations are expected to provide cash flows for the repayment of this loan.

The OWDA loans are direct borrowings. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

During the prior year, the City was approved for OWDA loans of \$2,400,000 and \$4,500,000, respectively. These loan proceeds will be used for capital improvement projects for the Sanitary Sewer System and Water Pollution Control Facility improvements. Repayments will be made out of the sewer fund. As of December 31, 2024, \$2,657,111 of the Water Pollution Control Facility loan was disbursed. Since the loan is not fully disbursed, the amortization schedule is not yet available.

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 City pays installments on the police unfunded accrued pension liability incurred when the State of Ohio established the statewide pension system for police personnel in 1967. The liability is payable semiannually from taxes received in the police pension special revenue funds.

Compensated absences will be paid from the fund from which the employees' salaries are paid. The City pays net pension/OPEB liability obligations from the fund benefitting from employee services.

The enterprise related general obligation bonds, refunding bonds and OWDA loans will be paid from water and sewer fund user charges.

Leases Payable - The City has entered into lease agreements for the use of right to use equipment and vehicles. The City will report an intangible capital asset and corresponding liability for the future scheduled payments under the leases. The lease payments will be paid from the general fund. The final payment for the vehicle lease was paid in 2024 and there is no remaining liability.

The District has entered into lease agreements for copier equipment and vehicles at varying years and terms as follows:

<u>Description</u>	<u>Lease</u>	<u>Years</u>	<u>Lease</u>	<u>Payment</u>
	<u>Commencement</u>		<u>End</u>	<u>Method</u>
	<u>Date</u>		<u>Date</u>	
Copier Equipment	2022	6	2027	Monthly
Vehicles	2022	3	2024	Monthly

SBITA Payable - The City has entered into agreements for the right to use software. Per GASB Statement No. 96, the City reports an intangible capital asset and corresponding liability for future scheduled payments under the agreement.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2024, are as follows:

#### Governmental Activities

Year	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 561,500	\$ 542,606	\$ 1,104,106	\$ 80,000	\$ 14,967	\$ 94,967
2026	582,750	524,024	1,106,774	85,000	13,168	98,168
2027	610,750	504,813	1,115,563	80,000	11,317	91,317
2028	629,500	484,416	1,113,916	85,000	9,378	94,378
2029	659,500	463,486	1,122,986	95,000	7,365	102,365
2030 - 2034	3,074,000	1,975,791	5,049,791	200,000	7,591	207,591
2035 - 2039	2,609,000	1,412,750	4,021,750	-	-	-
2040 - 2044	2,322,000	845,230	3,167,230	-	-	-
2045 - 2049	1,950,000	405,407	2,355,407	-	-	-
2050 - 2052	710,000	66,833	776,833	-	-	-
	<u>\$ 13,709,000</u>	<u>\$ 7,225,356</u>	<u>\$ 20,934,356</u>	<u>\$ 625,000</u>	<u>\$ 63,786</u>	<u>\$ 688,786</u>

Year	OPWC Loan			Ohio Police and Fire Pension Liability		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 8,642	\$ -	\$ 8,642	\$ 2,763	\$ 1,480	\$ 4,243
2026	17,285	-	17,285	2,882	1,361	4,243
2027	17,284	-	17,284	3,005	1,238	4,243
2028	17,285	-	17,285	3,135	1,108	4,243
2029	17,284	-	17,284	3,269	974	4,243
2030 - 2034	86,423	-	86,423	18,577	2,640	21,217
2035 - 2039	86,423	-	86,423	1,892	40	1,932
2040 - 2042	31,132	-	31,132	-	-	-
	<u>\$ 281,758</u>	<u>\$ -</u>	<u>\$ 281,758</u>	<u>\$ 35,523</u>	<u>\$ 8,841</u>	<u>\$ 44,364</u>

Year	Direct Placement Bonds		
	Principal	Interest	Total
2025	\$ 93,000	\$ 36,808	\$ 129,808
2026	95,000	34,601	129,601
2027	98,000	32,347	130,347
2028	99,000	30,022	129,022
2029	101,000	27,670	128,670
2030 - 2034	547,000	101,025	648,025
2035 - 2039	421,000	39,261	460,261
2040	80,000	1,980	81,980
	<u>\$ 1,534,000</u>	<u>\$ 303,714</u>	<u>\$ 1,837,714</u>



# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Year	Leases Payable			SBITA Payable		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 3,959	\$ 291	\$ 4,250	\$ 63,992	\$ 3,499	\$ 67,491
2026	4,084	166	4,250	51,097	1,782	52,879
2027	3,147	41	3,188	15,589	391	15,980
	<u>\$ 11,190</u>	<u>\$ 498</u>	<u>\$ 11,688</u>	<u>\$ 130,678</u>	<u>\$ 5,672</u>	<u>\$ 136,350</u>

### Business-Type Activities

Year	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 616,650	\$ 285,141	\$ 901,791	\$ 166,850	\$ 8,856	\$ 175,706
2026	611,250	265,869	877,119	145,000	6,335	151,335
2027	631,250	249,955	881,205	145,000	4,885	149,885
2028	580,500	233,301	813,801	150,000	3,435	153,435
2029	602,500	218,738	821,238	155,000	1,860	156,860
2030 - 2034	846,000	939,656	1,785,656	-	-	-
2035 - 2039	746,000	763,890	1,509,890	-	-	-
2040- 2044	833,000	573,548	1,406,548	-	-	-
2045 - 2049	1,050,000	331,226	1,381,226	-	-	-
2050 - 2052	760,000	71,456	831,456	-	-	-
	<u>\$ 7,277,150</u>	<u>\$ 3,932,780</u>	<u>\$ 11,209,930</u>	<u>\$ 761,850</u>	<u>\$ 25,371</u>	<u>\$ 787,221</u>

Year	OWDA Loans		
	Principal	Interest	Total
2025	\$ 241,165	\$ 77,532	\$ 318,697
2026	247,634	71,063	318,697
2027	254,280	64,418	318,698
2028	261,103	57,595	318,698
2029	268,109	50,588	318,697
2030 - 2034	1,253,394	145,823	1,399,217
2035 - 2037	419,728	17,664	437,392
	<u>\$ 2,945,413</u>	<u>\$ 484,683</u>	<u>\$ 3,430,096</u>

### NOTE 10 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

#### *Net Pension Liability (Asset) and Net OPEB Liability (Asset)*

The net pension liability (asset) and the net OPEB liability (asset) reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### **NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represents the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual basis of accounting.

The remainder of this note includes the pension disclosures. See Note 11 for the OPEB disclosures.

#### ***Plan Description - Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. In October 2023, the legislature approved House Bill (HB) 33 which allows for the consolidation of the combined plan with the traditional plan with the timing of the consolidation at the discretion of OPERS. As of December 31, 2023, the consolidation has not been executed. (The latest information available.) Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group.

The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Traditional plan state and local members who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests at retirement.

Combined plan members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the member's original base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3.00%. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20.00% each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
	Traditional	Combined
<b>2024 Statutory Maximum Contribution Rates</b>		
Employer	14.0 %	14.0 %
Employee *	10.0 %	10.0 %
<b>2024 Actual Contribution Rates</b>		
Employer:		
Pension ****	14.0 %	12.0 %
Post-employment Health Care Benefits ****	0.0	2.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

\*\*\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated for health care with the remainder going to pension; however, effective January 1, 2024, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$526,353 for 2024. Of this amount, \$56,677 is reported as due to other governments.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

##### *Plan Description - Ohio Police & Fire Pension Fund (OP&F)*

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries under optional plans, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.00% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<b>2024 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2024 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$318,362 for 2024. Of this amount, \$45,979 is reported as due to other governments.

### *Net Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The net pension liability (asset) for OPERS was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2023, and was determined by rolling forward the total pension liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.02105900%	0.01245400%	0.00182200%	0.04676550%	
Proportion of the net pension liability/asset current measurement date	<u>0.02136300%</u>	<u>0.01222200%</u>	<u>0.00209500%</u>	<u>0.04677140%</u>	
Change in proportionate share	<u>0.00030400%</u>	<u>-0.00023200%</u>	<u>0.00027300%</u>	<u>0.00000590%</u>	
Proportionate share of the net pension liability	\$ 5,592,921	\$ -	\$ -	\$ 4,518,763	\$ 10,111,684
Proportionate share of the net pension asset	-	(37,568)	(234)	-	(37,802)
Pension expense	614,921	2,759	(22)	416,649	1,034,307

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
<b>Deferred outflows of resources</b>					
Differences between expected and actual experience	\$ 91,413	\$ 1,524	\$ 502	\$ 145,064	\$ 238,503
Net difference between projected and actual earnings on pension plan investments	1,128,889	6,111	40	512,072	1,647,112
Changes of assumptions	-	1,392	9	285,581	286,982
Changes in employer's proportionate percentage/ difference between employer contributions	63,904	-	-	2,570	66,474
Contributions subsequent to the measurement date	516,699	8,092	1,562	318,362	844,715
Total deferred outflows of resources	<u>\$ 1,800,905</u>	<u>\$ 17,119</u>	<u>\$ 2,113</u>	<u>\$ 1,263,649</u>	<u>\$ 3,083,786</u>
	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
<b>Deferred inflows of resources</b>					
Differences between expected and actual experience	\$ -	\$ 3,724	\$ -	\$ 50,536	\$ 54,260
Changes of assumptions	-	-	-	68,623	68,623
Changes in employer's proportionate percentage/ difference between employer contributions	48,048	-	-	90,625	138,673
Total deferred inflows of resources	<u>\$ 48,048</u>	<u>\$ 3,724</u>	<u>\$ -</u>	<u>\$ 209,784</u>	<u>\$ 261,556</u>

\$844,715 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of/increase to the net pension liability/asset in the year ending December 31, 2025.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2025	\$ 286,664	\$ 931	\$ 84	\$ 175,273	\$ 462,952
2026	389,850	1,678	86	211,207	602,821
2027	720,392	3,517	98	347,743	1,071,750
2028	(160,748)	(1,012)	59	(20,339)	(182,040)
2029	-	99	55	21,005	21,159
Thereafter	-	90	169	614	873
Total	<u>\$ 1,236,158</u>	<u>\$ 5,303</u>	<u>\$ 551</u>	<u>\$ 735,503</u>	<u>\$ 1,977,515</u>

### Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2023, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2023, compared to the December 31, 2022 actuarial valuation, are presented below.

#### Wage inflation

Current measurement date 2.75%

Prior measurement date 2.75%

#### Future salary increases, including inflation

Current measurement date 2.75% to 10.75% including wage inflation

Prior measurement date 2.75% to 10.75% including wage inflation

#### COLA or ad hoc COLA

Current measurement date Pre 1/7/2013 retirees: 3.00%, simple

Post 1/7/2013 retirees: 2.30%, simple  
through 2024, then 2.05% simple

Prior measurement date Pre 1/7/2013 retirees: 3.00%, simple

Post 1/7/2013 retirees: 3.00%, simple  
through 2023, then 2.05% simple

#### Investment rate of return

Current measurement date 6.90%

Prior measurement date 6.90%

#### Actuarial cost method

Individual entry age



# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 11.20% for 2023.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant.

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed income	24.00 %	2.85 %
Domestic equities	21.00	4.27
Real estate	13.00	4.46
Private equity	15.00	7.52
International equities	20.00	5.16
Risk Parity	2.00	4.38
Other investments	5.00	3.46
Total	<u>100.00 %</u>	

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

**Discount Rate** - The discount rate used to measure the total pension liability was 6.90% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate** - The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 6.90%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 8,804,760	\$ 5,592,921	\$ 2,921,604
Combined Plan	(22,733)	(37,568)	(49,255)
Member-Directed Plan	(168)	(234)	(293)

### Actuarial Assumptions - OP&F

OP&F's total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No.67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. A comprehensive experience study was performed during 2022 by OP&F's actuary and completed as of December 31, 2021. Changes in demographic and economic actuarial assumptions were made. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful life of the participants which was 6.03 years at December 31, 2023.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2023, compared to December 31, 2022, are presented below.

Valuation date	1/1/23 with actuarial liabilities rolled forward to 12/31/23
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	
Current measurement date	7.50%
Prior measurement date	7.50%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% per year

**CITY OF VERMILION, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Healthy Mortality*

Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

*Disabled Mortality*

Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. All rates are projected using the MP-2021 Improvement Scale.

*Contingent Annuitant Mortality*

Mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. All rates are projected using the MP-2021 Improvement Scale.

*Pre-Retirement Mortality*

Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

The most recent experience study was completed for the five-year period ended December 31, 2021.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2023 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	18.60 %	4.10 %
Non-US equity	12.40	4.90
Private markets	10.00	7.30
Core fixed income *	25.00	2.40
High yield fixed income	7.00	4.10
Private credit	5.00	6.80
U.S. inflation linked bonds *	15.00	2.10
Midstream energy infrastructure	5.00	5.80
Real assets	8.00	6.00
Gold	5.00	3.50
Private real estate	12.00	5.40
Commodities	2.00	3.50
Total	125.00 %	

Note: assumptions are geometric.

\* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** - Total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50%. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payment of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 5,985,438	\$ 4,518,763	\$ 3,299,080

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 11 - POSTEMPLOYMENT BENEFITS

##### *Net OPEB Liability (Asset)*

See Note 10 for a description of the net OPEB liability (asset).

##### *Plan Description - Ohio Public Employees Retirement System (OPERS)*

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice and other eligible expenses. An OPERS vendor is available to assist with the selection of a health care program.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

**Age 65 or older Retirees** Minimum of 20 years of qualifying service credit

**Age 60 to 64 Retirees** Based on the following age-and-service criteria:

**Group A** 30 years of total service with at least 20 years of qualified health care service credit;

**Group B** 31 years of total service credit with at least 20 years of qualified health care service credit;

**Group C** 32 years of total service credit with at least 20 years of qualified health care service credit.

**Age 59 or younger** Based on the following age-and-service criteria:

**Group A** 30 years of qualified health care service credit;

**Group B** 32 years of qualified health care service credit at any age or 31 years of qualified health care service credit and at least age 52;

**Group C** 32 years of qualified health care service credit and at least age 55.

Retirees who do not meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

Group A	Group B	Group C
<b>Age and Service Requirements</b> <i>December 1, 2014 or Prior</i>	<b>Age and Service Requirements</b> <i>December 1, 2014 or Prior</i>	<b>Age and Service Requirements</b> <i>December 1, 2014 or Prior</i>
Any Age with 10 years of service credit	Any Age with 10 years of service credit	Any Age with 10 years of service credit
<b>Age and Service Requirements</b> <i>January 1, 2015 through December 31, 2021</i>	<b>Age and Service Requirements</b> <i>January 1, 2015 through December 31, 2021</i>	<b>Age and Service Requirements</b> <i>January 1, 2015 through December 31, 2021</i>
Age 60 with 20 years of service credit or Any Age with 30 years of service credit	Age 52 with 31 years of service credit or Age 60 with 20 years of service credit or Any Age with 32 years of service credit	Age 55 with 32 years of service credit or Age 60 with 20 years of service credit

See the Age and Service Retirement section of the OPERS ACFR for a description of Groups A, B and C.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

The base allowance is determined by OPERS and is currently \$1,200 per month for non-Medicare retirees and \$350 per month for Medicare retirees. The retiree receives a percentage of the base allowance, calculated based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51.00% and 90.00% of the base allowance for both non-Medicare and Medicare retirees.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50.00% of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

Participants in the Member-Directed Plan have access to the Connector and have a separate health care funding mechanism. A portion of employer contributions for these participants is allocated to a retiree medical account (RMA). Members who elect the Member-Directed Plan after July 1, 2015, will vest in the RMA over 15 years at a rate of 10.00% each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in the RMA over a five-year period at a rate of 20.00% per year. Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### **NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2024, state and local employers contributed at a rate of 14.00% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2024, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a 2.00% allocation to health care for the Combined Plan which has continued through 2024. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2024 was 4.00%. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2024.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,974 for 2024. Of this amount, \$213 is reported as due to other governments.

#### ***Plan Description - Ohio Police & Fire Pension Fund (OP&F)***

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2024, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The City's contractually required contribution to OP&F was \$8,283 for 2024. Of this amount, \$1,196 is reported as due to other governments.

### *Net OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB*

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2023, and was determined by rolling forward the total OPEB liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the net OPEB liability			
prior measurement date	0.02003000%	0.04676550%	
Proportion of the net OPEB liability/asset			
current measurement date	<u>0.02032400%</u>	<u>0.04677140%</u>	
Change in proportionate share	<u>0.00029400%</u>	<u>0.00000590%</u>	
Proportionate share of the net OPEB liability	\$ -	\$ 341,492	\$ 341,492
Proportionate share of the net OPEB asset	(183,429)	-	(183,429)
OPEB expense	(24,117)	40,760	16,643



# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 16,421	\$ 16,421
Net difference between projected and actual earnings on OPEB plan investments	110,160	25,217	135,377
Changes of assumptions	47,224	117,508	164,732
Changes in employer's proportionate percentage/ difference between employer contributions	-	95,871	95,871
Contributions subsequent to the measurement date	1,974	8,283	10,257
Total deferred outflows of resources	<u>\$ 159,358</u>	<u>\$ 263,300</u>	<u>\$ 422,658</u>
	OPERS	OP&F	Total
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 26,107	\$ 62,755	\$ 88,862
Changes of assumptions	78,851	219,913	298,764
Changes in employer's proportionate percentage/ difference between employer contributions	6,436	12,932	19,368
Total deferred inflows of resources	<u>\$ 111,394</u>	<u>\$ 295,600</u>	<u>\$ 406,994</u>

\$10,257 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of/increase to the net OPEB liability in the year ending December 31, 2025.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2025	\$ (9,315)	\$ 20,014	\$ 10,699
2026	6,750	5,841	12,591
2027	85,749	12,771	98,520
2028	(37,194)	(11,233)	(48,427)
2029	-	(31,537)	(31,537)
Thereafter	-	(36,439)	(36,439)
Total	<u>\$ 45,990</u>	<u>\$ (40,583)</u>	<u>\$ 5,407</u>

### *Actuarial Assumptions - OPERS*

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	
Current measurement date	2.75%
Prior Measurement date	2.75%
Projected Salary Increases, including inflation	
Current measurement date	2.75 to 10.75%
	including wage inflation
Prior Measurement date	2.75 to 10.75%
	including wage inflation
Single Discount Rate:	
Current measurement date	5.70%
Prior Measurement date	5.22%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	3.77%
Prior Measurement date	4.05%
Health Care Cost Trend Rate	
Current measurement date	5.50% initial, 3.50% ultimate in 2038
Prior Measurement date	5.50% initial, 3.50% ultimate in 2036
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.00% for 2023.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00 %	2.82 %
Domestic equities	25.00	4.27
Real Estate Investment Trusts (REITs)	5.00	4.68
International equities	25.00	5.16
Risk parity	3.00	4.38
Other investments	5.00	2.43
Total	100.00 %	

**Discount Rate** - A single discount rate of 5.70% was used to measure the total OPEB liability on the measurement date of December 31, 2023; however, the single discount rate used at the beginning of the year was 5.22%. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.77%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, and the municipal bond rate was applied to all health care costs after that date.

#### ***Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate***

The following table presents the proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 5.70%, as well as what the proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (4.70%) or one-percentage-point higher (6.70%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability/(asset)	\$ 100,807	\$ (183,429)	\$ (418,878)

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

#### *Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate*

- Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ 191,046	\$ 183,429	\$ 174,786

#### *Actuarial Assumptions - OP&F*

OP&F's total OPEB liability as of December 31, 2023, is based on the results of an actuarial valuation date of January 1, 2023, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Key methods and assumptions used in the December 31, 2023, compared to the December 31, 2022 actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2023, with actuarial liabilities rolled forward to December 31, 2023
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	
Current measurement date	7.50%
Prior measurement date	7.50%
Projected Salary Increases	
Current measurement date	3.50% to 10.50%
Prior measurement date	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	4.07%
Prior measurement date	4.27%
Cost of Living Adjustments	2.20% simple per year

#### *Health Mortality*

Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

#### *Disabled Mortality*

Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. All rates are projected using the MP-2021 Improvement Scale.

#### *Contingent Annuitant Mortality*

Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. All rates are projected using the MP-2021 Improvement Scale.

#### *Pre-Retirement Mortality*

Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale.

The most recent experience study was completed for the five-year period ended December 31, 2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2023, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	18.60 %	4.10 %
Non-US equity	12.40	4.90
Private markets	10.00	7.30
Core fixed income *	25.00	2.40
High yield fixed income	7.00	4.10
Private credit	5.00	6.80
U.S. inflation linked bonds *	15.00	2.10
Midstream energy infrastructure	5.00	5.80
Real assets	8.00	6.00
Gold	5.00	3.50
Private real estate	12.00	5.40
Commodities	2.00	3.50
Total	125.00 %	

Note: assumptions are geometric.

\* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** - Total OPEB liability was calculated using the discount rate of 4.07%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, the long-term assumed rate of return on investments of 7.50% was applied to periods before December 31, 2037, and the Municipal Bond Index Rate of 3.38% was applied to periods on and after December 31, 2037, resulting in a discount rate of 4.07%.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.07%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.07%), or one percentage point higher (5.07%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 420,624	\$ 341,492	\$ 274,848

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 12 - 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. The City purchases commercial insurance coverage for protection against this risk exposure.

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the City did not reduce its limits of liability during 2024.

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.

#### NOTE 13 - INTERFUND ACTIVITY

##### A. Interfund Transfers

Interfund transfers for the year ended December 31, 2024, consisted of the following, as reported in the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 355,151

Transfers from the general fund were used to move unrestricted revenues collected in order to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

##### B. Interfund Loan

In 2023, the general fund advanced \$32,744 to the Assistance to Firefighters Grant fund (a nonmajor governmental fund). This was used to fund various projects before the receipt of grants or other sources of revenue. There was no repayment activity in 2024. This loan is expected to be repaid within one year.

Interfund loans between governmental funds are eliminated on the government-wide financial statements.

##### C. Advances To/From Other Funds

In prior years, the general fund advanced \$20,000 to the water fund to fund the various capital projects and administration support before the receipts of grants or other sources of revenue. The outstanding advance is \$20,000 and is not expected to be repaid within one year.



**CITY OF VERMILION, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**NOTE 14 - COMMITMENTS**

**Other Commitments**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

	Year-End
<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$ 1,289,793
Road Improvement Levy	802,435
VPD Construction Fund	4,009,172
Nonmajor governmental	<u>1,224,545</u>
Total	<u>\$ 7,325,945</u>

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**CITY OF VERMILION, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**NOTE 15 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Road Improvement Levy	VPD Station Construction	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays	\$ 108,975	\$ -	\$ -	\$ 12,197	\$ 121,172
Unclaimed funds	20,024	-	-	-	20,024
Total nonspendable	128,999	-	-	12,197	141,196
Restricted:					
Street construction and maintenance	-	1,803,949	-	417,854	2,221,803
Court activities	-	-	-	431,366	431,366
Public safety	-	-	-	2,257,026	2,257,026
Public health	-	-	-	87,537	87,537
Recreation	-	-	-	322,157	322,157
Debt service	-	-	-	159,276	159,276
Capital improvements	-	-	4,084,520	5,506,163	9,590,683
Cemetery operations	-	-	-	59,014	59,014
Other purposes	-	-	-	47,349	47,349
Total restricted	-	1,803,949	4,084,520	9,287,742	15,176,211
Committed:					
Cemetery operations	-	-	-	81,183	81,183
Recreation	-	-	-	12,585	12,585
Storm water	-	-	-	1,388,474	1,388,474
Sanitation	-	-	-	707,694	707,694
Total committed	-	-	-	2,189,936	2,189,936
Assigned:					
Public safety	688,712	-	-	-	688,712
General government	184,161	-	-	-	184,161
Other purposes	14	-	-	-	14
Capital projects	404,181	-	-	-	404,181
Subsequent appropriations	453,073	-	-	-	453,073
Total assigned	1,730,141	-	-	-	1,730,141
Unassigned	6,301,813	-	-	-	6,301,813
Total fund balances	\$ 8,160,953	\$ 1,803,949	\$ 4,084,520	\$ 11,489,875	\$ 25,539,297

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 16 - CONTINGENCIES

##### A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2024.

##### B. Litigation

The City is not involved in any pending litigation.

#### NOTE 17 - CITY OF VERMILION PORT AUTHORITY

##### A. Description of the Entity

The City of Vermilion Port Authority (the "Port Authority") is a body politic and corporate established to promote, develop and advance the general welfare, commerce, and economic development of the City and its citizens, and to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority is directed by a five-member Board appointed by the Mayor of Vermilion. The Port Authority is a component unit of the City due to it being economically dependent on the City for operating subsidies. The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed by an ordinance of the Council of the City of Vermilion in February 1968 and the City acts as their fiscal agent.

##### B. Basis of Accounting

The Port Authority follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income and financial position. All transactions are accounted for in a single enterprise fund.

##### C. Fund Accounting

The Port Authority maintains a general operating fund to account for all financial resources. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

##### D. Budgetary Process

**Budget** - Ohio Revised Code Section 4582.13, requires that each fund be budgeted annually. This budget includes estimated receipts and appropriations.

**Encumbrances** - The Port Authority reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over and are not reappropriated.

##### E. Property, Plant and Equipment

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values on the date received. The Port Authority does not have a minimum capitalization threshold. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 17 - CITY OF VERMILION PORT AUTHORITY - (Continued)

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciated is computed using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Land Improvements	5 - 50 Years
Buildings	20 - 50 Years
Vehicles	5 - 25 Years
Equipment	5 - 15 Years

#### F. Deposits and Investments

The investment and deposit of Port Authority moneys are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Port Authority to invest its moneys in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio), and obligations of the United States government and certain agencies thereof.

The Port Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public moneys on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Port Authority's name.

*Deposits:* Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. For 2024, all of the Port Authority's deposits were held by the City and part of their pooled cash and investments. All risks of the Port Authority's deposits are disclosed as part of the City's disclosure as the City is their fiscal agent.

#### G. Capital Assets

As of December 31, 2024, the Port Authority owned land valued at \$1,059,388. In addition, depreciable capital assets are being reported as \$645,766 net of accumulated depreciation at year-end. Depreciation expense of \$33,123 was reported for 2024 with a total accumulated depreciation of \$857,004.

# CITY OF VERMILION, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

### NOTE 17 - CITY OF VERMILION PORT AUTHORITY - (Continued)

The capital asset activity for the year ended December 31, 2024 was as follows:

	Balance at December 31, 2023	Additions	Disposals	Balance at December 31, 2024
Capital assets, not being depreciated:				
Land	\$ 1,059,388	\$ -	\$ -	\$ 1,059,388
Total capital assets, not being depreciated	1,059,388	-	-	1,059,388
Capital assets, being depreciated:				
Land improvements	1,341,123	-	-	1,341,123
Buildings	116,698	-	-	116,698
Equipment	44,949	-	-	44,949
Total capital assets, being depreciated	1,502,770	-	-	1,502,770
Less: accumulated depreciation				
Land improvements	(714,950)	(29,897)	-	(744,847)
Buildings	(66,073)	(2,837)	-	(68,910)
Equipment	(42,858)	(389)	-	(43,247)
Total accumulated depreciation	(823,881)	(33,123)	-	(857,004)
Total capital assets being depreciated, net	678,889	(33,123)	-	645,766
Total capital assets, net	\$ 1,738,277	\$ (33,123)	\$ -	\$ 1,705,154

### H. Long-term Obligations

During 2000 and 2010, the Port Authority borrowed from the City with a collateralized bond. This \$849,544 bond is carrying an interest rate of 5.50% and \$18,530 is due within one year. This bond was used in the financing of acquiring, constructing, installing, equipping or improving "Port Authority facilities," as defined by Section 4582.01 of the Ohio Revised Code. This bond is a special obligation of the Port Authority, and the principal and interest on this bond are payable solely from "Available Monies" and are secured by a pledge of the "Pledged Revenues", all as defined and provided in the Resolution.

The long-term debt activity for the year ended December 31, 2024 was as follows:

	Balance at December 31, 2023	Additions	Deletions	Balance at December 31, 2024	Amount Due in One Year
Note Payable Due to City	\$ 866,696	\$ -	\$ (17,152)	\$ 849,544	\$ 18,530

The following is a summary of the Port Authority's future annual debt service requirements to the City:

Year Ended	Principal	Interest	Total
2025	\$ 18,530	\$ 16,995	\$ 35,525
2026	19,966	16,624	36,590
2027	21,463	16,225	37,688
2028	23,023	15,795	38,818
2029	24,648	15,335	39,983
2030 - 2034	150,063	68,582	218,645
2035 - 2039	201,884	51,585	253,469
2040	389,967	2,600	392,567
Total	\$ 849,544	\$ 203,741	\$ 1,053,285

## CITY OF VERMILION, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 17 - CITY OF VERMILION PORT AUTHORITY - (Continued)

##### I. Related Party Transactions

As mentioned above, during 2000 and 2010, the Port Authority borrowed \$985,000 and \$71,538, respectively, from the City to acquire land and existing structures. The Port Authority provided a bond for this transaction and the City holds a lien on the property until the bond is repaid. The City holds this bond as an investment within the City's pooled investments. The bond has been partially repaid, leaving a balance of \$849,544 outstanding as of December 31, 2024.

##### J. Lease Receivables

The Port Authority is reporting leases receivable of \$34,810. For fiscal year 2024, the Port Authority recognized lease revenue of \$33,411, which is reported in rental income, and interest revenue of \$3,156.

The Port Authority has entered into an amended lease agreement for building space rental with Vermilion Red Clay LLC on May 13, 2009, and exercised an extension of the lease and sublease agreement through 2025.

The following is a schedule of future lease payments under the lease agreements:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 34,810	\$ 1,781	\$ 36,591
Total	<u>\$ 34,810</u>	<u>\$ 1,781</u>	<u>\$ 36,591</u>

##### K. Risk Management

The Port Authority has obtained commercial crime and public officials' liability insurance from a major commercial insurance company. There has not been a significant reduction of coverage from the prior year and settled claims have not exceeded commercial coverage in any of the last three years.

##### L. Litigation

The Port Authority is involved in no material litigation as either plaintiff or defendant.

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## REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF VERMILION, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget -</u>
			<u>Basis</u>	<u>Over (Under)</u>
				<u>Actual Amounts</u>
<b>Budgetary revenues:</b>				
Income taxes	\$ 3,230,396	\$ 3,210,000	\$ 3,181,832	\$ (28,168)
Real and other taxes	2,736,931	2,697,690	2,695,786	(1,904)
Intergovernmental	382,017	468,126	376,274	(91,852)
Charges for services	50,434	59,850	49,676	(10,174)
Fines and forfeitures	360,513	353,000	355,093	2,093
Licenses and permits	404,001	399,550	397,928	(1,622)
Special assessments	1,535	1,535	1,535	-
Investment earnings	653,300	653,300	805,596	152,296
Contributions and donations	10,153	10,000	10,000	-
Miscellaneous	169,046	170,912	166,505	(4,407)
Total budgetary revenues	<u>7,998,326</u>	<u>8,023,963</u>	<u>8,040,225</u>	<u>16,262</u>
<b>Budgetary expenditures:</b>				
Current:				
General government	2,782,889	3,200,941	2,754,771	(446,170)
Security of persons and property:				
Police	2,658,087	3,097,475	2,895,369	(202,106)
Fire	711,073	836,881	829,018	(7,863)
Leisure time activity	15,200	15,200	-	(15,200)
Utility services	112,868	132,359	128,435	(3,924)
Other	3,967	3,967	-	(3,967)
Capital outlay	1,267,625	1,467,408	1,316,482	(150,926)
Debt service:	-			
Principal retirement	73,000	73,000	73,000	-
Interest and fiscal charges	201,000	201,000	200,216	(784)
Total budgetary expenditures	<u>7,825,709</u>	<u>9,028,231</u>	<u>8,197,291</u>	<u>(830,940)</u>
Budgetary excess (deficiency) of revenues over (under) expenditures	<u>172,617</u>	<u>(1,004,268)</u>	<u>(157,066)</u>	<u>847,202</u>
<b>Budgetary other financing sources (uses):</b>				
Sale of capital assets	8,000	8,000	8,000	-
Advances in	283,000	283,000	-	(283,000)
Advances out	(597,500)	(597,500)	-	597,500
Transfers out	(984,500)	(984,500)	(480,151)	504,349
Total budgetary other financing sources (uses)	<u>(1,291,000)</u>	<u>(1,291,000)</u>	<u>(472,151)</u>	<u>818,849</u>
Net change in fund balances	(1,118,383)	(2,295,268)	(629,217)	1,666,051
<b>Budgetary fund balances at beginning of year</b>	5,949,415	5,949,415	5,949,415	-
<b>Prior year encumbrances appropriated</b>	274,594	274,594	274,594	-
<b>Budgetary fund balances at end of year</b>	<u>\$ 5,105,626</u>	<u>\$ 3,928,741</u>	<u>\$ 5,594,792</u>	<u>\$ 1,666,051</u>

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF VERMILION, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ROAD IMPROVEMENT LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget -</u>
			<u>Basis</u>	<u>Over (Under)</u>
				<u>Actual Amounts</u>
<b>Budgetary revenues:</b>				
Income taxes	\$ 1,617,335	\$ 1,760,500	\$ 1,789,394	\$ 28,894
Intergovernmental	100,000	1,146,835	1,046,835	(100,000)
Charges for services	1,050	1,050	1,050	-
Miscellaneous	64,315	64,315	64,314	(1)
Total budgetary revenues	<u>1,782,700</u>	<u>2,972,700</u>	<u>2,901,593</u>	<u>(71,107)</u>
<b>Budgetary expenditures:</b>				
Current:				
Transportation	2,486,917	3,533,752	3,412,586	(121,166)
Capital outlay	268,617	268,617	266,797	(1,820)
Debt service:				
Principal retirement	395,000	395,000	202,642	(192,358)
Interest	92,000	92,000	39,855	(52,145)
Total budgetary expenditures	<u>3,242,534</u>	<u>4,289,369</u>	<u>3,921,880</u>	<u>(367,489)</u>
Net change in fund balances	(1,459,834)	(1,316,669)	(1,020,287)	296,382
<b>Budgetary fund balances at beginning of year</b>	1,311,916	1,311,916	1,311,916	-
<b>Prior year encumbrances appropriated</b>	592,034	592,034	592,034	-
<b>Budgetary fund balances at end of year</b>	<u>\$ 444,116</u>	<u>\$ 587,281</u>	<u>\$ 883,663</u>	<u>\$ 296,382</u>

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF VERMILION, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY AND  
CITY PENSION CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) - TRADITIONAL PLAN

LAST TEN FISCAL YEARS

<b>Calendar Year (1)</b>	<b>City's Proportion of the Net Pension Liability</b>	<b>City's Proportionate Share of the Net Pension Liability</b>	<b>City's Covered Payroll</b>	<b>City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2024	0.021363000%	\$ 5,592,921	\$ 3,539,793	158.00%	79.01%
2023	0.021059000%	6,220,838	3,299,064	188.56%	75.74%
2022	0.021788000%	1,895,644	3,021,079	62.75%	92.62%
2021	0.021568000%	3,193,751	3,104,386	102.88%	86.88%
2020	0.021864000%	4,321,568	3,076,271	140.48%	82.17%
2019	0.022518000%	6,167,224	3,089,807	199.60%	74.70%
2018	0.022247000%	3,490,123	2,954,577	118.13%	84.66%
2017	0.023019000%	5,227,223	2,926,733	178.60%	77.25%
2016	0.022662000%	3,925,344	2,860,067	137.25%	81.08%
2015	0.020771000%	2,505,215	2,561,875	97.79%	86.45%

<b>Calendar Year</b>	<b>Contractually Required Contributions</b>	<b>Contributions in Relation to the Contractually Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>City's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2024	\$ 516,699	\$ (516,699)	\$ -	\$ 3,690,707	14.00%
2023	495,573	(495,573)	-	3,539,807	14.00%
2022	461,869	(461,869)	-	3,299,064	14.00%
2021	422,951	(422,951)	-	3,021,079	14.00%
2020	434,614	(434,614)	-	3,104,386	14.00%
2019	430,678	(430,678)	-	3,076,271	14.00%
2018	432,573	(432,573)	-	3,089,807	14.00%
2017	384,095	(384,095)	-	2,954,577	13.00%
2016	351,208	(351,208)	-	2,926,733	12.00%
2015	343,208	(343,208)	-	2,860,067	12.00%

(1) Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF VERMILION, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY AND  
CITY PENSION CONTRIBUTIONS  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN FISCAL YEARS

<b>Calendar Year (1)</b>	<b>City's Proportion of the Net Pension Liability</b>	<b>City's Proportionate Share of the Net Pension Liability</b>	<b>City's Covered Payroll</b>	<b>City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2024	0.046771400%	\$ 4,518,763	\$ 1,486,769	303.93%	63.63%
2023	0.046765500%	4,442,269	1,394,516	318.55%	62.90%
2022	0.047292800%	2,954,581	1,366,684	216.19%	75.03%
2021	0.048094900%	3,278,672	999,042	328.18%	70.65%
2020	0.049174700%	3,312,670	1,298,221	255.17%	69.89%
2019	0.049766000%	4,062,221	1,283,868	316.40%	63.07%
2018	0.050650000%	3,108,631	1,365,874	227.59%	70.91%
2017	0.048845000%	3,093,797	1,041,774	296.97%	68.36%
2016	0.050668000%	3,259,538	1,083,942	300.71%	66.77%
2015	0.050184000%	2,599,720	1,106,389	234.97%	71.71%

<b>Calendar Year</b>	<b>Contractually Required Contributions</b>	<b>Contributions in Relation to the Contractually Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>City's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<i>Police and Fire:</i>					
2024	\$ 318,362	\$ (318,362)	\$ -	\$ 1,656,631	19.22%
2023	286,283	(286,283)	-	1,486,769	19.26%
2022	264,958	(264,958)	-	1,394,516	19.00%
2021	259,670	(259,670)	-	1,366,684	19.00%
2020	189,818	(189,818)	-	999,042	19.00%
2019	246,662	(246,662)	-	1,298,221	19.00%
2018	243,935	(243,935)	-	1,283,868	19.00%
2017	259,516	(259,516)	-	1,365,874	19.00%
2016	197,937	(197,937)	-	1,041,774	19.00%
2015	205,949	(205,949)	-	1,083,942	19.00%

(1) Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF VERMILION, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY/(ASSET) AND  
CITY OPEB CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST EIGHT AND TEN FISCAL YEARS

<b>Fiscal Year (1) (2)</b>	<b>City's Proportion of the Net OPEB Liability/(Asset)</b>	<b>City's Proportionate Share of the Net OPEB Liability/(Asset)</b>	<b>City's Covered Payroll</b>	<b>City's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)</b>
2024	0.020324000%	\$ (183,429)	\$ 3,539,793	5.18%	107.76%
2023	0.020030000%	126,293	3,299,064	3.83%	94.79%
2022	0.020808000%	(651,738)	3,021,079	21.57%	128.23%
2021	0.020410000%	(363,620)	3,104,386	11.71%	115.57%
2020	0.020684000%	2,856,998	3,076,271	92.87%	47.80%
2019	0.021537000%	2,807,916	3,089,807	90.88%	46.33%
2018	0.021112000%	2,292,608	2,954,577	77.60%	54.14%
2017	0.021983000%	2,220,358	2,926,733	75.86%	54.05%

<b>Fiscal Year</b>	<b>Contractually Required Contributions</b>	<b>Contributions in Relation to the Contractually Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>City's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2024	\$ 1,974	\$ (1,974)	\$ -	\$ 3,690,707	0.05%
2023	1,739	(1,739)	-	3,539,807	0.05%
2022	491	(491)	-	3,299,064	0.01%
2021	129	(129)	-	3,021,079	0.00%
2020	135	(135)	-	3,104,386	0.00%
2019	-	-	-	3,076,271	0.00%
2018	-	-	-	3,089,807	0.00%
2017	30,149	(30,149)	-	2,954,577	1.02%
2016	60,974	(60,974)	-	2,926,733	2.08%
2015	58,970	(58,970)	-	2,860,067	2.06%

(1) Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

(2) Information prior to 2017 is not available. Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF VERMILION, OHIO**

**SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY AND  
CITY OPEB CONTRIBUTIONS  
OHIO POLICE AND FIRE (OP&F) PENSION FUND**

LAST EIGHT AND TEN FISCAL YEARS

<b>Fiscal Year (1) (2)</b>	<b>City's Proportion of the Net OPEB Liability</b>	<b>City's Proportionate Share of the Net OPEB Liability</b>	<b>City's Covered Payroll</b>	<b>City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2024	0.046771400%	\$ 341,492	\$ 1,486,769	22.97%	51.89%
2023	0.046765500%	332,957	1,394,516	23.88%	52.59%
2022	0.047292800%	518,370	1,366,684	37.93%	46.86%
2021	0.048094900%	509,573	999,042	51.01%	45.42%
2020	0.049174700%	485,734	1,298,221	37.42%	47.08%
2019	0.049766000%	453,196	1,283,868	35.30%	46.57%
2018	0.050650000%	2,869,775	1,365,874	210.11%	14.13%
2017	0.048845000%	2,318,560	1,041,774	222.56%	15.96%

<b>Fiscal Year</b>	<b>Contractually Required Contributions</b>	<b>Contributions in Relation to the Contractually Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>City's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<i>Police and Fire:</i>					
2024	\$ 8,283	\$ (8,283)	\$ -	\$ 1,656,631	0.50%
2023	7,435	(7,435)	-	1,486,769	0.50%
2022	6,973	(6,973)	-	1,394,516	0.50%
2021	6,833	(6,833)	-	1,366,684	0.50%
2020	4,995	(4,995)	-	999,042	0.50%
2019	8,858	(8,858)	-	1,298,221	0.50%
2018	6,419	(6,419)	-	1,283,868	0.50%
2017	6,829	(6,829)	-	1,365,874	0.50%
2016	5,209	(5,209)	-	1,041,774	0.50%
2015	5,420	(5,420)	-	1,083,942	0.50%

(1) Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

(2) Information prior to 2017 is not available. Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## CITY OF VERMILION, OHIO

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 1 - BUDGETARY PROCESS

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The schedule of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and the major special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis is as follows:

#### Net Change in Fund Balance

	<u>General fund</u>	Road Improvement <u>Levy Fund</u>
Budget basis	\$ (629,217)	\$ (1,020,287)
Net adjustment for revenue accruals	213,660	(20,063)
Net adjustment for expenditure accruals	(176,431)	(1,030)
Net adjustment for other sources/uses	125,000	-
Funds budgeted elsewhere	85,663	-
Adjustments for encumbrances	<u>1,336,539</u>	<u>807,029</u>
GAAP Basis	<u>\$ 955,214</u>	<u>\$ (234,351)</u>

As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund. This includes the pool donation fund, the playground donation fund, the retirement liability fund, the street openings fund, the contractors' deposits fund, and unclaimed funds.



## CITY OF VERMILION, OHIO

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB)

##### PENSION

###### *OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

###### *Change in benefit terms:*

- There were no changes in benefit terms from the amounts reported for 2015.
- There were no changes in benefit terms from the amounts reported for 2016.
- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.
- There were no changes in benefit terms from the amounts reported for 2024.

###### *Change in assumptions:*

- There were no changes in assumptions for 2015.
- There were no changes in assumptions for 2016.
- For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25%, (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75% and (d) COLA for post 1/7/2013 retirees were changed to 3.00%, simple through 2018, then 2.15% simple.
- There were no changes in assumptions for 2018.
- For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.
- For 2020, COLA for post 1/7/2013 retirees were changed to 1.40%, simple through 2020, then 2.15% simple.
- For 2021, COLA for post 1/7/2013 retirees were changed to 0.50%, simple through 2021, then 2.15% simple.
- For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) wage inflation was changed from 3.25% to 2.75%, (b) future salary increases, including inflation were changed from 3.25%-10.75% to 2.75%-10.75%, (c) COLA for post 1/7/2013 retirees were changed 3.00%, simple through 2022, then 2.05% simple and (d) the actuarially assumed rate of return was changed from 7.20% to 6.90%.
- For 2023, COLA for post 1/7/2013 retirees were changed to 3.00%, simple through 2023, then 2.05% simple.
- For 2024, COLA for post 1/7/2013 retirees were changed to 2.30%, simple through 2024, then 2.05% simple.

###### *OHIO POLICE AND FIRE (OP&F) PENSION FUND*

###### *Change in benefit terms:*

- There were no changes in benefit terms from the amounts reported for 2015.
- There were no changes in benefit terms from the amounts reported for 2016.
- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.

## CITY OF VERMILION, OHIO

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.
- There were no changes in benefit terms from the amounts reported for 2024.

#### *Changes in assumptions:*

- There were no changes in assumptions for 2015.
- There were no changes in assumptions for 2016.
- There were no changes in assumptions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.25% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.
- There were no changes in assumptions for 2019.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.
- For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the actuarially assumed rate of return was changed from 8.00% to 7.50%.
- For 2023, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the mortality rates were changed from the RP-2014 Total Employee and Healthy Annuitant mortality tables to various Pub-2010 mortality tables using the MP-2021 Improvement Scale.
- There were no changes in assumptions for 2024.

#### **OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

#### *OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

#### *Change in benefit terms:*

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.
- There were no changes in benefit terms from the amounts reported for 2024.

## CITY OF VERMILION, OHIO

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

##### *Change in assumptions:*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) the investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.50%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.16% up to 6.00%, (b) the municipal bond rate was decreased from 2.75% up to 2.00% and (c) the health care cost trend rate was decreased from 10.50%, initial/3.50%, ultimate in 2030 down to 8.50%, initial/3.50% ultimate in 2035.
- For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) wage inflation changed from 3.25% to 2.75%, (b) projected salary increases, including inflation changed from 3.25%-10.75% to 2.75%-10.75%, (c) the municipal bond rate was changed from 2.00% to 1.84% and (d) the health care cost trend rate was changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.
- For 2023, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 6.00% to 5.22%, (b) the municipal bond rate was changed from 1.84% to 4.05% and (c) the health care cost trend rate was changed from 5.50% initial, 3.50% ultimate in 2034 to 5.50% initial, 3.50% ultimate in 2036.
- For 2024, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the single discount rate changed to 5.70%, (b) the municipal bond rate was changed to 3.77% and (c) the health care cost trend rate was changed to 5.50% initial, 3.50% ultimate in 2038.

##### *OHIO POLICE AND FIRE (OP&F) PENSION FUND*

##### *Change in benefit terms:*

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.
- There were no changes in benefit terms from the amounts reported for 2024.

## CITY OF VERMILION, OHIO

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2024

#### NOTE 2 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

##### *Change in assumptions:*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) investment rate of return was reduced from 8.25% to 8.00%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66% and (b) the municipal bond rate was increased from 3.16% to 4.13%.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 4.66% up to 3.56% and (b) the municipal bond rate was decreased from 4.13% to 2.75%.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.56% down to 2.96% and (b) the municipal bond rate was decreased from 2.75% to 2.12%.
- For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the investment rate of return was changed from 8.00% to 7.50%, (b) the discount rate was changed from 2.96% to 2.84% and (c) the municipal bond rate was decreased from 2.12% to 2.05%.
- For 2023, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was changed from 2.84% to 4.27% and (b) the municipal bond rate was increased from 2.05% to 3.65%.
- For 2024, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was changed to 4.07% and (b) and the municipal bond rate was changed to 3.38%.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Vermilion  
Erie County  
5511 Liberty Avenue  
Vermilion, Ohio 44089

To the Members of the City Council:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Vermilion, Erie County, (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 20, 2025. We noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

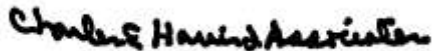
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
June 20, 2025

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF VERMILION**

**ERIE COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 11/6/2025**

65 East State Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)