

CITY OF VANDALIA  
MONTGOMERY COUNTY, OHIO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2003

Issued by:  
Linda Chapman  
Finance Director

Prepared by:  
Lori Koch  
Deputy Finance Director





**Auditor of State  
Betty Montgomery**

City Council  
City of Vandalia  
Vandalia, Ohio

We have reviewed the Independent Auditor's Report of the City of Vandalia, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

July 28, 2004

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City of Vandalia  
 Montgomery County, Ohio  
 Comprehensive Annual Financial Report  
 For the Year Ended December 31, 2003

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333 James E. Bohanan Memorial Drive  
Vandalia, Ohio 45377  
(937) 898-5891

May 21, 2004

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

I am pleased to present the fifteenth Comprehensive Annual Financial Report (CAFR) for the City of Vandalia. This report, for the year ended December 31, 2003, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of the City of Vandalia ("the City"). The responsibility for the accuracy and completeness of all data presented, and the fairness of the presentation, rests with the City, specifically with the City Finance Director's office.

This CAFR is divided into three sections as follows:

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

### CITY OVERVIEW

The City of Vandalia is located in Western Ohio, just north of Dayton. Long recognized as the intersection of our nation's major coast to coast highways and as the site of Dayton International Airport, the City of Vandalia is, literally, the nucleus of a region that has become renown for its convenient access to the entire world.

In 1848, incorporation papers were filed to establish the Village of Vandalia, with 200 residents. In 1958, Vandalia was incorporated as a City, and adopted its charter in 1960, pursuant to Section 7 of Article XVIII of the Ohio Constitution.

## CITY ORGANIZATION AND REPORTING ENTITY

The current charter provides for a Council/Manager form of government. The Mayor and the council are elected by separate ballot from the municipality at large for four-year terms. As a council member, the Mayor has the right to vote on all issues before the council. Council appoints the City Manager. The City Manager appoints all department managers of the City.

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

The primary government consists of all funds and departments which provide various services including police and fire protection, garbage disposal, sewage collection and treatment, water treatment and distribution, street maintenance and repair, parks and recreation, planning, zoning, and maintenance of a staff to provide support services (i.e., payroll processing and accounts payable). Council and the City Manager have direct responsibility for these activities.

Component units are organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves their budget, the issuance of their debt or the levying of their taxes. Currently, the City does not have any component units.

The City is associated with the Tri-Cities North Regional Wastewater Authority (Tri-Cities) and the Northern Area Water Authority (NAWA), which are defined as joint ventures. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. These organizations are presented in Note 14.

The City also participates in the Miami Valley Risk Management Association, Inc. (MVRMA), a risk sharing insurance pool, which provides liability insurance coverage to the City. The pool consists of seventeen municipalities who pool risk for property, crime, liability, boiler and machinery and public official liability.

The City is also a member of the Economic Development/Government Equity Program (ED/GE), a jointly governed organization which promotes developing plans and programs designed to assure that County resources are efficiently used, economic growth is properly balanced, and that county economic development is coordinated with that of the State of Ohio and other local governments. This organization is presented in Note 15.

## ITEMS OF LOCAL INTEREST

### Parks and Recreation

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

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

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

## Culture and Education

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

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

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

## Transportation

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

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

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

## ECONOMIC CONDITIONS AND OUTLOOK

During the last few years some Ohio communities have witnessed either an economic decline or an economic plateau; while some have managed to see a small economic increase. The City has experienced an economic plateau in recent years, however, the City continues to strive for innovative ways to attract new businesses to Vandalia. In September of 2003, the City was awarded the *Council's Promotional Award*, an award for communities with populations under 50,000, at the International Economic Development Conference in Cincinnati, Ohio. This award was presented to the City of Vandalia for its quality of life video entitled, "*Keeping the American Dream Alive.*"

The City has gained a few new businesses, and some of the employers located within the City have expanded operations. These additions/expansions have helped the City maintain its economic stability.

The City has not lost any major employers in recent years, however, early in 2003, the City's largest employer, Delphi Safety and Interiors, a manufacturer of air bags, door modules, steering wheels, door panels and power products, announced a permanent layoff of 200 workers. Even with this layoff, Delphi continues to be the City's largest employer. The City continues to monitor the situation with Delphi and is working vigorously to replace revenue lost by the downsizing of the Delphi corporation.

During 2003, the Northwoods Business Park, the Shoppes at Northwoods, continued to do well. In January, 2003, A.F. Leis Company, a manufacturer of artificial joints and orthopedic surgical kits, took occupation of their new building on Northwoods Boulevard and began staffing the new facility. The development company for the Northwoods Business Park continues to work hard to secure leases from additional merchants and manufacturers.

The City's application for an Economic Development/Governmental Equity (ED/GE) grant on behalf of the Eurand Corporation, was approved during 2003. The grant will be for \$180,000 to support the location of the corporation's "quick dissolve" product manufacturing in Vandalia. The grant will prevent the loss of 10 jobs and create 12 additional jobs at the Vandalia plant.

TriCom Marketing and Communications moved into their new building at 1200 Industrial Park Drive during 2003. The two story building contains 35,000 square feet and houses 26 employees. TriCom Marketing and Communications is a full-service advertising firm specializing in business-to-business marketing with sales offices in Hawaii, Dallas and Belgium.

During 2003, housing subdivisions continued to grow in the City, including, Brown School Woods, and Ashbury Farms. Also during the latter part of 2003, construction began in the newest subdivision of the City, Copperfield subdivision, which will have 117 houses available for occupancy within the next two to three years. The houses in these new subdivisions range from \$165,000 to \$225,000.

During the next six years, the I-70/I-75 interchange will be undergoing major reconstruction. This project has a direct impact on the City due to the location of the City to the new interchange and the added benefits of a safer, more modern and efficient crossroad. The new interchange will be able to accommodate increased traffic flow and eliminate weaving of traffic at the interchange. Studies related to this project show a major growth in housing, retail locations and office space at the newly opened freeway interchange. The new interchange will easily accommodate the increased traffic and keep goods, services and people moving. All of these factors will enhance the quality of life within the City and promote economic development and growth for the City as a whole.

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

## MAJOR INITIATIVES

During 2003, the City's Technology Planning Group (TPG), continued to meet and tackle the task of upgrading computer equipment and software throughout the City. The implementation and roll over for the computer upgrades was completed in early 2003. The TPG continues to meet monthly to discuss and solve other technology issues and problems that may be encountered City-wide.

Also during 2003, the City Municipal Building received much needed improvements to the ventilating, heating and cooling system. The improvements consisted of constructing and installing a new heating, ventilation, and air conditioning unit and the purchase of the necessary equipment and appurtenances. The City issued a \$295,000 general obligation note in May of 2003, which was repaid in May of 2004.

The Northern Area Water Authority, a joint venture between the Cities of Vandalia and Tipp City, continued to be very busy with the planning and financing of the joint water treatment plant during 2003. There have been some setbacks in the engineering and design phase of the project which have caused delays in the construction phase. The Cities hope to begin construction in mid to late 2004 and be in operation by late 2005 or early 2006.

During 2003, the City of Vandalia continued to contract with the Cities of Englewood and Brookville to act as their agent for the purpose of administering their tax ordinances and collecting their City income taxes by the authority of those ordinances. The three Cities are in discussions to form a joint income tax collection agency. The hope is that this joint venture will be under way by late 2004.

## FINANCIAL INFORMATION

### Internal Control Structure and Budgetary Controls

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

does not exceed the benefit expected to be derived from their implementation. This evaluation involves estimates and judgment by the City administration and members of the finance office. The administrative and financial management personnel believe that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

Budgetary control is maintained by the encumbrance of purchase amounts prior to the release of purchase orders to vendors. Purchase orders are not issued when insufficient appropriations preclude the encumbrance of the amount of the purchase. Each department head is furnished a monthly report showing the month's transactions and summarizing the balances available to be spent from the appropriations for goods and services.

### Financial Condition

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

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

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

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

As part of this new reporting model, management is responsible for preparing a Management's Discussion and Analysis of the City. This discussion begins the financial section of this report, providing an assessment of the City finances for 2003.

### Cash Management

In August 1994, the City adopted a new investment policy and hired BondTech, Inc. as an investment consultant. With the guidance of BondTech, the City continues to pursue an aggressive cash management program by expediting the receipt of revenues and prudently investing available cash pursuant to the City's investment policy. The total interest earned by the City's governmental and proprietary funds was \$288,725 for the year ended December 31, 2003, which represents an annual interest yield of only 1.33 percent of the total receipts for the year. A majority of the City's deposits are collateralized by pooled collateral. By law, financial institutions may establish a collateral pool to cover all public deposits. The market value of the pooled collateral must equal at least 105 percent of the public funds on deposit. The collateral is held by trustees, including the Federal Reserve Bank and designated third party trustees of the financial institutions. The City regularly reviews the market value of the pool to insure that adequate collateral is being provided.

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

## Risk Management

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

The City is self insured for medical, dental, vision and prescription drug benefits for employees. A self-insurance internal service fund received \$14,760 per employee during 2003, from the other funds as a "premium." All claims are reviewed by a third party administrator and are paid by the City from money in the Hospital Care Internal Service Fund. The City purchases stop-loss insurance that reimburses the fund for claims exceeding \$30,000 per person per year.

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

## OTHER INFORMATION

### Independent Audit

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

### Awards

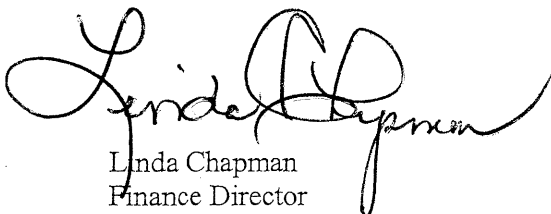
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Vandalia, Ohio, for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2002. This was the fourteenth year that the government has received this prestigious award. The City is especially proud of this accomplishment since 2002 was also the third year that the City issued statements in conformity with GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments."

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### Acknowledgments

Sincere appreciation is extended to the many people who have contributed their time and effort to prepare this report. The Finance Department Staff is to be commended for their input and commitment. I would also like to express appreciation to the City Engineer's office for their continued effort in helping gather the infrastructure information presented in the report. Finally, I would like to express appreciation to Ms. Betty Montgomery, Auditor of State, and her Local Government Services staff for their guidance and assistance in preparing this report.



Linda Chapman  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Vandalia,  
Ohio

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

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



President

Executive Director

City of Vandalia  
Montgomery County, Ohio  
List of Principal Officials  
December 31, 2003

ELECTED OFFICIALS

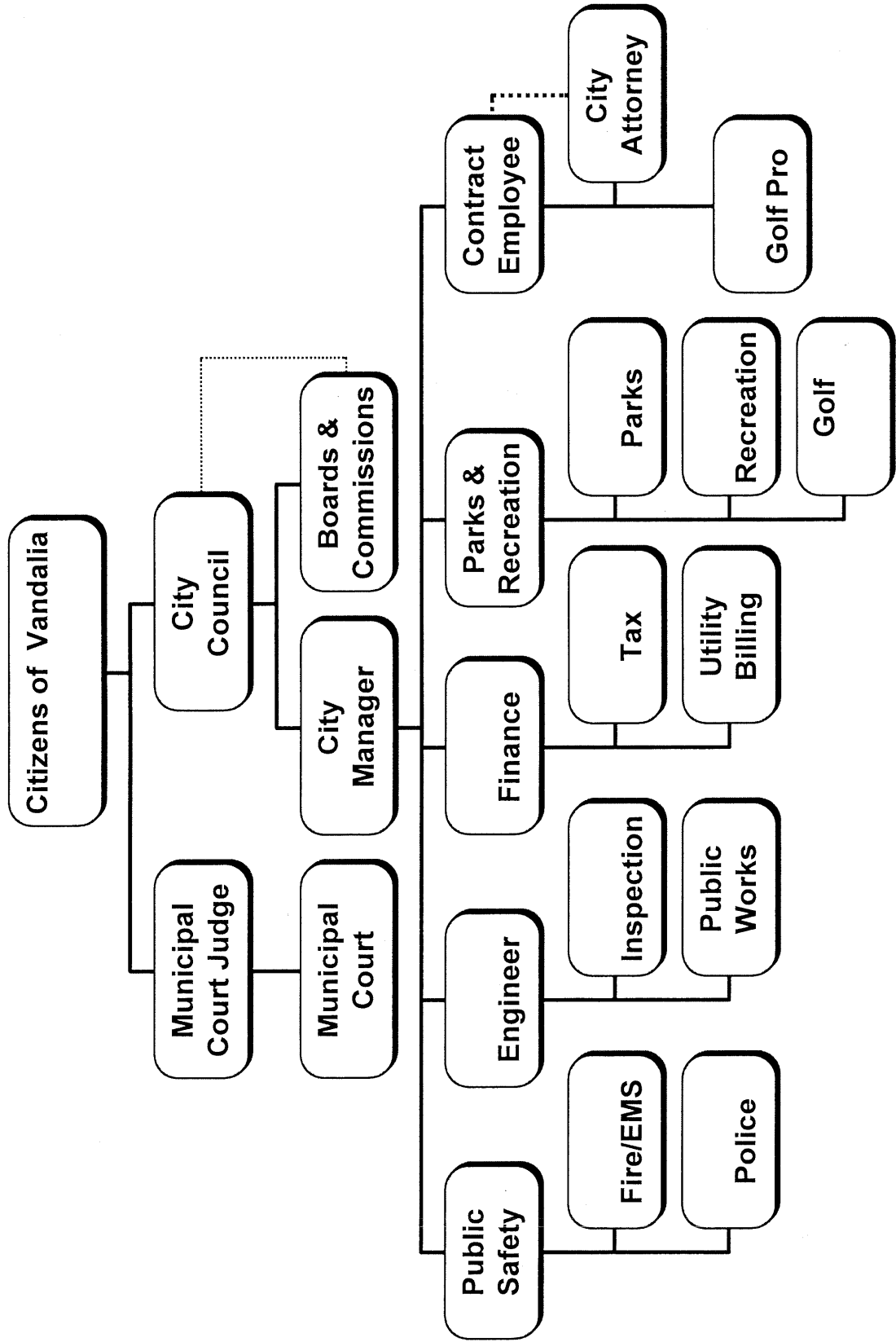
MAYOR	William Loy
VICE MAYOR	Candice Farst
COUNCIL MEMBERS	Mike Blakesly H. David Brusman Jr. Dave Gerhard David Lewis Joyce Orange

APPOINTED OFFICIALS

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



# City of Vandalia, Ohio Organization Chart - 2003



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# Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

## Independent Auditor's Report

City Council  
City of Vandalia  
333 James E. Bohanan Memorial Drive  
Vandalia, Ohio 45377

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vandalia, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 21, 2004 on our consideration of the City of Vandalia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The City of Vandalia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clark, Schaefer, Hackett + Co.*  
Springfield, Ohio  
May 21, 2004

City of Vandalia  
Montgomery County, Ohio  
Management's Discussion and Analysis  
For The Year Ended December 31, 2003  
(Unaudited)

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Vandalia's discussion and analysis of the annual financial reports provides a review of the financial performance for the year ended December 31, 2003.

## **FINANCIAL HIGHLIGHTS**

- The City's total net assets remained fairly constant during 2003, reflecting a decrease of \$0.9 million. Of this slight decrease, net assets of governmental activities accounted for (\$2.3) million, mainly for the general fund's cash balance decreasing, while net assets of business-type activities increased by \$1.4 million, mainly due to capital contributions from developers, especially in the sewer fund.
- The general fund transfers out equaled \$2.6 million. \$1.5 million in transfers for capital acquisitions, repairs and equipment, and \$1.1 million for debt service obligations.
- Business-type operations reflected a small operating loss, however business-type unrestricted net assets are a healthy \$8.2 million.

## **USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Vandalia's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

## **REPORTING THE CITY AS A WHOLE**

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

The analysis of the City as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine if the City of Vandalia is financially better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

City of Vandalia  
Montgomery County, Ohio  
Management's Discussion and Analysis  
For The Year Ended December 31, 2003  
(Unaudited)

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These two statements report the City's net assets and changes to those assets. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements need to take into account non-financial factors that also impact the City's financial well being. Some of these factors include the City's tax base and the condition of capital assets.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities.

- **Governmental Activities** – Most of the City's services are reported here including police, fire, public works, recreation, judicial, and legislative and executive.
- **Business-Type Activities** – These services include sewer, water and golf. Service fees for these operations are charged based upon the amount of usage or a usage fee. The intent is that the fees charged recoup operational costs.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### *Fund Financial Statements*

The analysis of the City's major funds begins on page 9. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with approval of council, to help control, manage and report money received for a particular purpose or to show that the City is meeting legal responsibilities for use of grants. The City of Vandalia's major funds are general, capital improvement, golf, sewer and water.

**Governmental Funds** – Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary Funds** – When the City charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. Internal service funds are used to report activities that provide services to the City's other funds and departments.

City of Vandalia  
Montgomery County, Ohio  
Management's Discussion and Analysis  
For The Year Ended December 31, 2003  
(Unaudited)

**Fiduciary Funds** - The City is the fiscal agent for the Tri-Cities North Regional Wastewater Treatment Authority (Tri-Cities), and is responsible for the investment of Tri-Cities funds. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**THE CITY AS A WHOLE**

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2003 compared to 2002.

Table 1  
Net Assets  
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<b>Assets</b>						
Current And Other Assets	\$22.2	\$23.2	\$2.6	\$2.8	\$24.8	\$26.0
Capital Assets, Net	43.3	44.3	17.2	15.8	60.5	60.1
Investment in Joint Venture	0.0	0.0	6.1	6.0	6.1	6.0
<b>Total Assets</b>	<b>65.5</b>	<b>67.5</b>	<b>25.9</b>	<b>24.6</b>	<b>91.4</b>	<b>92.1</b>
<b>Liabilities</b>						
Current and Other Liabilities	3.6	2.9	0.5	0.6	4.1	3.5
Long-Term Liabilities:						
Due within One Year	1.0	0.9	0.0	0.0	1.0	0.9
Due in More Than One Year	11.7	12.2	0.0	0.0	11.7	12.2
<b>Total Liabilities</b>	<b>16.3</b>	<b>16.0</b>	<b>0.5</b>	<b>0.6</b>	<b>16.8</b>	<b>16.6</b>
<b>Net Assets</b>						
Invested in Capital Assets Net of Related Debt	31.6	32.2	17.2	15.8	48.8	48.0
Restricted:						
Other Purposes	1.4	1.3	0.0	0.0	1.4	1.3
Debt Services	0.4	0.4	0.0	0.0	0.4	0.4
Capital Projects	2.8	4.5	0.0	0.0	2.8	4.5
Unrestricted	13.0	13.1	8.2	8.2	21.2	21.3
<b>Total Net Assets</b>	<b>\$49.2</b>	<b>\$51.5</b>	<b>\$25.4</b>	<b>\$24.0</b>	<b>\$74.6</b>	<b>\$75.5</b>

As displayed in Table 1, total net assets of the City as a whole, decreased \$0.9 million from 2002 to 2003. Equity in pooled cash and cash equivalents decreased, especially in the general fund. This was due to the City spending more in 2003 than what it took in as revenue.

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Total net assets of the City's governmental activities decreased by \$2.3 million, and unrestricted net assets decreased \$0.1 million from 2002 to 2003. Even though unrestricted net assets remained fairly constant, unrestricted funds continue to be used for funding various capital projects, especially street related projects such as Mulberry Road, and traffic signal construction.

The net assets of the City's business type activities increased by \$1.4 million, and only the golf fund reported an operating loss during 2003. In 2002, business type activities increased only slightly and all three enterprise funds reported an operating loss. Current assets, as well as current liabilities remained constant from 2002 to 2003. Capital assets, net also remained constant in the golf and water funds during 2003, however, the sewer fund experienced an increase due to capital contributions from developers. The City also had an increase in its investment in the joint venture from 2002 to 2003. The City strives to control operation expenses for business-type activities in order to maintain stability in charges for services rates.

Table 2 shows the changes in net assets for the year ended December 31, 2003, and revenue and expense comparisons to 2002.

Table 2  
Changes in Net Assets  
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues						
Program Revenues:						
Charges for Services	\$3.7	\$3.2	\$3.6	\$3.5	\$7.3	\$6.7
Operating Grants, Contributions and Interest	0.8	0.6	0.0	0.0	0.8	0.6
Capital Grants and Contributions	0.4	0.4	0.0	0.3	0.4	0.7
Total Program Revenues	<u>4.9</u>	<u>4.2</u>	<u>3.6</u>	<u>3.8</u>	<u>8.5</u>	<u>8.0</u>
General Revenues:						
Property Taxes	1.8	1.6	0.0	0.0	1.8	1.6
Income Taxes	9.9	11.2	0.0	0.0	9.9	11.2
Grants and Entitlements	0.8	0.9	0.0	0.0	0.8	0.9
Other	0.5	0.9	0.1	0.5	0.6	0.0
Total General Revenues	<u>13.0</u>	<u>14.6</u>	<u>0.1</u>	<u>0.5</u>	<u>13.1</u>	<u>15.1</u>
Total Revenues	<u>17.9</u>	<u>18.8</u>	<u>3.7</u>	<u>4.3</u>	<u>21.6</u>	<u>23.1</u>

(Continued)



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Changes in Net Assets  
(In Millions)  
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Program Expenses:						
General Government						
Legislative and Executive	\$3.4	\$2.9	\$0.0	\$0.0	\$3.4	\$2.9
Judicial System	1.5	1.5	0.0	0.0	1.5	1.5
Public Safety						
Police	4.0	3.9	0.0	0.0	4.0	3.9
Fire	1.6	1.9	0.0	0.0	1.6	1.9
Public Works						
Engineer	0.7	0.7	0.0	0.0	0.7	0.7
Streets	2.9	2.3	0.0	0.0	2.9	2.3
Refuse	0.6	0.7	0.0	0.0	0.6	0.7
Recreation	3.5	3.4	0.0	0.0	3.5	3.4
Interest and Fiscal Charges	0.7	0.7	0.0	0.0	0.7	0.7
Golf	0.0	0.0	1.2	1.2	1.2	1.2
Sewer	0.0	0.0	0.8	1.4	0.8	1.4
Water	0.0	0.0	1.6	1.7	1.6	1.7
Total Expenses	<u>18.9</u>	<u>18.0</u>	<u>3.6</u>	<u>4.3</u>	<u>22.5</u>	<u>22.3</u>
Excess (Deficiency) Before Transfers	(1.0)	0.8	0.1	0.0	(0.9)	0.8
Transfers	(1.3)	(0.1)	1.3	0.1	0.0	0.0
Increase (Decrease) in Net Assets	<u>(\$2.3)</u>	<u>\$0.7</u>	<u>\$1.4</u>	<u>\$0.1</u>	<u>(\$0.9)</u>	<u>\$0.8</u>

**Governmental Activities**

Property tax revenues increased \$0.2 million from 2002 to 2003. Even though the City's overall assessed value reflected a slight decrease in 2003, assessed values for real property increased from \$310 million in 2002 to \$317 million in 2003, resulting in an overall increase in property taxes for the current year.

The 1.75% income tax is the largest source of revenue for the City of Vandalia. The above table reflects a decrease in income tax revenue of \$1.3 million from 2002 to 2003. A portion of the decrease is a result of the overall lackluster economy. Cash receipts of income tax revenue are expected to rebound as increased revenues will be generated from new and expanded businesses within the City. Income tax revenue also reflected a decrease during 2003 due to a large increase in the allowance for uncollectible accounts from 2002 to 2003.

Charges for services increased \$0.5 million during 2003. This increase can be credited to revenues generated from charging the Cities of Englewood and Brookville for fiscal services for collecting their income taxes for them. Also, the City began charging for ambulance services during the second quarter of 2003.

General government program expenses increased \$0.5 million during 2003 as a result of increased personnel and operation costs for collecting income taxes for the Cities of Englewood and Brookville. As mentioned above, these added costs were offset by an increase in charges for services.

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Public safety, public works and recreation program expenses remained fairly consistent during 2003. This consistency resulted from management's conscious decision to try and cut expenses through tightened budgets while still providing the quality of life of which the citizens and businesses located in the City have become accustomed.

Program expenses for 2003 were as follows:	General Government	25.93%
	Public Safety	29.63%
	Public Works	22.22%
	Recreation	18.52%
	Interest and Fiscal Charges	3.70%
	Total	<u>100.00%</u>

As indicated by governmental program expenses, citizen safety and well being is emphasized as well as maintaining the City's streets and other infrastructure. Recreation programs and facilities are considered an integral part of the quality of life factor.

When looking at the sources of income on Table 2 used to support governmental activities, it should be noted that charges for services are 20.91 percent of revenue. Revenues provided by sources other than City residents in the form of operating and capital grants comprise another 6.45 percent and other revenue and unrestricted grants and entitlements accounted for 7.26 percent. The remaining revenues are primarily generated locally through property taxes, 9.97 percent and income taxes, 55.41 percent. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they and previous councils have always been committed.

***Business-Type Activities***

The City's business-type activities include golf, sewer and water.

**Golf** - Vandalia's Cassel Hills Golf Course is an 18-hole golf course with a restaurant and snack bar. In 1997 the course was voted as "best in the valley" by Dayton Daily Newsreaders and in 2003 received a four-star ranking by *Golf Digest*. Vandalia was one of the first smaller cities in the Miami Valley to have a municipal golf course. As a result, public expectation has been that a public course should have lesser fees than a private golf course. In 2003, there were approximately 35,000 rounds of golf played. Vandalia's councils have, for the most part, agreed with the expectation of lower fees and have been willing to subsidize operations of the course with transfers and advances from the general fund when necessary.

**Sewer** - The City closed their wastewater treatment facility in 1985. Vandalia then contracted with the Miami Conservancy District for wastewater treatment services. In 1996, the Conservancy District decided they no longer wanted to furnish this service. A joint venture was formed between the Cities of Vandalia, Huber Heights and Tipp City to take over the Conservancy District operation. The joint venture now furnishes waste water treatment services to each city. Each city owns and maintains the infrastructure necessary to furnish service to their citizens. All capital repairs and upkeep of the treatment plant are the responsibility of the joint venture. The joint venture in turn will set costs of service for the cities, based on flow, to maintain the plant. The City of Vandalia, will in turn, charge its citizens accordingly. At this time, any capital outlay needed to maintain Vandalia's sewer infrastructure would be provided from income tax revenues.

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**Water** – The City of Vandalia closed their water treatment plant in 1970 and contracted with the City of Dayton to furnish water to the residents of Vandalia. Vandalia owns, maintains and repairs all lines and pumping stations as needed. The City of Vandalia bases increases in water rates upon the rates the City of Dayton charges, and other operational charges associated with maintaining infrastructure and service. The last rate increase was October 1998. In March, 2002, the City entered into a joint venture with the City of Tipp City to build a water treatment plant. Per the engineer and design rate study, water rates will be increased as necessary to fund this joint venture.

Overall, the City's business-type activities generated \$3.6 million in program revenues during 2003, program expenses were also \$3.6 million. Expenses in the business-type activities decreased \$0.7million during 2003 as compared to 2002, and program revenues decreased only \$0.2 million. Other revenue experienced a decrease during 2003, due to a decrease in the revenue amount from the investment in joint venture. Total expenses for business-type activities decreased in 2003 because of a decrease in expenses relating to non-capital type of projects going on during the year.

### **THE CITY'S FUNDS**

Information about the City's major governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. Governmental funds had total revenues of \$18.1 million and expenditures of \$19.9 million. The general fund balance decreased \$195,142 from 2002 to 2003. Within the general fund, revenues exceeded expenditures by \$2.4 million. Transfers to other funds such as the capital improvement fund, and the general obligation debt service fund equaled \$2.6 million. The funds transferred were used for capital assets, improvements, repairs, and debt.

The capital improvement fund balance decreased by \$1,529,086. Fund balance at December 31, 2003, was \$2,531,598, of which \$1,798,627 was encumbered. Encumbrances are primarily for street related projects (\$0.4 million), water projects (\$0.5 million), and sewer projects (\$0.7 million), with the remaining encumbrances being for equipment and vehicle purchases as well as other improvements (\$0.2 million). All other governmental fund balances decreased slightly during 2003.

Only the golf fund reflects an operating loss for 2003. Unrestricted net assets may not be sufficient to sustain the losses. The City will provide transfers and advances from the general fund as necessary to cover negative balances.

The golf activity's operating loss of \$190,713 is attributable to continually increasing costs for contractual services related to repair and maintenance of the facility with no increases in fees charged. The Golf course is intended to be operated as a business-type activity, however, historically, council has not set fees adequate to cover all operating expenses. Even though this operation periodically receives governmental support, it is reflected as a business-type activity. Council has recently approved a new fee schedule for the golf course operations, and is hopeful that the golf fund will begin to realize an upswing in the near future.

Charges for services for sewer and water services have historically been established to ensure that on a cash basis, fees are adequate to cover operations. Council has not set fees with the intention of funding capital improvements, however, capital items are charged to the enterprise funds when fiscally feasible. Only the sewer fund on the statement of cash flows reflected a net cash decrease in 2003. This occurred due to maintenance to infrastructure during 2003, as well as an increase in costs for operations. The golf

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and water funds had a net cash decrease in 2002, but, they reflect an increase for 2003. However, the golf fund has an outstanding advance due to the general fund.

***General Fund Budgeting Highlights***

The City's budget is adopted on a fund basis. Before the budget is adopted council reviews the detailed work papers of each function within the general fund, and then adopts the budget on a fund basis.

During 2003, there were two revisions to the general fund budget. These revisions are reflected on the statement of revenues, expenditures and fund balances for the general fund on page 20. Within each departmental function, a department head may make small line item adjustments within their budget, as long as the total operation and maintenance amount does not exceed their original budget allowance.

Original general fund budgeted revenues were decreased \$1.8 million, from \$17.8 million to the final budgeted amount of \$16.0 million. Several factors contributed to this difference, an expected decrease in income tax revenue, timing of property tax collections, a smaller increase in charges for services than what was expected, and decreased interest revenue. Some of these decreases in budgeted revenue were off set somewhat by slight increases in licenses and permits, intergovernmental and other revenue. The general fund also reported a \$0.4 million advance out to other funds.

Original general fund expenditures did not differ significantly from the final budgeted amount of \$17.0 million. The main cause for the increase in budgeted expenditures was for costs related to collecting income taxes for the Cities of Englewood and Brookville. Appropriations are adopted based upon anticipated revenues. However, there were some capital items such as street and building maintenance and improvements that arose during 2003 that could not be delayed. The continued increase in health care costs during 2003 also put an additional strain on the City's budget. A portion of the general fund beginning cash balance was used to cover these costs.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

Table 3  
Capital Assets  
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$4.7	\$4.7	\$0.1	\$0.1	\$4.8	\$4.8
Building and Improvements	21.4	21.7	1.7	1.8	23.1	23.5
Equipment	4.8	5.1	0.5	0.5	5.3	5.6
Vehicles	0.9	1.1	0.2	0.2	1.1	1.3
Infrastructure	11.5	11.7	14.7	13.2	26.2	24.9
<b>Totals</b>	<b>\$43.3</b>	<b>\$44.3</b>	<b>\$17.2</b>	<b>\$15.8</b>	<b>\$60.5</b>	<b>\$60.1</b>

Capital assets, net, in governmental activities decreased during 2003 as a result of limited funds available for capital related projects during 2003. This, along with depreciation expense applied for the year, netted to an overall decrease in governmental capital assets. Infrastructure for business-type activities had an

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increase of \$1.5 million due to the addition of sewer lines and connections along Mulberry Road. See Note 8 of the notes to the basic financial statements for more detailed information on capital assets.

**Debt**

At December 31, 2003, the City of Vandalia had \$11.9 million in unvoted general obligation and special assessment bonds, loans and notes.

Table 4  
Outstanding Debt at Year End

	Governmental Activity	
	2003	2002
Unvoted General Obligation Bonds:		
Street improvement Bonds	\$5,746	\$8,618
Various Purpose Improvements Bonds	11,485,000	11,885,000
Special Assessment Street Improvement Bonds	84,254	126,382
Loan Payable	61,971	123,942
Note Payable	295,000	0
<b>Total</b>	<b>\$11,931,971</b>	<b>\$12,143,942</b>

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

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

The City's overall legal debt margin was \$30,108,198 at December 31, 2003. See Notes 10 and 11 of the notes to the basic financial statements for more detailed information on debt of the City.

**CONTACTING THE CITY'S FINANCE DEPARTMENT**

This financial report is designed to provide our citizens, taxpayer, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Linda Chapman, Finance Director, City of Vandalia, 333 Bohanan Drive, Vandalia, Ohio 45377.

## Basic Financial Statements

City of Vandalia  
Montgomery County, Ohio  
Statement of Net Assets  
December 31, 2003

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$15,733,110	\$2,229,132	\$17,962,242
Cash and Cash Equivalents in Segregated Accounts	113,230	0	113,230
Accounts Receivable	223,508	553,707	777,215
Municipal Income Tax Receivable	2,698,854	0	2,698,854
Accrued Interest Receivable	116,821	0	116,821
Materials and Supplies Inventory	62,439	42,850	105,289
Due from Other Governments	951,382	0	951,382
Property and Other Taxes Receivable	1,862,400	0	1,862,400
Notes Receivable	58,232	0	58,232
Equity in Pooled Cash and Cash Equivalents-Deposits	0	25,726	25,726
Internal Balances	185,732	(185,732)	0
Special Assessments Receivable	238,927	0	238,927
Land	4,719,553	126,837	4,846,390
Depreciable Capital Assets, Net	38,565,351	17,108,884	55,674,235
Investment in Joint Venture	0	6,101,602	6,101,602
<b>Total Assets</b>	<b>65,529,539</b>	<b>26,003,006</b>	<b>91,532,545</b>
Liabilities:			
Accounts Payable	319,679	380,061	699,740
Contracts Payable	154,862	0	154,862
Retainage Payable	171,856	1,500	173,356
Accrued Wages	345,231	25,428	370,659
Due to Other Governments	372,233	19,452	391,685
Matured Compensated Absences Payable	31,833	0	31,833
Deferred Revenue	1,717,751	3,320	1,721,071
Accrued Interest Payable	63,028	0	63,028
Notes Payable	295,000	0	295,000
Claims Payable	152,221	0	152,221
Refundable Deposits	0	25,726	25,726
Long-Term Liabilities:			
Due Within One Year	1,024,570	41,303	1,065,873
Due In More Than One Year	11,701,237	39,109	11,740,346
<b>Total Liabilities</b>	<b>16,349,501</b>	<b>535,899</b>	<b>16,885,400</b>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	31,647,933	17,235,721	48,883,654
Restricted for:			
Other Purposes	1,381,416	0	1,381,416
Debt Service	358,297	0	358,297
Capital Projects	2,830,850	0	2,830,850
Unrestricted	12,961,542	8,231,386	21,192,928
<b>Total Net Assets</b>	<b>\$49,180,038</b>	<b>\$25,467,107</b>	<b>\$74,647,145</b>

See accompanying notes to the basic financial statements

City of Vandalia  
Montgomery County, Ohio  
Statement of Activities  
For the Year Ended December 31, 2003

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government				
Legislative and Executive	\$3,404,399	\$504,081	\$22,791	\$0
Judicial System	1,524,787	1,565,388	0	0
Public Safety				
Police	4,091,250	27,268	14,773	0
Fire	1,611,954	198,832	12,328	0
Public Works				
Engineer	717,360	90,316	0	0
Streets	2,890,077	62,872	709,320	0
Refuse	615,565	86,694	0	395,429
Recreation	3,351,472	1,204,578	0	0
Interest and Fiscal Charges	680,882	0	0	0
<b>Total Governmental Activities</b>	<b>18,887,746</b>	<b>3,740,029</b>	<b>759,212</b>	<b>395,429</b>
Business-Type Activities:				
Golf	1,157,810	941,156	0	0
Sewer	863,893	1,038,386	0	3,708
Water	1,573,771	1,574,328	0	314
<b>Total Business-Type Activities</b>	<b>3,595,474</b>	<b>3,553,870</b>	<b>0</b>	<b>4,022</b>
<b>Totals</b>	<b>\$22,483,220</b>	<b>\$7,293,899</b>	<b>\$759,212</b>	<b>\$399,451</b>

General Revenues:  
Property and Other Taxes Levied for  
  General Purposes  
Municipal Income Taxes Levied for  
  General Purposes  
  Capital Projects  
Grants and Entitlements not Restricted to Specific Programs  
Investment in Joint Venture  
Unrestricted Investment Earnings  
Other  
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated (Note 4)

Net Assets End of Year

See accompanying notes to the basic financial statements



Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$2,877,527)	\$0	(\$2,877,527)
40,601	0	40,601
(4,049,209)	0	(4,049,209)
(1,400,794)	0	(1,400,794)
(627,044)	0	(627,044)
(2,117,885)	0	(2,117,885)
(133,442)	0	(133,442)
(2,146,894)	0	(2,146,894)
(680,882)	0	(680,882)
(13,993,076)	0	(13,993,076)
0	(216,654)	(216,654)
0	178,201	178,201
0	871	871
0	(37,582)	(37,582)
(13,993,076)	(37,582)	(14,030,658)
1,783,553	0	1,783,553
8,393,096	0	8,393,096
1,518,509	0	1,518,509
837,051	0	837,051
0	93,368	93,368
336,949	2,660	339,609
124,683	45,567	170,250
(1,329,175)	1,329,175	0
11,664,666	1,470,770	13,135,436
(2,328,410)	1,433,188	(895,222)
51,508,448	24,033,919	75,542,367
\$49,180,038	\$25,467,107	\$74,647,145

City of Vandalia  
Montgomery County, Ohio  
Balance Sheet  
Governmental Funds  
December 31, 2003

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$10,512,444	\$3,244,972	\$1,657,732	\$15,415,148
Cash and Cash Equivalents in Segregated Accounts	101,859	0	11,371	113,230
Receivables:				
Municipal Income Tax	2,698,854	0	0	2,698,854
Property and Other Taxes	1,862,400	0	0	1,862,400
Accounts	209,521	0	6,703	216,224
Special Assessments	0	35,744	203,183	238,927
Accrued Interest	116,821	0	0	116,821
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	27,429	0	0	27,429
Due from Other Governments	554,402	0	396,980	951,382
Materials and Supplies Inventory	5,968	0	56,471	62,439
Interfund Loan Receivable	440,000	0	0	440,000
Notes Receivable	0	58,232	0	58,232
<b>Total Assets</b>	<b><u>\$16,529,698</u></b>	<b><u>\$3,338,948</u></b>	<b><u>\$2,332,440</u></b>	<b><u>\$22,201,086</u></b>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$165,319	\$141,284	\$13,076	\$319,679
Contracts Payable	0	154,862	0	154,862
Retainage Payable	0	171,856	0	171,856
Accrued Wages	327,949	0	17,282	345,231
Due to Other Governments	233,839	0	7,048	240,887
Matured Compensated Absences Payable	31,084	0	749	31,833
Deferred Revenue	4,387,086	35,744	534,106	4,956,936
Interfund Loan Payable	0	0	240,000	240,000
Accrued Interest Payable	0	8,604	0	8,604
Notes Payable	0	295,000	0	295,000
<b>Total Liabilities</b>	<b><u>5,145,277</u></b>	<b><u>807,350</u></b>	<b><u>812,261</u></b>	<b><u>6,764,888</u></b>
Fund Balances:				
Reserved for Encumbrances	1,674,150	1,798,627	288,730	3,761,507
Reserved for Inventory	5,968	0	56,471	62,439
Reserved for Interfund Receivable	440,000	0	0	440,000
Reserved for Unclaimed Monies	27,429	0	0	27,429
Reserved for Notes Receivable	0	58,232	0	58,232
Unreserved:				
Undesignated, Reported in:				
General Fund	9,236,874	0	0	9,236,874
Special Revenue Funds	0	0	991,055	991,055
Debt Service Funds	0	0	155,114	155,114
Capital Projects Funds	0	674,739	28,809	703,548
<b>Total Fund Balances</b>	<b><u>11,384,421</u></b>	<b><u>2,531,598</u></b>	<b><u>1,520,179</u></b>	<b><u>15,436,198</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$16,529,698</u></b>	<b><u>\$3,338,948</u></b>	<b><u>\$2,332,440</u></b>	<b><u>\$22,201,086</u></b>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances		\$15,436,198
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		43,284,904
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Charges for Services	47,292	
Grants	757,218	
Property and Other Taxes	214,532	
Municipal Income Tax	1,873,338	
Special Assessments	238,927	
Accrued Interest	107,878	
Total		3,239,185
The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		145,596
The internal balance represents the portion of the internal service fund's assets and liabilities that are allocated to the proprietary funds.		(14,268)
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(131,346)
Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Interest on Bonds	(54,424)	
Loan Payable	(61,971)	
General Obligation Bonds	(11,490,746)	
Special Assessment Bonds	(84,254)	
Compensated Absences	(1,088,836)	
Total		(12,780,231)
Net Assets of Governmental Activities		\$49,180,038

See accompanying notes to the basic financial statements

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

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Municipal Income Tax	\$10,317,499	\$0	\$0	\$10,317,499
Property and Other Taxes	1,706,415	0	0	1,706,415
Charges for Services	2,124,601	0	143,090	2,267,691
Licenses and Permits	87,650	0	0	87,650
Fines and Forfeitures	1,035,607	0	119,408	1,155,015
Intergovernmental	917,126	395,429	689,821	2,002,376
Special Assessments	0	35,713	66,460	102,173
Interest	278,133	6,280	1,652	286,065
Other	179,396	0	14,191	193,587
<b>Total Revenues</b>	<b>16,646,427</b>	<b>437,422</b>	<b>1,034,622</b>	<b>18,118,471</b>
Expenditures:				
Current:				
General Government				
Legislative and Executive	2,788,534	0	134,718	2,923,252
Judicial System	1,469,286	0	0	1,469,286
Public Safety				
Police	3,795,656	0	0	3,795,656
Fire	1,284,707	0	0	1,284,707
Public Works				
Engineer	703,283	0	0	703,283
Streets	720,566	0	716,687	1,437,253
Refuse	615,565	0	0	615,565
Recreation	2,652,922	0	143,574	2,796,496
Capital Outlay	194,778	3,474,273	85,821	3,754,872
Debt Service:				
Principal Retirement	61,971	0	415,000	476,971
Interest and Fiscal Charges	0	8,604	674,023	682,627
<b>Total Expenditures</b>	<b>14,287,268</b>	<b>3,482,877</b>	<b>2,169,823</b>	<b>19,939,968</b>
Excess of Revenues Over (Under) Expenditures	2,359,159	(3,045,455)	(1,135,201)	(1,821,497)
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	3,017	600	0	3,617
Transfers In	0	1,518,509	1,037,922	2,556,431
Transfers Out	(2,556,431)	(2,740)	0	(2,559,171)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,553,414)</b>	<b>1,516,369</b>	<b>1,037,922</b>	<b>877</b>
<b>Net Change in Fund Balances</b>	<b>(194,255)</b>	<b>(1,529,086)</b>	<b>(97,279)</b>	<b>(1,820,620)</b>
Fund Balances at Beginning of Year	11,579,563	4,060,684	1,613,781	17,254,028
Increase (Decrease) in Reserve for Inventory	(887)	0	3,677	2,790
<b>Fund Balances at End of Year</b>	<b>\$11,384,421</b>	<b>\$2,531,598</b>	<b>\$1,520,179</b>	<b>\$15,436,198</b>

See accompanying notes to the basic financial statements

City of Vandalia  
Montgomery County, Ohio  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2003

Net Change in Fund Balances - Total Governmental Funds (\$1,820,620)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	1,393,115	
Depreciation	(2,213,952)	
Excess of Capital Outlay over Depreciation Expense		(820,837)

Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale:

Loss on Assets Sold		(243,708)
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Repayment of long-term obligations is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Loan Payable Payment	61,971	
GO Bond Principal Payment	372,872	
SA Bond Principal Payment	42,128	
Total long-term debt repayment		476,971

The internal service fund used by management to charge the cost of insurance to individual funds is reported in the entity wide statement of activities.

128,812

Some revenues that will not be collected for several months after the City's year end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.

(196,894)

Consumable inventory is reported using the purchase method on a modified accrual basis, but is reported using the consumption method for full accrual. This amount represents the increase in inventory that took place during the year.

2,790

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

These activities consist of:

Increase in Accrued Interest Payable	1,745	
Increase in Compensated Absences Payable	(44,437)	
Decrease in Intergovernmental Payable	187,768	
Total expenditures not reported in governmental funds		145,076

Change in Net Assets of Governmental Activities

(\$2,328,410)

See accompanying notes to the basic financial statements

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Municipal Income Tax	\$10,750,000	\$9,882,448	\$10,352,364	\$469,916
Property and Other Taxes	1,839,527	1,701,804	1,704,936	3,132
Charges for Services	2,286,917	1,955,170	2,039,057	83,887
Licenses and Permits	80,000	84,849	87,650	2,801
Fines and Forfeitures	1,059,500	1,037,589	1,037,660	71
Intergovernmental	747,663	873,965	883,060	9,095
Interest	950,000	370,643	394,854	24,211
Other	80,566	95,326	179,245	83,919
<b>Total Revenues</b>	<u>17,794,173</u>	<u>16,001,794</u>	<u>16,678,826</u>	<u>677,032</u>
Expenditures:				
Current:				
General Government				
Legislative and Executive	4,262,160	4,247,938	4,069,684	178,254
Judicial System	1,648,644	1,648,644	1,493,870	154,774
Public Safety				
Police	4,219,514	3,888,031	3,840,960	47,071
Fire	1,443,295	1,321,214	1,309,640	11,574
Public Works				
Engineer	823,698	778,298	749,638	28,660
Streets	738,241	686,452	659,501	26,951
Refuse	672,015	709,552	697,071	12,481
Recreation	2,949,754	2,816,451	2,676,832	139,619
Capital Outlay	250,222	568,887	489,553	79,334
Debt Service:				
Principal Retirement	0	356,971	356,971	0
Interest and Fiscal Charges	0	15,000	15,000	0
<b>Total Expenditures</b>	<u>17,007,543</u>	<u>17,037,438</u>	<u>16,358,720</u>	<u>678,718</u>
Excess of Revenues Over (Under) Expenditures	<u>786,630</u>	<u>(1,035,644)</u>	<u>320,106</u>	<u>1,355,750</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	1,000	3,017	3,017	0
Advances Out	0	(440,000)	(440,000)	0
Transfers Out	(2,556,431)	(2,556,431)	(2,556,431)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(2,555,431)</u>	<u>(2,993,414)</u>	<u>(2,993,414)</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	<u>(1,768,801)</u>	<u>(4,029,058)</u>	<u>(2,673,308)</u>	<u>1,355,750</u>
Fund Balance at Beginning of Year	9,274,851	9,274,851	9,274,851	0
Prior Year Encumbrances Appropriated	1,774,814	1,774,814	1,774,814	0
<b>Fund Balance at End of Year</b>	<u><u>\$9,280,864</u></u>	<u><u>\$7,020,607</u></u>	<u><u>\$8,376,357</u></u>	<u><u>\$1,355,750</u></u>

See accompanying notes to the basic financial statements

City of Vandalia  
Montgomery County, Ohio  
Statement of Fund Net Assets  
Proprietary Funds  
December 31, 2003

	Enterprise Funds				Internal Service Fund
	Golf	Sewer	Water	Total	
Assets:					
Current Assets					
Equity in Pooled Cash and Cash Equivalents	\$236,309	\$1,127,269	\$865,554	\$2,229,132	\$290,533
Accounts Receivable	0	244,621	309,086	553,707	7,284
Materials and Supplies Inventory	28,821	0	14,029	42,850	0
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	0	8,488	17,238	25,726	0
<b>Total Current Assets</b>	<b>265,130</b>	<b>1,380,378</b>	<b>1,205,907</b>	<b>2,851,415</b>	<b>297,817</b>
Non-current Assets					
Capital Assets, Net	1,571,938	8,074,304	7,589,479	17,235,721	0
Investment in Joint Venture	0	6,101,602	0	6,101,602	0
<b>Total Non-current Assets</b>	<b>1,571,938</b>	<b>14,175,906</b>	<b>7,589,479</b>	<b>23,337,323</b>	<b>0</b>
<b>Total Assets</b>	<b>1,837,068</b>	<b>15,556,284</b>	<b>8,795,386</b>	<b>26,188,738</b>	<b>297,817</b>
Liabilities:					
Current Liabilities					
Accounts Payable	13,224	86,952	279,885	380,061	0
Accrued Wages	10,502	7,463	7,463	25,428	0
Compensated Absences Payable	14,085	13,609	13,609	41,303	0
Retainage Payable	0	0	1,500	1,500	0
Due to Other Governments	8,837	5,304	5,311	19,452	0
Deferred Revenue	3,320	0	0	3,320	0
Claims Payable	0	0	0	0	152,221
Payable from Restricted Assets:					
Refundable Deposits	0	8,488	17,238	25,726	0
<b>Total Current Liabilities</b>	<b>49,968</b>	<b>121,816</b>	<b>325,006</b>	<b>496,790</b>	<b>152,221</b>
Long-Term Liabilities:					
Interfund Loan Payable	200,000	0	0	200,000	0
Compensated Absences Payable	22,069	8,520	8,520	39,109	0
<b>Total Long-Term Liabilities</b>	<b>222,069</b>	<b>8,520</b>	<b>8,520</b>	<b>239,109</b>	<b>0</b>
<b>Total Liabilities</b>	<b>272,037</b>	<b>130,336</b>	<b>333,526</b>	<b>735,899</b>	<b>152,221</b>
Net Assets:					
Invested in Capital Assets	1,571,938	8,074,304	7,589,479	17,235,721	0
Unrestricted (Deficit)	(6,907)	7,351,644	872,381	8,217,118	145,596
<b>Total Net Assets</b>	<b>\$1,565,031</b>	<b>\$15,425,948</b>	<b>\$8,461,860</b>	<b>25,452,839</b>	<b>\$145,596</b>
Net assets reported for business-type activities in the statement of net assets is different because they include a proportionate share of the balance of the internal service fund.				14,268	
Net assets of business-type activities				<u>\$25,467,107</u>	

See accompanying notes to the basic financial statements

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

	Enterprise Funds				Internal Service Fund
	Golf	Sewer	Water	Total	
Operating Revenues:					
Charges for Services	\$941,156	\$1,038,386	\$1,574,328	\$3,553,870	\$1,671,349
Other	24,720	167	12,165	37,052	269,454
<b>Total Operating Revenues</b>	<b>965,876</b>	<b>1,038,553</b>	<b>1,586,493</b>	<b>3,590,922</b>	<b>1,940,803</b>
Operating Expenses:					
Personal Services	469,850	252,161	252,238	974,249	0
Contractual Services	340,901	386,500	1,092,365	1,819,766	405,608
Materials and Supplies	171,879	21,318	12,330	205,527	0
Depreciation	139,512	207,531	211,550	558,593	0
Claims	0	0	0	0	1,392,388
Other Operating Expenses	34,447	0	86	34,533	0
<b>Total Operating Expenses</b>	<b>1,156,589</b>	<b>867,510</b>	<b>1,568,569</b>	<b>3,592,668</b>	<b>1,797,996</b>
<b>Operating Income (Loss)</b>	<b>(190,713)</b>	<b>171,043</b>	<b>17,924</b>	<b>(1,746)</b>	<b>142,807</b>
Non Operating Revenues (Expenses):					
Interest	2,660	0	0	2,660	0
Gain on Disposal of Capital Assets	0	8,515	0	8,515	0
Investment in Joint Venture	0	93,368	0	93,368	0
Loss on Disposal of Capital Assets	(7,983)	0	(8,818)	(16,801)	0
<b>Total Non Operating Revenues (Expenses)</b>	<b>(5,323)</b>	<b>101,883</b>	<b>(8,818)</b>	<b>87,742</b>	<b>0</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(196,036)</b>	<b>272,926</b>	<b>9,106</b>	<b>85,996</b>	<b>142,807</b>
Capital Contributions	154,414	1,045,729	130,314	1,330,457	0
Transfers In	12,207	0	0	12,207	0
Transfers Out	0	0	(9,467)	(9,467)	0
<b>Change in Net Assets</b>	<b>(29,415)</b>	<b>1,318,655</b>	<b>129,953</b>	<b>1,419,193</b>	<b>142,807</b>
<b>Net Assets at Beginning of Year</b>	<b>1,594,446</b>	<b>14,107,293</b>	<b>8,331,907</b>		<b>2,789</b>
<b>Net Assets at End of Year</b>	<b>\$1,565,031</b>	<b>\$15,425,948</b>	<b>\$8,461,860</b>		<b>\$145,596</b>

Some amounts reported for business-type activities in the statement of activities are different because a proportionate share of the net expense of the internal service fund is reported with business-type activities. 13,995

Change in net assets of business-type activities \$1,433,188

See accompanying notes to the basic financial statements



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

	Enterprise Funds				Internal Service Fund
	Golf	Sewer	Water	Total	
<u>Increase (Decrease) In Cash and Cash Equivalents:</u>					
Cash Flows from Operating Activities:					
Cash Received from Customers	\$938,858	\$1,049,531	\$1,573,132	\$3,561,521	\$1,671,349
Other Operating Receipts	24,720	167	12,165	37,052	267,240
Cash Payments for Employee Services and Benefits	(473,684)	(253,390)	(253,459)	(980,533)	0
Cash Payments to Suppliers for Goods and Services	(522,738)	(405,375)	(1,127,507)	(2,055,620)	(405,608)
Cash Payments for Employee Medical, Dental and Life Insurance Claims	0	0	0	0	(1,345,395)
Other Operating Expenses	(35,248)	0	(86)	(35,334)	0
Utility Deposits Received	0	940	1,909	2,849	0
Utility Deposits Returned	0	(687)	(1,395)	(2,082)	0
Net Cash Provided by (Used for) Operating Activities	<u>(68,092)</u>	<u>391,186</u>	<u>204,759</u>	<u>527,853</u>	<u>187,586</u>
Cash Flows from Noncapital Financing Activities:					
Advances In	200,000	0	0	200,000	0
Transfers In	12,207	0	0	12,207	0
Transfers Out	0	0	(9,467)	(9,467)	0
Net Cash Provided by Noncapital Financing Activities	<u>212,207</u>	<u>0</u>	<u>(9,467)</u>	<u>202,740</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:					
Tap-in Fees	0	3,708	314	4,022	0
Proceeds from Sale of Capital Assets	7,310	10,000	0	17,310	0
Acquisition of Capital Assets	(55,457)	(565,117)	(41,404)	(661,978)	0
Net Cash Provided by (Used for) Capital And Related Financing Activities	<u>(48,147)</u>	<u>(551,409)</u>	<u>(41,090)</u>	<u>(640,646)</u>	<u>0</u>
Cash Flows from Investing Activities:					
Interest	2,660	0	0	2,660	0
Net Cash Provided by Investing Activities	<u>2,660</u>	<u>0</u>	<u>0</u>	<u>2,660</u>	<u>0</u>
Net Increase (Decrease) In Cash and Cash Equivalents	98,628	(160,223)	154,202	92,607	187,586
Cash and Cash Equivalents Beginning of Year	<u>137,681</u>	<u>1,295,980</u>	<u>728,590</u>	<u>2,162,251</u>	<u>102,947</u>
Cash and Cash Equivalents End of Year	<u>\$236,309</u>	<u>\$1,135,757</u>	<u>\$882,792</u>	<u>\$2,254,858</u>	<u>\$290,533</u>

(Continued)

City of Vandalia  
Montgomery County, Ohio  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2003  
(Continued)

	Enterprise Funds				Internal Service Fund
	Golf	Sewer	Water	Total	
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>					
Operating Income (Loss)	(\$190,713)	\$171,043	\$17,924	(\$1,746)	\$142,807
Adjustments:					
Depreciation	139,512	207,531	211,550	558,593	0
(Increase)/ Decrease in Assets:					
Accounts Receivable	0	11,145	(1,196)	9,949	(2,214)
Materials and Supplies Inventory	(269)	0	5,692	5,423	0
Increase/ (Decrease) in Liabilities:					
Accounts Payable	(10,490)	2,442	(10,772)	(18,820)	0
Accrued Wages	1,321	979	979	3,279	0
Compensated Absences Payable	1,267	1,445	1,445	4,157	0
Retainage Payable	0	0	(17,732)	(17,732)	0
Due to Other Governments	(6,422)	(3,652)	(3,645)	(13,719)	0
Deferred Revenue	(2,298)	0	0	(2,298)	0
Liabilities Payable from Restricted Assets	0	253	514	767	0
Claims Payable	0	0	0	0	46,993
Net Cash Provided by (Used for) Operating Activities	(\$68,092)	\$391,186	\$204,759	\$527,853	\$187,586

Noncash Capital Financing Activities:

The golf fund received \$154,414 in capital assets from the governmental funds. The sewer and water funds received \$1,042,021 and \$130,000, respectively, in assets from developers, via the governmental funds. These amounts are included in capital contributions.

See accompanying notes to the basic financial statements

City of Vandalia  
Montgomery County, Ohio  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2003

	Investment Trust	
	Tri-Cities Water Authority	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$0	\$12,269
Cash and Cash Equivalents in Segregated Accounts	0	123,005
Investments	6,265,188	0
Total Assets	6,265,188	\$135,274
Liabilities:		
Due to Other Governments	0	\$44,605
Undistributed Monies	0	90,669
Total Liabilities	0	\$135,274
Net Assets in Investment Trust Fund	\$6,265,188	

See accompanying notes to the basic financial statements

City of Vandalia  
Montgomery County, Ohio  
Statement of Changes in Fiduciary Net Assets  
Investment Trust Fund  
For the Year Ended December 31, 2003

	<u>Investment Trust</u>
Additions	
Interest	<u>\$98,778</u>
Increase in Net Assets Resulting From Operations	98,778
Deductions	
Capital Transactions	<u>(112,180)</u>
Decrease in Net Assets	(13,402)
Net Assets Beginning of Year	<u>6,278,590</u>
Net Assets End of Year	<u><u>\$6,265,188</u></u>

See accompanying notes to the basic financial statements

City of Vandalia  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For The Year Ended December 31, 2003

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**NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY**

The City of Vandalia (the City) is a charter municipal corporation operating under the laws of the State of Ohio. The City was incorporated in 1958 and operates under a Council/Manager form of government. The Mayor and the council are elected by separate ballot from the municipality at large for four-year terms. As a council member, the Mayor has the right to vote on all issues before council. Council appoints the City Manager. The City Manager appoints all managers of each department in the City.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Vandalia, the primary government includes the departments that provide the following services: police and fire, parks and recreation, planning, zoning, street maintenance and repairs, water, sewer and refuse collection. Council and the City Manager have direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City is associated with the Tri-Cities North Regional Wastewater Authority (Tri-Cities), and the Northern Area Water Authority (NAWA), which are defined as joint ventures. A joint venture is a legal entity or other organization that is a result of a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. These organizations are presented in Note 14.

The Miami Valley Risk Management Association, Inc. (MVRMA) is a risk sharing insurance pool established for the purpose of enabling the subscribing political subdivisions to obtain liability insurance and providing a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as Miami Valley Risk Management Association, Inc. for the purpose of administering the pool. The subscribing members of the self-insurance pool include the Cities of Beavercreek, Blue Ash, Indian Hill, Kettering, Maderia, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, West Carrollton, Wilmington, Wyoming and Vandalia. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA.

The City is associated with the Economic Development/Government Equity Program (ED/GE), which is defined as a jointly governed organization. A jointly governed organization is an organization that is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. This organization is presented in Note 15.

City of Vandalia  
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Notes to the Basic Financial Statements  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Vandalia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and to its proprietary funds. The most significant of the City's accounting policies are described below.

**Basis of Presentation**

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

City of Vandalia  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Vandalia and/or the general laws of Ohio.

Capital Improvement Fund - The capital improvement fund accounts for a portion of municipal income tax that is transferred from the general fund, and is designated by Council for the purpose of improving, constructing, maintaining, and purchasing those items necessary to enhance the operation of the City.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Golf Fund - The golf fund accounts for the operations of the golf course.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Water Fund - The water fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

City of Vandalia  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Internal Service Fund – An internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for employee medical benefits.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is an investment trust fund established to account for the individual investment account of the Tri-Cities joint venture. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for building permit fees collected on behalf of the State, municipal court collections that are distributed to various local governments, the collection of income taxes for other subdivisions, and performance bonds pledged by contractors.

**Measurement Focus**

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The investment trust fund is reported using the economic resources measurement focus.



City of Vandalia  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, shared revenues and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, licenses and permits, interest, grants and rentals.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

City of Vandalia  
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Notes to the Basic Financial Statements  
For The Year Ended December 31, 2003

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds, except the investment trust fund, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

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

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

During the year, the City invested in STAROhio, an investment pool managed by the State Treasurer's Office. STAROhio, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2003.

Following the Charter and Codified Ordinances of the City as well as Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during 2003 amounted to \$278,133, which includes \$132,419 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase, and investments of the cash management pool are reported as cash equivalents on the financial statements.

City of Vandalia  
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Notes to the Basic Financial Statements  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

Inventory consists of expendable supplies held for consumption.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted assets in the enterprise funds represent cash and cash equivalents set aside for repayment of deposits to utility customers.

**Interfund Balances**

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Loan Receivables/Payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances".

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. For proprietary funds and business-type activities, any material amount of interest incurred during the construction of capital assets is also capitalized.

City of Vandalia  
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 Notes to the Basic Financial Statements  
 For The Year Ended December 31, 2003

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

All capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	45 to 52 years	45 to 71 years
Machinery and Equipment	10 to 20 years	10 to 20 years
Vehicles	6 to 25 years	6 to 25 years
Infrastructure	7 to 65 years	65 years

The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines.

**Compensated Absences**

Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation and compensatory time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after twenty years of accumulated service.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

City of Vandalia  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the fund financial statements when due.

**Fund Balance Reserves**

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances, inventories, unclaimed monies, long-term interfund loans and notes receivable are recorded as a reservation of fund balance.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include street construction, maintenance and repair, operations of the baseball and soccer recreations and educational programs. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for golf, waste water treatment, water services and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non operating.

**Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

City of Vandalia  
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Notes to the Basic Financial Statements  
For The Year Ended December 31, 2003

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

**Interfund Activity**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Estimates**

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

**Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the fund level for all funds. The Finance Director, with the approval of the City Manager and respective Department Heads, has been authorized to allocate appropriations to the function, department and object level within each fund. Council must approve any revisions that alter total fund appropriations.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate at the time final appropriations were adopted.

The appropriation resolution is subject to amendment by Council throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

City of Vandalia  
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Notes to the Basic Financial Statements  
For The Year Ended December 31, 2003

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out (“repayment of advances”) are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. The change in fair value of investments is not included on the budget operating statement. This amount is included as revenue on the GAAP basis operating statement.
6. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
7. The City’s portion of the activity of the Municipal Court is not included on the budgetary statement. This activity is included on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$194,255)
Net Adjustment for Revenue Accruals	42,092
Net Adjustment for Expenditure Accruals	121,833
Advances	(440,000)
Unrecorded Cash - 2003	(943)
Unrecorded Cash - 2002	746
Change in Fair Value of Investments – 2002	(38,155)
Change in Fair Value of Investments – 2003	30,712
Non-budgeted Activity	(2,053)
Encumbrances	(2,193,285)
Budget Basis	<u><u>(\$2,673,308)</u></u>

City of Vandalia  
Montgomery County, Ohio  
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**NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS**

For 2003, the City has implemented GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences.” GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. This statement had no effect on the City’s financial statements.

There were adjustments to capital assets that caused a restatement to net assets as of December 31, 2002. The governmental activities net assets amount at December 31, 2002 was adjusted by \$208,798 for the restatement of capital assets, from \$51,299,650 to \$51,508,448.

None of the above adjustments had a material effect on excess/net income as reported at December 31, 2002.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

**Policies and Procedures**

The investment and deposit of City monies are governed by the provisions of the Charter and Codified Ordinances of the City and the Ohio Revised Code. In accordance with these provisions, investments purchased for the portfolio may be safekept by any Ohio financial institution or any primary government security dealer.

Authorized dealer/brokers are restricted to Ohio financial institutions, primary government securities dealers, and NASD registered dealers. Interest income is distributed to the funds according to City Charter guidelines.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the market value of which is at least 105% of the total value of public monies on deposit at the institution.



City of Vandalia  
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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

Deposits

At year-end, the carrying amount of the City's deposits was \$5,479,317 and the bank balance was \$6,317,267. Of the bank balance, \$500,000 was covered by federal deposit insurance. The remaining \$5,817,267 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust departments in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

Investments

Whenever there are monies available in the City Treasury, which will not be required to be used for a period of thirty days or more, the Director of Finance or his/her designee(s), may invest such funds. The investments are subject to the limitations contained within the investment policy, and are subject to all applicable laws and regulations.

The investment objectives controlling the management of the investment portfolio shall be, in order of importance: (1) Safety of principal. Recognizing that all investments contain one or more elements of risk, the portfolio shall be prudently managed with specific consideration given to credit risk, market risk, and prepayment risk; (2) Liquidity to meet current and contingent requirements; (3) Maximization of returns. The portfolio shall be managed to maximize the long-term return on the portfolio consistent with current cash needs.

The maximum maturity of any investment is limited to a final stated maturity of seven years, an expected call of seven years, or an expected average life of seven years, where the average life is estimated by nationally recognized firms independent of the dealer selling the security to the City.

The provisions of the City's investment policy permit the City to invest its monies in the following investment instruments:

1. Obligations of the United States including U.S. treasury securities and government agency securities guaranteed by the United States.
2. United States government agency securities and the securities issued by instrumentalities of the U.S. including, but not limited to, obligations of the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Farm Credit Bank, the Federal Home Loan Bank, the Government National Mortgage Association (GNMA), and the Small Business Administration (SBA).

City of Vandalia  
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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

3. State Treasury Asset Reserve of Ohio (STAR Ohio).
4. Obligations of the State of Ohio and obligations of political subdivisions of the State of Ohio.
5. Deposits of any Ohio financial institution subject to collateralization of public funds defined by the Ohio Revised Code.
6. Bankers Acceptances and Deposits of the top fifty banks in the United States based upon asset size or Ohio based financial institutions with at least \$2 billion in total assets.
7. Prime Commercial Paper issued with a credit rating of P-1 by Standard & Poors Corporation or A-1 by Moody's rating service.
8. Obligations of corporate entities having debt rating of Aa or better by Standard & Poors Corporation or Moody's rating service.

The portfolio shall be diversified so as to avoid concentrations of credit risk from any rated issuer: (1) At the time of purchase, aggregate collateralized investments in the obligations of any financial institution are limited to the greater of \$1,000,000 or 20 percent of the portfolio, where eligible collateral is defined by the Ohio Revised Code; (2) At the time of purchase, aggregate investments in the obligations of any U.S. corporation and non-collateralized investments in the obligations of any financial institution are limited to the greater of \$500,000 or 10 percent of the portfolio. Investments in eligible short term investments which can be readily converted to cash within 48 hours are limited to the greater of \$2,500,000 or 30 percent of the portfolio.

No delayed settlement transactions exceeding 30 days between the trade date and the settlement date are permitted. Securities will be executed at the best possible bid or offer available in the market at the time of execution.

During 2003, the City continued to diversify its investment portfolio to gain a higher rate of return while still maintaining liquidity and minimizing risk. Investments include STAR Ohio, U.S. Treasury Fund Money Market Mutual Fund, commercial paper, Federal Home Loan Bank (FHLB) notes and participation certificates, real estate mortgage investment conduits and mortgage backed securities issued by FNMA and FHLMC.

The FHLB notes have an interest rate that varies directly with the Constant Maturity Treasury (CMT), an index of Treasury securities published by the Federal Reserve Board. The notes are issued with a coupon floor and a coupon cap which establish a range of possible interest rates for the security regardless of the change in market rates. The securities were selected for purchase because the minimum interest rate, when coupled with the discount at the time of purchase, yield a rate of return that exceeds what was available from more conventional securities and that yield will increase if market interest rates increase.

City of Vandalia  
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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

A participation certificate (PC) is a mortgage pass-through security. It represents an interest in a pool of mortgage loans. Holders of the PC receive principal and interest payments as the principal and interest payments on the underlying mortgages are made. For the PCs purchased by the City, FNMA and FHLMC guarantee the timely payment of the mortgage principal and interest payments. The average life of a PC is a measure of when mortgage principal payments are actually received and will vary depending on how quickly the mortgages are paid. If the mortgages in the pool are prepaid because the owners sell their homes, or if interest rates decline and mortgages are prepaid through refinancing, the average life of the PC will shorten. If interest rates increase, the average life of the PC will increase. PCs are fixed income securities; that means that their prices vary as market rates change. PCs are therefore purchased on the open market at a premium or discount. Changes in average life caused by prepayments will affect yield depending on whether the security was purchased at a premium or discount.

The City analyzes PCs searching for estimated maturities that satisfy the City's liquidity standards and yields that will remain above what is otherwise available even as interest rates fluctuate.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements" requires that the City's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio, an investment fund operated by the Ohio State Treasurer, and the US Treasury Fund Money Market Mutual Fund are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	Category		Carrying/Fair
	2	Unclassified	Value
STAR Ohio	\$0	\$203,891	\$203,891
US Treasury Fund Money Market Mutual Fund	0	1,190,788	1,190,788
GE Interest	1,203,974	0	1,203,974
Federal Home Loan Bank Notes	8,116,806	0	8,116,806
Federal National Mortgage Association (FNMA) Medium Term Notes	4,117,994	0	4,117,994
Federal Home Loan Mortgage Corporation (FHLMC) Medium Term Notes	4,118,034	0	4,118,034
FHLMC Pool	10,811	0	10,811
Bank Trust	60,045	0	60,045
Total	<u>\$17,627,664</u>	<u>\$1,394,679</u>	<u>\$19,022,343</u>

City of Vandalia  
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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. Reconciliation between the classification of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$18,236,472	\$6,265,188
Money Market	3,052,203	(3,052,203)
Investments:		
STAR Ohio	(203,891)	203,891
GE Interest	(754,958)	754,958
Federal Home Loan Bank Notes	(7,375,806)	7,375,806
Federal National Mortgage Association (FNMA) Medium Term Notes	(4,117,994)	4,117,994
Federal Home Loan Mortgage Corporation (FHLMC) Medium Term Notes	(3,285,853)	3,285,853
FHLMC Pool	(10,811)	10,811
Bank Trust	(60,045)	60,045
GASB Statement No. 3	\$5,479,317	\$19,022,343

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2003, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, accrued interest on investments, accounts (billings for ambulance service and utility service), interfund loans and notes receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Special assessments expected to be collected within one year and in more than one year amount to \$10,057 and \$25,687, respectively, in the capital improvement fund and \$51,907 and \$151,276, respectively, for the other governmental funds. As of December 31, 2003, the City had less than \$1,000 in delinquent special assessments outstanding.

**Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of the 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

City of Vandalia  
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**NOTE 6 – RECEIVABLES** (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2003, was \$4.14 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	\$316,589,440
Public Utility Property Real	46,120
Public Utility Tangible	7,696,010
Tangible Personal Property	71,493,745
Total Valuation	<u><u>\$395,825,315</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Vandalia. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003, and for which there is an enforceable legal claim. In the general fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2003 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue.

**Income Taxes**

The City levies a 1.75 percent income tax on substantially all income earned within the City. In addition, City residents employed in municipalities having an income tax less than 1.75 percent must pay the difference to the City of Vandalia. Additional increases in the income tax rate require voter approval.

Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

City of Vandalia  
Montgomery County, Ohio  
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**NOTE 6 – RECEIVABLES** (Continued)

Prior to May of 2003, the City’s income tax ordinance required 25 percent of the income tax revenues to be used to finance governmental and business-type capital improvements. As a result, this portion of the revenue was transferred into the capital improvement capital projects fund. The City had a change in the income tax ordinance in May of 2003, whereby the voters lifted the restriction of the 25 percent portion to be used for capital improvements. This restriction was lifted for an indefinite time period. As of May 20, 2003, all income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions as needed and determined by Council. In 2003, the proceeds were allocated to the general fund.

**Due from Other Governments**

A summary of due from other governments follows:

	Amounts
<b>Governmental Activities</b>	
Local Government and Local Government Revenue Assistance	\$334,428
Estate Tax	14,811
Homestead and Rollback	152,075
Gasoline and Excise Tax	90,819
Motor Vehicle License Fees	277,628
Permissive Motor Vehicle License Tax	23,708
Indigent Drivers Reimbursement	4,825
Immobilization Fees	53,088
Total	\$951,382

**Notes Receivable**

The City sold two tracts of land in January of 1986 and April of 1987 to interested developers. The terms and conditions of the sale were such that the City would specify usage of the property and also carry a mortgage note on the property for the developer.

Mortgage note receivable - semi-annual payments are \$5,765, including interest at 8.75%, through August 1, 2005	\$20,742
Mortgage note receivable - semi-annual payments are \$6,339, including interest at 8.75%, through April 1, 2007	37,490
Total	\$58,232
Amount to be Collected In More Than One Year	\$38,942

City of Vandalia  
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**NOTE 7 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1988, the City joined the Miami Valley Risk Management Association, Inc. (MVRMA) a risk sharing insurance pool. The pool consists of nineteen municipalities who pool risk for property, crime, liability, boiler and machinery and public official liability. The City pays an annual premium to MVRMA for this coverage. The agreement provides that the MVRMA will be self-sustaining through member premiums and excess insurance. The deductible per occurrence for all types of claims is \$2,500. The self-insured retention is \$1,000,000 for liability (an increase of \$500,000 from the prior year) and \$250,000 for property. Excess insurance coverage will cover additional claims up to the limits listed below:

General Liability	\$6,000,000 each occurrence
Automobile Liability	\$6,000,000 each occurrence
Public Officials Liability	\$16,000,000 excess \$1 million (\$16 million aggregate per city)
Employment Practice Liability	\$6,000,000 excess \$1,000,000 SIR (\$6,000,000 aggregate)
Boiler and Machinery	\$100,000,000 each occurrence
Property	\$100,000,000 each occurrence
Flood (Property)	\$25,000,000 annual aggregate (excludes Zone A) \$1,000,000 annual aggregate (Zone B & Shaded X, in excess of \$500)
Earthquake (Property)	\$25,000,000 annual aggregate

For general and automobile liability, these coverages have decreased \$4.5 million for the prior year. For public officials liability, this coverage has increased \$6.0 million. For employment practice liability, this coverage has decreased \$4.0 million. For flood (property) insurance, this coverage has increased \$500,000 from 2002. Settled claims have not exceeded this commercial coverage in any of the past three years.

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

The City has elected to provide employee healthcare benefits for its employees through a self-insured program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides medical, dental, vision and prescription drug coverage with a \$100 deductible for single and \$200 deductible for families who use providers within the City's preferred provider organization, DirectCare America. Deductions are higher, and vary for out of network claims. A third party administrator, Underwriters Safety & Claims, processes and pays the claims. The City is paying self-insurance claims and administrative costs from its hospital care internal service fund. An excess coverage insurance (stop loss) policy covers claims in excess of \$30,000 per employee, per year. During 2003, a total of \$1,797,996 was paid in benefits and administrative costs. The liability for unpaid claims cost of \$152,221, reported in the hospital care internal service fund at December 31, 2003, is based on the requirements of Governmental Accounting Standards Board Statement No. 30. Statement No. 30 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability was determined by reviewing invoices for claims paid in January through March 2004, which were incurred in 2003.

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**NOTE 7 - RISK MANAGEMENT** (Continued)

The estimates for the internal services fund were not affected by incremental claim adjustment expenses and does not include other allocated claim adjustment expenses. Changes in the internal services funds' claims liability amounts in the last two years follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	\$106,016	\$1,442,352	\$1,443,140	\$105,228
2003	105,228	1,392,388	1,345,395	152,221

**NOTE 8 - CAPITAL ASSETS**

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

	Restated Balance 12/31/02	Additions	Deductions	Balance 12/31/03
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated:				
Land	\$4,719,553	\$0	\$0	\$4,719,553
Capital Assets, being Depreciated:				
Buildings and Improvements	25,179,520	307,923	0	25,487,443
Equipment	7,945,404	297,730	(302,360)	7,940,774
Vehicles	3,547,844	128,850	(132,547)	3,544,147
Infrastructure	25,752,682	658,612	0	26,411,294
Total Capital Assets, being Depreciated	62,425,450	1,393,115	(434,907)	63,383,658



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

	Restated Balance 12/31/02	Additions	Deductions	Balance 12/31/03
Less Accumulated Depreciation:				
Buildings and Improvements	(\$3,490,596)	(\$625,458)	\$0	(\$4,116,054)
Equipment	(2,796,407)	(492,841)	149,582	(3,139,666)
Vehicles	(2,362,847)	(334,726)	41,617	(2,655,956)
Infrastructure	(14,145,704)	(760,927)	0	(14,906,631)
Total Accumulated Depreciation	<u>(22,795,554)</u>	<u>(2,213,952) *</u>	<u>191,199</u>	<u>(24,818,307)</u>
Total Capital Assets, being Depreciated, net	<u>39,629,896</u>	<u>(820,837)</u>	<u>(243,708)</u>	<u>38,565,351</u>
Governmental Activities Capital Assets, Net	<u>\$44,349,449</u>	<u>(\$820,837)</u>	<u>(\$243,708)</u>	<u>\$43,284,904</u>
 <b>Business-Type Activities</b>				
Capital Assets, not being Depreciated:				
Land	\$126,837	\$0	\$0	\$126,837
Capital Assets, being Depreciated:				
Buildings and Improvements	2,761,171	44,340	(44,340)	2,761,171
Equipment	903,943	78,684	(77,890)	904,737
Vehicles	423,658	97,367	(64,877)	456,148
Infrastructure	20,618,523	1,768,022	0	22,386,545
Total Capital Assets, being Depreciated	<u>24,707,295</u>	<u>1,988,413</u>	<u>(187,107)</u>	<u>26,508,601</u>
Less Accumulated Depreciation:				
Building and Improvements	(1,010,872)	(53,224)	44,340	(1,019,756)
Equipment	(383,832)	(57,542)	39,479	(401,895)
Vehicles	(240,926)	(105,248)	77,692	(268,482)
Infrastructure	(7,367,005)	(342,579)	0	(7,709,584)
Total Accumulated Depreciation	<u>(9,002,635)</u>	<u>(558,593)</u>	<u>161,511</u>	<u>(9,399,717)</u>
Total Capital Assets, being Depreciated, net	<u>15,704,660</u>	<u>1,429,820</u>	<u>(25,596)</u>	<u>17,108,884</u>
Business-Type Activities Capital Assets, Net	<u>\$15,831,497</u>	<u>\$1,429,820</u>	<u>(\$25,596)</u>	<u>\$17,235,721</u>

City of Vandalia  
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Notes to the Basic Financial Statements  
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**NOTE 8 - CAPITAL ASSETS** (Continued)

\*Depreciation expense was charged to governmental functions as follows:

General Government	
Legislative and Executive	\$224,870
Judicial System	83,119
Public Safety	
Police	172,891
Fire	296,907
Public Works	
Engineer	25,902
Streets	894,232
Recreation	516,031
Total Depreciation Expense	<u><u>\$2,213,952</u></u>

**NOTE 9 - COMPENSATED ABSENCES**

**Accumulated Unpaid Vacation**

City employees earn vacation leave at varying rates based upon length of service. All employees may accrue a maximum of 45 days. In the event of a termination of employment, death, or retirement, employees (or their estates) are paid for unused vacation leave.

**Accumulated Unpaid Sick Leave**

City employees earn sick leave at the rate of 4.616 hours per eighty hours of service. A maximum of 1,250 hours may be carried from one year to the next. Any hours over 1,250 accrued and not taken will be paid on a one for three basis at the end of the year. In the case of death or retirement, employees (or the employees' estates) are paid for one half of their accumulated leave with 625 hours being the maximum amount paid.

**Accumulated Unpaid Compensatory Time**

From time to time, employees may need, with prior approval from their supervisors, to work overtime. These overtime hours will usually be paid at the appropriate overtime rate; however, with permission of the supervisor, an employee may have the option of taking the overtime in compensatory time at one and one half times the amount of hours worked.

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**NOTE 10 - LONG-TERM DEBT**

A schedule of changes in bonds and other long-term obligations of the City during 2003, follows:

	Amount Outstanding			Amount Outstanding		Amounts Due in
	12/31/02	Additions	Deletions	12/31/03	One Year	
<b>Governmental Activities</b>						
<u>Unvoted General Obligation Bonds</u>						
5.9% - 7.15% - 1990						
Street Improvement	\$8,618	\$0	\$2,872	\$5,746		\$2,872
5.75% - 5.85% - 1996						
Various Purpose Improvement Bonds	11,855,000	0	370,000	11,485,000		390,000
Total Unvoted General Obligation Bonds	11,863,618	0	372,872	11,490,746		392,872
<u>Special Assessment Debt with Governmental Commitment</u>						
5.9% - 7.15% - 1990						
Street Improvement	126,382	0	42,128	84,254		42,128
Loan Payable	123,942	0	61,971	61,971		61,971
Compensated Absences	1,044,399	874,091	829,654	1,088,836		527,599
Total Governmental Activities	<u>\$13,158,341</u>	<u>\$874,091</u>	<u>\$1,306,625</u>	<u>\$12,725,807</u>		<u>\$1,024,570</u>
<b>Proprietary Activities</b>						
Compensated Absences	\$76,255	\$35,793	\$31,636	\$80,412		\$41,303
Total Proprietary Activities	<u>\$76,255</u>	<u>\$35,793</u>	<u>\$31,636</u>	<u>\$80,412</u>		<u>\$41,303</u>

The Special Assessment Street Improvement Bonds were issued in 1990, in the amount of \$660,000 for the purpose of various street improvements and will be paid with special assessment revenue. The unvoted General Obligation Bonds for Street Improvement were also issued in 1990, in the amount of \$45,000 for the purpose of various street improvements and will be paid with municipal income tax revenue. The General Obligation Various Purpose Improvement Bonds were issued in 1996, in the amount of \$13,675,000 for various capital improvements and will be paid with transfers from general fund property tax revenues. The special assessment bond issues are backed by the full faith and credit of the City. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt. The Loan Payable is to account for money due to Montgomery County for radios purchased by the County for the City in 2002. The City initially owed the County \$185,913, but paid \$61,971 during 2002 and \$61,971 in 2003. The Loan will be repaid from the general fund with municipal income tax monies. Compensated absences will be paid from the general fund, the street, and computer legal research special revenue funds, and the golf, sewer and water enterprise funds. The interfund loan payable will be repaid to the general fund by the golf fund sometime after 2004.

As of December 31, 2003, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$30,108,198 and the unvoted legal debt margin was \$10,316,932.

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Montgomery County, Ohio  
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For The Year Ended December 31, 2003

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**NOTE 10 - LONG-TERM DEBT** (Continued)

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2003 are as follows:

Year Ending December 31,	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2004	\$392,872	\$647,086	\$42,128	\$6,004
2005	412,874	627,771	42,126	3,013
2006	430,000	607,068	0	0
2007	455,000	585,353	0	0
2008	475,000	561,920	0	0
2009-2013	2,815,000	2,391,575	0	0
2014-2018	3,720,000	1,488,928	0	0
2019-2021	2,790,000	332,280	0	0
Totals	<u>\$11,490,746</u>	<u>\$7,241,981</u>	<u>\$84,254</u>	<u>\$9,017</u>

**NOTE 11 – SHORT-TERM OBLIGATIONS**

The City of Vandalia issued a general obligation note in the amount of \$295,000, with an interest rate of 1.74%. The note is dated May 20, 2003, and will mature on May 20, 2004. The note was issued for the purpose of paying the costs of improving the Municipal Building, by acquiring, constructing and installing heating, ventilation, and air conditioning improvements, together with all necessary equipment and appurtenances. The general obligation note had \$295,000 encumbered for principal payments in the general fund at year-end. The City decided to pay off this note with cash instead of bonding the note when it came due. The note is to be paid from municipal income tax revenues.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS** (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The City's contribution rate for pension benefits for 2003 was 8.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$457,174, \$517,033, and \$526,351, respectively; 86 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$2,620 made by the City and \$1,643 made by the plan members.

**Ohio Police and Fire Pension Fund**

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2003, 2002, and 2001 were \$298,411, \$331,569, and \$337,325 respectively, equal to the required contributions for each year. The full amount has been contributed for 2002 and 2001. 73 percent has been contributed for 2003 with the remainder being reported as a liability.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care.

**NOTE 13 - POSTEMPLOYMENT BENEFITS** (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$267,353. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

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

**Ohio Police and Firemen's Disability and Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

City of Vandalia  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For The Year Ended December 31, 2003

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**NOTE 13 - POSTEMPLOYMENT BENEFITS** (Continued)

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$146,154 for police and \$36,638 for firefighters. The OP&F's total health care expense for the year ended December 31, 2002, (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

**NOTE 14 - JOINT VENTURES**

**Tri-Cities North Regional Wastewater Authority**

Prior to June of 1996, the Miami Conservancy District provided the Cities of Vandalia, Tipp City and Huber Heights with wastewater treatment services. The Miami Conservancy District expressed the intent to no longer provide these services to the cities and gave them the option to acquire and operate the facility themselves. In order to do so, the three cities established the Tri-Cities North Regional Wastewater Authority. In June of 1996, the Miami Conservancy District deeded the wastewater facility and all of the assets associated with the facility to the joint venture at no cost to the joint venture.

The Tri-Cities North Regional Wastewater Authority (Tri-Cities) is a joint venture among the cities of Vandalia, Huber Heights and Tipp City. Tri-Cities is governed by a management board consisting of the city managers of the three cities. The board has complete authority over all aspects of the operation. Tri-Cities supplies all participating residents of the member cities with sewer services. Each city owns the sewage lines located in its city and bills its residents for usage. Continued existence of Tri-Cities is dependent on the City's continued participation and the City does have an equity interest. The percentage of equity interest for each City is based on annual usage and is adjusted each year accordingly. The City's equity interest is \$6,101,602 which represents 26.61 percent of the total equity in Tri-Cities. Tri-Cities is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City of Vandalia paid \$855,781 for services provided in 2003. Complete financial statements can be obtained from the Tri-Cities North Regional Wastewater Authority, c/o City of Vandalia, 333 J.E. Bohanan Drive, Vandalia, Ohio 45377.

**Northern Area Water Authority**

The City of Dayton has provided water services to the City of Vandalia since 1971. In recent years, the City of Vandalia has felt it necessary to have an alternate source of water supply and to have more control over the rate structure of water services. Also in recent years, the City of Tipp City has learned that they must build a new water treatment plant to meet Environmental Protection Agency requirements. Seeing a common issue between the two cities, the City of Vandalia and the City of Tipp City, in March of 2002, created a joint venture to plan, finance, construct, own and operate a joint water utility system. The purpose of the water utility system will be to provide safe, high quality, reliable, reasonably priced and environmentally sound water production, treatment and distribution services to the citizens, taxpayers and consumers in the cities of Vandalia and Tipp City.

City of Vandalia  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For The Year Ended December 31, 2003

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**NOTE 14 - JOINT VENTURES** (Continued)

The Northern Area Water Authority (NAWA) is a joint venture among the cities of Vandalia and Tipp City. NAWA is governed by a management board consisting of the city managers of the two cities. The board has complete authority over all aspects of the operation. NAWA, when construction is completed, will supply the participating residents of the member cities with water services. Each city will own the water lines located in its city and bill its residents for usage. Continued existence of NAWA is dependent on the City's continued participation and the City will have an equity interest in NAWA. The percentage of equity interest for each City is fifty percent. During 2003, NAWA experienced very little financial activity, therefore, the City of Vandalia did not reflect an equity interest in NAWA as of December 31, 2003. Construction for the facility is expected to begin in the latter part of 2004, and increased financial activity is expected. NAWA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. On August 29, 2002, NAWA was approved for an OWDA loan totaling \$2.5 million. The interest rate is 5.64%. At December 31, 2002, NAWA borrowed only \$13,719 of this loan. During 2003, NAWA borrowed an additional \$855,262, for a total amount of \$868,981. From January 1 through March 31, 2004, NAWA borrowed an additional \$79,245, for a total of \$948,226. The City of Vandalia made no contributions to NAWA in 2003, and there is no equity interest to report at this time. Complete financial statements can be obtained from the Northern Area Water Authority, c/o City of Tipp City, 260 South Garber Drive, Tipp City, Ohio 45371.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATION**

The Economic Development/Government Equity Program (ED/GE) was established pursuant to Ohio Revised Code Chapter 307 for the purpose of developing and promoting plans and programs designed to assure that County resources are efficiently used, economic growth is properly balanced, and that county economic development is coordinated with that of the State of Ohio and other local governments. Members include villages, townships, and cities within Montgomery County, and Montgomery County itself. Cooperation and coordination between the members is intended to promote economic health and improve the economic opportunities of the people in Montgomery County by assisting in the establishment or expansion within the County of industrial, commercial or research facilities and by creating and preserving job and employment opportunities for the people of the County.

The ED/GE Advisory Committee, made up alternating member entities' representatives, decides which proposed projects will be granted each year. Sales tax revenues, set aside by Montgomery County, are used to fund the projects. Members annually contribute to or receive benefits based on an elaborate zero-based formula designed to distribute growth in contributing communities to those communities experiencing less economic growth. The City has agreed to be a member for ten years, ending December 31, 2010. Any member in default of paying its contributions will be liable for the amount of the contribution, any interest accrued, and penalties. During this time, the member will not be entitled to any allocations from ED/GE. The City of Vandalia did not have contributions to ED/GE during 2003. Financial information may be obtained by writing to Linda Gum, Administrative Assistant, 451 West Third Street, Dayton, Ohio, 45402.



City of Vandalia  
 Montgomery County, Ohio  
 Notes to the Basic Financial Statements  
 For The Year Ended December 31, 2003

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**NOTE 16 - CONTRACTUAL COMMITMENTS**

As of December 31, 2003, the City had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 12/31/2003</u>
Various	Street Construction/Improvement	\$491,725	\$247,096	\$244,629
Various	Street Resurfacing/Construction	1,186,956	634,091	552,865
Various	Water Mains	414,000	4,810	409,190
Various	Water and Sewer	1,458,744	1,105,944	352,800
Totals		<u>\$3,551,425</u>	<u>\$1,991,941</u>	<u>\$1,559,484</u>

**NOTE 17 - CONTINGENT LIABILITIES**

**Litigation**

The City management is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**Rebateable Arbitrage**

The Internal Revenue Code requires that the proceeds of tax exempt debt be expended by the City within a certain schedule. The purpose of this requirement is to prevent the City from generating what the federal government considers excessive revenue by investing the borrowed money at rates that exceed the interest rate on the debt. If the debt proceeds are retained by the City beyond the scheduled deadlines, the City is required to pay to the federal government a portion of the interest earnings. For the 1996 Various Purpose Improvement Bonds, the City did not meet the expenditure schedule. The City may be required to make a payment to the federal government. In Bond Counsel's opinion, the liability, if any, will not be material. The City's status on this will be re-evaluated by Bond Counsel in October, 2004.

**Federal and State Grants**

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by the grantor or their representative. As of December 31, 2003, the audits of certain of these programs have not been completed. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

City of Vandalia  
 Montgomery County, Ohio  
 Notes to the Basic Financial Statements  
 For The Year Ended December 31, 2003

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**NOTE 18 - INTERFUND BALANCES AND TRANSFERS**

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

Transfer to	Transfer From			Total
	General	Capital Improvement	Water	
Capital Improvement	\$1,518,509	\$0	\$0	\$1,518,509
Other Governmental	1,037,922	0	0	1,037,922
Golf	0	2,740	9,467	12,207
	<u>\$2,556,431</u>	<u>\$2,740</u>	<u>\$9,467</u>	<u>\$2,568,638</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. There was also a \$9,467 transfer from the water fund to the golf fund.

The \$440,000 interfund loan from the general fund to the road improvements capital projects fund (\$240,000) and the golf fund (\$200,000) for reimbursable expenditures was made during 2003. The interfund loan to the capital projects fund was a result of the time lag between the dates that the reimbursable expenditures occurred and the revenue to re-pay the funds was available. The interfund loan to the golf fund was a result of a projected deficit in retained earnings from operation costs exceeding revenue for the year. The interfund loan is expected to be repaid as a new fee schedule for the golf fund fee is implemented. The repayment is expected to take a few years.

**NOTE 19 – COMPLIANCE**

The Justice Center/Municipal Building and the Recreation Center Capital Projects Funds had appropriations in excess of revenues and available fund balances in the amounts of \$20,068 and \$3,401, respectively.

**NOTE 20 – SUBSEQUENT EVENT**

On May 20, 2004, payment was made on the 2003 Municipal Building General Obligation Note.

The City is in the process of refinancing its 1996 Various Purpose Improvement Bonds. The City hopes to obtain a lower interest rate.

## Combining Financial Statements

## Combining Statements - Nonmajor Governmental Funds

### NONMAJOR SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

#### Baseball Recreation

To account for fund raising programs and fees collected for the purpose of funding the Vandalia baseball program.

#### Computer Legal Research

To account for fines imposed by the Municipal Court for the purpose of computerization of the court including training, maintenance and support.

#### Drug Law Enforcement

To account for fines and costs collected for felonious drug trafficking convictions. This money may be used in any drug law enforcement activity.

#### FEMA

To account for grant monies received from the Federal Emergency Management Agency.

#### Law Enforcement

To account for all monies and expenditures related to property or goods obtained by seizure or forfeiture.

#### OMVI Education and Enforcement

To account for fines imposed by the Municipal Court for the purpose of enforcing and educating the public about laws governing operation of a motor vehicle while under the influence of alcohol.

#### OMVI Indigent

To account for fines imposed by the Municipal Court for the purpose of paying the costs of attendance of indigent OMVI offenders at alcohol and drug addiction treatment programs.

#### Permissive Motor Vehicle Tax

To account for additional motor vehicle license tax levied by Montgomery County for routine street maintenance and repairs.

#### Soccer Recreation

To account for fund raising programs and fees collected to promote the youth soccer program for the City of Vandalia.

#### State Highway

To account for gasoline tax and motor vehicle license fees used for routine maintenance of state highways within the City.

#### Street

To account for gasoline tax, motor vehicle license fees and various other miscellaneous charges remitted to the City for routine maintenance of City streets.

(Continued)

Combining Statements - Nonmajor Governmental Funds  
(Continued)

NONMAJOR DEBT SERVICE FUNDS

To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

General Obligation Bond Retirement

To account for transfers from General Fund property tax revenue to pay for general obligation bonded debt.

Street Special Assessment Bond Retirement

To account for special assessments collected for the payment of special assessment bonded debt with governmental commitment.

NONMAJOR CAPITAL PROJECTS FUNDS

To account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Justice Center/Municipal Building

To account for expenditures of bond proceeds to construct a Justice Center and to renovate the Municipal Building.

Recreation Center

To account for expenditures of bond proceeds to construct a Recreation Center.

Road Improvements

To account for expenditures of Issue II grant funds.

Stonequarry Road

To account for expenditures of Issue II grant funds. Budgetary information has not been presented for this fund because the City did not anticipate any revenues or expenditures in 2003, and none occurred. The budgetary fund balance of this fund was \$158,644 at year-end.

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City of Vandalia  
Montgomery County, Ohio  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$988,610	\$155,114	\$514,008	\$1,657,732
Cash and Cash Equivalents in Segregated Accounts	11,371	0	0	11,371
Receivables:				
Accounts	6,703	0	0	6,703
Special Assessments	0	203,183	0	203,183
Due from Other Governments	396,980	0	0	396,980
Materials and Supplies Inventory	56,471	0	0	56,471
<b>Total Assets</b>	<b>\$1,460,135</b>	<b>\$358,297</b>	<b>\$514,008</b>	<b>\$2,332,440</b>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$13,076	\$0	\$0	\$13,076
Accrued Wages	17,282	0	0	17,282
Due to Other Governments	7,048	0	0	7,048
Matured Compensated Absences Payable	749	0	0	749
Deferred Revenue	330,923	203,183	0	534,106
Interfund Loan Payable	0	0	240,000	240,000
<b>Total Liabilities</b>	<b>369,078</b>	<b>203,183</b>	<b>240,000</b>	<b>812,261</b>
Fund Balances:				
Reserved for Encumbrances	43,531	0	245,199	288,730
Reserved for Inventory	56,471	0	0	56,471
Unreserved:				
Undesignated, Reported in:				
Special Revenue Funds	991,055	0	0	991,055
Debt Service Funds	0	155,114	0	155,114
Capital Projects Funds	0	0	28,809	28,809
<b>Total Fund Balances</b>	<b>1,091,057</b>	<b>155,114</b>	<b>274,008</b>	<b>1,520,179</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$1,460,135</b>	<b>\$358,297</b>	<b>\$514,008</b>	<b>\$2,332,440</b>

City of Vandalia  
Montgomery County, Ohio  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2003

	<u>Baseball Recreation</u>	<u>Computer Legal Research</u>	<u>Drug Law Enforcement</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$39,542	\$68,541	\$854
Cash and Cash Equivalents in Segregated Accounts	0	10,601	0
Receivables:			
Accounts	6,200	0	0
Due from Other Governments	0	4,825	0
Materials and Supplies Inventory	<u>0</u>	<u>0</u>	<u>0</u>
 Total Assets	 <u><u>\$45,742</u></u>	 <u><u>\$83,967</u></u>	 <u><u>\$854</u></u>
 Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$81	\$123	\$0
Accrued Wages	0	2,059	0
Due to Other Governments	356	1,596	0
Matured Compensated Absences Payable	0	749	0
Deferred Revenue	<u>0</u>	<u>0</u>	<u>0</u>
 Total Liabilities	 <u>437</u>	 <u>4,527</u>	 <u>0</u>
 Fund Balances:			
Reserved for Encumbrances	11,131	13,230	0
Reserved for Inventory	0	0	0
Unreserved, Undesignated	<u>34,174</u>	<u>66,210</u>	<u>854</u>
 Total Fund Balances	 <u>45,305</u>	 <u>79,440</u>	 <u>854</u>
 Total Liabilities and Fund Balances	 <u><u>\$45,742</u></u>	 <u><u>\$83,967</u></u>	 <u><u>\$854</u></u>



<u>Law Enforcement</u>	<u>OMVI Education and Enforcement</u>	<u>OMVI Indigent</u>	<u>Permissive Motor Vehicle Tax</u>	<u>Soccer Recreation</u>
\$5,178	\$4,998	\$256,638	\$139,845	\$42,074
0	134	636	0	0
0	0	0	0	503
0	0	0	23,708	0
0	0	0	0	0
<u>\$5,178</u>	<u>\$5,132</u>	<u>\$257,274</u>	<u>\$163,553</u>	<u>\$42,577</u>
\$0	\$0	\$0	\$6,648	\$81
0	0	0	0	0
0	0	0	0	235
0	0	0	0	0
0	0	0	21,240	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>27,888</u>	<u>316</u>
0	0	0	13,335	1,366
0	0	0	0	0
<u>5,178</u>	<u>5,132</u>	<u>257,274</u>	<u>122,330</u>	<u>40,895</u>
<u>5,178</u>	<u>5,132</u>	<u>257,274</u>	<u>135,665</u>	<u>42,261</u>
<u>\$5,178</u>	<u>\$5,132</u>	<u>\$257,274</u>	<u>\$163,553</u>	<u>\$42,577</u>

(Continued)

City of Vandalia, Ohio  
Montgomery County, Ohio  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2003  
(Continued)

	<u>State Highway</u>	<u>Street</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$134,999	\$295,941	\$988,610
Cash and Cash Equivalents in Segregated Accounts	0	0	11,371
Receivables:			
Accounts	0	0	6,703
Due from Other Governments	27,831	340,616	396,980
Materials and Supplies Inventory	0	56,471	56,471
 Total Assets	 <u>\$162,830</u>	 <u>\$693,028</u>	 <u>\$1,460,135</u>
 Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$1,146	\$4,997	\$13,076
Accrued Wages	0	15,223	17,282
Due to Other Governments	0	4,861	7,048
Matured Compensated Absences Payable	0	0	749
Deferred Revenue	23,424	286,259	330,923
 Total Liabilities	 <u>24,570</u>	 <u>311,340</u>	 <u>369,078</u>
 Fund Balances:			
Reserved for Encumbrances	3,192	1,277	43,531
Reserved for Inventory	0	56,471	56,471
Unreserved, Undesignated	135,068	323,940	991,055
 Total Fund Balances	 <u>138,260</u>	 <u>381,688</u>	 <u>1,091,057</u>
 Total Liabilities and Fund Balances	 <u>\$162,830</u>	 <u>\$693,028</u>	 <u>\$1,460,135</u>

City of Vandalia  
Montgomery County, Ohio  
Combining Balance Sheet  
Nonmajor Debt Service Funds  
December 31, 2003

	<u>General Obligation Bond Retirement</u>	<u>Street Special Assessment Bond Retirement</u>	<u>Total Nonmajor Debt Service Funds</u>
Assets:			
Equity in Pooled Cash and			
Cash Equivalents	\$31,540	\$123,574	\$155,114
Receivables:			
Special Assessments	<u>0</u>	<u>203,183</u>	<u>203,183</u>
Total Assets	<u><u>\$31,540</u></u>	<u><u>\$326,757</u></u>	<u><u>\$358,297</u></u>
Liabilities and Fund Balances:			
Liabilities:			
Deferred Revenue	<u>\$0</u>	<u>\$203,183</u>	<u>\$203,183</u>
Total Liabilities	<u>0</u>	<u>203,183</u>	<u>203,183</u>
Fund Balances:			
Unreserved, Undesignated	<u>31,540</u>	<u>123,574</u>	<u>155,114</u>
Total Fund Balances	<u>31,540</u>	<u>123,574</u>	<u>155,114</u>
Total Liabilities and Fund Balances	<u><u>\$31,540</u></u>	<u><u>\$326,757</u></u>	<u><u>\$358,297</u></u>

City of Vandalia  
Montgomery County, Ohio  
Combining Balance Sheet  
Nonmajor Capital Projects Funds  
December 31, 2003

	<u>Justice Center/ Municipal Building</u>	<u>Recreation Center</u>	<u>Road Improvements</u>	<u>Stonequarry Road</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	<u>\$77,211</u>	<u>\$33,524</u>	<u>\$244,629</u>	<u>\$158,644</u>	<u>\$514,008</u>
Total Assets	<u><u>\$77,211</u></u>	<u><u>\$33,524</u></u>	<u><u>\$244,629</u></u>	<u><u>\$158,644</u></u>	<u><u>\$514,008</u></u>
Liabilities and Fund Balances:					
Liabilities:					
Interfund Loan Payable	<u>\$0</u>	<u>\$0</u>	<u>\$240,000</u>	<u>\$0</u>	<u>\$240,000</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>240,000</u>	<u>0</u>	<u>240,000</u>
Fund Balances:					
Reserved for Encumbrances	0	570	244,629	0	245,199
Unreserved, Undesignated (Deficit)	<u>77,211</u>	<u>32,954</u>	<u>(240,000)</u>	<u>158,644</u>	<u>28,809</u>
Total Fund Balances	<u>77,211</u>	<u>33,524</u>	<u>4,629</u>	<u>158,644</u>	<u>274,008</u>
Total Liabilities and Fund Balances	<u><u>\$77,211</u></u>	<u><u>\$33,524</u></u>	<u><u>\$244,629</u></u>	<u><u>\$158,644</u></u>	<u><u>\$514,008</u></u>

City of Vandalia, Ohio  
Montgomery County, Ohio  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Charges for Services	\$143,090	\$0	\$0	\$143,090
Fines and Forfeitures	119,408	0	0	119,408
Intergovernmental	689,821	0	0	689,821
Special Assessments	0	66,460	0	66,460
Interest	0	0	1,652	1,652
Other	14,159	32	0	14,191
<b>Total Revenues</b>	<b>966,478</b>	<b>66,492</b>	<b>1,652</b>	<b>1,034,622</b>
Expenditures:				
Current:				
General Government				
Legislative and Executive	134,718	0	0	134,718
Public Works				
Streets	715,638	1,049	0	716,687
Recreation	143,574	0	0	143,574
Capital Outlay	0	0	85,821	85,821
Debt Service:				
Principal Retirement	0	415,000	0	415,000
Interest and Fiscal Charges	0	674,023	0	674,023
<b>Total Expenditures</b>	<b>993,930</b>	<b>1,090,072</b>	<b>85,821</b>	<b>2,169,823</b>
Excess of Revenues (Under) Expenditures	(27,452)	(1,023,580)	(84,169)	(1,135,201)
Other Financing Sources:				
Transfers In	0	1,037,922	0	1,037,922
<b>Total Other Financing Sources</b>	<b>0</b>	<b>1,037,922</b>	<b>0</b>	<b>1,037,922</b>
<b>Net Change in Fund Balance</b>	<b>(27,452)</b>	<b>14,342</b>	<b>(84,169)</b>	<b>(97,279)</b>
Fund Balance at Beginning of Year	1,114,832	140,772	358,177	1,613,781
Increase in Reserve for Inventory	3,677	0	0	3,677
<b>Fund Balance at End of Year</b>	<b>\$1,091,057</b>	<b>\$155,114</b>	<b>\$274,008</b>	<b>\$1,520,179</b>

City of Vandalia  
Montgomery County, Ohio  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2003

	<u>Baseball Recreation</u>	<u>Computer Legal Research</u>	<u>Drug Law Enforcement</u>
Revenues:			
Charges for Services	\$91,913	\$0	\$0
Fines and Forfeitures	0	111,212	206
Intergovernmental	0	0	0
Other	9,766	55	0
Total Revenues	<u>101,679</u>	<u>111,267</u>	<u>206</u>
Expenditures:			
Current:			
General Government			
Legislative and Executive	0	134,088	252
Public Works			
Streets	0	0	0
Recreation	97,775	0	0
Total Expenditures	<u>97,775</u>	<u>134,088</u>	<u>252</u>
Net Change in Fund Balances	3,904	(22,821)	(46)
Fund Balances at Beginning of Year	41,401	102,261	900
Increase in Reserve for Inventory	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$45,305</u></u>	<u><u>\$79,440</u></u>	<u><u>\$854</u></u>

<u>FEMA</u>	<u>Law Enforcement</u>	<u>OMVI Education and Enforcement</u>	<u>OMVI Indigent</u>	<u>Permissive Motor Vehicle Tax</u>	<u>Soccer Recreation</u>
\$0	\$0	\$0	\$0	\$0	\$51,177
0	182	2,240	5,568	0	0
27,108	0	0	13,617	40,018	0
0	0	0	0	0	2,290
<u>27,108</u>	<u>182</u>	<u>2,240</u>	<u>19,185</u>	<u>40,018</u>	<u>53,467</u>
0	378	0	0	0	0
27,108	0	0	0	21,170	0
0	0	0	0	0	45,799
<u>27,108</u>	<u>378</u>	<u>0</u>	<u>0</u>	<u>21,170</u>	<u>45,799</u>
0	(196)	2,240	19,185	18,848	7,668
0	5,374	2,892	238,089	116,817	34,593
0	0	0	0	0	0
<u>\$0</u>	<u>\$5,178</u>	<u>\$5,132</u>	<u>\$257,274</u>	<u>\$135,665</u>	<u>\$42,261</u>

(Continued)

City of Vandalia, Ohio  
Montgomery County, Ohio  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2003  
(Continued)

	State Highway	Street	Total Nonmajor Special Revenue Funds
Revenues:			
Charges for Services	\$0	\$0	\$143,090
Fines and Forfeitures	0	0	119,408
Intergovernmental	45,483	563,595	689,821
Other	0	2,048	14,159
Total Revenues	<u>45,483</u>	<u>565,643</u>	<u>966,478</u>
Expenditures:			
Current:			
General Government			
Legislative and Executive	0	0	134,718
Public Works			
Streets	22,379	644,981	715,638
Recreation	0	0	143,574
Total Expenditures	<u>22,379</u>	<u>644,981</u>	<u>993,930</u>
Net Change in Fund Balances	23,104	(79,338)	(27,452)
Fund Balances at Beginning of Year	115,156	457,349	1,114,832
Increase in Reserve for Inventory	<u>0</u>	<u>3,677</u>	<u>3,677</u>
Fund Balances at End of Year	<u><u>\$138,260</u></u>	<u><u>\$381,688</u></u>	<u><u>\$1,091,057</u></u>



City of Vandalia, Ohio  
Montgomery County, Ohio  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Debt Service Funds  
For the Year Ended December 31, 2003

	General Obligation Bond Retirement	Street Special Assessment Bond Retirement	Total Nonmajor Debt Service Funds
Revenues:			
Special Assessments	\$0	\$66,460	\$66,460
Other	32	0	32
Total Revenues	<u>32</u>	<u>66,460</u>	<u>66,492</u>
Expenditures:			
Current:			
Public Works			
Streets	0	1,049	1,049
Debt Service:			
Principal Retirement	372,872	42,128	415,000
Interest and Fiscal Charges	665,050	8,973	674,023
Total Expenditures	<u>1,037,922</u>	<u>52,150</u>	<u>1,090,072</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,037,890)</u>	<u>14,310</u>	<u>(1,023,580)</u>
Other Financing Sources:			
Transfers In	<u>1,037,922</u>	<u>0</u>	<u>1,037,922</u>
Total Other Financing Sources	<u>1,037,922</u>	<u>0</u>	<u>1,037,922</u>
Net Change in Fund Balances	32	14,310	14,342
Fund Balances at Beginning of Year	<u>31,508</u>	<u>109,264</u>	<u>140,772</u>
Fund Balances at End of Year	<u><u>\$31,540</u></u>	<u><u>\$123,574</u></u>	<u><u>\$155,114</u></u>

City of Vandalia  
 Montgomery County, Ohio  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Capital Projects Funds  
 For the Year Ended December 31, 2003

	<u>Justice Center/ Municipal Building</u>	<u>Recreation Center</u>	<u>Road Improvements</u>	<u>Stonequarry Road</u>	<u>Total Nonmajor Capital Projects Funds</u>
Revenues:					
Interest	\$1,113	\$539	\$0	\$0	\$1,652
Total Revenues	<u>1,113</u>	<u>539</u>	<u>0</u>	<u>0</u>	<u>1,652</u>
Expenditures:					
Capital Outlay	35,525	50,296	0	0	85,821
Total Expenditures	<u>35,525</u>	<u>50,296</u>	<u>0</u>	<u>0</u>	<u>85,821</u>
Net Change in Fund Balance	(34,412)	(49,757)	0	0	(84,169)
Fund Balances at Beginning of Year	<u>111,623</u>	<u>83,281</u>	<u>4,629</u>	<u>158,644</u>	<u>358,177</u>
Fund Balance at End of Year	<u><u>\$77,211</u></u>	<u><u>\$33,524</u></u>	<u><u>\$4,629</u></u>	<u><u>\$158,644</u></u>	<u><u>\$274,008</u></u>

## Combining Statement - Fiduciary Funds

### AGENCY FUNDS

To account for assets held by the City as an agent for individuals, private organizations, and/or other governmental units.

#### Building Standards

Established to account for state assessed fees on building permits issued by the City.

#### Municipal Court

Established to account for monies that flow through the Clerk of Courts Office to various subdivisions.

#### Multi-District Tax Fund

Established to account for the flow through of municipal income tax monies that belong to the Cities of Englewood and Brookville.

#### Performance Bond

Established to account for sureties received from contractors until contracts are complete.

City of Vandalia  
Montgomery County, Ohio  
Combining Statement of Changes  
In Assets and Liabilities  
Fiduciary Funds  
For the Year Ended December 31, 2003

	Balance 01/01/03	Additions	Deletions	Balance 12/31/03
<b>Building Standards</b>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$133	\$1,584	\$1,553	\$164
<b>Total Assets</b>	<b>\$133</b>	<b>\$1,584</b>	<b>\$1,553</b>	<b>\$164</b>
Liabilities:				
Due to Other Governments	\$133	\$1,584	\$1,553	\$164
<b>Total Liabilities</b>	<b>\$133</b>	<b>\$1,584</b>	<b>\$1,553</b>	<b>\$164</b>
<b>Municipal Court</b>				
Assets:				
Cash and Cash Equivalents in Segregated Accounts	\$146,650	\$1,388,618	\$1,412,263	\$123,005
<b>Total Assets</b>	<b>\$146,650</b>	<b>\$1,388,618</b>	<b>\$1,412,263</b>	<b>\$123,005</b>
Liabilities:				
Due to Other Governments	\$53,813	\$1,388,618	\$1,397,990	\$44,441
Undistributed Monies	92,837	0	14,273	78,564
<b>Total Liabilities</b>	<b>\$146,650</b>	<b>\$1,388,618</b>	<b>\$1,412,263</b>	<b>\$123,005</b>
<b>Multi-District Tax Fund</b>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$20,483	\$6,785,287	\$6,805,770	\$0
<b>Total Assets</b>	<b>\$20,483</b>	<b>\$6,785,287</b>	<b>\$6,805,770</b>	<b>\$0</b>
Liabilities:				
Undistributed Monies	\$20,483	\$6,785,287	\$6,805,770	\$0
<b>Total Liabilities</b>	<b>\$20,483</b>	<b>\$6,785,287</b>	<b>\$6,805,770</b>	<b>\$0</b>
<b>Performance Bond</b>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$8,820	\$3,285	\$0	\$12,105
<b>Total Assets</b>	<b>\$8,820</b>	<b>\$3,285</b>	<b>\$0</b>	<b>\$12,105</b>
Liabilities:				
Undistributed Monies	\$8,820	\$3,285	\$0	\$12,105
<b>Total Liabilities</b>	<b>\$8,820</b>	<b>\$3,285</b>	<b>\$0</b>	<b>\$12,105</b>
<b>Totals</b>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$29,436	\$6,790,156	\$6,807,323	\$12,269
Cash and Cash Equivalents in Segregated Accounts	146,650	1,388,618	1,412,263	123,005
<b>Total Assets</b>	<b>\$176,086</b>	<b>\$8,178,774</b>	<b>\$8,219,586</b>	<b>\$135,274</b>
Liabilities:				
Due to Other Governments	\$53,946	\$1,390,202	\$1,399,543	\$44,605
Undistributed Monies	122,140	6,788,572	6,820,043	90,669
<b>Total Liabilities</b>	<b>\$176,086</b>	<b>\$8,178,774</b>	<b>\$8,219,586</b>	<b>\$135,274</b>

Individual Fund Schedules of Revenues, Expenditures/Expenses and  
Changes in Fund Balances/Fund Equity - Budget (Non-GAAP Basis) and Actual

Montgomery County, Ohio  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal Income Tax	\$10,750,000	\$9,882,448	\$10,352,364	\$469,916
Property and Other Taxes	1,839,527	1,701,804	1,704,936	3,132
Charges for Services	2,286,917	1,955,170	2,039,057	83,887
Licenses and Permits	80,000	84,849	87,650	2,801
Fines and Forfeitures	1,059,500	1,037,589	1,037,660	71
Intergovernmental	747,663	873,965	883,060	9,095
Interest	950,000	370,643	394,854	24,211
Other	80,566	95,326	179,245	83,919
<b>Total Revenues</b>	<b>17,794,173</b>	<b>16,001,794</b>	<b>16,678,826</b>	<b>677,032</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government</b>				
<b>Legislative and Executive</b>				
Personal Services	1,562,614	1,612,631	1,531,359	81,272
Operations and Maintenance	2,699,546	2,635,307	2,538,325	96,982
<b>Total Legislative and Executive</b>	<b>4,262,160</b>	<b>4,247,938</b>	<b>4,069,684</b>	<b>178,254</b>
<b>Judicial System</b>				
Personal Services	1,445,242	1,445,242	1,345,466	99,776
Operations and Maintenance	203,402	203,402	148,404	54,998
<b>Total Judicial System</b>	<b>1,648,644</b>	<b>1,648,644</b>	<b>1,493,870</b>	<b>154,774</b>
<b>Total General Government</b>	<b>5,910,804</b>	<b>5,896,582</b>	<b>5,563,554</b>	<b>333,028</b>
<b>Public Safety</b>				
<b>Police</b>				
Personal Services	3,786,161	3,398,335	3,380,036	18,299
Operations and Maintenance	433,353	489,696	460,924	28,772
<b>Total Police</b>	<b>4,219,514</b>	<b>3,888,031</b>	<b>3,840,960</b>	<b>47,071</b>
<b>Fire</b>				
Personal Services	1,265,815	1,185,815	1,177,741	8,074
Operations and Maintenance	177,480	135,399	131,899	3,500
<b>Total Fire</b>	<b>1,443,295</b>	<b>1,321,214</b>	<b>1,309,640</b>	<b>11,574</b>
<b>Total Public Safety</b>	<b>5,662,809</b>	<b>5,209,245</b>	<b>5,150,600</b>	<b>58,645</b>
<b>Public Works</b>				
<b>Engineer</b>				
Personal Services	678,400	633,000	627,300	5,700
Operations and Maintenance	145,298	145,298	122,338	22,960
<b>Total Engineer</b>	<b>823,698</b>	<b>778,298</b>	<b>749,638</b>	<b>28,660</b>

(Continued)

City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2003  
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Streets				
Service Department				
Personal Services	\$127,518	\$118,232	\$112,421	\$5,811
Operations and Maintenance	5,111	5,111	3,764	1,347
Street Lighting				
Operations and Maintenance	203,341	186,634	186,632	2
Street Maintenance				
Personal Services	395,688	369,892	351,153	18,739
Operations and Maintenance	6,583	6,583	5,531	1,052
Total Streets	<u>738,241</u>	<u>686,452</u>	<u>659,501</u>	<u>26,951</u>
Refuse				
Operations and Maintenance	672,015	709,552	697,071	12,481
Total Public Works	<u>2,233,954</u>	<u>2,174,302</u>	<u>2,106,210</u>	<u>68,092</u>
Recreation				
Parks				
Personal Services	2,257,020	2,113,330	2,044,476	68,854
Operations and Maintenance	692,734	703,121	632,356	70,765
Total Recreation	<u>2,949,754</u>	<u>2,816,451</u>	<u>2,676,832</u>	<u>139,619</u>
Capital Outlay	<u>250,222</u>	<u>568,887</u>	<u>489,553</u>	<u>79,334</u>
Debt Service:				
Principal Retirement	0	356,971	356,971	0
Interest and Fiscal Charges	0	15,000	15,000	0
Total Debt Service	<u>0</u>	<u>371,971</u>	<u>371,971</u>	<u>0</u>
Total Expenditures	<u>17,007,543</u>	<u>17,037,438</u>	<u>16,358,720</u>	<u>678,718</u>
Excess of Revenues Over (Under) Expenditures	<u>786,630</u>	<u>(1,035,644)</u>	<u>320,106</u>	<u>1,355,750</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	1,000	3,017	3,017	0
Advances Out	0	(440,000)	(440,000)	0
Transfers Out	(2,556,431)	(2,556,431)	(2,556,431)	0
Total Other Financing Sources (Uses)	<u>(2,555,431)</u>	<u>(2,993,414)</u>	<u>(2,993,414)</u>	<u>0</u>
Net Change in Fund Balance	(1,768,801)	(4,029,058)	(2,673,308)	1,355,750
Fund Balance at Beginning of Year	9,274,851	9,274,851	9,274,851	0
Prior Year Encumbrances Appropriated	<u>1,774,814</u>	<u>1,774,814</u>	<u>1,774,814</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$9,280,864</u></u>	<u><u>\$7,020,607</u></u>	<u><u>\$8,376,357</u></u>	<u><u>\$1,355,750</u></u>

City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Capital Improvement Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$579,000	\$384,929	\$395,429	10,500
Special Assessments	10,100	35,713	35,713	0
Total Revenues	<u>589,100</u>	<u>420,642</u>	<u>431,142</u>	<u>10,500</u>
Expenditures:				
Capital Outlay	5,118,491	5,118,491	4,993,007	125,484
Total Expenditures	<u>5,118,491</u>	<u>5,118,491</u>	<u>4,993,007</u>	<u>125,484</u>
Excess of Revenues Under Expenditures	<u>(4,529,391)</u>	<u>(4,697,849)</u>	<u>(4,561,865)</u>	<u>135,984</u>
Other Financing Sources:				
Repayment of Notes Receivable	283,180	24,207	24,207	0
Proceeds from Sale of Assets	0	600	600	0
Bond Anticipation Notes	0	295,000	295,000	0
Transfers In	1,518,509	1,518,509	1,518,509	0
Total Other Financing Sources	<u>1,801,689</u>	<u>1,838,316</u>	<u>1,838,316</u>	<u>0</u>
Net Change in Fund Balance	(2,727,702)	(2,859,533)	(2,723,549)	135,984
Fund Balance at Beginning Year	1,274,042	1,274,042	1,274,042	0
Prior Year Encumbrances Appropriated	<u>2,754,613</u>	<u>2,754,613</u>	<u>2,754,613</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$1,300,953</u></u>	<u><u>\$1,169,122</u></u>	<u><u>\$1,305,106</u></u>	<u><u>\$135,984</u></u>



City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenses and Changes  
In Fund Equity - Budget (Non-GAAP Basis) and Actual  
Golf Fund  
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$1,044,051	\$921,090	\$938,858	\$17,768
Interest	4,491	2,631	2,660	29
Other	34,494	31,018	32,030	1,012
Total Revenues	<u>1,083,036</u>	<u>954,739</u>	<u>973,548</u>	<u>18,809</u>
Expenses:				
Current:				
Personal Services	522,428	522,428	473,884	48,544
Contractual Services	411,772	407,452	360,319	47,133
Materials and Supplies	247,822	248,431	231,065	17,366
Other	30,929	35,248	35,248	0
Capital Outlay	609	0	0	0
Total Expenses	<u>1,213,560</u>	<u>1,213,559</u>	<u>1,100,516</u>	<u>113,043</u>
Excess of Revenues Under Expenses before Advances	(130,524)	(258,820)	(126,968)	131,852
Advances In	<u>0</u>	<u>200,000</u>	<u>200,000</u>	<u>0</u>
Net Change in Fund Equity	(130,524)	(58,820)	73,032	131,852
Fund Equity at Beginning Year	98,152	98,152	98,152	0
Prior Year Encumbrances Appropriated	<u>39,529</u>	<u>39,529</u>	<u>39,529</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$7,157</u></u>	<u><u>\$78,861</u></u>	<u><u>\$210,713</u></u>	<u><u>\$131,852</u></u>

City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenses and Changes  
In Fund Equity - Budget (Non-GAAP Basis) and Actual  
Sewer Fund  
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$1,341,925	\$1,056,486	\$1,063,239	\$6,753
Utility Deposits Received	0	940	940	0
Other	0	167	167	0
Total Revenues	<u>1,341,925</u>	<u>1,057,593</u>	<u>1,064,346</u>	<u>6,753</u>
Expenses:				
Current:				
Personal Services	280,313	280,313	253,390	26,923
Contractual Services	1,132,750	1,126,389	896,708	229,681
Materials and Supplies	24,463	29,146	29,146	0
Other	238	238	0	238
Capital Outlay	344,000	345,679	345,679	0
Utility Deposits Returned	0	687	687	0
Total Expenses	<u>1,781,764</u>	<u>1,782,452</u>	<u>1,525,610</u>	<u>256,842</u>
Net Change in Fund Equity	(439,839)	(724,859)	(461,264)	263,595
Fund Equity at Beginning of Year	1,199,061	1,199,061	1,199,061	0
Prior Year Encumbrances Appropriated	<u>96,580</u>	<u>96,580</u>	<u>96,580</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$855,802</u></u>	<u><u>\$570,782</u></u>	<u><u>\$834,377</u></u>	<u><u>\$263,595</u></u>

City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenses and Changes  
In Fund Equity - Budget (Non-GAAP Basis) and Actual  
Water Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$1,550,874	\$1,564,167	\$1,573,446	\$9,279
Utility Deposits Received	0	1,909	1,909	0
Other	13,100	12,165	12,165	0
Total Revenues	1,563,974	1,578,241	1,587,520	9,279
Expenses:				
Current:				
Personal Services	280,313	280,313	253,459	26,854
Contractual Services	1,256,777	1,256,777	1,134,855	121,922
Materials and Supplies	45,995	45,995	45,525	470
Other	185	185	86	99
Capital Outlay	23,232	26,183	26,183	0
Utility Deposits Returned	0	1,395	1,395	0
Total Expenses	1,606,502	1,610,848	1,461,503	149,345
Net Change in Fund Equity	(42,528)	(32,607)	126,017	158,624
Fund Equity at Beginning Year	684,980	684,980	684,980	0
Prior Year Encumbrances Appropriated	43,269	43,269	43,269	0
Fund Equity at End of Year	\$685,721	\$695,642	\$854,266	\$158,624

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

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$100,175	\$91,913	\$91,913	\$0
Other	3,030	3,566	3,566	0
Total Revenues	<u>103,205</u>	<u>95,479</u>	<u>95,479</u>	<u>0</u>
Expenditures:				
Current:				
Recreation				
Personal Services	31,474	31,474	31,474	0
Operation and Maintenance	67,261	67,261	66,380	881
Capital Outlay	11,003	11,003	11,000	3
Total Expenditures	<u>109,738</u>	<u>109,738</u>	<u>108,854</u>	<u>884</u>
Net Change in Fund Balance	(6,533)	(14,259)	(13,375)	884
Fund Balance at Beginning of Year	40,507	40,507	40,507	0
Prior Year Encumbrances Appropriated	1,280	1,280	1,280	0
Fund Balance at End of Year	<u><u>\$35,254</u></u>	<u><u>\$27,528</u></u>	<u><u>\$28,412</u></u>	<u><u>\$884</u></u>

City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Computer Legal Research Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$122,800	\$112,938	\$112,938	\$0
Other	600	55	55	0
Total Revenues	<u>123,400</u>	<u>112,993</u>	<u>112,993</u>	<u>0</u>
Expenditures:				
Current:				
General Government				
Legislative and Executive				
Personal Services	87,359	87,359	79,345	8,014
Operation and Maintenance	75,846	75,846	62,296	13,550
Capital Outlay	15,924	15,924	12,436	3,488
Total Expenditures	<u>179,129</u>	<u>179,129</u>	<u>154,077</u>	<u>25,052</u>
Net Change in Fund Balance	(55,729)	(66,136)	(41,084)	25,052
Fund Balance at Beginning of Year	88,606	88,606	88,606	0
Prior Year Encumbrances Appropriated	<u>7,788</u>	<u>7,788</u>	<u>7,788</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$40,665</u></u>	<u><u>\$30,258</u></u>	<u><u>\$55,310</u></u>	<u><u>\$25,052</u></u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeitures	\$150	\$206	\$206	\$0
Total Revenues	150	206	206	0
Expenditures:				
Current:				
General Government				
Legislative and Executive				
Operation and Maintenance	110	260	252	8
Total Expenditures	110	260	252	8
Net Change in Fund Balance	40	(54)	(46)	8
Fund Balance at Beginning of Year	900	900	900	0
Fund Balance at End of Year	<u>\$940</u>	<u>\$846</u>	<u>\$854</u>	<u>\$8</u>

City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - (Non-GAAP Basis) and Actual  
FEMA Fund  
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$0	\$27,108	\$27,108	\$0
Total Revenues	<u>0</u>	<u>27,108</u>	<u>27,108</u>	<u>0</u>
Expenditures:				
Current:				
Public Works				
Streets				
Personal Services	0	18,882	18,882	0
Operation and Maintenance	<u>0</u>	<u>8,226</u>	<u>8,226</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>27,108</u>	<u>27,108</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeitures	<u>\$1,000</u>	<u>\$182</u>	<u>\$182</u>	<u>\$0</u>
Total Revenues	<u>1,000</u>	<u>182</u>	<u>182</u>	<u>0</u>
Expenditures:				
Current:				
Operations and Maintenance	<u>1,000</u>	<u>1,000</u>	<u>378</u>	<u>622</u>
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>378</u>	<u>622</u>
Net Change in Fund Balance	0	(818)	(196)	622
Fund Balance at Beginning of Year	<u>5,375</u>	<u>5,375</u>	<u>5,375</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$5,375</u></u>	<u><u>\$4,557</u></u>	<u><u>\$5,179</u></u>	<u><u>\$622</u></u>



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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeitures	<u>\$1,500</u>	<u>\$2,422</u>	<u>\$2,422</u>	<u>\$0</u>
Total Revenues	<u>1,500</u>	<u>2,422</u>	<u>2,422</u>	<u>0</u>
Expenditures:				
Current:				
Public Safety				
Police				
Operation and Maintenance	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Total Expenditures	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Net Change in Fund Balance	1,000	1,922	2,422	500
Fund Balance at Beginning of Year	<u>2,576</u>	<u>2,576</u>	<u>2,576</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$3,576</u></u>	<u><u>\$4,498</u></u>	<u><u>\$4,998</u></u>	<u><u>\$500</u></u>

City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - (Non-GAAP Basis) and Actual  
OMVI Indigent Fund  
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeitures	\$9,000	\$5,846	\$5,846	\$0
Intergovernmental	6,500	13,617	13,617	0
Total Revenues	<u>15,500</u>	<u>19,463</u>	<u>19,463</u>	<u>0</u>
Expenditures:				
Current:				
Public Safety				
Police				
Operation and Maintenance	15,000	15,000	0	15,000
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Net Change in Fund Balance	500	4,463	19,463	15,000
Fund Balance at Beginning of Year	<u>237,175</u>	<u>237,175</u>	<u>237,175</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$237,675</u></u>	<u><u>\$241,638</u></u>	<u><u>\$256,638</u></u>	<u><u>\$15,000</u></u>

City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Permissive Motor Vehicle Tax Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$39,000	\$40,017	\$40,017	\$0
Total Revenues	39,000	40,017	40,017	0
Expenditures:				
Current:				
Public Works				
Streets				
Operation and Maintenance	847	847	26,904	(26,057)
Capital Outlay	35,000	35,000	7,612	27,388
Total Expenditures	35,847	35,847	34,516	1,331
Net Change in Fund Balance	3,153	4,170	5,501	1,331
Fund Balance at Beginning of Year	122,041	122,041	122,041	0
Prior Year Encumbrances Appropriated	848	848	848	0
Fund Balance at End of Year	\$126,042	\$127,059	\$128,390	\$1,331

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$51,448	\$51,177	\$51,177	\$0
Other	2,160	2,215	2,215	0
Total Revenues	<u>53,608</u>	<u>53,392</u>	<u>53,392</u>	<u>0</u>
Expenditures:				
Current:				
Recreation				
Personal Services	21,973	21,973	15,604	6,369
Operation and Maintenance	37,479	37,479	31,445	6,034
Capital Outlay	1,804	1,804	0	1,804
Total Expenditures	<u>61,256</u>	<u>61,256</u>	<u>47,049</u>	<u>14,207</u>
Net Change in Fund Balance	(7,648)	(7,864)	6,343	14,207
Fund Balance at Beginning of Year	32,765	32,765	32,765	0
Prior Year Encumbrances Appropriated	1,600	1,600	1,600	0
Fund Balance at End of Year	<u>\$26,717</u>	<u>\$26,501</u>	<u>\$40,708</u>	<u>\$14,207</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	<u>\$37,600</u>	<u>\$43,207</u>	<u>\$43,672</u>	<u>\$465</u>
Total Revenues	<u>37,600</u>	<u>43,207</u>	<u>43,672</u>	<u>465</u>
Expenditures:				
Current:				
Public Works				
Streets				
Operations and Maintenance	<u>32,329</u>	<u>32,329</u>	<u>25,967</u>	<u>6,362</u>
Total Expenditures	<u>32,329</u>	<u>32,329</u>	<u>25,967</u>	<u>6,362</u>
Net Change in Fund Balance	5,271	10,878	17,705	6,827
Fund Balance at Beginning of Year	112,771	112,771	112,771	0
Prior Year Encumbrances Appropriated	<u>796</u>	<u>796</u>	<u>796</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$118,838</u></u>	<u><u>\$124,445</u></u>	<u><u>\$131,272</u></u>	<u><u>\$6,827</u></u>

City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Street Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$500	\$0	\$0	\$0
Intergovernmental	496,000	535,534	541,266	5,732
Other	4,500	2,048	2,048	0
Total Revenues	<u>501,000</u>	<u>537,582</u>	<u>543,314</u>	<u>5,732</u>
Expenditures:				
Current:				
Public Works				
Streets				
Personal Services	494,860	494,860	489,970	4,890
Operations and Maintenance	185,660	185,660	176,060	9,600
Total Expenditures	<u>680,520</u>	<u>680,520</u>	<u>666,030</u>	<u>14,490</u>
Net Change in Fund Balance	(179,520)	(142,938)	(122,716)	20,222
Fund Balance at Beginning of Year	360,848	360,848	360,848	0
Prior Year Encumbrances Appropriated	54,550	54,550	54,550	0
Fund Balance at End of Year	<u>\$235,878</u>	<u>\$272,460</u>	<u>\$292,682</u>	<u>\$20,222</u>

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

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other Revenue	\$0	\$32	\$32	\$0
Total Revenues	0	32	32	0
Expenditures:				
Debt Service:				
Principal Retirement	372,872	372,872	372,872	0
Interest and Fiscal Charges	665,050	665,050	665,050	0
Total Expenditures	1,037,922	1,037,922	1,037,922	0
Excess of Revenues Under Expenditures	(1,037,922)	(1,037,890)	(1,037,890)	0
Other Financing Sources:				
Transfers In	1,037,922	1,037,922	1,037,922	0
Total Other Financing Sources	1,037,922	1,037,922	1,037,922	0
Net Change in Fund Balance	0	32	32	0
Fund Balance at Beginning of Year	31,509	31,509	31,509	0
Fund Balance at End of Year	<u>\$31,509</u>	<u>\$31,541</u>	<u>\$31,541</u>	<u>\$0</u>

City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Street Special Assessment Bond Retirement Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$56,105	\$56,105	\$66,460	\$10,355
Total Revenues	56,105	56,105	66,460	10,355
Expenditures:				
Current:				
Public Works				
Streets				
Operation and Maintenance	2,076	2,076	1,049	1,027
Debt Service:				
Principal Retirement	42,128	42,128	42,128	0
Interest and Fiscal Charges	8,973	8,973	8,973	0
Total Expenditures	53,177	53,177	52,150	1,027
Net Change in Fund Balance	2,928	2,928	14,310	11,382
Fund Balance at Beginning of Year	109,264	109,264	109,264	0
Fund Balance at End of Year	<u>\$112,192</u>	<u>\$112,192</u>	<u>\$123,574</u>	<u>\$11,382</u>



City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Justice Center/Municipal Building Fund  
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	<u>\$1,000</u>	<u>\$1,056</u>	<u>\$1,113</u>	<u>\$57</u>
Total Revenues	<u>1,000</u>	<u>1,056</u>	<u>1,113</u>	<u>57</u>
Expenditures:				
Capital Outlay	<u>102,745</u>	<u>132,745</u>	<u>35,525</u>	<u>97,220</u>
Total Expenditures	<u>102,745</u>	<u>132,745</u>	<u>35,525</u>	<u>97,220</u>
Net Change in Fund Balance	(101,745)	(131,689)	(34,412)	97,277
Fund Balance at Beginning of Year	9,876	9,876	9,876	0
Prior Year Encumbrances Appropriated	<u>101,745</u>	<u>101,745</u>	<u>101,745</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$9,876</u></u>	<u><u>(\$20,068)</u></u>	<u><u>\$77,209</u></u>	<u><u>\$97,277</u></u>

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

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$1,000	\$515	\$539	\$24
Total Revenues	1,000	515	539	24
Expenditures:				
Capital Outlay	7,587	87,197	50,866	36,331
Total Expenditures	7,587	87,197	50,866	36,331
Net Change in Fund Balance	(6,587)	(86,682)	(50,327)	36,355
Fund Balance at Beginning of Year	76,694	76,694	76,694	0
Prior Year Encumbrances Appropriated	6,587	6,587	6,587	0
Fund Balance at End of Year	\$76,694	(\$3,401)	\$32,954	\$36,355

City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Road Improvements Fund  
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Capital Outlay	394,629	244,629	244,629	0
Total Expenditures	394,629	244,629	244,629	0
Excess of Revenues Under Expenditures	(394,629)	(244,629)	(244,629)	0
Other Financing Sources:				
Advances In	390,000	240,000	240,000	0
Total Other Financing Sources	390,000	240,000	240,000	0
Net Change in Fund Balance	(4,629)	(4,629)	(4,629)	0
Fund Balance at Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	4,629	4,629	4,629	0
Fund Balance at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Vandalia  
Montgomery County, Ohio  
Schedule of Revenues, Expenses and Changes  
In Fund Equity - Budget (Non-GAAP Basis) and Actual  
Hospital Care Fund  
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$2,057,325	\$1,671,349	\$1,671,349	\$0
Other	<u>132,675</u>	<u>266,113</u>	<u>267,240</u>	<u>1,127</u>
Total Revenues	<u>2,190,000</u>	<u>1,937,462</u>	<u>1,938,589</u>	<u>1,127</u>
Expenses:				
Current:				
Contractual Services	352,000	407,000	405,608	1,392
Claims	<u>1,910,303</u>	<u>1,631,555</u>	<u>1,345,395</u>	<u>286,160</u>
Total Expenses	<u>2,262,303</u>	<u>2,038,555</u>	<u>1,751,003</u>	<u>287,552</u>
Net Change in Fund Equity	(72,303)	(101,093)	187,586	288,679
Fund Equity at Beginning of Year	30,645	30,645	30,645	
Prior Year Encumbrances Appropriated	<u>72,303</u>	<u>72,303</u>	<u>72,303</u>	<u>0</u>
Fund Equity at End of Year	<u>\$30,645</u>	<u>\$1,855</u>	<u>\$290,534</u>	<u>\$288,679</u>

**STATISTICAL SECTION**

**THE FOLLOWING UNAUDITED STATISTICAL TABLES  
REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND  
FISCAL CAPACITY OF THE CITY**

City of Vandalia  
 Montgomery County, Ohio  
 Government-wide Expenses - Governmental Activities by Function  
 Last Four Years (1)

Year	General Government	Public Safety	Public Works	Recreation	Interest and Fiscal Charges	Total
2000	\$4,179,646	\$5,279,340	\$4,539,841	\$2,250,409	\$728,745	\$16,977,981
2001	4,792,302	5,503,635	4,512,870	3,857,728	710,608	19,377,143
2002	4,413,764	5,798,869	3,781,644	3,423,447	692,184	18,109,908
2003	4,929,186	5,703,204	4,223,002	3,351,472	680,882	18,887,746

SOURCE: Finance Office, City of Vandalia

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

City of Vandalia  
 Montgomery County, Ohio  
 Government-wide Revenues - Governmental Activities by Source  
 Last Four Years (1)

Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Property and Other Taxes	(2) Municipal Income Tax	Entitlements not Restricted to Specific Programs	Unrestricted Investment Earnings	Other	
2000	\$2,344,591	\$557,648	\$474,229	\$1,616,490	\$11,120,996	\$942,438	\$1,988,257	\$93,482	\$19,138,131
2001	2,941,533	616,273	979,153	1,570,281	10,307,674	997,696	1,455,574	17,250	18,885,434
2002	3,208,857	611,107	353,732	1,660,698	11,178,585	911,245	830,994	85,390	18,840,608
2003	3,740,029	759,212	395,429	1,783,553	9,911,605	837,051	336,949	124,683	17,888,511

SOURCE: Finance Office, City of Vandalia

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

(2) The drop in Municipal Income Taxes from 2002 to 2003 was due to a large increase in the allowance for uncollectible accounts from 2002 to 2003.

City of Vandalia  
 Montgomery County, Ohio  
 General Fund Expenditures By Function  
 Last Ten Years

Year	General Government	Public Safety	Public Works	Recreation	Capital Outlay	Debt Service	Total
1994	\$2,647,379	\$3,102,356	\$1,486,401	\$1,147,626	\$171,767	\$0	\$8,555,529
1995	2,931,510	3,218,633	1,687,900	1,223,999	5,242	-	9,067,284
1996	3,071,704	3,472,605	1,685,766	1,340,878	11,817	-	9,582,770
1997	3,161,057	3,386,547	1,724,898	1,392,744	9,141	-	9,674,387
1998	3,395,888	3,812,313	2,126,924	1,477,440	13,851	-	10,826,416
1999	3,756,153	4,258,529	1,882,126	1,557,247	-	-	11,454,055
2000	3,647,390	4,565,012	1,933,148	1,714,757	16,477	-	11,876,784
2001	4,141,164	4,934,726	2,036,238	2,739,761	452,522	-	14,304,411
2002	3,987,949	5,162,545	2,042,012	2,693,497	5,822	61,971	13,953,796
2003	4,257,820	5,080,363	2,039,414	2,652,922	194,778	61,971	14,287,268

SOURCE: Finance Office, City of Vandalia



City of Vandalia  
 Montgomery County, Ohio  
 General Fund Revenues by Source  
 Last Ten Years

Year	Municipal Income Tax	Property and Other Taxes	Charges for Services	Licenses and Permits	Fines and Forfeitures	Inter- Governmental	Interest	Other	Total
1993	\$8,865,688	\$1,141,326	\$591,705	\$187,845	\$883,885	\$697,330	\$227,067	\$76,719	\$12,671,565
1995	9,402,587	1,196,989	795,588	109,080	1,010,187	662,191	581,670	136,520	13,894,812
1996	10,517,757	1,196,276	832,450	120,034	964,813	711,804	748,543	76,588	15,168,265
1997	9,962,903	1,358,819	759,462	131,036	959,961	768,641	1,074,332	48,604	15,063,758
1998	10,723,977	1,370,172	950,615	133,414	1,050,464	720,981	1,209,470	277,239	16,436,332
1999	12,376,161	1,305,833	943,946	170,657	1,050,655	1,014,524	318,175	405,400	17,585,351
2000	10,976,105	1,578,741	735,605	127,532	1,027,177	938,093	1,977,916	91,970	17,453,139
2001	10,790,799	1,569,367	1,205,295	80,535	1,130,782	1,023,363	1,337,016	178,595	17,315,752
2002	10,498,954	1,591,471	1,534,236	95,832	1,064,913	934,644	887,314	214,767	16,822,131
2003	10,317,499	1,706,415	2,124,601	87,650	1,035,607	917,126	278,133	179,396	16,646,427

SOURCE: Finance Office, City of Vandalia

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

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections (1)	Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes To Total Tax Levy
1994	\$1,071,436	\$1,000,204	\$33,766	\$1,033,970	97%	\$52,884	4.94%
1995	1,117,715	1,038,197	32,524	1,070,721	96	42,226	3.78
1996	1,167,689	1,071,780	32,705	1,104,485	95	59,196	5.07
1997	1,313,074	1,172,885	58,456	1,231,341	94	57,923	4.41
1998	1,334,585	1,185,274	65,367	1,250,641	94	49,077	3.68
1999	1,357,402	1,226,054	44,594	1,270,648	94	56,603	4.17
2000	1,463,393	1,307,451	44,532	1,351,983	92	67,252	4.60
2001	1,492,775	1,446,584	55,263	1,501,847	101	83,471	5.59
2002	1,518,377	1,487,482	53,079	1,540,561	101	93,628	6.17
2003	1,657,681	1,595,477	58,972	1,654,449	100	152,595	9.21

SOURCE: County Auditor; Montgomery County, Ohio

(1) Information not available to exclude intergovernmental revenue from taxes.

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

Year	Assessed Public Utility		Assessed Public Utility Tangible	Assessed Tangible Personal		Estimated True Value (1)	Percentage of Assessed Value To Estimated True Value
	Real	Real		Personal	Total		
1994	\$202,678,610	\$25,640	\$12,276,680	\$54,998,562	\$269,979,492	\$813,100,020	33%
1995	207,536,750	26,150	12,877,540	61,610,021	282,050,461	854,110,509	33
1996	234,178,950	28,590	13,022,160	69,937,991	317,167,691	963,714,273	33
1997	236,717,850	32,020	13,106,070	72,507,652	322,363,592	981,352,069	33
1998	244,489,040	35,230	11,615,690	69,545,468	325,685,428	990,022,291	33
1999	268,174,540	31,880	10,736,100	72,418,708	351,361,228	1,068,179,003	33
2000	271,345,240	24,020	9,838,940	77,220,506	358,428,706	1,095,403,380	33
2001	278,549,920	22,580	9,482,673	78,703,666	366,758,839	1,119,152,422	33
2002	310,368,570	45,290	9,896,969	80,095,291	400,406,120	1,222,148,869	33
2003	316,589,440	46,120	7,696,010	71,493,745	395,825,315	1,199,393,474	33

SOURCE: County Auditor, Montgomery County, Ohio

(1) Estimated true value is calculated by dividing the assessed value by the assessment percentage. The percentages for 2003 were 35 percent for real property and public utility real, 88 percent for public utility tangible personal, 25 percent for tangible personal capital assets, and 23 percent for tangible personal inventory.

City of Vandalia  
 Montgomery County, Ohio  
 Property Tax Rates - Direct and Overlapping Governments  
 (Per \$1000 of Assessed Valuation)  
 Last Ten Years

Collection Year	Total City	Vandalia-Butler		Montgomery County	Miami Valley		Library	Total
		City	Schools		Career Technology Center	Center		
1994	\$4.14	\$42.91	\$16.14	\$2.58	-	\$65.77		
1995	4.14	47.86	16.64	2.58	0.72	71.94		
1996	4.14	47.86	16.64	2.58	0.72	71.94		
1997	4.14	45.86	16.64	2.58	0.72	69.94		
1998	4.14	45.86	16.64	2.58	0.26	69.48		
1999	4.14	45.86	16.64	2.58	0.26	69.48		
2000	4.14	45.06	16.64	2.58	0.26	68.68		
2001	4.14	44.86	17.24	2.58	0.26	69.08		
2002	4.14	44.66	17.24	2.58	0.26	68.88		
2003	4.14	44.36	17.24	2.58	0.26	68.58		

SOURCE: County Auditor; Montgomery County, Ohio

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

<u>Collection Year</u>	<u>Billed (1)</u>	<u>Amount Collected (2)</u>	<u>Percent Collected</u>
1994	\$111,207	\$110,684	99%
1995	140,667	139,428	99
1996	124,098	121,462	98
1997	110,053	109,780	99
1998	106,475	106,202	99
1999	97,077	96,905	99
2000	101,818	91,885	90
2001	89,806	84,068	94
2002	84,384	83,446	99
2003	84,119	83,028	99

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

(2) City's Tax Settlement Sheets

NOTE: This table reflects only those special assessments collected through the County Auditor's Office.

City of Vandalia  
 Montgomery County, Ohio  
 Ratio of Net General Obligation Bonded Debt  
 To Assessed Value and Net Bonded Debt Per Capita  
 Last Eight Years (1)

Year	Population (2)	Assessed Value	Gross Bonded Debt (3)	Debt Service Monies Available (4)	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Valuation	Net Bonded Debt Per Capita
1996	13,790	\$317,167,691	\$13,675,000	\$31,226	\$13,643,774	4.30%	\$989.40
1997	13,790	322,363,592	13,480,000	31,361	13,448,639	4.17	975.25
1998	13,790	325,685,428	13,185,000	31,361	13,153,639	4.04	953.85
1999	13,790	351,361,228	12,875,000	31,403	12,843,597	3.66	931.37
2000	14,603	358,428,706	12,550,000	31,476	12,518,524	3.49	857.26
2001	14,603	366,758,839	12,210,000	31,506	12,178,494	3.32	833.97
2002	14,603	400,406,120	11,855,000	31,508	11,823,492	2.96	809.66
2003	14,603	395,825,315	11,485,000	31,540	11,453,460	2.89	784.32

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

SOURCE: (2) 1990 and 2000 Census

(3) Excludes general obligation bonded debt payable from municipal income taxes and special assessment bonded debt.

(4) Excludes debt service money available to pay general obligation bonded debt payable from municipal income taxes and special assessment bonded debt.

City of Vandalia  
 Montgomery County, Ohio  
 Computation of Overall Legal Debt Margin  
 December 31, 2003

Assessed Value (1)		<u><u>\$395,825,315</u></u>
Overall Debt Limit (10 1/2% of the Assessed Value)		\$41,561,658
Total Voted and Unvoted Debt Outstanding at December 31, 2003	<u>\$11,931,971</u>	
Less: Exempt Debt		
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Special Assessments	84,254	
Unvoted General Obligation Bonds, Loans and Notes Issued in Anticipation of the Collection of Lawfully Available Municipal Income Tax to be Applied to Debt Service	<u>362,717</u>	
Debt Within 10 1/2 Percent Limitation	11,485,000	
Less: Bond Retirement Fund Balance	<u>31,540</u>	
Net Debt Subject to 10 1/2% limitation		<u>11,453,460</u>
Legal debt margin within 10 1/2% limitation		<u><u>\$30,108,198</u></u>

(1) This assessed value represents tax year 2003 assessed valuation.

City of Vandalia  
Montgomery County, Ohio  
Computation of Unvoted Legal Debt Margin  
December 31, 2003

Assessed Value (1)		<u><u>\$395,825,315</u></u>
Overall Debt Limit (5 1/2% of the Assessed Value)		\$21,770,392
Total Voted and Unvoted Debt Outstanding at December 31, 2003	<u>\$11,931,971</u>	
Less: Exempt Debt		
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Special Assessments	84,254	
Unvoted General Obligation Bonds, Loans and Notes Issued in Anticipation of the Collection of Lawfully Available Municipal Income Tax to be Applied to Debt Service	<u>362,717</u>	
Debt Within 5 1/2 Percent Limitation	11,485,000	
Less: Bond Retirement Fund Balance	<u>31,540</u>	
Net Debt Subject to 5 1/2% limitation		<u>11,453,460</u>
Legal debt margin within 5 1/2% limitation		<u><u>\$10,316,932</u></u>

(1) This assessed value represents tax year 2003 assessed valuation.



City of Vandalia  
 Montgomery County, Ohio  
 Computation of Direct and Overlapping General Obligation Debt  
 December 31, 2003

Jurisdiction	Net Debt Outstanding	Percentage Applicable To City of Vandalia	Amount Applicable To City of Vandalia
Direct Debt:			
City of Vandalia	\$11,453,460	100.00%	<u>\$11,453,460</u>
Overlapping Debt:			
Montgomery County	35,982,639	3.97	1,546,392
Vandalia-Butler City School District	1,250,000	59.51	<u>743,875</u>
Total Overlapping Debt			<u>2,290,267</u>
Total Direct and Overlapping Debt			<u><u>\$13,743,727</u></u>

SOURCE: City of Vandalia, Finance Office; Montgomery County Auditor; Vandalia-Butler City Schools

NOTE: The percentage of gross indebtedness of the City's overlapping political subdivisions was determined by dividing each overlapping subdivision's assessed value within the City by the subdivision's total assessed value.

The Net Debt Outstanding includes only general obligation debt payable from property taxes.

City of Vandalia  
 Montgomery County, Ohio  
 Ratio of Annual Debt Principal and Interest Expenditures  
 For General Obligation Bonded Debt to Total  
 General Fund Expenditures  
 Last Eight Years (1)

Year	Debt Principal and Interest (2)	General Fund Expenditures	Ratio
1996	\$0	\$9,582,770	0.00%
1997	1,034,769	9,674,387	10.70
1998	1,032,115	10,826,416	9.53
1999	1,034,873	11,454,055	9.03
2000	1,040,390	11,876,784	8.76
2001	1,040,613	14,304,411	7.27
2002	1,036,123	13,953,796	7.43
2003	1,034,438	14,287,268	7.24

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

(2) Includes only general obligation debt payable from property taxes.

City of Vandalia  
Montgomery County, Ohio  
Revenue Bond Coverage  
Last Ten Years

Year	Operating Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
GOLF							
1994	\$933,242	\$1,024,795	(\$91,553)	\$45,000	\$11,813	\$56,813	(1.6)
1995	908,542	1,001,339	(92,797)	45,000	9,450	54,450	(1.7)
1996	852,694	878,740	(26,046)	45,000	7,088	52,088	(0.5)
1997	1,016,904	962,068	54,836	45,000	4,725	49,725	1.1
1998	1,028,941	995,698	33,243	45,000	2,363	47,363	0.7
1999	(a)	(a)	(a)	(a)	(a)	(a)	(a)
2000	(a)	(a)	(a)	(a)	(a)	(a)	(a)
2001	(a)	(a)	(a)	(a)	(a)	(a)	(a)
2002	(a)	(a)	(a)	(a)	(a)	(a)	(a)
2003	(a)	(a)	(a)	(a)	(a)	(a)	(a)

SOURCE: Finance Office, City of Vandalia

(1) Operating expenses do not include depreciation

Note - The sewer enterprise fund has no revenue debt after 1982

The water enterprise fund has no revenue debt after 1990

(a) The golf enterprise fund has no revenue debt after 1998

City of Vandalia  
 Montgomery County, Ohio  
 Demographic Statistics  
 Last Ten Years

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate Montgomery County (3)</u>
1994	13,790	3,535	4.9%
1995	13,790	3,435	4.0
1996	13,790	3,515	4.4
1997	13,790	3,640	4.0
1998	13,790	3,564	4.1
1999	13,790	3,560	3.8
2000	14,603	3,550	3.8
2001	14,603	3,531	4.3
2002	14,603	3,466	4.7
2003	14,603	3,471	6.3

SOURCE: (1) 1990 and 2000 Census

(2) Vandalia-Butler Board of Education

(3) Ohio Bureau of Employment Services

City of Vandalia  
 Montgomery County, Ohio  
 Property Values, Construction and Bank Deposits  
 Last Ten Years

Year	Property Values (1)	Residential Construction (2)		Commercial Construction (2)		County Bank Deposits (3)
		Number of Permits	Value	Number of Permits	Value	
1994	\$579,081,743	58	\$8,370,400	88	\$9,156,475	\$4,034,766,000
1995	592,962,142	65	11,085,550	79	7,255,654	3,995,114,000
1996	669,082,714	61	10,918,125	81	10,382,823	3,899,145,000
1997	676,336,714	46	8,401,100	106	13,581,121	3,530,314,000
1998	698,540,114	61	10,057,827	56	11,496,840	3,264,705,000
1999	766,212,971	54	8,382,445	103	22,997,366	2,994,378,000
2000	775,272,114	33	5,625,950	62	21,750,852	191,473,000
2001	795,856,914	31	4,946,907	43	17,144,527	224,099,000
2002	892,785,226	59	6,914,035	63	4,379,779	241,447,000
2003	904,541,257	69	5,462,685	95	9,042,800	249,614,000

SOURCE: (1) Estimated True Real Property Values Excluding Public Utility Real Property

(2) City of Vandalia Building Department

(3) Federal Reserve Bank of Cleveland, no main office in the

City of Vandalia

(3) Decrease beginning in 2000 due to bank restructuring. Deposits at the end of the year are no longer held in Montgomery County, they are held in Cuyahoga County.

City of Vandalia  
Montgomery County, Ohio  
Principal Taxpayers  
December 31, 2003

<u>Taxpayer</u>	<u>2003 Real Property Assessed Value (1)</u>	<u>Percentage of Total Assessed Value (1)</u>
1. Dayton Power & Light Co.	\$4,716,200	1.19%
2. Delphi Automotive System	4,657,770	1.18
3. B-W Limited Partnership	2,946,590	0.74
4. The Iams Company	2,431,470	0.61
5. Ohio Bell Telephone Co.	2,028,710	0.51
6. Shoppes at Northwoods	1,851,350	0.47
7. Mid-States Development Co.	1,465,140	0.37
8. Timberlake Limited Partners	1,451,520	0.37
9. Mazer, Marshall	1,418,020	0.36
10. Thieman, Ted H.	1,195,620	0.30
	<u>\$24,162,390</u>	<u>6.10%</u>

(1) Assessed value represents tax year 2003 assessed valuation.

SOURCE: County Auditor; Montgomery County, Ohio

City of Vandalia  
 Montgomery County, Ohio  
 Miscellaneous Statistics  
 December 31, 2003

Year of Incorporation	1958
Form of Government	Charter - Council/Manager
Area	12.35 Miles
Miles of Streets	79 Miles
Number of Street Lights	35
Police Protection:	
Number of Stations	1
Number of Policemen and Officers	29
Number of Patrol Units	20
Education (K-12) (Public only)	
Number of Schools	6
Number of Teachers	266
Number of Students	3,471
Municipal Water Department	
Miles of Water Mains	65 Miles
Number of Fire Hydrants	633
Sewers:	
Miles of Sanitary Sewers	56 Miles
Miles of Storm Sewers	42 Miles
Building Permits Issued During 2003	164
Recreation and Culture:	
Number of Parks	9
Number of Libraries	1
Number of Senior Citizens Centers	1
Golf Courses	1
Clubhouse/Restaurants	1
Swimming Pools	1
Tennis Courts	10
Recreation Center	1
Employees	139

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**CITY OF VANDALIA, OHIO**

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

**December 31, 2003**

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

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

City Council  
City of Vandalia  
333 James E. Bohanan Memorial Drive  
Vandalia, Ohio 45377

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vandalia, Ohio, as of and for the year ended December 31, 2003, which collectively comprise the City of Vandalia's basic financial statements and have issued our report thereon dated May 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Vandalia, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City of Vandalia in a separate letter dated May 21, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Vandalia, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financials statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City of Vandalia in a separate letter dated May 21, 2004.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio

May 21, 2004





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CITY OF VANDALIA  
MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 10, 2004**