



**Auditor of State
Betty Montgomery**

**CITY OF NAPOLEON
HENRY COUNTY**

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**CITY OF NAPOLEON
HENRY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Award Amount	Disbursements
OFFICE OF HOUSING AND COMMUNITY PARTNERSHIPS <i>Passed through the Ohio Department of Development</i>				
Ohio Small Cities Community Development Block Grant (CDBG) Program	A-C-01-150-1	14.228	\$ 100,300	\$ 90,680
	B-F-01-032-1	14.228	33,500	33,500
Ohio Home Investment Partnerships (HOME) Program	A-C-01-150-2	14.239	<u>449,700</u>	<u>407,766</u>
Total U.S. Department of Housing			<u>583,500</u>	<u>531,946</u>
U.S. DEPARTMENT OF JUSTICE <i>Office of Community Oriented Policing Services</i>				
Cops Grant		16.710	<u>37,000</u>	<u>37,000</u>
Total U.S. Department of Justice			<u>37,000</u>	<u>37,000</u>
Total Federal Awards Expenditures			<u>\$ 620,500</u>	<u>\$ 568,946</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

**CITY OF NAPOLEON
HENRY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

City of Napoleon
Henry County
255 W. Riverview Avenue
P.O. Box 151
Napoleon, Ohio 43545-0151

To the Honorable Mayor and Members of Council:

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 Napoleon (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 26, 2004, in which we indicated that the City has adopted *Governmental Accounting Standards Board Statement 34*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*. However we noted a certain immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated July 26, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in the report that we have reported to management of the City in a separate letter dated July 26, 2004.

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



Betty Montgomery
Auditor of State

July 26, 2004



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH *OMB CIRCULAR A-133***

City of Napoleon
Henry County
255 W. Riverview Avenue
P.O. Box 151
Napoleon, Ohio 43545-0151

To the Honorable Mayor and Members of Council:

Compliance

We have audited the compliance of the City of Napoleon, Henry County, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal program for the year ended December 31, 2003. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003. We noted instances of noncompliance that do not require inclusion in this report that we have reported to the management of the City in a separate letter dated July 26, 2004

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 26, 2004.

Schedule of Federal Awards Expenditures

We have audited the basic financial statements of the City as of and for the year ended December 31, 2003, and have issued our report thereon dated July 26, 2004, in which we noted that the City has adopted *Governmental Accounting Standards Board Statement 34*. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

City of Napoleon
Henry County
Report of Independent Accountants on Compliance with Requirements
Applicable to the Major Federal Program and Internal Control Over
Compliance in Accordance with *OMB Circular A-133*
Page 3

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 26, 2004

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**CITY OF NAPOLEON
HENRY COUNTY**

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Ohio Home Investment Partnerships (HOME) Program CFDA - 14.239
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

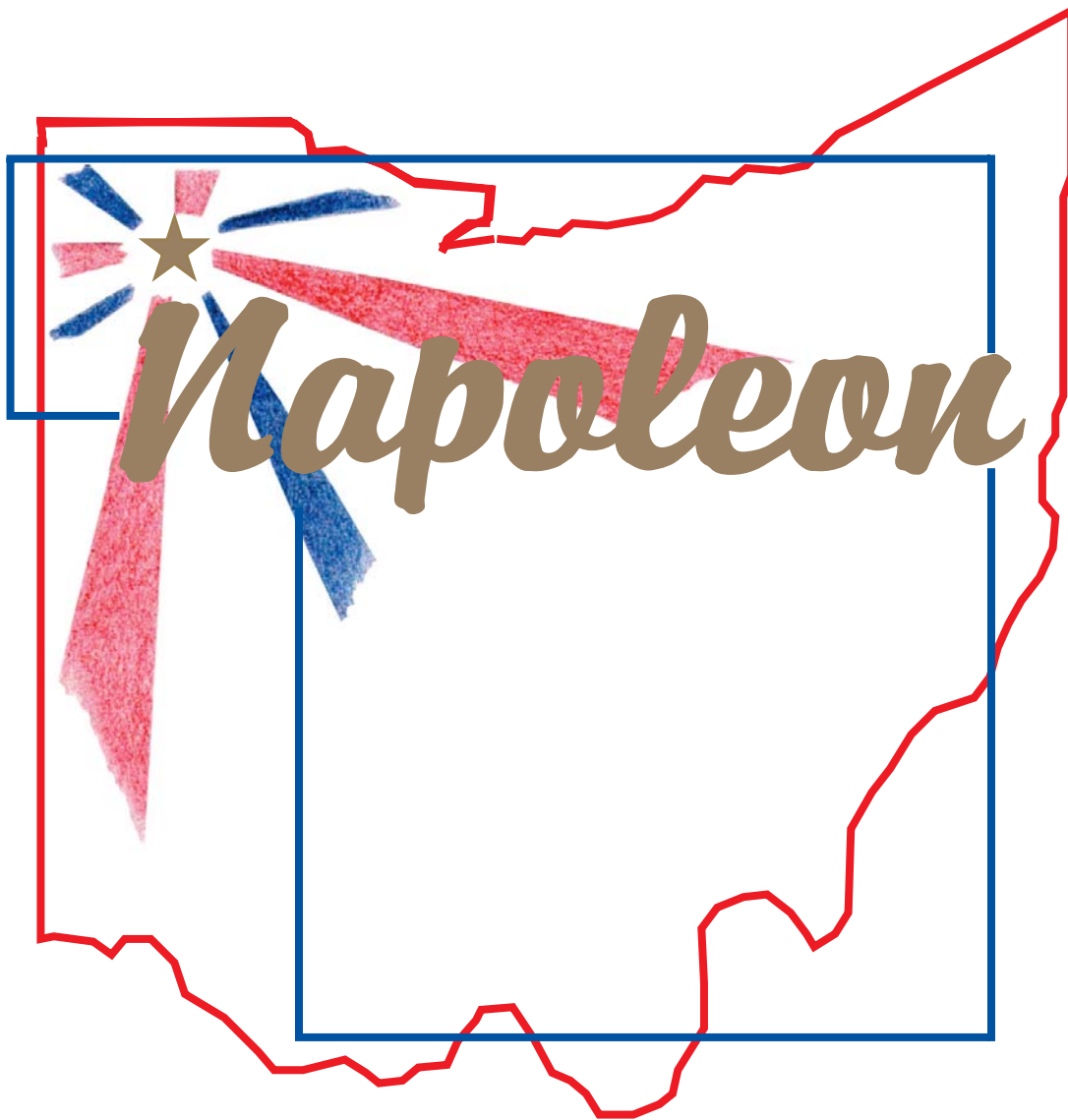
None.

3. FINDINGS FOR FEDERAL AWARDS

None.

THE CITY OF NAPOLEON, OHIO

HENRY COUNTY



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2003



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2003

Prepared by the Finance Department

Gregory J. Heath
Director of Finance



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HENRY COUNTY, OHIO**

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INTRODUCTORY SECTION



Napoleon High School serves the entire school district.





CITY OF NAPOLEON

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Gregory J. Heath, Director of Finance

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July 26, 2004

Introduction

To the Honorable Mayor, the City Council and the Citizens of the City of Napoleon, Ohio:

We are pleased to present the Eighth (8th) ***Comprehensive Annual Financial Report*** (CAFR) of the City of Napoleon, Ohio, (the City) for the year ended December 31, 2003. The report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) established by statements of the Governmental Accounting Standards Board (GASB), other authoritative pronouncements and guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada, and audited in accordance with Generally Accepted Auditing Standards (GAAS) by the Auditor of the State of Ohio. GAAP requires a narrative introduction, overview, and analysis called the Management's Discussion and Analysis (MD&A) to accompany the basic financial statements. This Letter of Transmittal (LOT) is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The Report

This report is comprised of three major sections:

1. ***The Introductory Section*** includes the LOT which addresses the organization, accomplishments and operational structure of the City, a list of the Principal City Officials, and an Organizational Chart;
2. ***The Financial Section*** contains the Report of Independent Accountants, the Basic Financial Statements, which include explanatory notes and provide an overview of the City's financial position and operating results, and the Combining Financial Statements of the Individual Funds that provide detailed information to the Basic Financial Statements;
3. ***The Statistical Section*** presents social, economic, and historical data which can be used to identify financial trends and data relative to the fiscal capacity of the City.

Letter of Transmittal

For the Year Ended December 31, 2003

State law, along with *Administrative Rules* of the Auditor of State, requires all city governments to publish an Annual Report within 150 days of the close of each fiscal year. This report must present a complete set of financial statements presented in conformity with GAAP. Various City debt service *Trust Agreements* require Audited Annual Reports in accordance with GAAS. Pursuant to these requirements, we hereby issue the CAFR of the City of Napoleon, Ohio, for the fiscal year ended December 31, 2003. While there is no legal requirement for the preparation of a CAFR, it represents a commitment by the City, and its officers, to conform to nationally recognized standards of excellence in financial reporting. This report consists of management's representations concerning the finances of the City. Responsibility for both the accuracy of the presented data and the completeness and reliability of the presentation, including all disclosures, rests with City management.

Management of the City has established various internal controls designed to compile reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's various internal controls are designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been presented.

The City's financial statements have been audited by audit staff of the Auditor of State Office of Ohio. The Auditor of State issued an unqualified opinion that the basic financial statements are presented fairly in conformity with GAAP, in all material respects, representing the financial position of the City as of December 31, 2003. The report from the Auditor of State is presented as the first component of the financial section of this report.

PROFILE OF THE CITY OF NAPOLEON

Early History

The City of Napoleon is located in Henry County in Northwest Ohio and occupies land that was once part of a vast area in this region originally known as "*The Great Black Swamp of Ohio*". This expanse of forest, water, and black soil was a tract of land extending west from Lake Erie for 120 miles in length covering an average breadth of 40 miles. Through it passed a winding river named by the local Native American tribes the "*Maumee*". The Maumee River empties into Lake Erie and provided a natural navigable waterway as well as an abundance of aquatic life. The surrounding forests at that time were filled with many varieties of hardwood trees and wild game. These resources were used by the many tribes that occupied the region and later by the early settlers. The English moved into this area in the later 1700's and fought with the French for control. After the Revolutionary War the Americans gained title to the area, but the Native Americans possessed it. The Native Americans did not leave the area willingly and were defeated in 1796 by General Anthony Wayne in a very decisive battle at a place called Fallen Timbers. During his campaign against the Native Americans, General Anthony Wayne would often setup encampment for his men along the Maumee River where the City is currently located.

CITY OF NAPOLEON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

After the war of 1812, more trappers, traders, and pioneering farm families began moving into the area, and Henry County was officially formed in 1820. The Miami and Erie Canal, completed in 1843, passed directly through Napoleon and opened the area to early European emigration. The canal helped to foster development throughout the county, and the town began to grow in both population and industry. Agriculture and products based on agriculture were at the heart of the area's early growth and continues in importance to current day. After the Civil War, railroads and better roadways opened the area to further development. By the turn of the 20th century Napoleon had grown into a strong, diversified economy. Today Napoleon has a thriving community with an economy based on manufacturing, retail sales, various service industries, engineering, and warehousing; all of which add to the continued strength of the traditional agriculture based economy.

The City of Napoleon

The first documented dwelling in Napoleon was a log cabin built in 1832. The town of Napoleon was founded in 1835 and was made the county seat of Henry County. The name of "Napoleon" was first given to the township by a group of Frenchmen who inhabited the area. Local citizens adopted the name and the town was officially incorporated as the Village of Napoleon in 1863. In 1950 the Village of Napoleon officially became the "*City of Napoleon*".

Current day City is located on the Maumee River, and is about 40 miles southwest of Toledo, Ohio, 50 miles north of Lima, Ohio, 65 miles east of Fort Wayne, Indiana, 110 miles southwest of Detroit, Michigan, and 130 miles west of Cleveland, Ohio. Two national highways, US 6 and US 24 running east and west, bypass on the north edge of the City. Two state routes run north and south, SR 108 runs through the City, and SR 109 is to the east just outside the City. Entrances to the Ohio Turnpike, Interstate I-80/90 are located 12 miles north of the City, one off SR 108 and one off SR 109. Interstate I-75 is 25 miles east of the City off US 6. The City has limited rail service through the Miami and Western Railroad with a spur that runs through the City connecting to CSX and Norfolk and Southern to the west in Defiance, Ohio. Main lines of CSX and Norfolk and Southern run east and west through southern Henry County, and north and south lines of Canadian National Railroad are to the east in Wood County. Amtrak service is available in Bryan and Toledo, Ohio, and Fort Wayne, Indiana. Toledo Express Airport, a full service passenger and freight airport, is located about 30 miles to the northeast.

Form of Government

The Village of Napoleon officially became the "**City of Napoleon**," in 1950. The citizens of Napoleon, who were determined to exercise home rule authority, voted to become a Chartered City effective January 1, 1952. The Charter was amended in its entirety by vote on November 7, 2000, with an effective date of July 1, 2001.

The City operates under, and is governed by, a strong City Council/City Manager form of government. The City is subject to some general laws applicable to all Cities and, under the Ohio Constitution, may exercise all powers of local self-government and police powers to the extent that they do not conflict with the Ohio Constitution. Legislative authority is vested in a seven-member (7) Council. The Mayor, who serves as ceremonial head of the City, is separately elected. The Mayor exercises limited executive and legislative authority as provided for by the City Charter, and all judicial powers conferred upon mayors under Ohio law. The Council fixes compensation of City officials and employees, enacts ordinances and resolutions, and sets policy relating to City services, including; tax levies, utility rates, appropriating and borrowing money, licensing and regulating businesses and trades, and all related municipal services.

CITY OF NAPOLEON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

General elections are held every two years, alternating with four (4) council seats and then three (3) council seats plus the Mayor. All council seats are elected at-large and terms of office are four-years (4). The Mayor and the Municipal Court Judge are separately elected every four (4) years. The Council President is the presiding officer of Council and is elected from among the Council members. Except for Municipal Court, the Charter establishes certain administrative departments and Council may establish additional departments as needed. Except for Municipal Court, City Council establishes all department positions. By Charter the City Manager, Finance Director, and Law Director are all appointed by City Council and serve at the pleasure of Council with no specified terms. Except for departments of Finance, Law and Municipal Court, the City Manager has authority over all other operational departments and appoints those department heads. Subject to approval of Council, the Mayor, and on certain boards the City Manager, recommends appointments of citizen members to City boards and commissions.

Municipal Services

The City offers a wide variety of services to its Citizens as authorized by its Charter, the Ohio Revised Code, and City Administrative Code. The broad categories of services include: police and fire protection; emergency medical rescue services; streets maintenance; traffic control; planning and engineering; building and zoning code enforcement; cemetery's; community development; municipal court and civil judicial services; recreation programs and parks (including ball fields, playgrounds, picnic areas, a golf course and a boat ramp); economic development; and general administrative services. The City does not operate hospitals or schools, and it is not responsible for public assistance programs.

The City also operates four enterprise activities: water treatment and distribution; wastewater collection and treatment; electric distribution for residential, commercial and industrial customers; and residential solid waste collection and disposal, including a curbside recycling program and a yard waste site.

The City's enterprise activities are not subject to rate review by the Public Utilities Commission of Ohio (PUCO) or any similar regulatory body. The City Council by City Charter and Home Rule has the necessary authority to establish and amend utility user rates as required. All utility rates are monitored on an on-going basis to ensure their adequacy to meet operational, maintenance, debt service and capital replacement needs. Responsibility for frequency and amount of any rate changes lies solely with the City Council. The Board of Public Affairs, a Citizen's Board appointed by City Council, reviews and makes recommendations to City Council on all enterprise activity including all policies, procedures and rates.

The City is one (1) of the 88 member municipalities in the American Municipal Power-Ohio (AMP-Ohio). AMP-Ohio is a non-profit corporation organized in Ohio in 1971 for the purpose of owning and operating electric facilities and providing for the generation, transmission and distribution of electric power and energy to its members. AMP-Ohio purchases wholesale electric power and energy and sells it to members at rates based on purchase price plus a small service fee. The organization also develops alternative power sources to best meet member's short and long-term needs and operates a power dispatch center 24 hours a day, 365 days a year, to serve its member communities. Currently the City has a closed electric system and does not retail power from other providers.

Letter of Transmittal

For the Year Ended December 31, 2003

The City has a joint contract between the City and Henry County for operation of the Community Improvement Corporation (CIC). Mutual aide contracts for fire and emergency medical services are between the City, the Townships, Henry County and the Henry County Hospital. Henry County operates the health district, in which the City participates contractually, but has no direct fiduciary responsibility by agreement. The City has a contract with the Napoleon/Henry County Chamber of Commerce to operate a Tourist Bureau for the City funded through a Lodging Tax.

The Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*", in that the financial statements include all of the organizations, activities, functions and component units for which the City (The Reporting Entity) is Financially Accountable. Financial Accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the reporting entity of the City has no component units, but includes the following services as authorized by its charter: police and fire protection services, parks and recreation, planning and zoning, street maintenance and other governmental services. In addition, the City owns and operates a water treatment plant and distribution system, a wastewater treatment plant and collection system, an electric distribution system and provides curbside refuse collection and recycling services.

Budgetary and Accounting Controls

The City's budgetary accounting system was designed to provide reasonable assurance that:

1. The City's assets are protected against loss and unauthorized use or disposition; and
2. Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

The concept of reasonable assurance states that internal controls should be evaluated using the following criteria:

1. The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation; and
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the City administration and members of the finance office.

All internal control evaluations occur within this framework. It is the belief of the administrative and financial management personnel that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

***Letter of Transmittal
For the Year Ended December 31, 2003***

Budgetary Controls

Budgetary control is on the cash basis of accounting and is maintained at the object level for each function within each fund by legislation approved by City Council. The various objects are:

Personal Services:

- Salary and Wages
- Fringe Benefits

Other Expenditures:

- Contractual Services
- Materials and Supplies
- Capital Outlays
- Transfers (Within Funds)
- Debt Service – Principal & Interest

Lower levels within each object are accounted for and reported internally. Such lower levels are referred to as line items of expenditure. Estimated amounts must be encumbered prior to final approval of purchase orders or other contracts to vendors. Encumbrances in excess of the available object level appropriations are not approved unless additional appropriations are authorized. The City Manager has authority to move appropriations within a specific object, but must have legislative approval to move appropriations or supplement appropriations from one object to another. Unencumbered appropriations return (lapse) to the unappropriated balances in the individual funds at the end of each fiscal year. Fiscal Year currently coincides with the calendar year. The final budget must be adopted by City Council no later than March 31st in the fiscal year that it applies too.

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

The local economy remained relatively flat starting in 2003, however signs of positive growth started to appear in the third and fourth quarters of the year. This mirrors the economic activity for the Northwest Ohio Area in 2003 and reflected the overall national economic trend. Business profit taxes retreated from the prior year level, withholding taxes and individual returns declined slightly. Overall Income Tax collections were down (-7.5%) in 2003 when compared to 2002, mainly on returns from business profits.

The War on Terror has had minimal negative impact locally, and actually may have caused some increased economic activity in certain areas, especially companies with military contracts. With lower interest rates and incentives to consumers for purchasing automobiles, along with higher demand on soups and related products, local suppliers to these products have been doing well. Commercially, the City added seven (7) more businesses than it lost in 2003. Some of the new businesses are Allied Home Mortgage Capital Corp., Accounting Unlimited, China Buffet, Heartland Disposal, NW Capital Financial Group and Promedica West Physicians. In addition, a new hotel was under construction inside the City along SR 24. Some of the businesses lost were Cyber Star Computers, D & P Home Gallery, Sam Goody and In-Touch Wireless.

The Campbell Soup Supply Company, LLC (Campbell's), a manufacturer of soups, drinks (V-8 & Splash) and other canned items, is located adjacent to the City and continues to be the largest employer in Henry County. Substantial investments were made in the local plant in both 2002 and 2003 to upgrade production capability. Additionally, a new plastic bottle manufacturing facility is to be added in 2004.

CITY OF NAPOLEON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

The Silgan Can Company, located in the Campbell complex, markets to areas in the US, Canada and Mexico. A warehouse was erected in 2002 adjacent to the plant to handle the increased production.

Automatic Feed Company, a supplier of steel handling equipment and presses, has seen an increase in orders due to the rebounding overseas economies. In addition, they have diversified by selling a software product they developed for use in the manufacturing process.

Other positive aspects, relative to manufacturing, include the introduction of the new Jeep Liberty in Toledo, which has resulted in additional suppliers locating in the area. GM Powertrain in Defiance, Ohio, has added aluminum parts production to its operations and will see suppliers move to the area. Alex Products, located in Ridgeville Corners (six (6) miles NE of the City in Henry County), is a prime supplier for the automotive industry and completed a substantial expansion in 2003.

Henry County in 2003 experienced unemployment at a higher rate than the National or State average's. As of December 31, 2003, the States recorded average unemployment rate was 6.1%, and the National seasonally adjusted unemployment rate was 6.0%. The unemployment rate in Henry County for the same period was 6.7%. While specific data is unavailable from the Ohio Bureau of Employment Services (OBES), it is estimated that the City unemployment rate falls between the State and County rates of 6.1% to 6.7% respectively.

Business

In addition to the agricultural based industries, there are many businesses located directly in Napoleon and in the surrounding area that are associated with the automotive industry producing various automotive parts, and tool and die machines used in the manufacture of automobiles. Automotive parts manufactured in Napoleon are shipped for use in various assembly plants throughout Ohio, Michigan, other areas of the Midwest, and foreign countries. Napoleon is ideally located as a distribution center to these suppliers.

The following are the private and public employers that have the largest work forces and are located in or adjacent to the City:

<u>Employer (I=Inside, O=Outside City Limits)</u>	<u>Nature of Activity or Business</u>
Automatic Feed Company (I)	Design/Mfg. of Coil Equipment Processing
Carson Industries (Frmly.- Vision) (I)	Structural Foam Plastic Molding
City of Napoleon Offices (I)	Governmental Services to the City
Henry County Offices (I)	Governmental Services to the County
Leader Engineering (I)	Custom Fabrication and Machine Design
Plastech Eng.Prd.(Frmly.-Arrow; LDM) (I)	Plastic Injection Molding, Auto Trim
Napoleon Area City School District (I)	Education - Elementary thru High School
Nursing Home Operators (Northcrest) (I)	Nursing Care and Rehabilitation
Tenneco Automotive (Frmly.-Pullman) (I)	Rubber and Metal Shock Attenuation Parts
The Lutheran Home (I)	Long-term Care Facility
Wal-Mart Store (I)	Retail Sales
Alex Products (O)	Manufactured Automotive Parts
Campbell Soup Supply Company, LLC (O)	Canned Soups, Beverages, Other Food Products
Silgan Can Company (O)	Produces Cans for the Food Market

Letter of Transmittal

For the Year Ended December 31, 2003

Excluding Campbell's, Silgan Can and Alex Products, all of which are located outside the City limits, the listed industries and service providers' employ over 2,000 persons in both full and part-time positions. Campbell's is the largest single employer in the County, and they are estimated to employ 1,400 persons, with another 240 persons employed in the Silgan Can Company.

Future

The future includes development plans for the Oakwood Plaza with the purchase and renovation of the center by the Henry County Commissioners for government offices. Two new commerce parks are being developed: the Napoleon Commerce Park with recent construction of a spec-building; and the North Pointe Commerce Park that involves 400 acres of land recently annexed by the City. Three (3) businesses have relocated to the North Pointe Commerce Park with other new businesses inquiring about available space. A subdivision on the South side of Napoleon is continuing to construct new single-family homes. There are three condominium developments currently under construction or in the later planning stages. The State will be replacing the Perry Street Bridge starting in January, 2005, with a continuing feasibility study for a second bridge crossing scheduled for construction in 2007.

The downtown area continues to have a relatively low vacancy rate, a new bar and grill style restaurant "Tin Lizzy's" recently opened. Improvements on US 24 from Toledo, Ohio, to Fort Wayne, Indiana, known as the "Port to Fort Project" is a four lane limited access highway, and when completed, will position the City as an ideal location for both industrial and commercial development. The project has been funded and is moving forward at this time with early construction in 2006.

Major Initiatives for the Year

The City accomplished numerous undertakings that provide for and promote the welfare of its residents:

- Completed major street improvements and other infrastructure projects.
- Completed major electric 69kV and other distribution line replacements and upgrades.
- Accepted a new community center on the south side of river in Oberhaus Park.
- Upgraded or replaced major equipment in many of the Departments.
- Upgraded various Department computers and software.
- Completed major sewer separations on the sanitary sewer system.
- Completed waterline upgrades on the water distribution system.
- Constructed a sludge handling building at the waste water treatment plant.

***Letter of Transmittal
For the Year Ended December 31, 2003***

Major Initiatives for the Future

Napoleon plans to continue to update and expand City services as necessary to keep abreast of infrastructure needs and provide for required improvements as continued growth and development occurs. The following are some of the major goals and projects for the future:

- Implement the new City Master Plan to assist in City growth and direction.
- Continued development of industrial and commercial sites for expanded and new industries.
- On-going road improvements and other infrastructure street repairs.
- Building of a new water tower on the south side to improve water pressure and quality.
- Expansion of water and sewer lines to new development areas in the City.
- Elimination of sanitary sewer and combined sewer overflows.
- Formation of a storm water utility.
- River bridge demolition and replacement by the State of Ohio in 2005.
- Major equipment and utility infrastructure upgrades and replacements.

Department Accomplishments

A transitional work program, a program designed to transition injured workers back into productive status, was recently completed and approved by the City and its unions. Management reviews continue for all departmental operations which have resulted in operational changes, enhancing the efficiency and revenue effectiveness of those departments. Continuing education and skill training programs remained a priority item for all departments. Safety (OSHA) training programs have been implemented and required for all departments. Renovation made to the waste water treatment facility for handling sludge waste have been completed, and will allow the City to expand its options on sludge utilization. The City is continuing the process of updating department policies and procedures for more efficient operations and to reflect recent changes to City code. Recently, all departments have extensively reviewed their operations for cost savings and new potential revenue enhancement programs.

Cash Management

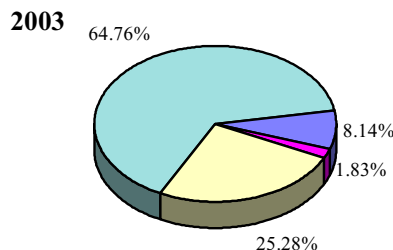
Cash management is an integral component of the City's overall financial plan. The City's goal is to earn a market rate of return consistent with providing the liquidity needed to pay obligations on a timely basis. Authorized investments are described in detail in Note 5 of the footnotes to the basic financial statements included within the financial section of this CAFR. The City seeks to utilize those funds not needed for daily obligations most effectively by purchasing marketable, short-term instruments at higher yields. Currently, the City uses short-term treasury notes, agency/instrumentality discount notes, and bank certificates of deposit in its investment program.

CITY OF NAPOLEON, OHIO

Letter of Transmittal For the Year Ended December 31, 2003

The City's cash resources were invested as follows at December 31, 2003:

Cash Resources	2003	%
Cash and Cash Equivalents	\$1,444,711	8.14%
STAR Ohio	325,038	1.83%
Federal Securities	4,488,859	25.28%
Certificates of Deposit	11,500,000	64.76%
Total	<u>\$17,758,608</u>	<u>100.00%</u>



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. The City participates with other cities in the Buckeye Ohio Risk Management Agency, Inc., (BORMA, Inc.) in jointly funded risk financing programs administered by Arthur J. Gallagher & Co. The BORMA, Inc. programs include two separate pools, which provide separate and distinct coverage's. The first pool provides comprehensive automobile liability, automobile physical damage, comprehensive general liability, crime and property liability and public officials' liability coverage up to specified limits. The second pool is for employee health benefits and includes life insurance, accidental death and dismemberment insurance, health insurance and prescription drug insurance. Detailed description of both pools are listed in Note 14.

The individual BORMA, Inc. members are not considered "participants who have equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of BORMA, Inc. other than possible residual claims upon dissolution. Therefore, BORMA, Inc. is a multi-jurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture defined in GASB Statement No. 14.

BORMA, Inc. has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. The probability of this occurring is considered remote due to the adequacy of the pool reserves and premium levels, therefore, no amounts have been reserved in the financial statements. Audited financial statements are maintained separately by BORMA, Inc.

The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll plus administrative costs. The rate is determined based upon the accident history of the Ohio Rural Water Association (ORWA) joint rating pool, of which the City became a member in 1999 and continues into 2003. The City reviews closely all Workers' Compensation claims to control costs. A Transitional Work Program was recently developed and adopted by the City. This program cuts lost time claims and allows gradual transition of injured workers from light duty to normal duty over a period of time.

Safety policies are periodically reviewed and updated, and employee safety training is provided on an ongoing basis. Types of safety training provided to City departments include; drivers training, a drug free workplace policy with training, sexual harassment policy with training, specialty training germane to specific department functions or tasks, and the various OSHA related safety programs.

***Letter of Transmittal
For the Year Ended December 31, 2003***

AWARDS AND ACKNOWLEDGEMENTS

Independent Audit

Included in this report is an unqualified audit opinion rendered on the City's financial statements for the year ended December 31, 2003, by the Auditor of State in Ohio. City management plans to continue to subject the financial statements to an annual independent audit as part of the preparation of a CAFR. An annual audit serves to maintain and strengthen the City's accounting and budgetary controls.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to those governmental entities that qualify. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both GAAP and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year only.

The City received a Certificate of Achievement for the fiscal year ended December 31, 2002. We believe this, our eighth (8th) Comprehensive Annual Financial Report, meets the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting, so therefore, we are submitting it to GFOA for certification.

Public Disclosure

The publication of this CAFR is indicative of the City's commitment to provide significantly enhanced financial information and accountability to its citizens. In addition to the citizens of Napoleon, the recipients of this report include city, state, federal offices, schools, libraries, newspapers, investment banking firms, banks and rating agencies. The report is made available to any person or organization requesting it. The extensive effort to prepare and distribute this report is indicative of the continued efforts of the City to improve its overall financial accounting, management and reporting capabilities.

Acknowledgments

The City is grateful to the many agencies and organizations that continue to contribute to make this report possible, including the Henry County Auditor's Office, the Henry County Chamber of Commerce, the Community Improvement Corporation and the Audit Division of the State Auditor's Office. Special credits go to Ms. Andrea Borstelman for her artistic contribution to the front cover.

Sincere appreciation is also extended to the many individuals who have worked diligently and contributed significant time and effort in gathering data for this report, particularly the staff of Donald J. Schonhardt & Associates, Inc., who through their continued knowledge and professionalism help make this annual project become a reality.

CITY OF NAPOLEON, OHIO

***Letter of Transmittal
For the Year Ended December 31, 2003***

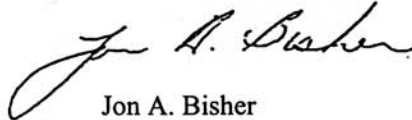
A special thank you is extended to the Members of City Council, the Mayor and the City Administration for the support and trust shown to the Finance Department. Also for allocating the resources and time for the development of this report, which demonstrates the City's commitment to conform to reporting requirements established for municipal governments, and to maintain the sound financial position the City has enjoyed for many years. A final thank you goes to the Citizens of Napoleon, Ohio, who continue to support the many decisions made by the City in its financial operations.

Finally, we would especially like to recognize City staff, all of whom exhibited dedication and proficiency throughout the many hours required in preparing this report. A special thank you is extended to Mr. Ted Rohrs, Assistant Finance Director, who assisted in overseeing this project.

Respectfully submitted,



Gregory J. Heath
Director of Finance
City of Napoleon, Ohio



Jon A. Bisher
City Manager
City of Napoleon, Ohio

CITY OF NAPOLEON, OHIO

**List of Principal Officials
For the Year Ended December 31, 2003**

Elected Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Years of Service</u>	<u>Surety</u>
J. Andrew Small	Mayor	12/31/03	3	A
Mike DeWit	President of Council	12/31/03	10	A
Jim Hershberger	Council	12/31/05	16	A
Glen Miller	Council	12/31/05	4	A
Steve Small	Council	12/31/05	1	A
Travis Sheaffer	Council	12/31/05	7	A
Terri Williams	Council	12/31/03	16	A
John Helberg	Council	12/31/03	3	A
John Collier	Municipal Judge	12/31/03	6	A

Appointed Officials

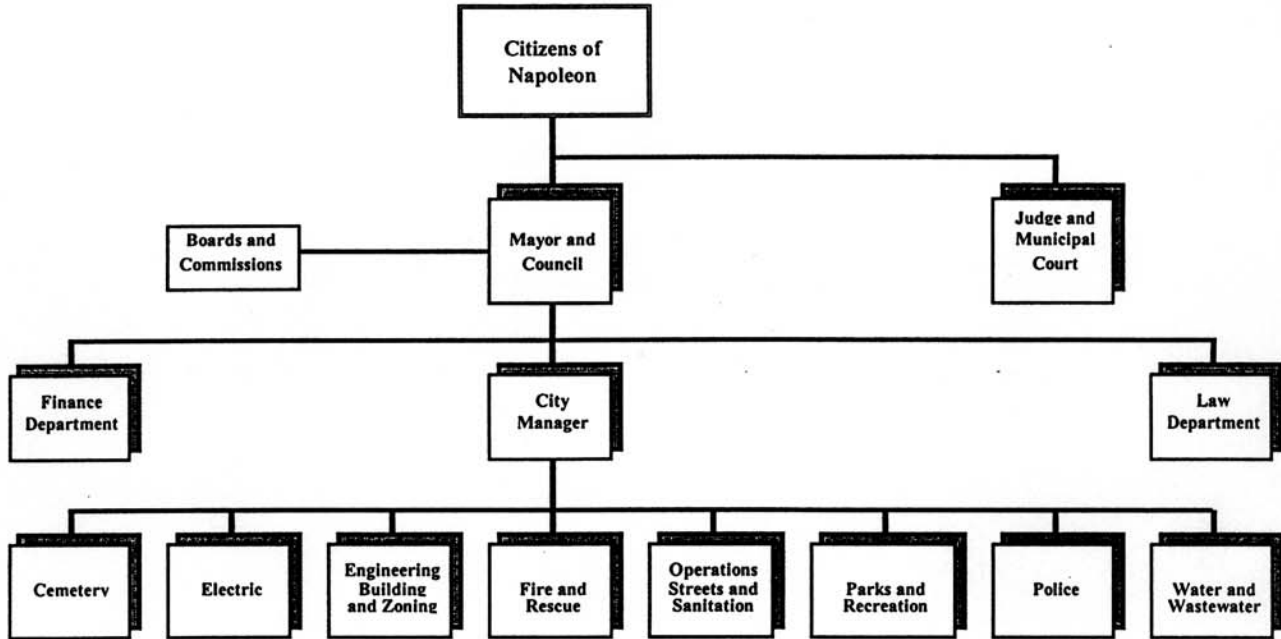
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Years of Service</u>	<u>Surety</u>
Jon Bisher	City Manager	Indefinite	5	A
Gregory Heath	Director of Finance	Indefinite	8	A
Ted Rohrs	Asst. Director of Finance	Indefinite	18	A
Betty Marihugh	Clerk of Courts	Indefinite	20	A
David Grahn	Law Director	Indefinite	10	A

(A) BORMA Insurance Company, \$50,000

City Address:
City of Napoleon
255 West Riverview Avenue
Napoleon, Ohio 43545

CITY OF NAPOLEON, OHIO

**City Organizational Chart
For the Year Ended December 31, 2003**



Boards and Commissions

Board of Public Affairs
Civil Service Commission
Charter Review Commission
Board of Building Appeals
Volunteer Firefighters Pension Board

Lodge Tax and Advisory Control Board
Planning Commission
Americans with Disabilities Act
Compliance Board

Board of Zoning Appeals
Tree Commission
Parks and Recreation Board
Records Retention Commission

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Napoleon,
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.



Edward Haney

President

Jeffrey R. Emer

Executive Director



FINANCIAL SECTION



Napoleon Middle School serves 6th thru 8th grades.



Hope School is located in Westhope and serves special education students of all ages.





**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

City of Napoleon
Henry County
255 W. Riverview Avenue
P.O. Box 151
Napoleon, Ohio 43545-0151

To the Honorable Mayor and Members of Council:

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 Napoleon, Henry County, (the City) as of and for the year ended December 31, 2003 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Napoleon, Henry County, as of December 31, 2003, and the respective changes in financial position and cash

flows, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended December 31, 2003 the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Betty Montgomery
Auditor of State

July 26, 2004

The discussion and analysis of the City of Napoleon's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2003 are as follows:

- In total, net assets decreased \$336,268. Net assets of governmental activities decreased \$802,411, which represents a 2.7% decrease from 2002. Net assets of business-type activities increased \$466,143 or 1.9% from 2002.
- General revenues accounted for \$4.8 million in revenue or 21.8% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 78.2% of total revenues of \$22 million.
- The City had \$7.1 million in expenses related to governmental activities; only \$1.7 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$4.6 million were adequate to provide for these programs.
- Among major funds, the general fund had \$4.4 million in revenues and \$2.9 million in expenditures. The general fund's fund balance declined \$368,855 to \$2.2 million.
- Net assets for enterprise funds increased by \$486,609. This increase resulted primarily from an increase in capital contributions in the form of capital assets of \$2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accepting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as property tax base, current property tax laws, conditions of the City's streets and continued growth within the City.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's electric, water, sewer and sanitation services are reported as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. 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.

CITY OF NAPOLEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior year's information is not available. A comparative analysis will be provided in future years when prior year's information is available.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
	2003	2003	2003
Current and other assets	\$8,588,789	\$18,013,167	\$26,601,956
Capital assets, Net	22,861,821	23,795,444	46,657,265
Total assets	<u>31,450,610</u>	<u>41,808,611</u>	<u>73,259,221</u>
Long-term debt outstanding	1,778,886	10,238,206	12,017,092
Other liabilities	1,003,496	5,311,233	6,314,729
Total liabilities	<u>2,782,382</u>	<u>15,549,439</u>	<u>18,331,821</u>
Net assets			
Invested in capital assets, net of related debt	21,317,327	9,404,424	30,721,751
Restricted	5,495,123	0	5,495,123
Unrestricted	1,855,778	16,854,748	18,710,526
Total net assets	<u>\$28,668,228</u>	<u>\$26,259,172</u>	<u>\$54,927,400</u>

CITY OF NAPOLEON, OHIO**Management's Discussion and Analysis
For the Year Ended December 31, 2003****Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2003:

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Revenues			
Program revenues:			
Charges for Services and Sales	\$990,844	\$15,447,502	\$16,438,346
Operating Grants and Contributions	668,714	0	668,714
Capital Grants and Contributions	83,160	75,000	158,160
General revenues:			
Income Taxes	2,134,591	0	2,134,591
Property Taxes	389,763	0	389,763
Other Local Taxes	540,096	0	540,096
Shared Revenues	1,028,057	0	1,028,057
Investment Earnings	153,241	230,404	383,645
Miscellaneous	318,967	0	318,967
Total revenues	<u>6,307,433</u>	<u>15,752,906</u>	<u>22,060,339</u>
Program Expenses			
Security of Persons and Property	2,680,032	0	2,680,032
Public Health and Welfare Services	85,401	0	85,401
Leisure Time Activities	818,891	0	818,891
Community Environment	1,080,975	0	1,080,975
Transportation	1,459,500	0	1,459,500
General Government	903,636	0	903,636
Debt Service:			
Interest and Fiscal Charges	81,409	0	81,409
Electric	0	11,387,550	11,387,550
Water	0	1,536,309	1,536,309
Sewer	0	1,843,617	1,843,617
Sanitation	0	519,287	519,287
Total expenses	<u>7,109,844</u>	<u>15,286,763</u>	<u>22,396,607</u>
Total Change in Net Assets	(802,411)	466,143	(336,268)
Beginning Net Assets	<u>29,470,639</u>	<u>25,793,029</u>	<u>55,263,668</u>
Ending Net Assets	<u>\$28,668,228</u>	<u>\$26,259,172</u>	<u>\$54,927,400</u>

Governmental Activities

Net assets of the City's governmental activities decreased by \$802,411. The City experienced a decrease in various revenue sources especially in income tax and earnings from investments. In addition, the new reporting requirements of depreciation expense and revenues not providing current financial resources were major factors in the overall decrease of net assets.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

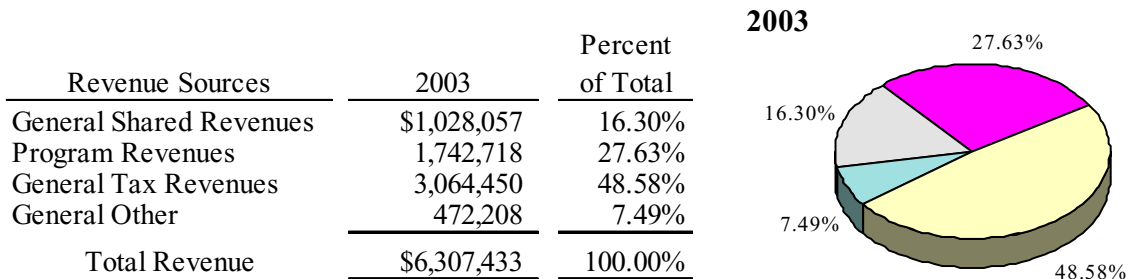
CITY OF NAPOLEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

The City also receives an income tax, which is based on 1.2% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City.

Property taxes and income taxes made up 6.2% and 33.9% respectively of revenues for governmental activities for the City in fiscal year 2003. The City's reliance upon tax revenues is demonstrated by the following graph indicating 48.6% of total revenues from general tax revenues:



Business-Type Activities

Net assets of the business-type activities increased by \$466,143. This increase was the result of an increase in user rates for water and sewer customers, and an increase in capital contributions due to major water and sewer upgrades, and new infrastructure for continued development in the City. User rates in the enterprise funds are evaluated annually by management with rate changes made to the legislative body. Changes to user rates are made periodically when necessary to keep pace with increased operational and capital costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$5,588,144, which is a decrease from last year's balance of \$6,146,164. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2003 and 2002:

	Fund Balance December 31, 2003	Fund Balance December 31, 2002	Increase (Decrease)
General	\$2,226,479	\$2,595,334	(\$368,855)
Special Assessment Bond Retirement	415,455	361,606	53,849
Capital Improvement	550,190	698,706	(148,516)
Other Governmental	2,396,020	2,490,518	(94,498)
Total	\$5,588,144	\$6,146,164	(\$558,020)

CITY OF NAPOLEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

General Fund – The City's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2003 Revenues	2002 Revenues	Increase (Decrease)
Taxes	\$2,937,012	\$3,106,153	(\$169,141)
Intergovernmental Revenue	553,810	473,133	80,677
Charges for Services	245,691	152,902	92,789
Licenses and Permits	121,639	66,533	55,106
Fines and Forfeitures	260,155	337,349	(77,194)
Investment Earnings	128,376	241,085	(112,709)
All Other Revenue	159,361	191,439	(32,078)
Total	<u>\$4,406,044</u>	<u>\$4,568,594</u>	<u>(\$162,550)</u>

General Fund revenues in 2003 decreased approximately 3.6% compared to revenues in fiscal year 2002. The most significant factor contributing to this decrease was in revenues from municipal income taxes and investment earnings. Municipal incomes taxes were down due to overall economic conditions and investment earnings decreased due to the significant decline in rates earned by approved investments.

	2003 Expenditures	2002 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,000,650	\$1,920,529	\$80,121
Public Health and Welfare Services	87,882	80,577	7,305
Community Environment	78,107	82,778	(4,671)
General Government	775,934	905,715	(129,781)
Total	<u>\$2,942,573</u>	<u>\$2,989,599</u>	<u>(\$47,026)</u>

General Fund expenditures decreased by \$47,026 or 1.5% compared to the prior year mostly due to offsets for allocated shared expenditures from other funds in the form of reimbursements. Reimbursement off-sets include the kilowatt hour tax monies directed back to the General Fund pursuant to the ORC, and expenditure off-sets for shared general government activities from the enterprise funds. Overall salary and wages, retirement contributions, and health insurance premiums for the City's employees did increase in 2003.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2003 the City amended its General Fund budget several times, none significant.

CITY OF NAPOLEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

For the General Fund, final budget basis revenue of \$4.1 million did not significantly change over the original budget estimates of \$3.8 million. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2003 the City had \$46,657,265 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$22,861,821 was related to governmental activities and \$23,795,444 to the business-type activities. The following table shows fiscal year 2003 and 2002 balances:

	Governmental Activities		Increase (Decrease)
	2003	2002	
Land	\$2,434,592	\$2,055,805	\$378,787
Improvements	459,945	459,945	0
Infrastructure	25,767,449	25,546,015	221,434
Buildings	2,044,571	2,044,571	0
Machinery and Equipment	4,435,510	4,236,358	199,152
Construction in Progress	0	5,895	(5,895)
Less: Accumulated Depreciation	(12,280,246)	(11,515,567)	(764,679)
Totals	<u>\$22,861,821</u>	<u>\$22,833,022</u>	<u>\$28,799</u>

	Business-Type Activities		Increase (Decrease)
	2003	2002	
Land	\$349,695	\$349,695	\$0
Buildings	7,010,555	6,655,428	355,127
Improvements	24,938,016	22,118,835	2,819,181
Machinery and Equipment	6,332,767	5,878,475	454,292
Construction in Progress	41,920	804,659	(762,739)
Less: Accumulated Depreciation	(14,877,509)	(14,024,304)	(853,205)
Totals	<u>\$23,795,444</u>	<u>\$21,782,788</u>	<u>\$2,012,656</u>

The primary increases occurred in machinery and equipment, land, land improvements and infrastructure. Additional information on the City's capital assets can be found in Note 9.

CITY OF NAPOLEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2003

Unaudited

Debt

At December 31, 2003, the City had \$8.2 million in bonds outstanding, \$517,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2003 and 2002:

	2003	2002
Governmental Activities:		
Special Assessment Bonds	\$1,131,582	\$1,288,388
OPWC Loans Payable	172,912	185,262
Compensated Absences	474,392	432,019
Total Governmental Activities	<u>1,778,886</u>	<u>1,905,669</u>
Business-Type Activities:		
General Obligation Bonds	\$1,460,000	\$1,525,000
Mortgage Revenue Bonds	5,550,000	5,800,000
Special Assessment Bonds	105,418	108,612
OWDA Loans Payable	2,776,311	2,974,633
OPWC Loans Payable	58,950	62,634
OSWRC Deferred Loan Payable	88,341	88,341
Compensated Absences	199,186	179,883
Total Business-Type Activities	<u>10,238,206</u>	<u>10,739,103</u>
Totals	<u>\$12,017,092</u>	<u>\$12,644,772</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Napoleon lies, is limited to ten mills. At December 31, 2003, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

ECONOMIC FACTORS AND BUDGET

The City's original budget for 2003 utilized conservative revenue estimates with limited increases in base operating costs. However, due to projected declines in certain revenues, expenditures were *projected* to exceed revenues in many of the funds, including the General Fund. City Council decided they wanted to maintain current service levels to the residents of the City by utilizing reserve fund balances. Original General Fund revenues were projected to be 8% less than the actual receipts for 2003. This was due to a projected decrease in interest income because of the low interest rates on investments, reductions in state shared revenues and uncertainty in the amount of actual municipal income taxes to be collected due to uncertain economic conditions.

General Fund expenditures were originally budgeted at 13% more than 2003 actual expenditures. No additional personnel were added in the final approved budget. Department requests were reduced from original submissions; certain requested capital projects and capital acquisitions were eliminated or reduced; and only those items that management and City Council determined necessary were appropriated.

City Council continues to pursue new revenue sources, while reviewing the possibility of increasing existing sources, in addition to a continued review of reducing expenditures. A close watch of current economic conditions is ongoing to determine if increased revenues, or further reductions in expenditures, are necessary in order to maintain fiscal stability.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 419-599-1235 or writing to City of Napoleon Finance Department, 255 West Riverview Avenue, Napoleon, Ohio 43545.



CITY OF NAPOLEON, OHIO

Statement of Net Assets
December 31, 2003

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 264,634	\$ 1,489,654	\$ 1,754,288
Investments	4,757,182	11,231,677	15,988,859
Receivables:			
Taxes	1,024,872	0	1,024,872
Accounts	224,486	2,014,772	2,239,258
Intergovernmental	502,519	0	502,519
Interest	25,655	36,236	61,891
Special Assessments	1,583,579	1,353,566	2,937,145
Loans	146,513	0	146,513
Internal Balances	(12,320)	12,320	0
Inventory of Supplies at Cost	71,669	1,197,564	1,269,233
Capital Assets, Net	22,861,821	23,795,444	46,657,265
Investment in Joint Venture	0	677,378	677,378
Total Assets	31,450,610	41,808,611	73,259,221
Liabilities:			
Accounts Payable	34,842	828,785	863,627
Accrued Wages and Benefits	279,331	110,074	389,405
Deferred Revenue	432,281	0	432,281
Accrued Interest Payable	17,042	20,374	37,416
General Obligation Notes Payable	240,000	4,352,000	4,592,000
Long-Term Liabilities:			
Due Within One Year	388,526	671,793	1,060,319
Due in More Than One Year	1,390,360	9,566,413	10,956,773
Total Liabilities	2,782,382	15,549,439	18,331,821
Net Assets:			
Invested in Capital Assets, Net of Related Debt	21,317,327	9,404,424	30,721,751
Restricted For:			
Capital Projects	773,032	0	773,032
Debt Service	1,993,132	0	1,993,132
Other Purposes	2,728,959	0	2,728,959
Unrestricted	1,855,778	16,854,748	18,710,526
Total Net Assets	\$ 28,668,228	\$ 26,259,172	\$ 54,927,400

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

**Statement of Activities
For the Year Ended December 31, 2003**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 2,680,032	\$ 705,157	\$ 81,173	\$ 0
Public Health and Welfare Services	85,401	21,905	0	0
Leisure Time Activities	818,891	222,335	0	83,160
Community Environment	1,080,975	5,435	514,941	0
Transportation	1,459,500	802	33,500	0
General Government	903,636	35,210	39,100	0
Interest and Fiscal Charges	81,409	0	0	0
Total Governmental Activities	7,109,844	990,844	668,714	83,160
Business-Type Activities:				
Electric	11,387,550	11,318,729	0	0
Water	1,536,309	1,721,654	0	0
Sewer	1,843,617	1,883,250	0	75,000
Sanitation	519,287	523,869	0	0
Total Business-Type Activities	15,286,763	15,447,502	0	75,000
Totals	\$ 22,396,607	\$ 16,438,346	\$ 668,714	\$ 158,160

General Revenues

Property Taxes
Municipal Income Taxes
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,893,702)	\$ 0	\$ (1,893,702)
(63,496)	0	(63,496)
(513,396)	0	(513,396)
(560,599)	0	(560,599)
(1,425,198)	0	(1,425,198)
(829,326)	0	(829,326)
(81,409)	0	(81,409)
<u>(5,367,126)</u>	<u>0</u>	<u>(5,367,126)</u>
0	(68,821)	(68,821)
0	185,345	185,345
0	114,633	114,633
0	4,582	4,582
<u>0</u>	<u>235,739</u>	<u>235,739</u>
<u>(5,367,126)</u>	<u>235,739</u>	<u>(5,131,387)</u>
389,763	0	389,763
2,134,591	0	2,134,591
540,096	0	540,096
1,028,057	0	1,028,057
153,241	230,404	383,645
318,967	0	318,967
<u>4,564,715</u>	<u>230,404</u>	<u>4,795,119</u>
(802,411)	466,143	(336,268)
<u>29,470,639</u>	<u>25,793,029</u>	<u>55,263,668</u>
<u>\$ 28,668,228</u>	<u>\$ 26,259,172</u>	<u>\$ 54,927,400</u>

CITY OF NAPOLEON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2003**

	General	Special Assessment Bond Retirement	Capital Improvement
Assets:			
Cash and Cash Equivalents	\$ 113,175	\$ 26,316	\$ 50,142
Investments	1,616,051	387,662	738,642
Taxes	890,139	0	0
Accounts	41,280	0	21,590
Intergovernmental	286,497	0	33,500
Interest	17,374	1,931	0
Special Assessments	0	1,583,579	0
Loans	0	0	0
Inventory of Supplies, at Cost	1,951	0	0
Total Assets	<u>\$ 2,966,467</u>	<u>\$ 1,999,488</u>	<u>\$ 843,874</u>
Liabilities:			
Accounts Payable	\$ 12,390	\$ 0	\$ 17,764
Accrued Wages and Benefits Payable	176,107	0	0
Deferred Revenue	551,491	1,584,033	33,500
Accrued Interest Payable	0	0	2,420
General Obligation Notes Payable	0	0	240,000
Total Liabilities	<u>739,988</u>	<u>1,584,033</u>	<u>293,684</u>
Fund Balances:			
Reserved for Encumbrances	58,025	0	243,149
Reserved for Supplies Inventory	1,951	0	0
Reserved for Loans Receivable	0	0	0
Undesignated/Unreserved in:			
General Fund	2,166,503	0	0
Special Revenue Funds	0	0	0
Debt Service Funds	0	415,455	0
Capital Projects Funds	0	0	307,041
Total Fund Balances	<u>2,226,479</u>	<u>415,455</u>	<u>550,190</u>
Total Liabilities and Funds Balances	<u>\$ 2,966,467</u>	<u>\$ 1,999,488</u>	<u>\$ 843,874</u>

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 50,687	\$ 240,320
2,014,827	4,757,182
134,733	1,024,872
161,616	224,486
182,522	502,519
6,350	25,655
0	1,583,579
146,513	146,513
60,811	62,762
<u>\$ 2,758,059</u>	<u>\$ 8,567,888</u>

\$ 4,688	\$ 34,842
96,985	273,092
260,366	2,429,390
0	2,420
0	240,000
<u>362,039</u>	<u>2,979,744</u>

449,876	751,050
60,811	62,762
146,513	146,513
0	2,166,503
1,730,554	1,730,554
8,266	423,721
0	307,041
<u>2,396,020</u>	<u>5,588,144</u>
<u>\$ 2,758,059</u>	<u>\$ 8,567,888</u>

CITY OF NAPOLEON, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2003***

Total Governmental Fund Balances	\$ 5,588,144
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	22,853,279
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	1,997,109
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	18,515
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,788,819)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 28,668,228</u></u>

See accompanying notes to the basic financial statements



CITY OF NAPOLEON, OHIO

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

	General	Special Assessment Bond Retirement	Capital Improvement
Revenues:			
Property Taxes	\$ 268,787	\$ 0	\$ 0
Municipal Income Tax	2,128,129	0	0
Other Local Taxes	540,096	0	0
Intergovernmental Revenues	553,810	0	70,500
Charges for Services	245,691	0	0
Licenses and Permits	121,639	0	0
Investment Earnings	128,376	13,910	0
Special Assessments	0	279,314	0
Fines and Forfeitures	260,155	0	0
All Other Revenue	159,361	0	0
Total Revenue	4,406,044	293,224	70,500
Expenditures:			
Current:			
Security of Persons and Property	2,000,650	0	0
Public Health and Welfare Services	87,882	0	0
Leisure Time Activities	0	0	0
Community Development	78,107	0	0
Transportation	0	0	0
General Government	775,934	4,195	0
Capital Outlay	0	0	1,107,011
Debt Service:			
Principal Retirement	0	169,156	0
Interest & Fiscal Charges	0	78,384	2,420
Total Expenditures	2,942,573	251,735	1,109,431
Excess (Deficiency) of Revenues Over Expenditures	1,463,471	41,489	(1,038,931)
Other Financing Sources (Uses):			
Transfers In	33,441	12,360	930,415
Transfers Out	(1,864,129)	0	(40,000)
Total Other Financing Sources (Uses)	(1,830,688)	12,360	890,415
Net Change in Fund Balances	(367,217)	53,849	(148,516)
Fund Balances at Beginning of Year	2,595,334	361,606	698,706
Increase (Decrease) in Inventory Reserve	(1,638)	0	0
Fund Balances End of Year	\$ 2,226,479	\$ 415,455	\$ 550,190

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 120,286	\$ 389,073
0	2,128,129
0	540,096
1,218,605	1,842,915
352,203	597,894
0	121,639
47,149	189,435
0	279,314
120,720	380,875
59,430	218,791
<u>1,918,393</u>	<u>6,688,161</u>
474,589	2,475,239
0	87,882
756,745	756,745
993,424	1,071,531
617,653	617,653
53,837	833,966
0	1,107,011
0	169,156
3,041	83,845
<u>2,899,289</u>	<u>7,203,028</u>
(980,896)	(514,867)
972,714	1,948,930
<u>(89,801)</u>	<u>(1,993,930)</u>
<u>882,913</u>	<u>(45,000)</u>
(97,983)	(559,867)
2,490,518	6,146,164
3,485	1,847
<u>\$ 2,396,020</u>	<u>\$ 5,588,144</u>

CITY OF NAPOLEON, 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 \$ (559,867)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 71,023

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets net of proceeds received. (42,222)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (380,728)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 169,156

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,436

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (40,910)

The internal service funds are used by management to charge the costs of services to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. (21,299)

Change in Net Assets of Governmental Activities \$ (802,411)

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 256,440	\$ 268,820	\$ 268,787	\$ (33)
Municipal Income Tax	2,335,000	2,397,714	2,397,722	8
Intergovernmental Revenue	420,060	585,710	585,868	158
Charges for Services	155,400	214,350	214,398	48
Licenses and Permits	46,730	121,580	121,639	59
Investment Earnings	174,700	131,230	131,230	0
Fines and Forfeitures	291,500	279,940	279,933	(7)
All Other Revenues	172,090	159,360	159,361	1
Total Revenues	<u>3,851,920</u>	<u>4,158,704</u>	<u>4,158,938</u>	<u>234</u>
Expenditures:				
Current:				
Security of Persons and Property	2,126,415	2,005,115	1,999,508	5,607
Public Health and Welfare Services	101,510	88,210	87,439	771
Community Environment	92,920	78,520	78,084	436
General Government	1,402,802	1,150,973	1,138,540	12,433
Total Expenditures	<u>3,723,647</u>	<u>3,322,818</u>	<u>3,303,571</u>	<u>19,247</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	128,273	835,886	855,367	19,481
Other Financing Sources (Uses):				
Transfers In	520,884	574,022	574,026	4
Transfers Out	(2,064,660)	(1,864,129)	(1,864,129)	0
Advances In	83,116	83,116	83,166	50
Total Other Financing Sources (Uses):	<u>(1,460,660)</u>	<u>(1,206,991)</u>	<u>(1,206,937)</u>	<u>54</u>
Net Change In Fund Balance	(1,332,387)	(371,105)	(351,570)	19,535
Fund Balance at Beginning of Year	1,981,653	1,981,653	1,981,653	0
Prior Year Encumbrances	21,470	21,470	21,470	0
Fund Balance at End of Year	<u>\$ 670,736</u>	<u>\$ 1,632,018</u>	<u>\$ 1,651,553</u>	<u>\$ 19,535</u>

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

**Statement of Net Assets
Proprietary Fund
December 31, 2003**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 746,160	\$ 89,678	\$ 489,421
Investments	6,789,097	1,321,038	2,683,023
Receivables:			
Accounts	1,512,412	206,632	225,551
Interest	18,796	5,056	10,428
Special Assessments	0	0	1,353,566
Inventory of Supplies at Cost	968,776	196,563	32,225
Total Current Assets	10,035,241	1,818,967	4,794,214
<i>Non Current Assets:</i>			
Capital Assets, Net	10,691,457	4,333,784	8,495,047
Investment in Joint Venture	677,378	0	0
Total Assets	21,404,076	6,152,751	13,289,261
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	787,060	1,596	32,958
Accrued Wages and Benefits	51,994	32,199	18,175
General Obligation Bonds - Current	0	75,000	0
Special Assessment Bonds - Current	0	0	3,993
Mortgage Revenue Bonds - Current	130,000	0	140,000
Ohio Public Works Commission Loan - Current	0	0	3,684
Ohio Water Development Authority Loans - Current	0	16,485	197,375
Total Current Liabilities	969,054	125,280	396,185
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	72,772	71,936	45,902
Accrued Interest Payable	1,850	10,299	8,225
General Obligation Notes Payable	650,000	2,062,000	1,640,000
General Obligation Bonds Payable	0	1,385,000	0
Special Assessment Bonds Payable	0	0	101,425
Revenue Bonds Payable	2,545,000	0	2,735,000
OWDA Loans Payable	0	311,585	2,250,866
OPWC Loans Payable	0	0	55,266
Ohio Sewer & Water Rotary Commission Deferred Loan Payable	0	0	88,341
Total Liabilities	4,238,676	3,966,100	7,321,210
Net Assets:			
Invested in Capital Assets, Net of Related Debt	7,366,457	483,714	1,279,097
Unrestricted	9,798,943	1,702,937	4,688,954
Total Net Assets	\$ 17,165,400	\$ 2,186,651	\$ 5,968,051

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.
Net Assets of Business-type Activities

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

Other	Total	Governmental Activities - Internal Service Funds
\$ 164,395	\$ 1,489,654	\$ 24,314
438,519	11,231,677	0
70,177	2,014,772	0
1,956	36,236	0
0	1,353,566	0
0	1,197,564	8,907
675,047	17,323,469	33,221
275,156	23,795,444	8,542
0	677,378	0
950,203	41,796,291	41,763
7,171	828,785	0
7,706	110,074	6,239
0	75,000	0
0	3,993	0
0	270,000	0
0	3,684	0
0	213,860	0
14,877	1,505,396	6,239
8,576	199,186	4,689
0	20,374	0
0	4,352,000	0
0	1,385,000	0
0	101,425	0
0	5,280,000	0
0	2,562,451	0
0	55,266	0
0	88,341	0
23,453	15,549,439	10,928
275,156	9,404,424	8,542
651,594	16,842,428	22,293
\$ 926,750	\$ 26,246,852	\$ 30,835
	12,320	
	\$ 26,259,172	

CITY OF NAPOLEON, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2003**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
Operating Revenues:			
Charges for Services	\$ 11,135,100	\$ 1,608,585	\$ 1,791,507
Other Charges for Services	23,514	113,069	91,743
Total Operating Revenues	11,158,614	1,721,654	1,883,250
Operating Expenses:			
Personal Services	911,456	533,823	311,234
Contractual Services	1,217,228	370,615	436,350
Materials and Supplies	488,431	238,774	103,477
Utilities	8,248,068	98,514	70,830
Depreciation	362,844	127,859	349,303
Total Operating Expenses	11,228,027	1,369,585	1,271,194
Operating Income (Loss)	(69,413)	352,069	612,056
Nonoperating Revenue (Expenses):			
Investment Earnings	112,939	35,690	67,037
Intergovernmental Grants/Loans	0	0	75,000
Interest Expense	(150,068)	(163,179)	(571,554)
Other Local Taxes	114,247	0	0
Gain on Investment in Joint Venture	45,868	0	0
Total Nonoperating Revenues (Expenses)	122,986	(127,489)	(429,517)
Income Before Transfers	53,573	224,580	182,539
Transfers In	0	0	0
Change in Net Assets	53,573	224,580	182,539
Net Assets Beginning of Year	17,111,827	1,962,071	5,785,512
Net Assets End of Year	\$ 17,165,400	\$ 2,186,651	\$ 5,968,051

Change in Net Assets - Total Enterprise Funds

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.

Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

Other	Total	Governmental Activities - Internal Service Funds
\$ 520,491	\$ 15,055,683	\$ 85,856
<u>3,378</u>	<u>231,704</u>	<u>2,371</u>
<u>523,869</u>	<u>15,287,387</u>	<u>88,227</u>
141,875	1,898,388	101,113
286,897	2,311,090	1,850
61,766	892,448	71,433
2,804	8,420,216	596
<u>19,348</u>	<u>859,354</u>	<u>0</u>
<u>512,690</u>	<u>14,381,496</u>	<u>174,992</u>
11,179	905,891	(86,765)
14,738	230,404	0
0	75,000	0
0	(884,801)	0
0	114,247	0
<u>0</u>	<u>45,868</u>	<u>0</u>
<u>14,738</u>	<u>(419,282)</u>	<u>0</u>
25,917	486,609	(86,765)
0	0	45,000
25,917	486,609	(41,765)
<u>900,833</u>	<u>25,760,243</u>	<u>72,600</u>
<u>\$ 926,750</u>	<u>\$ 26,246,852</u>	<u>\$ 30,835</u>
	486,609	
	<u>(20,466)</u>	
	<u>\$ 466,143</u>	

CITY OF NAPOLEON, OHIO

**Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2003**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$11,086,935	\$1,708,574	\$1,854,945
Cash Payments for Goods and Services	(9,818,506)	(727,525)	(596,553)
Cash Payments to Employees	(904,042)	(527,967)	(298,122)
Net Cash Provided (Used) by Operating Activities	364,387	453,082	960,270
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	0	0
Receipts of Other Local Taxes	114,247	0	0
Receipts of Special Assessments	0	0	141,160
Receipts of Grants	0	0	75,000
Net Cash Provided by Noncapital Financing Activities	114,247	0	216,160
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(804,462)	(444,024)	(1,483,168)
Proceeds From General Obligation Notes	650,000	3,062,000	1,640,000
Principal Paid on General Obligation Notes	(900,000)	(2,488,515)	(1,280,000)
Principal Paid on Special Assessment Bond	0	0	(3,194)
Principal Paid on General Obligation Bonds	0	(140,000)	0
Principal Paid on Mortgage Revenue Bonds	(120,000)	0	(130,000)
Principal Paid on Ohio Public Works Commission Loan	0	0	(3,684)
Principal Paid on Ohio Water Development Authority Loans	0	(31,781)	(183,026)
Interest Paid on All Debt	(150,683)	(167,691)	(567,497)
Net Cash Used for Capital and Related Financing Activities	(1,325,145)	(210,011)	(2,010,569)
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	0	0	317,426
Purchase of Investments	(351,847)	(385,548)	0
Receipts of Interest	150,663	42,375	90,950
Net Cash Provided (Used) by Investing Activities	(201,184)	(343,173)	408,376
Net Decrease in Cash and Cash Equivalents	(1,047,695)	(100,102)	(425,763)
Cash and Cash Equivalents at Beginning of Year	1,793,855	189,780	915,184
Cash and Cash Equivalents at End of Year	\$746,160	\$89,678	\$489,421

CITY OF NAPOLEON, OHIO

Other	Total	Governmental Activities - Internal Service Funds
\$522,218	\$15,172,672	\$88,227
(350,977)	(11,493,561)	(78,535)
(140,869)	(1,871,000)	(101,013)
30,372	1,808,111	(91,321)
0	0	45,000
0	114,247	0
0	141,160	0
0	75,000	0
0	330,407	45,000
(181,925)	(2,913,579)	0
0	5,352,000	0
0	(4,668,515)	0
0	(3,194)	0
0	(140,000)	0
0	(250,000)	0
0	(3,684)	0
0	(214,807)	0
0	(885,871)	0
(181,925)	(3,727,650)	0
171,843	489,269	0
0	(737,395)	0
20,282	304,270	0
192,125	56,144	0
40,572	(1,532,988)	(46,321)
123,823	3,022,642	70,635
\$164,395	\$1,489,654	\$24,314

(Continued)

CITY OF NAPOLEON, OHIO

**Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2003**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	(\$69,413)	\$352,069	\$612,056
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	362,844	127,859	349,303
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(71,679)	(13,080)	(28,305)
Increase in Inventory	(31,445)	(15,222)	(1,175)
Increase (Decrease) in Accounts Payable	166,666	(4,400)	15,279
Increase (Decrease) in Accrued			
Wages and Benefits	2,812	1,229	4,154
Increase (Decrease) in			
Compensated Absences	4,602	4,627	8,958
Total Adjustments	<u>433,800</u>	<u>101,013</u>	<u>348,214</u>
Net Cash Provided (Used) by Operating Activities	<u>\$364,387</u>	<u>\$453,082</u>	<u>\$960,270</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2003, the Electric and Sewer Funds had outstanding liabilities of \$12,798 and \$15,734, respectively, for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

<u>Other</u>	<u>Total</u>	Governmental Activities - Internal Service Funds
\$11,179	\$905,891	(\$86,765)
19,348	859,354	0
(1,651)	(114,715)	0
0	(47,842)	(4,163)
490	178,035	(493)
(112)	8,083	484
<u>1,118</u>	<u>19,305</u>	<u>(384)</u>
<u>19,193</u>	<u>902,220</u>	<u>(4,556)</u>
<u>\$30,372</u>	<u>\$1,808,111</u>	<u>(\$91,321)</u>

CITY OF NAPOLEON, OHIO

***Statement of Net Assets
Fiduciary Funds
December 31, 2003***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 15,461
Total Assets	<u>15,461</u>
Liabilities:	
Due to Others	<u>15,461</u>
Total Liabilities	<u>15,461</u>
Total Net Assets	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Napoleon, Ohio (the City) is a home rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter, which provides for a Council/Manager form of government. The Charter was adopted November 7, 1950 and became effective January 1, 1952. The current Charter, as amended, was adopted November 3, 1992 and became effective January 1, 1993.

The financial statements are presented as of December 31, 2003 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, parks and recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and operates a water treatment and distribution system, a wastewater treatment and collection system, an electric distribution system and provides refuse collection services all of which are reported as enterprise funds.

1. Joint Ventures with Equity Interest

Ohio Municipal Electric Generation Agency Joint Venture 2 (Omega JV-2) - The City is a participant with thirty-six subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Omega JV-2 was created for that purpose. The Omega JV-2 is managed by AMP-Ohio which acts as the joint venture's agent. See Note 16 "Joint Ventures."

Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) - The City is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Omega JV-5 was created for that purpose. See Note 16 "Joint Ventures."

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

2. Joint Ventures without Equity Interest

Community Improvement Corporation - The City, along with Henry County is a participant in the joint venture to operate the Community Improvement Corporation (CIC). The corporation's duties are to advance, encourage and promote the industrial, economic, commercial and civic development of the City of Napoleon and Henry County. See Note 16 "Joint Ventures."

B. Basis of Presentation - Fund Accounting

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

Special Assessment Bond Retirement Fund - To accumulate special assessment revenues collected by the County Treasurer and remitted to the City by the County Auditor for payment of assessment bonds.

Capital Improvement Fund - To account for financial resources used for the major capital projects undertaken by the City.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

Electric Fund – To account for the operation of the City's electric distribution service.

Water Fund – This fund is used to account for the operation of the City's water service.

Sewer Fund – This fund is used to account for the operation of the City's sanitary sewer service.

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary 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 therefore not available to support the City's own programs. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation. These funds operate on an accrual basis of accounting.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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 statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are 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 business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this 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 net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

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. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, state levied locally shared taxes (including motor vehicle license fees and local government assistance). Income taxes other than those withheld by employers, licenses, permits, charges for service and other miscellaneous revenues are recorded as revenue when received in cash because generally this revenue is not measurable until received.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes, which are measurable at December 31, 2003 but are not intended to finance 2003 operations, and delinquent property taxes whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6 "Taxes".

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses recognized when incurred.

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental and expendable trust funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may be made only by ordinance of the City Council.

1. Tax Budget

The Director of Finance and the City Manager submit an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2003.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level, the legal level of control. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. During 2003, several supplemental appropriations were necessary to budget the use of contingency funds, intergovernmental grant proceeds and capital improvement projects. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--General Fund" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. On the budgetary basis investment earnings are recognized when realized, whereas on a GAAP basis unrealized gains and losses are recognized when investments are adjusted to fair value.

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
	<u>General Fund</u>
GAAP Basis (as reported)	(\$367,217)
Increase (Decrease):	
Accrued Revenues at December 31, 2003 received during 2004	(683,799)
Accrued Revenues at December 31, 2002 received during 2003	753,801
Accrued Expenditures at December 31, 2003 paid during 2004	188,497
Accrued Expenditures at December 31, 2002 paid during 2003	(170,449)
2002 Adjustment to Fair Value	5,270
2003 Adjustment to Fair Value	(8,492)
Outstanding Encumbrances	<u>(69,181)</u>
Budget Basis	<u><u>(\$351,570)</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, repurchase agreements, the State Treasury Asset Reserve (STAR Ohio) and certificates of deposit with original maturity dates of three months or less. The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it is reported as a cash equivalent in the basic financial statements because it is a highly liquid instrument which is readily convertible to cash. The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' shares of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 5, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon percentages mandated by City ordinance. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investments are considered, including those with a maturity of one year or less, and included in the calculation of the change in fair value. Fair value is determined by quoted market prices. See Note 5, "Cash, Cash Equivalents and Investments."

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

H. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

2. Property, Plant and Equipment – Business Type Activities

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	25
Improvements other than Buildings/Infrastructure	10 - 50
Vehicles	5 - 20
Machinery, Equipment, Furniture and Fixtures	5 - 25

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Water Fund
Mortgage Revenue Bonds	Sewer Fund Electric Fund
Special Assessment Bonds with Governmental Commitment	Special Assessment Bond Retirement Fund Sewer Fund
Ohio Public Works Commission Loans	Special Assessment Bond Retirement Fund Sewer Fund
OWDA Loans	Water Fund Sewer Fund
Compensated Absences	General Fund Street Construction, Maintenance, and Repair Fund Recreation Fund Electric Fund Water Fund Sewer Fund Sanitation Fund Central Garage Rotary Fund

K. Compensated Absences

Employees of the City earn vacation leave at various rates within limits specified under collective bargaining agreements or under statute.

The rate of cash compensation for sick leave payout varies within specified limits under collective bargaining agreements or under law. Employees are paid 25% of the accumulated sick time upon retirement. Employees are eligible for retirement at age 60 with 5 years of service, age 55 with 25 years of service, and any age with at least 30 years of service. Compensation for sick leave is paid at the employee's full rate of pay at the time of termination or retirement.

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered or to rights that vest or accumulate, and when payment of the obligation is probable and can be reasonably determined.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

L. 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 borrowings 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.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

N. Interfund Activity

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.

O. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories, loans receivable and encumbered amounts not accrued at year end.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Estimates

The preparation of 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.

Q. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. 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 water treatment and distribution, wastewater collection and treatment, maintenance of storm water collection systems and collection of solid waste refuse. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2003.

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2003, the City has implemented GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”; GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”; GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”; and GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement.*” At December 31, 2002, there was no effect on fund balance as a result of implementing GASB Statements 36, 37 and 38, or Interpretation No. 6.

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE (continued)

A. Changes in Accounting Principles (continued)

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

B. Restatement of Fund Balances

During 2003, it was determined that there was an error in the recording of accumulated depreciation for the enterprise funds. This resulted in a restatement of the beginning fund balances. The changes to the beginning fund balances, as well as the transition from fund balance to net assets of the governmental activities and the business-type activities are as follows:

	<u>General</u>	<u>Special Assessment Bond Retirement</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Fund Balance December 31, 2002	\$2,588,422	\$361,606	\$698,706	\$2,397,217	\$6,045,951
Adjustments to Fund Structure:					
Reclassified fund from Expendable Trust Fund to General Fund	6,912	0	0	0	6,912
Reclassified fund from Expendable Trust Fund to Special Revenue Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>93,301</u>	<u>93,301</u>
Adjusted Fund Balance	<u>2,595,334</u>	<u>361,606</u>	<u>698,706</u>	<u>2,490,518</u>	<u>6,146,164</u>
GASB 34 Adjustments:					
Capital Assets					22,824,478
Internal Service Fund					39,814
Long-Term Liabilities					(1,917,654)
Long-Term (Deferred) Assets					<u>2,377,837</u>
Net Assets, December 31, 2002					<u>\$29,470,639</u>
					Total Business-Type
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Activities</u>
Fund Balance December 31, 2002	\$17,127,168	\$1,860,339	\$2,563,480	\$799,710	\$22,350,697
Prior Period Adjustment:					
Restate Capital Assets	<u>(94,833)</u>	<u>314</u>	<u>(168,097)</u>	<u>0</u>	<u>(262,616)</u>
Adjusted Fund Balance	<u>17,032,335</u>	<u>1,860,653</u>	<u>2,395,383</u>	<u>799,710</u>	<u>22,088,081</u>
GASB 34 Adjustments:					
Contributed Capital					3,672,162
Internal Service Fund					<u>32,786</u>
Net Assets, December 31, 2002					<u>\$25,793,029</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental funds as reported in the government-wide statement of net assets. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Other long-term assets not available to pay for current-period expenditures:

Delinquent Income Tax Revenue	\$50,168
Delinquent Property Tax Revenue	3,779
Shared Revenues	353,547
Interest Revenues	6,036
Special Assessment Revenue	<u>1,583,579</u>
	\$1,997,109

Long-Term liabilities not reported in the funds:

Special Assessment Bonds Payable	(\$1,131,582)
OPWC Loans Payable	(172,912)
Accrued Interest on Long-Term Debt	(14,622)
Compensated Absences Payable	<u>(469,703)</u>
	(\$1,788,819)

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amount by which capital outlay exceeded depreciation in the current period:

Capital Outlay	\$1,045,820
Depreciation Expense	(974,797)
	<u>\$71,023</u>

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$6,462
Increase in Delinquent Property Tax	690
Decrease in Shared Revenue	(62,984)
Decrease in Interest Revenue	(36,194)
Decrease in Special Assessment Revenue	(288,702)
	<u>(\$380,728)</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$42,757)
Increase in supplies inventory	1,847
	<u>(\$40,910)</u>

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at December 31, 2003 of \$29,251 in the Police Pension Fund and \$17,921 in the Fire Pension Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis. The deficits do not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies, bonds of any state, and bonds and other obligations of any country, municipal corporation or other legally constituted authority of the State of Ohio, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*" collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments:

- Category 1 Insured or registered with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

At year end the carrying amount of the City's deposits was \$12,944,711 and the bank balance was \$13,325,755. Federal depository insurance covered \$538,939 of the bank balance. Of the bank balance, \$1,900,324 was classified as Category 2 and all remaining deposits were classified as Category 3. In addition, the City had \$2,500 cash on hand.

B. Investments

The City's investments at December 31, 2003 are summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Fair Value</u>
U.S. Government Securities	\$4,488,859	\$4,488,859
<u>Non-Categorized Investments</u>		
STAR Ohio	N/A	325,038
Total Non-Categorized Investments	N/A	325,038
Total Investments	<u>\$4,488,859</u>	<u>\$4,813,897</u>

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio is treated as a cash equivalent. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per items A and B of this note are as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$1,769,749	\$15,988,859
Certificates of Deposit (with maturities of more than 3 months)	11,500,000	(11,500,000)
Investments:		
STAR Ohio	(325,038)	325,038
Per GASB Statement No. 3	<u>\$12,944,711</u>	<u>\$4,813,897</u>

* Includes cash on hand.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2003 were levied after October 1, 2002 on assessed values as of January 1, 2002, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed for tax year 2000. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semi-annually, the first payment is due by February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property described previously.

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

The full tax rate for the City's operations for the year ended December 31, 2003 was \$2.90 per \$1,000 of assessed value. The assessed value upon which the 2003 receipts were based was \$148,399,344. This amount constitutes \$116,426,730 in real property assessed value, \$1,873,020 in public utility assessed value and \$30,099,594 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .29% (2.90 mills) of assessed value.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 6 - TAXES (Continued)

B. Income Tax

The City levies a tax of 1.2% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of 1.2% of taxable salaries, wages, commissions and other compensation.

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

NOTE 7 - RECEIVABLES

Receivables at December 31, 2003 consisted of taxes, interest, accounts receivable, special assessments, loans and intergovernmental receivables arising from shared revenues.

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2003:

Fund	Transfers In	Transfers Out
General Fund	\$33,441	\$1,864,129
Special Revenue Funds:		
Street Construction, Maintenance and Repair Fund	250,000	0
Motor Vehicle License Tax Fund	0	36,360
EMS Transport Service Fund	0	20,000
Recreation Fund	497,714	0
Special Events Fund	15,000	0
Economic Development Fund	150,000	33,441
Fire Equipment Fund	60,000	0
Total Special Revenue Funds	972,714	89,801
Debt Service Fund:		
Special Assessment Bond Retirement Fund	12,360	0
Capital Projects Fund:		
Capital Improvement Fund	930,415	40,000
Internal Service Fund:		
Central Garage Rotary Fund	45,000	0
Totals	<u>\$1,993,930</u>	<u>\$1,993,930</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2003:

Historical Cost:

Class	Restated December 31, 2002	Additions	Deletions	December 31, 2003
<i>Capital assets not being depreciated:</i>				
Land	\$2,055,805	\$378,787	\$0	\$2,434,592
Construction in Progress	5,895	0	(5,895)	0
<i>Capital assets being depreciated:</i>				
Improvements	459,945	0	0	459,945
Buildings	2,044,571	0	0	2,044,571
Machinery and Equipment	4,196,206	387,843	(148,539)	4,435,510
Infrastructure	25,546,015	325,237	(103,802)	25,767,450
Total Cost	\$34,308,437	\$1,091,867	(\$258,236)	\$35,142,068

Accumulated Depreciation:

Class	Restated December 31, 2002	Additions	Deletions	December 31, 2003
Improvements	(\$77,114)	(\$10,079)	\$0	(\$87,193)
Buildings	(1,857,860)	(38,053)	0	(1,895,913)
Machinery and Equipment	(2,302,023)	(273,474)	146,485	(2,429,012)
Infrastructure	(7,278,570)	(653,191)	63,632	(7,868,129)
Total Depreciation	(\$11,515,567)	(\$974,797) *	\$210,117	(\$12,280,247)
<i>Net Value:</i>	\$22,792,870			\$22,861,821

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$158,417
Public Health and Welfare Services	7,430
Leisure Time Activities	44,696
Community Environment	798
Transportation	726,779
General Government	36,677
Total Depreciation Expense	\$974,797

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 9 - CAPITAL ASSETS (continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2003:

Historical Cost:

Class	December 31, 2002	Additions	Deletions	December 31, 2003
Capital assets not being depreciated:				
Land	\$349,695	\$0	\$0	\$349,695
Construction in Progress	804,659	0	(762,739)	41,920
Capital assets being depreciated:				
Buildings	6,655,428	355,127	0	7,010,555
Improvements	22,118,835	2,819,181	0	24,938,016
Machinery and Equipment	5,878,475	460,441	(6,149)	6,332,767
Total Cost	\$35,807,092	\$3,634,749	(\$768,888)	\$38,672,953

Accumulated Depreciation:

Class	Restated December 31, 2002	Additions	Deletions	December 31, 2003
Buildings	(\$2,481,390)	(\$229,527)	\$0	(\$2,710,917)
Improvements	(7,026,797)	(456,929)	0	(7,483,726)
Machinery and Equipment	(4,516,117)	(172,898)	6,149	(4,682,866)
Total Depreciation	(\$14,024,304)	(\$859,354)	\$6,149	(\$14,877,509)
Net Value:	\$21,782,788	\$2,775,395	(\$762,739)	\$23,795,444

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 10 – DEFINED BENEFIT PENSION PLANS

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Ohio Public Employees Retirement System (the “Ohio PERS”)

The following information was provided by the Ohio PERS to assist the City in complying with GASB Statement No. 27, “*Accounting for Pensions by State and Local Government Employers.*”

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD 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 MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2003 employer contribution rate for local government employer units was 13.55%, of covered payroll, 8.55% to fund the pension and 5.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2003, 2002 and 2001 were \$510,287, \$497,333 and \$467,008, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2003 employer contribution rate (identified above) that was used to fund health care for the year 2003 was 5.0% of covered payroll which amounted to \$188,298.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2002 is \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”) (Continued)

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2003, 2002 and 2001 were \$138,282, \$133,012 and \$124,324 for police and \$91,407, \$89,037 and \$81,655 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2003 covered payroll that was used to fund postemployment health care benefits was \$54,958 representing 7.75% of covered payroll for police and \$29,517 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. 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. As of December 31, 2002, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,527 for police and 10,396 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2002 were \$141,028,006, which was net of member contributions of \$12,623,875.

NOTE 11 – COMPENSATED ABSENCES

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 11 – COMPENSATED ABSENCES (Continued)

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

At December 31, 2003, the City's accumulated, unpaid compensated absences amounted to \$673,578, of which \$474,392 is recorded as a liability of the Governmental Activities and \$199,186 is recorded as a liability of the Business-Type Activities.

NOTE 12 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period.

	Issue Date	Balance December 31, 2002	Issued (Retired)	Balance December 31, 2003
Enterprise Funds Notes Payable:				
1.64% Electric Capital Facilities	10/30/02	\$900,000	(\$900,000)	\$0
1.70% Electric Capital Facilities	10/30/03	0	650,000	650,000
2.05% Water System Improvements	5/15/02	1,040,000	(1,040,000)	0
1.64% North Pointe Water Improvements	10/30/02	540,000	(540,000)	0
1.70% Wauseon Waterline Project	10/30/03	0	1,000,000	1,000,000
1.70% Watermain Project	10/30/03	0	450,000	450,000
1.65% Riverview Waterline Project	5/21/03	0	150,000	150,000
1.65% Pontious Place Waterline	5/21/03	0	162,000	162,000
1.65% Water Tower Project	5/21/03	0	300,000	300,000
1.64% North Pointe Sewer Improvements	10/30/02	1,280,000	(1,280,000)	0
1.70% Sewer Pump Station	10/30/03	0	420,000	420,000
1.70% Collector Sewer Main	10/30/03	0	120,000	120,000
1.70% East Interceptor Sewer	10/30/03	0	312,000	312,000
1.70% West Interceptor Sewer	10/30/03	0	388,000	388,000
1.65% Sewer Sludge Process Building	5/21/03	0	400,000	400,000
Total Enterprise Funds Notes Payable:		<u>3,760,000</u>	<u>592,000</u>	<u>4,352,000</u>
Capital Projects Fund Note Payable:				
1.65% Northwest Drive Paving	5/21/03	0	240,000	240,000
Total Notes Payable		<u>\$3,760,000</u>	<u>\$832,000</u>	<u>\$4,592,000</u>

CITY OF NAPOLEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 13 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2003 was as follows:

Date Purchased	Interest Rate	Description	Maturity Date	Balance December 31, 2002	Additions	(Reductions)	Balance December 31, 2003	Amount Due Within One Year
Business-Type Activities:								
General Obligation Bonds:								
1980	7.25%	Waterworks System Improvement	2004	\$30,000	\$0	(\$15,000)	\$15,000	\$15,000
1994	6.00%	Waterworks System Improvements	2019	1,495,000	0	(50,000)	1,445,000	60,000
Total General Obligation Bonds				1,525,000	0	(65,000)	1,460,000	75,000
Mortgage Revenue Bonds:								
1998	4.00%	Sewer System Improvement	2018	3,005,000	0	(130,000)	2,875,000	140,000
1998	4.00%	Electric System Improvement	2018	2,795,000	0	(120,000)	2,675,000	130,000
Total Mortgage Revenue Bonds				5,800,000	0	(250,000)	5,550,000	270,000
Special Assessment Bond:								
(with Governmental Commitment)								
2000	5.00%	West Main, Wested and Vine Improvements	2020	108,612	0	(3,194)	105,418	3,993
Ohio Sewer and Water Rotary Commission Deferred Loan:								
1998		OSWRC - Palmer Ditch Project		88,341	0	0	88,341	0
Ohio Public Works Commission Loan:								
1999		Railroad Street Sewer Separation	2019	62,634	0	(3,684)	58,950	3,684
Ohio Water Development Authority Loans (OWDA):								
1990	7.840%	OWDA - Project #1089	2013	2,631,267	0	(183,026)	2,448,241	197,375
1992	9.185%	OWDA - Malinta Waterline	2016	343,366	0	(15,296)	328,070	16,485
Total Ohio Water Development Authority Loans				2,974,633	0	(198,322)	2,776,311	213,860
Compensated Absences				179,881	199,186	(179,881)	199,186	105,256
Total Business-Type Long-Term Debt				\$10,739,101	\$199,186	(\$700,081)	\$10,238,206	\$671,793
Governmental Activities:								
Special Assessment Bonds:								
1985	9.500%	Sheffield Street Improvements	2004	\$15,000	\$0	(\$5,000)	\$10,000	\$5,000
1990	7.250%	Oberhaus Creek Sewer Improvements	2009	120,000	0	(15,000)	105,000	15,000
1991	5.65-6.55%	Street Improvements	2010	470,000	0	(95,000)	375,000	100,000
1992	5.70-6.10%	Street Improvements	2011	200,000	0	(20,000)	180,000	20,000
1993	5.400%	Street Improvements	2012	91,000	0	(6,000)	85,000	7,000
1996	7.500%	Street Improvements	2016	155,000	0	(5,000)	150,000	10,000
1998	4.50%	Street Improvements	2019	140,040	0	(6,680)	133,360	6,680
1998	4.50%	Street Improvements	2019	69,960	0	(3,320)	66,640	3,320
2000	5.00%	West Main, Wested and Vine Improvements	2020	27,388	0	(806)	26,582	1,007
Total Special Assessment Bonds				1,288,388	0	(156,806)	1,131,582	168,007
(with Governmental Commitment)								
Ohio Public Works Commission Loan:								
1998		Unimproved Street Program	2018	185,262	0	(12,350)	172,912	12,350
Compensated Absences				432,019	474,392	(432,019)	474,392	208,169
Total Governmental Activities Long-Term Debt				\$1,905,669	\$474,392	(\$601,175)	\$1,778,886	\$388,526

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 13 - LONG-TERM DEBT (Continued)

The principal amount of the City's special assessment debt outstanding at December 31, 2003, \$1,237,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$415,455 in the Special Assessment Bond Retirement Fund at December 31, 2003 is reserved for the retirement of outstanding special assessment bonds. The Sewer Fund will be collecting special assessments to retire the enterprise funds' special assessment debt.

A. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2003 follows:

Years	General Obligation Bonds		Mortgage Revenue Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$75,000	\$86,783	\$270,000	\$264,313	\$172,000	\$74,538
2005	60,000	82,185	280,000	252,702	182,000	63,712
2006	60,000	78,675	290,000	240,523	182,000	52,257
2007	70,000	75,165	300,000	227,762	78,000	40,846
2008	70,000	71,070	315,000	214,413	79,000	36,091
2009-2013	425,000	287,675	1,805,000	837,313	343,000	110,462
2014-2018	565,000	146,000	2,290,000	354,750	179,000	34,420
2019-2020	135,000	8,100	0	0	22,000	1,939
Totals	\$1,460,000	\$835,653	\$5,550,000	\$2,391,776	\$1,237,000	\$414,265

Years	OWDA Loans		OPWC Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$213,860	\$217,433	\$16,035	\$0	\$746,895	\$643,067
2005	230,614	200,678	16,035	0	768,649	599,277
2006	248,682	182,611	16,035	0	796,717	554,066
2007	268,165	163,127	16,035	0	732,200	506,900
2008	289,176	142,118	16,035	0	769,211	463,692
2009-2013	1,433,956	333,190	80,175	0	4,087,131	1,568,640
2014-2018	91,858	13,080	67,823	0	3,193,681	548,250
2019-2020	0	0	3,689	0	160,689	10,039
Totals	\$2,776,311	\$1,252,237	\$231,862	\$0	\$11,255,173	\$4,893,931

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

B. Deferred Loan Payable to the Ohio Sewer and Water Rotary Commission

The City has received an advance to meet the portion of the cost of extension of waterlines to be financed by assessments which collections are deferred or exempt pursuant to division (B) of Section 6103.052 of the Ohio Revised Code. The City is responsible for collecting the assessments upon expiration of the maximum time for which the deferments were made or when the property no longer meets the exemption criteria. This money must be remitted to the Ohio Sewer and Water Rotary Commission within one year. If the money is not collected and remitted to the Commission within one year, the City is responsible for paying interest from the general fund of the City.

NOTE 14 - 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. The City participates with other cities in the Buckeye Ohio Risk Management Agency, Inc., (BORMA, Inc.) in jointly funded risk financing programs administered by Arthur J. Gallagher & Co. BORMA, Inc. includes two separate pools which provide separate and distinct coverages.

The first pool provides comprehensive automobile liability, automobile physical damage, comprehensive general liability, crime and property liability and public officials liability coverage up to specified limits. The pool includes the following municipalities: Bowling Green, Defiance, Huron, Napoleon, Sandusky and Willard. Member contributions are calculated annually to produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims. As of December 31, 2003 the pool had cash reserves of \$619,451, which in the opinion of management is adequate for any claims against the pool. The amount of risk retained within the pool is \$150,000 per claim for property and crime, \$150,000 for liability, general liability and auto, \$1,000,000 per occurrence, \$9,000,000 aggregate. Claims in excess of \$25,000 up to \$9,000,000 are covered by various insurance carriers.

The second pool is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance and prescription drug insurance. Each member has an option on the coverage it has elected to provide for its employees. Napoleon provides to its employees all available options offered by the pool. The employee benefits pool includes the following municipalities: Archbold, Bowling Green, Carey, Defiance, Fayette, Clyde, Hicksville, Oberlin, Upper Sandusky, Napoleon, Sandusky and Willard. As of December 31, 2003 the pool had cash reserves of \$2,397,520 which, in the opinion of management, is adequate for any claims against the pool.

Premiums are paid to the employee benefits pool at a cost of \$632.79 for family coverage and \$220.82 for single coverage. The life insurance monthly premium is \$5.20. During 2003 the City paid \$677,609 into the pool for coverage. The cost of coverage is paid by the fund that pays the salary of the individual employees. The amount of risk retained within the employee benefits pool is \$100,000 per individual with excess claims coverage provided by the American National Insurance Company.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 14 - RISK MANAGEMENT (Continued)

The individual BORMA, Inc. members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of BORMA, Inc. other than possible residual claims upon dissolution. Therefore, BORMA, Inc. is a multi-jurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture defined in GASB Statement No. 14.

BORMA, Inc. has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. The probability of this occurring is considered remote due to the adequacy of the pool reserves and premium levels, therefore, no amounts have been reserved in the financial statements. Audited financial statements are maintained separately by BORMA, Inc.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll plus administrative costs. The rate is determined based on accident history of the North Central Ohio Municipal Finance Officers Association, of which the City is a member. The City also pays unemployment claims to the State of Ohio as incurred.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 15 - CONTINGENCIES

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

NOTE 16 - JOINT VENTURES

A. Ohio Municipal Electric Generation Agency Joint Venture 2 (Omega JV-2)

The City of Napoleon is a Non-Financing Participant and an Owner Participant with an ownership percentage of .20% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 16 - JOINT VENTURES (Continued)

A. Ohio Municipal Electric Generation Agency Joint Venture 2 (Omega JV-2) (Continued)

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation, of which 134.081 MW is the participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$97,200 at December 31, 2003. Complete financial statements for OMEGA JV-2 may be obtained from AMP-Ohio or from the City's Finance Director.

B. Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5)

The City of Napoleon is a Financing Participant with an ownership percentage of 7.35%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA JV5 Agreement, the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the OMEGA JV5 Agreement.

OMEGA JV5 was created to construct a run-of-the-river hydroelectric plant and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and receives electricity from its operations and to provide backup generation facilities for OMEGA JV5 Participants. The purpose of the OMEGA JV5 Project was to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 42 MW of distributed generation. On dissolution of OMEGA JV5, the net assets will be shared by

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 16 - JOINT VENTURES (Continued)

B. Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) (Continued)

the financing participants on a percentage of ownership basis. OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV5. The net proceeds of the bond issues of \$134,302,799 from the 1993 issue and \$12,800,000 from the 2001 issue were contributed to OMEGA JV5. The City's net obligation for these bonds at December 31, 2003 was \$9,920,662 for the 1993 issue and \$1,166,394 for the 2001 issue. The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV5 was \$580,178 at December 31, 2003. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the City's Finance Director.

The City's liability for the 1993 bonds is disclosed below:

Years	Principal	Interest	Total Debt Service
2004	\$266,070	\$536,191	\$802,261
2005	279,300	522,621	801,921
2006	294,000	507,958	801,958
2007	309,803	492,155	801,958
2008	326,708	475,426	802,134
2009-2030	8,444,781	4,388,208	12,832,989
Totals	<u>\$9,920,662</u>	<u>\$6,922,559</u>	<u>\$16,843,221</u>

The City's obligation for principal and interest on the 2001 bonds begins in 2025. The City's total liability for the 2001 bonds is disclosed below:

Years	Principal	Interest	Total Debt Service
2025	\$223,010	\$579,243	\$802,253
2026	210,704	591,549	802,253
2027	199,039	603,214	802,253
2028	187,992	614,261	802,253
2029	314,941	454,237	769,178
2030	30,708	116,292	147,000
Totals	<u>\$1,166,394</u>	<u>\$2,958,796</u>	<u>\$4,125,190</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 16 - JOINT VENTURES (Continued)

C. Community Improvement Corporation (CIC)

The City, along with Henry County is a participant in the joint venture to operate the Community Improvement Corporation (CIC). The corporation's duties are to advance, encourage and promote the industrial, economic, commercial and civic development of the City of Napoleon and Henry County. The CIC is governed by a Board of 10 Trustees. Five of these trustees are residents of the City of Napoleon and the remaining five are residents of Henry County. The City's degree of control over the Board is limited to its representation on the Board. The City has no equity interest in the CIC. The City paid \$29,000 to the CIC during 2003. Financial information can be obtained from the CIC, 104 East Washington Street, Napoleon, Ohio 43545.

NOTE 17 - CONDUIT DEBT OBLIGATIONS

The City issued mortgage revenue bonds to provide financial assistance to The Lutheran Orphans' and Old Folks' Home Society at Napoleon, Ohio, Inc. The City has no obligation for the debt beyond the resources provided by the mortgage revenue bonds. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2003, there were two mortgage revenue bonds outstanding with an aggregate principal amount payable of \$2,006,198.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS, AND
FIDUCIARY FUNDS.*



Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Street Construction, Maintenance and Repair Fund

To account for state-levied and controlled gasoline tax and motor vehicle registration fees designated for street maintenance and repair.

State Highway Improvement Fund

To account for the portion of the state gasoline tax and motor vehicle registration fees designated for street maintenance and repair of state highways within the City.

Motor Vehicle License Tax Fund

To account for county-levied motor vehicle registration fees designate for street construction, maintenance and repair.

EMS Transport Service Fund

To account for service charges to clients for emergency medical services.

Recreation Fund

To account for the operation and maintenance of public recreational facilities.

Special Events Fund

To account for revenues received from various sources to be used for special events sponsored by the City.

Economic Development Fund

To account for federal and state grants which are designated for community and environmental improvements.

Hotel/Motel Tax Fund

To account for the collection of Hotel/Motel Excise Tax, otherwise known as Lodge Tax.

Community Housing Improvement Program (CHIP) Income Fund

To account for Community Housing Improvement Program grant monies to be used for home improvements. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

(Continued)

Special Revenue Funds

Community Development Block Grant (CDBG) Income Fund

To account for Community Development Block Grant monies to be used for home improvements.

Indigent Drivers Alcohol Treatment Fund

To account for the revenues from fines as established by the state to pay for alcohol related training programs for indigent persons.

Law Enforcement and Education Fund

To account for the financial resources used to educate and treat persons with alcohol related problems and to enhance law enforcement activities as a deterrent to the operation of motor vehicles while under the influence of alcohol.

Court Computerization Fund

To account for the acquisition, improvement, replacement and repair of capital assets of the Napoleon Municipal Court.

Law Enforcement Trust Fund

To account for funds received by the police department for contraband, per state statute.

Mandatory Drug Fine Fund

To account for mandatory fines collected for drug related offenses.

Fire Equipment Fund

To account for monies received from fire contracts to be used for the purchase of fire fighting apparatus.

Municipal Probation Service Fund

To account for monies received from fines levied and expenditures by Probation Officer.

Probation Officer Grant Fund

To account for monies received from State Grant for Municipal Probation Officer.

Court Improvement Fund

To account for monies received from fines levied and expenditures for Court Improvements.

(Continued)

Special Revenue Funds

Handicap Parking Fines Fund

To account for monies received from Municipal Court for handicap parking violations.

Police Pension Fund

To account for taxes levied toward partial payment of the current and accrued liability for police disability and pension.

Fire Pension Fund

To account for taxes levied toward partial payment of the current and accrued liability for fire disability and pension.

Cemetery Fund

To account for monies received by specific agreement, gifts, bequests or otherwise to provide for perpetual care of individual plots within the City cemetery.

Debt Service Fund

Debt Service Funds are used to account for retirement of the City's general obligation and special assessment bonds.

General Bond Retirement Fund

To account for the accumulation of resources for the payments of general obligation debt of the City including self-supporting obligations not otherwise paid from proprietary funds.

Capital Projects Funds

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

Greenfield Open Space Fund

To account for grant monies and local share monies to purchase land adjacent to park area. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

CITY OF NAPOLEON, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:				
Property Taxes	\$ 120,286	\$ 0	\$ 0	\$ 120,286
Intergovernmental Revenues	1,135,445	83,160	0	1,218,605
Charges for Services	352,203	0	0	352,203
Investment Earnings	47,149	0	0	47,149
Fines and Forfeitures	120,720	0	0	120,720
All Other Revenue	51,164	0	8,266	59,430
Total Revenue	1,826,967	83,160	8,266	1,918,393
Expenditures:				
Current:				
Security of Persons and Property	474,589	0	0	474,589
Leisure Time Activities	756,745	0	0	756,745
Community Development	993,424	0	0	993,424
Transportation	617,653	0	0	617,653
General Government	53,837	0	0	53,837
Debt Service:				
Interest & Fiscal Charges	0	0	3,041	3,041
Total Expenditures	2,896,248	0	3,041	2,899,289
Excess (Deficiency) of Revenues Over Expenditures	(1,069,281)	83,160	5,225	(980,896)
Other Financing Sources (Uses):				
Transfers In	972,714	0	0	972,714
Transfers Out	(89,801)	0	0	(89,801)
Total Other Financing Sources (Uses)	882,913	0	0	882,913
Net Change In Fund Balance	(186,368)	83,160	5,225	(97,983)
Fund Balances at Beginning of Year	2,570,637	(83,160)	3,041	2,490,518
Increase in Inventory Reserve	3,485	0	0	3,485
Fund Balances End of Year	\$ 2,387,754	\$ 0	\$ 8,266	\$ 2,396,020

CITY OF NAPOLEON, OHIO**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2003**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:				
Property Taxes	\$ 120,286	\$ 0	\$ 0	\$ 120,286
Intergovernmental Revenues	1,135,445	83,160	0	1,218,605
Charges for Services	352,203	0	0	352,203
Investment Earnings	47,149	0	0	47,149
Fines and Forfeitures	120,720	0	0	120,720
All Other Revenue	51,164	0	8,266	59,430
Total Revenue	1,826,967	83,160	8,266	1,918,393
Expenditures:				
Current:				
Security of Persons and Property	474,589	0	0	474,589
Leisure Time Activities	756,745	0	0	756,745
Community Development	993,424	0	0	993,424
Transportation	617,653	0	0	617,653
General Government	53,837	0	0	53,837
Debt Service:				
Interest & Fiscal Charges	0	0	3,041	3,041
Total Expenditures	2,896,248	0	3,041	2,899,289
Excess (Deficiency) of Revenues Over Expenditures	(1,069,281)	83,160	5,225	(980,896)
Other Financing Sources (Uses):				
Transfers In	972,714	0	0	972,714
Transfers Out	(89,801)	0	0	(89,801)
Total Other Financing Sources (Uses)	882,913	0	0	882,913
Net Change In Fund Balance	(186,368)	83,160	5,225	(97,983)
Fund Balances at Beginning of Year	2,570,637	(83,160)	3,041	2,490,518
Increase in Inventory Reserve	3,485	0	0	3,485
Fund Balances End of Year	\$ 2,387,754	\$ 0	\$ 8,266	\$ 2,396,020

CITY OF NAPOLEON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003**

	Street Construction, Maintenance and Repair	State Highway Improvement	Motor Vehicle License Tax	EMS Transport Service
Assets:				
Cash and Cash Equivalents	\$ 273	\$ 19	\$ 291	\$ 54
Investments	256,013	17,586	273,285	50,401
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	0	0
Accounts	3,150	0	0	152,819
Intergovernmental	136,260	11,049	27,840	745
Interest	650	18	637	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	60,811	0	0	0
Total Assets	\$ 457,157	\$ 28,672	\$ 302,053	\$ 204,019
Liabilities:				
Accounts Payable	\$ 299	\$ 0	\$ 0	\$ 602
Accrued Wages and Benefits Payable	19,468	0	0	0
Deferred Revenue	90,993	7,370	18,710	745
Total Liabilities	110,760	7,370	18,710	1,347
Fund Balances:				
Reserved for Encumbrances	0	0	0	0
Reserved for Supplies Inventory	60,811	0	0	0
Reserved for Loans Receivable	0	0	0	0
Undesignated/Unreserved	285,586	21,302	283,343	202,672
Total Fund Balances	346,397	21,302	283,343	202,672
Total Liabilities and Funds Balances	\$ 457,157	\$ 28,672	\$ 302,053	\$ 204,019

CITY OF NAPOLEON, OHIO

Recreation	Special Events	Economic Development	Hotel/Motel Tax	CDBG Income	Indigent Drivers Alcohol Treatment	Law Enforcement and Education
\$ 45	\$ 7,201	\$ 585	\$ 8,164	\$ 0	\$ 25	\$ 6
42,530	0	548,274	0	33,272	23,832	5,825
0	0	0	0	0	0	0
0	0	0	0	0	224	186
0	0	0	0	0	0	0
217	0	3,119	0	0	81	25
0	0	146,513	0	0	0	0
0	0	0	0	0	0	0
<u>\$ 42,792</u>	<u>\$ 7,201</u>	<u>\$ 698,491</u>	<u>\$ 8,164</u>	<u>\$ 33,272</u>	<u>\$ 24,162</u>	<u>\$ 6,042</u>
\$ 2,061	\$ 0	\$ 1,543	\$ 0	\$ 0	\$ 183	\$ 0
20,776	0	0	0	0	0	0
51	0	734	0	0	19	6
<u>22,888</u>	<u>0</u>	<u>2,277</u>	<u>0</u>	<u>0</u>	<u>202</u>	<u>6</u>
0	0	445,876	0	0	0	0
0	0	0	0	0	0	0
0	0	146,513	0	0	0	0
19,904	7,201	103,825	8,164	33,272	23,960	6,036
<u>19,904</u>	<u>7,201</u>	<u>696,214</u>	<u>8,164</u>	<u>33,272</u>	<u>23,960</u>	<u>6,036</u>
<u>\$ 42,792</u>	<u>\$ 7,201</u>	<u>\$ 698,491</u>	<u>\$ 8,164</u>	<u>\$ 33,272</u>	<u>\$ 24,162</u>	<u>\$ 6,042</u>

(Continued)

CITY OF NAPOLEON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003**

	Court Computerization	Law Enforcement Trust	Mandatory Drug Fine	Fire Equipment	Municipal Probation Service
Assets:					
Cash and Cash Equivalents	\$ 118	\$ 12	\$ 8	\$ 272	\$ 28
Investments	170,647	11,213	7,951	255,384	25,816
Receivables (net of allowance for doubtful accounts):					
Taxes	0	0	0	0	0
Accounts	2,340	0	52	0	910
Intergovernmental	0	0	0	0	0
Interest	588	37	25	867	86
Loans	0	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0	0
Total Assets	\$ 173,693	\$ 11,262	\$ 8,036	\$ 256,523	\$ 26,840
Liabilities:					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0	0
Deferred Revenue	138	9	6	204	20
Total Liabilities	138	9	6	204	20
Fund Balances:					
Reserved for Encumbrances	4,000	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0	0
Reserved for Loans Receivable	0	0	0	0	0
Undesignated/Unreserved	169,555	11,253	8,030	256,319	26,820
Total Fund Balances	173,555	11,253	8,030	256,319	26,820
Total Liabilities and Funds Balances	\$ 173,693	\$ 11,262	\$ 8,036	\$ 256,523	\$ 26,840

CITY OF NAPOLEON, OHIO

<u>Probation Officer Grant</u>	<u>Court Improvement</u>	<u>Handicap Parking Fines</u>	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Cemetery</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 17,146	\$ 219	\$ 300	\$ 5,033	\$ 2,529	\$ 93	\$ 42,421
0	205,573	0	0	0	87,225	2,014,827
0	0	0	89,822	44,911	0	134,733
0	1,935	0	0	0	0	161,616
0	0	0	4,418	2,210	0	182,522
0	0	0	0	0	0	6,350
0	0	0	0	0	0	146,513
0	0	0	0	0	0	60,811
<u>\$ 17,146</u>	<u>\$ 207,727</u>	<u>\$ 300</u>	<u>\$ 99,273</u>	<u>\$ 49,650</u>	<u>\$ 87,318</u>	<u>\$ 2,749,793</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,688
2,007	0	0	34,284	20,450	0	96,985
0	0	0	94,240	47,121	0	260,366
<u>2,007</u>	<u>0</u>	<u>0</u>	<u>128,524</u>	<u>67,571</u>	<u>0</u>	<u>362,039</u>
0	0	0	0	0	0	449,876
0	0	0	0	0	0	60,811
0	0	0	0	0	0	146,513
15,139	207,727	300	(29,251)	(17,921)	87,318	1,730,554
<u>15,139</u>	<u>207,727</u>	<u>300</u>	<u>(29,251)</u>	<u>(17,921)</u>	<u>87,318</u>	<u>2,387,754</u>
<u>\$ 17,146</u>	<u>\$ 207,727</u>	<u>\$ 300</u>	<u>\$ 99,273</u>	<u>\$ 49,650</u>	<u>\$ 87,318</u>	<u>\$ 2,749,793</u>

CITY OF NAPOLEON, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	Street Construction, Maintenance and Repair	State Highway Improvement	Motor Vehicle License Tax	EMS Transport Service	Recreation
Revenues:					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	319,367	25,894	115,828	33,666	0
Charges for Services	8,761	0	0	104,828	215,979
Investment Earnings	4,308	330	6,031	0	2,369
Fines and Forfeitures	0	0	0	0	0
All Other Revenue	13,082	0	0	0	28,186
Total Revenue	345,518	26,224	121,859	138,494	246,534
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	244,165	0
Leisure Time Activities	0	0	0	0	756,745
Community Development	0	0	0	0	0
Transportation	556,119	11,371	50,163	0	0
General Government	0	0	0	0	0
Total Expenditures	556,119	11,371	50,163	244,165	756,745
Excess (Deficiency) of Revenues Over Expenditures	(210,601)	14,853	71,696	(105,671)	(510,211)
Other Financing Sources (Uses):					
Transfers In	250,000	0	0	0	497,714
Transfers Out	0	0	(36,360)	(20,000)	0
Total Other Financing Sources (Uses)	250,000	0	(36,360)	(20,000)	497,714
Net Change In Fund Balance	39,399	14,853	35,336	(125,671)	(12,497)
Fund Balances at Beginning of Year	303,513	6,449	248,007	328,343	32,401
Increase in Inventory Reserve	3,485	0	0	0	0
Fund Balances End of Year	\$ 346,397	\$ 21,302	\$ 283,343	\$ 202,672	\$ 19,904

CITY OF NAPOLEON, OHIO

Special Events	Economic Development	Hotel/Motel Tax	CHIP Income	CDBG Income	Indigent Drivers Alcohol Treatment	Law Enforcement and Education
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	66,010	498,446	16,494	0	0
2,200	0	0	0	0	0	0
0	22,224	0	0	0	589	196
0	0	0	0	0	10,042	2,241
195	9,701	0	0	0	0	0
<u>2,395</u>	<u>31,925</u>	<u>66,010</u>	<u>498,446</u>	<u>16,494</u>	<u>10,631</u>	<u>2,437</u>
0	0	0	0	0	5,766	3,208
0	0	0	0	0	0	0
0	473,169	0	498,446	10,391	0	0
0	0	0	0	0	0	0
20,396	0	33,441	0	0	0	0
<u>20,396</u>	<u>473,169</u>	<u>33,441</u>	<u>498,446</u>	<u>10,391</u>	<u>5,766</u>	<u>3,208</u>
(18,001)	(441,244)	32,569	0	6,103	4,865	(771)
15,000	150,000	0	0	0	0	0
0	0	(33,441)	0	0	0	0
<u>15,000</u>	<u>150,000</u>	<u>(33,441)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(3,001)	(291,244)	(872)	0	6,103	4,865	(771)
10,202	987,458	9,036	0	27,169	19,095	6,807
0	0	0	0	0	0	0
<u>\$ 7,201</u>	<u>\$ 696,214</u>	<u>\$ 8,164</u>	<u>\$ 0</u>	<u>\$ 33,272</u>	<u>\$ 23,960</u>	<u>\$ 6,036</u>

(Continued)

CITY OF NAPOLEON, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	Court Computerization	Law Enforcement Trust	Mandatory Drug Fine	Fire Equipment
Revenues:				
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	15,000
Investment Earnings	4,130	291	228	5,853
Fines and Forfeitures	52,383	0	1,039	0
All Other Revenue	0	0	0	0
Total Revenue	56,513	291	1,267	20,853
Expenditures:				
Current:				
Security of Persons and Property	28,360	2,338	2,551	11,426
Leisure Time Activities	0	0	0	0
Community Development	0	0	0	0
Transportation	0	0	0	0
General Government	0	0	0	0
Total Expenditures	28,360	2,338	2,551	11,426
Excess (Deficiency) of Revenues Over Expenditures	28,153	(2,047)	(1,284)	9,427
Other Financing Sources (Uses):				
Transfers In	0	0	0	60,000
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	60,000
Net Change In Fund Balance	28,153	(2,047)	(1,284)	69,427
Fund Balances at Beginning of Year	145,402	13,300	9,314	186,892
Increase in Inventory Reserve	0	0	0	0
Fund Balances End of Year	\$ 173,555	\$ 11,253	\$ 8,030	\$ 256,319

CITY OF NAPOLEON, OHIO

Municipal Probation Service	Probation Officer Grant	Court Improvement	Handicap Parking Fines	Police Pension	Fire Pension	Cemetery	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,186	\$ 40,100	\$ 0	\$ 120,286
0	46,762	0	0	8,651	4,327	0	1,135,445
0	0	0	0	0	0	5,435	352,203
600	0	0	0	0	0	0	47,149
8,553	0	46,362	100	0	0	0	120,720
0	0	0	0	0	0	0	51,164
<u>9,153</u>	<u>46,762</u>	<u>46,362</u>	<u>100</u>	<u>88,837</u>	<u>44,427</u>	<u>5,435</u>	<u>1,826,967</u>
1,774	46,653	0	0	85,311	43,037	0	474,589
0	0	0	0	0	0	0	756,745
0	0	0	0	0	0	11,418	993,424
0	0	0	0	0	0	0	617,653
0	0	0	0	0	0	0	53,837
<u>1,774</u>	<u>46,653</u>	<u>0</u>	<u>0</u>	<u>85,311</u>	<u>43,037</u>	<u>11,418</u>	<u>2,896,248</u>
7,379	109	46,362	100	3,526	1,390	(5,983)	(1,069,281)
0	0	0	0	0	0	0	972,714
0	0	0	0	0	0	0	(89,801)
0	0	0	0	0	0	0	882,913
7,379	109	46,362	100	3,526	1,390	(5,983)	(186,368)
19,441	15,030	161,365	200	(32,777)	(19,311)	93,301	2,570,637
0	0	0	0	0	0	0	3,485
<u>\$ 26,820</u>	<u>\$ 15,139</u>	<u>\$ 207,727</u>	<u>\$ 300</u>	<u>\$ (29,251)</u>	<u>\$ (17,921)</u>	<u>\$ 87,318</u>	<u>\$ 2,387,754</u>

CITY OF NAPOLEON, OHIO

***Combining Balance Sheet
Nonmajor Debt Service Fund
December 31, 2003***

	<u>General Bond Retirement</u>
Assets:	
Cash and Cash Equivalents	\$ 8,266
Total Assets	<u>\$ 8,266</u>
Liabilities:	<u>0</u>
Fund Balances:	
Reserved for Debt Service	<u>8,266</u>
Total Fund Balances	<u>8,266</u>
Total Liabilities and Funds Balances	<u>\$ 8,266</u>

CITY OF NAPOLEON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Fund
For the Year Ended December 31, 2003***

	General Bond Retirement
Revenues:	
All Other Revenue	\$ 8,266
Total Revenue	<u>8,266</u>
Expenditures:	
Debt Service:	
Interest & Fiscal Charges	<u>3,041</u>
Total Expenditures	<u>3,041</u>
Net Change In Fund Balance	5,225
Fund Balances at Beginning of Year	<u>3,041</u>
Fund Balances End of Year	<u><u>\$ 8,266</u></u>

CITY OF NAPOLEON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Fund
For the Year Ended December 31, 2003***

	<u>Greenfield Open Space</u>
Revenues:	
Intergovernmental Revenues	\$ 83,160
Total Revenue	<u>83,160</u>
Expenditures:	<u>0</u>
Net Change In Fund Balance	83,160
Fund Balances at Beginning of Year	<u>(83,160)</u>
Fund Balances End of Year	<u><u>\$ 0</u></u>

CITY OF NAPOLEON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 256,440	\$ 268,820	\$ 268,787	\$ (33)
Municipal Income Taxes	2,335,000	2,397,714	2,397,722	8
Intergovernmental Revenues	420,060	585,710	585,868	158
Charges for Services	155,400	214,350	214,398	48
Licenses and Permits	46,730	121,580	121,639	59
Investment Earnings	174,700	131,230	131,230	0
Fines and Forfeitures	291,500	279,940	279,933	(7)
All Other Revenues	172,090	159,360	159,361	1
Total Revenues	3,851,920	4,158,704	4,158,938	234
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,128,650	1,110,950	1,110,838	112
Materials and Supplies	56,737	39,527	39,177	350
Contractual Services	109,830	89,065	87,746	1,319
Other Expenditures	5,100	3,175	3,050	125
Total Police	1,300,317	1,242,717	1,240,811	1,906
Fire:				
Personal Services	621,670	596,970	596,450	520
Materials and Supplies	60,308	46,808	45,824	984
Contractual Services	144,070	118,570	116,423	2,147
Other Expenditures	50	50	0	50
Total Fire	826,098	762,398	758,697	3,701
Total Security of Persons and Property	2,126,415	2,005,115	1,999,508	5,607
Public Health and Welfare Services:				
Cemetery:				
Personal Services	72,690	63,490	63,397	93
Materials and Supplies	14,000	11,400	11,246	154
Contractual Services	14,820	13,320	12,796	524
Total Cemetery	101,510	88,210	87,439	771
Total Public Health and Welfare Services	101,510	88,210	87,439	771

(Continued)

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community Environment:				
Building Inspection:				
Personal Services	86,640	75,640	75,525	115
Materials and Supplies	2,790	990	827	163
Contractual Services	2,790	1,790	1,632	158
Other Expenditures	700	100	100	0
Total Building Inspection	<u>92,920</u>	<u>78,520</u>	<u>78,084</u>	<u>436</u>
Total Community Environment	<u>92,920</u>	<u>78,520</u>	<u>78,084</u>	<u>436</u>
General Government:				
City Council:				
Personal Services	10,463	8,585	8,479	106
Materials and Supplies	400	50	0	50
Contractual Services	2,812	1,321	1,298	23
Other Expenditures	200	300	215	85
Total City Council	<u>13,875</u>	<u>10,256</u>	<u>9,992</u>	<u>264</u>
Mayor:				
Personal Services	4,279	3,498	3,454	44
Materials and Supplies	200	0	0	0
Contractual Services	4,010	3,810	3,778	32
Other Expenditures	100	0	0	0
Total Mayor	<u>8,589</u>	<u>7,308</u>	<u>7,232</u>	<u>76</u>
City Manager:				
Personal Services	66,073	53,957	53,283	674
Materials and Supplies	934	413	367	46
Contractual Services	3,270	1,115	1,086	29
Other Expenditures	200	0	0	0
Total City Manager	<u>70,477</u>	<u>55,485</u>	<u>54,736</u>	<u>749</u>
Law Director:				
Personal Services	53,932	43,029	42,487	542
Materials and Supplies	1,555	1,216	1,186	30
Contractual Services	12,410	7,865	7,679	186
Other Expenditures	500	300	293	7
Total Law Director	<u>68,397</u>	<u>52,410</u>	<u>51,645</u>	<u>765</u>

(Continued)

CITY OF NAPOLEON, OHIO***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Finance - Administration				
Personal Services	101,860	81,233	80,231	1,002
Materials and Supplies	500	850	838	12
Contractual Services	38,329	30,670	29,717	953
Other Expenditures	1,450	1,300	1,288	12
Total Finance - Administration	142,139	114,053	112,074	1,979
Finance - Utility Billing:				
Personal Services	44,403	35,515	35,079	436
Materials and Supplies	9,529	7,349	7,224	125
Contractual Services	11,046	7,681	7,387	294
Other Expenditures	200	70	70	0
Total Finance - Utility Billing	65,178	50,615	49,760	855
Finance - Income Tax Collection:				
Personal Services	109,310	107,440	107,432	8
Materials and Supplies	4,700	4,525	4,522	3
Contractual Services	15,350	12,129	12,122	7
Capital Outlay	12,600	0	0	0
Total Finance - Income Tax Collection	141,960	124,094	124,076	18
Finance - Information Systems:				
Personal Services	64,660	64,660	64,507	153
Materials and Supplies	21,200	20,020	19,876	144
Contractual Services	5,500	4,680	4,429	251
Total Finance - Information Systems	91,360	89,360	88,812	548
City Engineer:				
Personal Services	73,086	57,921	57,190	731
Materials and Supplies	2,224	1,347	1,245	102
Contractual Services	25,541	21,326	20,920	406
Other Expenditures	500	480	340	140
Total City Engineer	101,351	81,074	79,695	1,379
Municipal Court:				
Personal Services	321,250	296,150	296,096	54
Materials and Supplies	32,800	29,200	28,903	297
Contractual Services	30,210	19,040	18,558	482
Other Expenditures	700	200	116	84
Total Municipal Court	384,960	344,590	343,673	917

(Continued)

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Service - Buildings, Property and Equipment:				
Personal Services	36,921	30,670	30,291	379
Materials and Supplies	6,670	5,439	5,287	152
Contractual Services	1,392	1,137	1,077	60
Other Expenditures	110	110	74	36
Total Service - Buildings, Property and Equipment	45,093	37,356	36,729	627
Miscellaneous:				
Materials and Supplies	13,660	7,320	7,141	179
Contractual Services	109,330	81,942	79,689	2,253
Other Expenditures	121,433	80,025	78,301	1,724
Capital Outlay	25,000	15,085	14,985	100
Total Miscellaneous	269,423	184,372	180,116	4,256
Total General Government	1,402,802	1,150,973	1,138,540	12,433
Total Expenditures	3,723,647	3,322,818	3,303,571	19,247
Excess (Deficiency) of Revenues Over (Under) Expenditures	128,273	835,886	855,367	19,481
Other Financing Sources (Uses):				
Transfers In	520,884	574,022	574,026	4
Transfers Out	(2,064,660)	(1,864,129)	(1,864,129)	0
Advances In	83,116	83,116	83,166	50
Total Other Financing Sources (Uses)	(1,460,660)	(1,206,991)	(1,206,937)	54
Net Change In Fund Balance	(1,332,387)	(371,105)	(351,570)	19,535
Fund Balance at Beginning of Year	1,981,653	1,981,653	1,981,653	0
Prior Year Encumbrances	21,470	21,470	21,470	0
Fund Balance at End of Year	\$ 670,736	\$ 1,632,018	\$ 1,651,553	\$ 19,535

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Debt Service Fund
For the Year Ended December 31, 2003***

SPECIAL ASSESSMENT BOND RETIREMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 14,350	\$ 14,360	\$ 14,368	\$ 8
Special Assessments	239,540	288,700	288,702	2
Total Revenues	<u>253,890</u>	<u>303,060</u>	<u>303,070</u>	<u>10</u>
Expenditures:				
General Government:				
Contractual Services	4,800	4,199	4,195	4
Debt Service:				
Principal Retirement	172,350	172,351	172,351	0
Interest and Fiscal Charges	84,580	84,580	84,577	3
Total Expenditures	<u>261,730</u>	<u>261,130</u>	<u>261,123</u>	<u>7</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,840)	41,930	41,947	17
Other Financing Sources (Uses):				
Operating Transfers In	12,360	12,360	12,360	0
Total Other Financing Sources (Uses)	<u>12,360</u>	<u>12,360</u>	<u>12,360</u>	<u>0</u>
Net Change In Fund Balance	4,520	54,290	54,307	17
Fund Balance at Beginning of Year	359,671	359,671	359,671	0
Fund Balance at End of Year	<u>\$ 364,191</u>	<u>\$ 413,961</u>	<u>\$ 413,978</u>	<u>\$ 17</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Project Funds
For the Year Ended December 31, 2003***

CAPITAL IMPROVEMENT FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 97,850	\$ 71,620	\$ 71,625	\$ 5
Total Revenues	<u>97,850</u>	<u>71,620</u>	<u>71,625</u>	<u>5</u>
Expenditures:				
Capital Outlay:				
City Manager	37,000	36,600	36,547	53
Law Director	2,500	500	500	0
Finance - Administration	46,250	40,550	39,993	557
Central Information System	76,700	76,200	76,123	77
Engineering	34,025	32,625	31,622	1,003
Municipal Court	8,100	7,120	7,110	10
Police	197,500	175,800	175,278	522
Fire	176,678	168,578	159,484	9,094
Building Inspections	1,200	10,810	10,745	65
Parks and Recreation	126,920	114,720	109,013	5,707
Street Maintenance	1,175,765	727,155	705,960	21,195
Storm Drainage	62,000	38,000	37,804	196
Total Expenditures	<u>1,944,638</u>	<u>1,428,658</u>	<u>1,390,179</u>	<u>38,479</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,846,788)	(1,357,038)	(1,318,554)	38,484
Other Financing Sources (Uses):				
Proceeds from General Obligation Notes	390,000	240,000	240,000	0
Operating Transfers In	895,570	930,410	930,415	5
Operating Transfers Out	(40,000)	(40,000)	(40,000)	0
Total Other Financing Sources (Uses)	<u>1,245,570</u>	<u>1,130,410</u>	<u>1,130,415</u>	<u>5</u>
Net Change In Fund Balance	(601,218)	(226,628)	(188,139)	38,489
Fund Balance at Beginning of Year	371,273	371,273	371,273	0
Prior Year Encumbrances	344,738	344,738	344,738	0
Fund Balance at End of Year	<u>\$ 114,793</u>	<u>\$ 489,383</u>	<u>\$ 527,872</u>	<u>\$ 38,489</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Other Local Taxes	\$ 288,000	\$ 312,380	\$ 312,382	\$ 2
Investment Earnings	2,900	4,950	4,955	5
All Other Revenues	<u>17,600</u>	<u>26,650</u>	<u>26,653</u>	<u>3</u>
Total Revenues	<u>308,500</u>	<u>343,980</u>	<u>343,990</u>	<u>10</u>
Expenditures:				
Transportation:				
Street Maintenance:				
Personal Services	398,990	384,040	383,771	269
Materials and Supplies	83,725	73,775	72,227	1,548
Contractual Services	131,295	37,225	36,300	925
Other Expenditures	<u>750</u>	<u>10,400</u>	<u>10,265</u>	<u>135</u>
Total Street Maintenance	614,760	505,440	502,563	2,877
Ice and Snow Removal:				
Personal Services	33,000	21,800	21,702	98
Materials and Supplies	6,400	3,600	3,471	129
Contractual Services	6,838	7,338	7,196	142
Other Expenditures	<u>0</u>	<u>6,100</u>	<u>6,051</u>	<u>49</u>
Total Ice and Snow Removal	46,238	38,838	38,420	418
Storm Drainage:				
Personal Services	12,000	9,500	9,493	7
Materials and Supplies	16,000	8,500	8,417	83
Contractual Services	4,100	300	300	0
Other Expenditures	<u>0</u>	<u>100</u>	<u>67</u>	<u>33</u>
Total Storm Drainage	<u>32,100</u>	<u>18,400</u>	<u>18,277</u>	<u>123</u>
Total Transportation	<u>693,098</u>	<u>562,678</u>	<u>559,260</u>	<u>3,418</u>
Total Expenditures	<u>693,098</u>	<u>562,678</u>	<u>559,260</u>	<u>3,418</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(384,598)	(218,698)	(215,270)	3,428
Other Financing Sources (Uses):				
Transfers In	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>0</u>
Net Change In Fund Balance	(134,598)	31,302	34,730	3,428
Fund Balance at Beginning of Year	217,058	217,058	217,058	0
Prior Year Encumbrances	<u>4,498</u>	<u>4,498</u>	<u>4,498</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 86,958</u>	<u>\$ 252,858</u>	<u>\$ 256,286</u>	<u>\$ 3,428</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

STATE HIGHWAY IMPROVEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Other Local Taxes	\$ 23,400	\$ 25,320	\$ 25,328	\$ 8
Investment Earnings	800	350	341	(9)
Total Revenues	<u>24,200</u>	<u>25,670</u>	<u>25,669</u>	<u>(1)</u>
Expenditures:				
Transportation:				
Materials and Supplies	9,000	5,700	5,671	29
Contractual Services	<u>12,600</u>	<u>5,700</u>	<u>5,700</u>	<u>0</u>
Total Expenditures	<u>21,600</u>	<u>11,400</u>	<u>11,371</u>	<u>29</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,600	14,270	14,298	28
Fund Balance at Beginning of Year	<u>3,307</u>	<u>3,307</u>	<u>3,307</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,907</u>	<u>\$ 17,577</u>	<u>\$ 17,605</u>	<u>\$ 28</u>

CITY OF NAPOLEON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

MOTOR VEHICLE LICENSE TAX FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Other Local Taxes	\$ 105,000	\$ 116,110	\$ 116,119	\$ 9
Investment Earnings	5,550	6,840	6,836	(4)
Total Revenues	<u>110,550</u>	<u>122,950</u>	<u>122,955</u>	<u>5</u>
Expenditures:				
Transportation:				
Materials and Supplies	93,545	54,545	54,467	78
Total Expenditures	<u>93,545</u>	<u>54,545</u>	<u>54,467</u>	<u>78</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,005	68,405	68,488	83
Other Financing Sources (Uses):				
Transfers Out	(36,360)	(36,360)	(36,360)	0
Total Other Financing Sources (Uses)	<u>(36,360)</u>	<u>(36,360)</u>	<u>(36,360)</u>	<u>0</u>
Net Change In Fund Balance	(19,355)	32,045	32,128	83
Fund Balance at Beginning of Year	227,303	227,303	227,303	0
Prior Year Encumbrances	14,145	14,145	14,145	0
Fund Balance at End of Year	<u>\$ 222,093</u>	<u>\$ 273,493</u>	<u>\$ 273,576</u>	<u>\$ 83</u>

CITY OF NAPOLEON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

EMS TRANSPORT SERVICE FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 12,000	\$ 33,660	\$ 33,666	\$ 6
Charges for Services	190,000	166,600	166,597	(3)
Total Revenues	<u>202,000</u>	<u>200,260</u>	<u>200,263</u>	<u>3</u>
Expenditures:				
Security of Persons and Property:				
Materials and Supplies	16,500	17,100	16,994	106
Contractual Services	38,000	37,850	37,739	111
Other Expenditures	180,000	180,000	180,000	0
Capital Outlay	33,000	11,250	11,193	57
Total Expenditures	<u>267,500</u>	<u>246,200</u>	<u>245,926</u>	<u>274</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,500)	(45,940)	(45,663)	277
Other Financing Sources (Uses):				
Transfers Out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
Net Change In Fund Balance	(85,500)	(65,940)	(65,663)	277
Fund Balance at Beginning of Year	<u>116,118</u>	<u>116,118</u>	<u>116,118</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 30,618</u>	<u>\$ 50,178</u>	<u>\$ 50,455</u>	<u>\$ 277</u>

CITY OF NAPOLEON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

RECREATION FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 263,940	\$ 215,910	\$ 215,979	\$ 69
Investment Earnings	1,500	2,550	2,558	8
All Other Revenues	32,400	28,190	28,186	(4)
Total Revenues	<u>297,840</u>	<u>246,650</u>	<u>246,723</u>	<u>73</u>
Expenditures:				
Leisure Time Activities:				
Administration:				
Personal Services	71,740	69,740	69,693	47
Materials and Supplies	26,900	19,200	18,865	335
Contractual Services	5,090	2,690	2,326	364
Other Expenditures	22,260	16,580	16,552	28
Total Administration	<u>125,990</u>	<u>108,210</u>	<u>107,436</u>	<u>774</u>
Golf Course Operations:				
Personal Services	124,950	115,750	115,691	59
Materials and Supplies	66,950	62,000	61,575	425
Contractual Services	20,210	15,860	15,377	483
Total Golf Course Operations	<u>212,110</u>	<u>193,610</u>	<u>192,643</u>	<u>967</u>
Pool Operations:				
Personal Services	57,970	55,870	55,863	7
Materials and Supplies	19,500	18,330	18,323	7
Contractual Services	24,670	19,990	19,857	133
Total Pool Operations	<u>102,140</u>	<u>94,190</u>	<u>94,043</u>	<u>147</u>
Parks and Programs:				
Personal Services	242,560	239,460	239,396	64
Materials and Supplies	82,139	75,999	75,654	345
Contractual Services	50,590	44,940	44,637	303
Total Parks and Programs	<u>375,289</u>	<u>360,399</u>	<u>359,687</u>	<u>712</u>
Total Expenditures	<u>815,529</u>	<u>756,409</u>	<u>753,809</u>	<u>2,600</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(517,689)	(509,759)	(507,086)	2,673
Other Financing Sources (Uses):				
Transfers In	485,090	497,710	497,714	4
Total Other Financing Sources (Uses)	<u>485,090</u>	<u>497,710</u>	<u>497,714</u>	<u>4</u>
Net Change In Fund Balance	(32,599)	(12,049)	(9,372)	2,677
Fund Balance at Beginning of Year	51,808	51,808	51,808	0
Prior Year Encumbrances	139	139	139	0
Fund Balance at End of Year	<u>\$ 19,348</u>	<u>\$ 39,898</u>	<u>\$ 42,575</u>	<u>\$ 2,677</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

SPECIAL EVENTS FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 500	\$ 2,200	\$ 2,200	\$ 0
All Other Revenues	100	190	195	5
Total Revenues	<u>600</u>	<u>2,390</u>	<u>2,395</u>	<u>5</u>
Expenditures:				
General Government:				
Materials and Supplies	1,700	3,700	3,657	43
Contractual Services	18,800	11,700	11,488	212
Other Expenditures	<u>2,500</u>	<u>5,300</u>	<u>5,251</u>	<u>49</u>
Total Expenditures	<u>23,000</u>	<u>20,700</u>	<u>20,396</u>	<u>304</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,400)	(18,310)	(18,001)	309
Other Financing Sources (Uses):				
Transfers In	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Net Change In Fund Balance	(7,400)	(3,310)	(3,001)	309
Fund Balance at Beginning of Year	<u>10,202</u>	<u>10,202</u>	<u>10,202</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,802</u>	<u>\$ 6,892</u>	<u>\$ 7,201</u>	<u>\$ 309</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

ECONOMIC DEVELOPMENT FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 21,550	\$ 24,290	\$ 24,294	\$ 4
All Other Revenues	0	13,180	13,188	8
Total Revenues	<u>21,550</u>	<u>37,470</u>	<u>37,482</u>	<u>12</u>
Expenditures:				
Community Environment:				
Contractual Services	40,000	31,700	31,680	20
Capital Outlay	931,375	885,875	885,822	53
Total Expenditures	<u>971,375</u>	<u>917,575</u>	<u>917,502</u>	<u>73</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(949,825)	(880,105)	(880,020)	85
Other Financing Sources (Uses):				
Transfers In	150,000	150,000	150,000	0
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>0</u>
Net Change In Fund Balance	(799,825)	(730,105)	(730,020)	85
Fund Balance at Beginning of Year	41,628	41,628	41,628	0
Prior Year Encumbrances	791,375	791,375	791,375	0
Fund Balance at End of Year	<u>\$ 33,178</u>	<u>\$ 102,898</u>	<u>\$ 102,983</u>	<u>\$ 85</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

HOTEL/MOTEL TAX FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Other Local Taxes	\$ 33,500	\$ 66,020	\$ 66,010	\$ (10)
Total Revenues	<u>33,500</u>	<u>66,020</u>	<u>66,010</u>	<u>(10)</u>
Expenditures:				
General Government:				
Contractual Services	33,500	33,500	33,441	59
Total Expenditures	<u>33,500</u>	<u>33,500</u>	<u>33,441</u>	<u>59</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	32,520	32,569	49
Other Financing Sources (Uses):				
Transfers Out	(33,500)	(33,500)	(33,441)	59
Total Other Financing Sources (Uses)	<u>(33,500)</u>	<u>(33,500)</u>	<u>(33,441)</u>	<u>59</u>
Net Change In Fund Balance	(33,500)	(980)	(872)	108
Fund Balance at Beginning of Year	9,036	9,036	9,036	0
Fund Balance at End of Year	<u>\$ (24,464)</u>	<u>\$ 8,056</u>	<u>\$ 8,164</u>	<u>\$ 108</u>

CITY OF NAPOLEON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

CHIP INCOME FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 300,000	\$ 498,446	\$ 498,446	\$ 0
Total Revenues	<u>300,000</u>	<u>498,446</u>	<u>498,446</u>	<u>0</u>
Expenditures:				
Community Environment:				
Contractual Services	<u>300,000</u>	<u>498,446</u>	<u>498,446</u>	<u>0</u>
Total Expenditures	<u>300,000</u>	<u>498,446</u>	<u>498,446</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	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>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF NAPOLEON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

CDBG INCOME FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 16,490	\$ 16,494	\$ 4
Total Revenues	<u>0</u>	<u>16,490</u>	<u>16,494</u>	<u>4</u>
Expenditures:				
Community Environment:				
Contractual Services	<u>20,000</u>	<u>10,400</u>	<u>10,391</u>	<u>9</u>
Total Expenditures	<u>20,000</u>	<u>10,400</u>	<u>10,391</u>	<u>9</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,000)	6,090	6,103	13
Fund Balance at Beginning of Year	<u>27,169</u>	<u>27,169</u>	<u>27,169</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 7,169</u>	<u>\$ 33,259</u>	<u>\$ 33,272</u>	<u>\$ 13</u>

CITY OF NAPOLEON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

INDIGENT DRIVERS ALCOHOL TREATMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 600	\$ 630	\$ 635	\$ 5
Fines and Forfeitures	9,000	10,130	10,138	8
Total Revenues	<u>9,600</u>	<u>10,760</u>	<u>10,773</u>	<u>13</u>
Expenditures:				
Security of Persons and Property:				
Contractual Services	<u>20,000</u>	<u>5,600</u>	<u>5,583</u>	<u>17</u>
Total Expenditures	<u>20,000</u>	<u>5,600</u>	<u>5,583</u>	<u>17</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,400)	5,160	5,190	30
Fund Balance at Beginning of Year	<u>18,667</u>	<u>18,667</u>	<u>18,667</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,267</u>	<u>\$ 23,827</u>	<u>\$ 23,857</u>	<u>\$ 30</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

LAW ENFORCEMENT AND EDUCATION FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 300	\$ 220	\$ 211	\$ (9)
Fines and Forfeitures	1,500	2,160	2,161	1
Total Revenues	<u>1,800</u>	<u>2,380</u>	<u>2,372</u>	<u>(8)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	3,000	1,380	1,291	89
Contractual Services	2,000	1,800	1,735	65
Capital Outlay	<u>1,000</u>	<u>200</u>	<u>182</u>	<u>18</u>
Total Expenditures	<u>6,000</u>	<u>3,380</u>	<u>3,208</u>	<u>172</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,200)	(1,000)	(836)	164
Fund Balance at Beginning of Year	<u>6,667</u>	<u>6,667</u>	<u>6,667</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,467</u>	<u>\$ 5,667</u>	<u>\$ 5,831</u>	<u>\$ 164</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

COURT COMPUTERIZATION FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 3,850	\$ 4,440	\$ 4,450	\$ 10
Fines and Forfeitures	70,000	54,090	54,088	(2)
Total Revenues	<u>73,850</u>	<u>58,530</u>	<u>58,538</u>	<u>8</u>
Expenditures:				
Security of Persons and Property:				
Contractual Services	4,700	0	0	0
Other Expenditures	26,630	26,630	26,630	0
Capital Outlay	<u>15,000</u>	<u>5,800</u>	<u>5,730</u>	<u>70</u>
Total Expenditures	<u>46,330</u>	<u>32,430</u>	<u>32,360</u>	<u>70</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,520	26,100	26,178	78
Fund Balance at Beginning of Year	<u>140,587</u>	<u>140,587</u>	<u>140,587</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 168,107</u>	<u>\$ 166,687</u>	<u>\$ 166,765</u>	<u>\$ 78</u>

CITY OF NAPOLEON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

LAW ENFORCEMENT TRUST FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 350	\$ 340	\$ 335	\$ (5)
Fines and Forfeitures	1,000	0	0	0
Total Revenues	<u>1,350</u>	<u>340</u>	<u>335</u>	<u>(5)</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	1,000	700	663	37
Capital Outlay	<u>4,500</u>	<u>1,700</u>	<u>1,675</u>	<u>25</u>
Total Expenditures	<u>5,500</u>	<u>2,400</u>	<u>2,338</u>	<u>62</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,150)	(2,060)	(2,003)	57
Fund Balance at Beginning of Year	<u>13,228</u>	<u>13,228</u>	<u>13,228</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 9,078</u>	<u>\$ 11,168</u>	<u>\$ 11,225</u>	<u>\$ 57</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

MANDATORY DRUG FINE FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 250	\$ 250	\$ 260	\$ 10
Fines and Forfeitures	500	990	997	7
Total Revenues	<u>750</u>	<u>1,240</u>	<u>1,257</u>	<u>17</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	3,000	1,720	1,718	2
Other Expenditures	<u>2,000</u>	<u>900</u>	<u>833</u>	<u>67</u>
Total Expenditures	<u>5,000</u>	<u>2,620</u>	<u>2,551</u>	<u>69</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,250)	(1,380)	(1,294)	86
Fund Balance at Beginning of Year	<u>9,253</u>	<u>9,253</u>	<u>9,253</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,003</u>	<u>\$ 7,873</u>	<u>\$ 7,959</u>	<u>\$ 86</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

FIRE EQUIPMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 15,000	\$ 15,000	\$ 15,000	\$ 0
Investment Earnings	6,000	6,180	6,187	7
Total Revenues	<u>21,000</u>	<u>21,180</u>	<u>21,187</u>	<u>7</u>
Expenditures:				
Security of Persons and Property:				
Capital Outlay	<u>12,355</u>	<u>11,495</u>	<u>11,426</u>	<u>69</u>
Total Expenditures	<u>12,355</u>	<u>11,495</u>	<u>11,426</u>	<u>69</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,645	9,685	9,761	76
Other Financing Sources (Uses):				
Operating Transfers In	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>0</u>
Net Change In Fund Balance	68,645	69,685	69,761	76
Fund Balance at Beginning of Year	181,040	181,040	181,040	0
Prior Year Encumbrances	<u>4,855</u>	<u>4,855</u>	<u>4,855</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 254,540</u>	<u>\$ 255,580</u>	<u>\$ 255,656</u>	<u>\$ 76</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

MUNICIPAL PROBATION SERVICE FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 400	\$ 630	\$ 636	\$ 6
Fines and Forfeitures	5,000	8,260	8,263	3
Total Revenues	<u>5,400</u>	<u>8,890</u>	<u>8,899</u>	<u>9</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	<u>9,700</u>	<u>1,800</u>	<u>1,774</u>	<u>26</u>
Total Expenditures	<u>9,700</u>	<u>1,800</u>	<u>1,774</u>	<u>26</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,300)	7,090	7,125	35
Fund Balance at Beginning of Year	<u>18,719</u>	<u>18,719</u>	<u>18,719</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 14,419</u>	<u>\$ 25,809</u>	<u>\$ 25,844</u>	<u>\$ 35</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

PROBATION OFFICER GRANT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 23,980	\$ 46,770	\$ 46,762	\$ (8)
Total Revenues	<u>23,980</u>	<u>46,770</u>	<u>46,762</u>	<u>(8)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	21,040	38,270	38,260	10
Contractual Services	<u>4,130</u>	<u>8,210</u>	<u>8,198</u>	<u>12</u>
Total Expenditures	<u>25,170</u>	<u>46,480</u>	<u>46,458</u>	<u>22</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,190)	290	304	14
Fund Balance at Beginning of Year	<u>16,842</u>	<u>16,842</u>	<u>16,842</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 15,652</u>	<u>\$ 17,132</u>	<u>\$ 17,146</u>	<u>\$ 14</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

COURT IMPROVEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Fines and Forfeitures	\$ 52,000	\$ 48,090	\$ 48,073	\$ (17)
Total Revenues	<u>52,000</u>	<u>48,090</u>	<u>48,073</u>	<u>(17)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,000	48,090	48,073	(17)
Fund Balance at Beginning of Year	<u>157,719</u>	<u>157,719</u>	<u>157,719</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 209,719</u>	<u>\$ 205,809</u>	<u>\$ 205,792</u>	<u>\$ (17)</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

HANDICAP PARKING FINES FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 100	\$ 100	\$ 100	\$ 0
Total Revenues	<u>100</u>	<u>100</u>	<u>100</u>	<u>0</u>
Expenditures:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	100	100	100	0
Fund Balance at Beginning of Year	<u>200</u>	<u>200</u>	<u>200</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 0</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

POLICE PENSION FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 76,720	\$ 80,200	\$ 80,186	\$ (14)
Intergovernmental Revenues	8,030	8,650	8,651	1
Total Revenues	<u>84,750</u>	<u>88,850</u>	<u>88,837</u>	<u>(13)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	<u>84,750</u>	<u>84,750</u>	<u>84,750</u>	<u>0</u>
Total Expenditures	<u>84,750</u>	<u>84,750</u>	<u>84,750</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	4,100	4,087	(13)
Fund Balance at Beginning of Year	<u>946</u>	<u>946</u>	<u>946</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 946</u>	<u>\$ 5,046</u>	<u>\$ 5,033</u>	<u>\$ (13)</u>

CITY OF NAPOLEON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

FIRE PENSION FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 38,350	\$ 40,110	\$ 40,100	\$ (10)
Intergovernmental Revenues	4,020	4,330	4,327	(3)
Total Revenues	<u>42,370</u>	<u>44,440</u>	<u>44,427</u>	<u>(13)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	<u>42,370</u>	<u>42,370</u>	<u>42,370</u>	<u>0</u>
Total Expenditures	<u>42,370</u>	<u>42,370</u>	<u>42,370</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	2,070	2,057	(13)
Fund Balance at Beginning of Year	<u>472</u>	<u>472</u>	<u>472</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 472</u>	<u>\$ 2,542</u>	<u>\$ 2,529</u>	<u>\$ (13)</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 3,200	\$ 5,430	\$ 5,435	\$ 5
Total Revenues	<u>3,200</u>	<u>5,430</u>	<u>5,435</u>	<u>5</u>
Expenditures:				
Community Environment:				
Materials and Supplies	5,000	3,600	3,528	72
Capital Outlay	<u>11,500</u>	<u>7,900</u>	<u>7,890</u>	<u>10</u>
Total Expenditures	<u>16,500</u>	<u>11,500</u>	<u>11,418</u>	<u>82</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,300)	(6,070)	(5,983)	87
Fund Balance at Beginning of Year	<u>93,301</u>	<u>93,301</u>	<u>93,301</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 80,001</u>	<u>\$ 87,231</u>	<u>\$ 87,318</u>	<u>\$ 87</u>

CITY OF NAPOLEON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Fund
For the Year Ended December 31, 2003**

GENERAL BOND RETIREMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	<u>\$ 0</u>	<u>\$ 8,260</u>	<u>\$ 8,266</u>	<u>\$ 6</u>
Total Revenues	<u> 0</u>	<u> 8,260</u>	<u> 8,266</u>	<u> 6</u>
Expenditures:				
Debt Service:				
Interest and Fiscal Charges	<u> 3,040</u>	<u> 3,041</u>	<u> 3,041</u>	<u> 0</u>
Total Expenditures	<u> 3,040</u>	<u> 3,041</u>	<u> 3,041</u>	<u> 0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,040)</u>	<u> 5,219</u>	<u> 5,225</u>	<u> 6</u>
Fund Balance at Beginning of Year	<u> 3,041</u>	<u> 3,041</u>	<u> 3,041</u>	<u> 0</u>
Fund Balance at End of Year	<u><u> 1</u></u>	<u><u> 8,260</u></u>	<u><u> 8,266</u></u>	<u><u> 6</u></u>

CITY OF NAPOLEON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Fund
For the Year Ended December 31, 2003**

GREENFIELD OPEN SPACE FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 83,160	\$ 83,160	\$ 0
Total Revenues	<u>0</u>	<u>83,160</u>	<u>83,160</u>	<u>0</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	83,160	83,160	0
Other Financing Sources (Uses):				
Transfers Out	<u>0</u>	<u>(83,166)</u>	<u>(83,166)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(83,166)</u>	<u>(83,166)</u>	<u>0</u>
Net Change In Fund Balance	0	(6)	(6)	0
Fund Balance at Beginning of Year	<u>6</u>	<u>6</u>	<u>6</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 6</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Fiduciary Funds

Fiduciary fund types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency Funds

Municipal Court Fund

To account for funds that flow through the municipal court office.

Payroll Withholding Fund

To account for withholding taxes until remitted to other entities.

Employee Benefits Fund

To account for funds related to the IRS 125 Employee Benefits Plan.

CITY OF NAPOLEON, OHIO

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

	Balance December 31, 2002	Additions	Deductions	Balance December 31, 2003
<u>Municipal Court</u>				
Assets:				
Cash and Cash Equivalents	\$19,591	\$1,580,184	(\$1,586,296)	\$13,479
Total Assets	<u>\$19,591</u>	<u>\$1,580,184</u>	<u>(\$1,586,296)</u>	<u>\$13,479</u>
Liabilities:				
Due to Others	\$19,591	\$1,580,184	(\$1,586,296)	\$13,479
Total Liabilities	<u>\$19,591</u>	<u>\$1,580,184</u>	<u>(\$1,586,296)</u>	<u>\$13,479</u>
<u>Employee Benefits</u>				
Assets:				
Cash and Cash Equivalents	\$332	\$1,800	(\$150)	\$1,982
Total Assets	<u>\$332</u>	<u>\$1,800</u>	<u>(\$150)</u>	<u>\$1,982</u>
Liabilities:				
Due to Others	\$332	\$1,800	(\$150)	\$1,982
Total Liabilities	<u>\$332</u>	<u>\$1,800</u>	<u>(\$150)</u>	<u>\$1,982</u>
<u>Totals - Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$19,923	\$1,581,984	(\$1,586,446)	\$15,461
Total Assets	<u>\$19,923</u>	<u>\$1,581,984</u>	<u>(\$1,586,446)</u>	<u>\$15,461</u>
Liabilities:				
Due to Others	\$19,923	\$1,581,984	(\$1,586,446)	\$15,461
Total Liabilities	<u>\$19,923</u>	<u>\$1,581,984</u>	<u>(\$1,586,446)</u>	<u>\$15,461</u>

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*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

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CITY OF NAPOLEON, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2003***

<u>Capital Assets:</u>	
Land	\$2,434,592
Buildings	2,044,571
Improvements	459,945
Machinery and Equipment	4,435,510
Infrastructure	<u>25,767,450</u>
Total Capital Assets	<u><u>\$35,142,068</u></u>

<u>Investment in Capital Assets:</u>	
General Fund	\$442,351
Special Revenue Funds	191,093
Capital Projects Funds	33,897,625
Enterprise Funds	567,947
Internal Service Fund	40,552
Donated	<u>2,500</u>
Total Investment in Capital Assets	<u><u>\$35,142,068</u></u>

CITY OF NAPOLEON, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2003***

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>
<u>General Government:</u>			
City Manager	\$0	\$0	\$0
Law Director	0	0	0
Finance	0	179,304	0
Tax	0	0	0
Engineering	0	0	1,978
Municipal Court	0	0	0
General Administration	1,047,732	0	0
Total	<u>1,047,732</u>	<u>179,304</u>	<u>1,978</u>
<u>Security of Persons and Property:</u>			
Police	32,729	112,500	0
Fire	6,514	398,474	0
Total	<u>39,243</u>	<u>510,974</u>	<u>0</u>
<u>Transportation:</u>			
Street	37,457	654,534	65,008
Maintenance	0	0	0
Total	<u>37,457</u>	<u>654,534</u>	<u>65,008</u>
<u>Leisure Time Activities:</u>			
Parks and Recreation	<u>1,072,860</u>	<u>693,959</u>	<u>392,959</u>
<u>Community Environment:</u>			
Inspection	<u>0</u>	<u>0</u>	<u>0</u>
<u>Public Health and Welfare:</u>			
Cemetery	<u>237,300</u>	<u>5,800</u>	<u>0</u>
<u>Governmental IS:</u>			
City Garage	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets	<u>\$2,434,592</u>	<u>\$2,044,571</u>	<u>\$459,945</u>

CITY OF NAPOLEON, OHIO

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$116,988	\$0	\$116,988
15,844	0	15,844
250,985	0	430,289
32,347	0	32,347
87,495	0	89,473
101,142	0	101,142
17,040	0	1,064,772
<u>621,841</u>	<u>0</u>	<u>1,850,855</u>
554,401	0	699,630
<u>1,494,472</u>	<u>0</u>	<u>1,899,460</u>
<u>2,048,873</u>	<u>0</u>	<u>2,599,090</u>
1,055,068	25,767,450	27,579,517
22,118	0	22,118
<u>1,077,186</u>	<u>25,767,450</u>	<u>27,601,635</u>
<u>554,845</u>	<u>0</u>	<u>2,714,623</u>
<u>11,694</u>	<u>0</u>	<u>11,694</u>
<u>86,913</u>	<u>0</u>	<u>330,013</u>
<u>34,158</u>	<u>0</u>	<u>34,158</u>
<u>\$4,435,510</u>	<u>\$25,767,450</u>	<u>\$35,142,068</u>

CITY OF NAPOLEON, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2003***

Function and Activity	December 31, 2002	Additions	Deletions	December 31, 2003
<u>General Government:</u>				
City Manager	\$82,142	\$34,846	\$0	\$116,988
Law Director	15,844	0	0	15,844
Finance	404,327	25,962	0	430,289
Tax	28,696	3,651	0	32,347
Engineering	81,540	7,933	0	89,473
Municipal Court	86,157	14,985	0	101,142
General Administration	685,985	378,787	0	1,064,772
Total	1,384,691	466,164	0	1,850,855
<u>Security of Persons and Property:</u>				
Police	673,929	114,066	(88,365)	699,630
Fire	1,826,527	72,933	0	1,899,460
Total	2,500,456	186,999	(88,365)	2,599,090
<u>Transportation:</u>				
Street	27,313,807	390,805	(125,095)	27,579,517
Maintenance	38,547	0	(16,429)	22,118
Total	27,352,354	390,805	(141,524)	27,601,635
<u>Leisure Time Activities:</u>				
Parks and Recreation	2,694,512	42,464	(22,353)	2,714,623
<u>Community Environment:</u>				
Inspection	11,694	0	0	11,694
<u>Public Health and Welfare:</u>				
Cemetery	324,578	5,435	0	330,013
<u>Governmental IS:</u>				
City Garage	40,152	0	(5,994)	34,158
Total Capital Assets	\$34,308,437	\$1,091,867	(\$258,236)	\$35,142,068

STATISTICAL SECTION

The District has three
Elementary Schools.

West



Central

Brillhart





STATISTICAL TABLES

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

CITY OF NAPOLEON, OHIO

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN YEARS**

Year	Security of Persons and Property	Public Health and Welfare	Leisure Time Activities	Community Development	Trans- portation	Basic Utility Services	General Government	Capital Outlay	Debt Service	Other	Total
1994	\$1,137,555	\$77,598	\$575,031	\$343,283	\$332,275	\$24,240	\$532,174	\$0	\$736,022	\$5,097	\$3,763,275
1995	1,348,173	66,816	660,108	225,456	355,099	0	627,134	0	346,984	0	3,629,770
1996	1,701,587	53,255	650,675	101,021	419,561	0	613,264	0	328,443	0	3,867,806
1997	1,620,552	66,127	594,786	322,033	369,319	0	573,955	0	340,717	0	3,887,489
1998	1,811,903	66,231	637,495	166,716	460,040	0	526,416	0	347,991	0	4,016,792
1999	1,686,473	62,354	665,529	390,281	382,531	0	655,126	0	354,329	0	4,196,623
2000	2,451,923	66,118	710,193	653,905	519,657	0	793,592	0	345,952	0	5,541,340
2001	2,132,567	79,675	786,130	180,763	584,706	0	1,060,213	0	286,175	0	5,110,229
2002	2,334,971	80,577	770,783	599,187	645,695	0	977,419	0	246,787	0	5,655,419
2003	2,475,239	87,882	756,745	1,071,531	617,653	0	833,966	0	250,581	0	6,093,597

(1) Includes General Fund, Special Revenue Funds and Debt Service Fund

NOTE In 1995 the Income Tax and Police Pension Funds (expendable trust funds) were reclassified. Income Tax is receipted into the General Fund and the Police Pension Fund is now a special revenue fund.

CITY OF NAPOLEON, OHIO

**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN YEARS**

Year	Taxes	Inter-Governmental Revenue	Charges for Service	Licenses and Permits	Investment Earnings	Fines and Forfeitures	Miscellaneous (2)	Total
1994	\$847,405	\$503,757	\$285,968	\$32,289	\$128,278	\$247,866	\$663,309	\$2,708,872
1995	2,327,551	860,524	537,149	20,288	137,300	229,291	388,174	4,500,277
1996	2,519,304	1,132,078	720,752	60,039	362,975	261,235	470,928	5,527,311
1997	2,546,058	1,056,318	458,110	48,663	408,910	242,252	465,081	5,225,392
1998	2,726,758	1,067,245	596,375	49,531	392,843	286,415	552,914	5,672,081
1999	3,018,876	1,311,630	531,657	50,966	388,960	271,662	655,030	6,228,781
2000	2,991,556	1,536,355	582,955	52,682	487,111	293,545	481,167	6,425,371
2001	2,851,943	1,243,384	615,613	52,815	480,730	410,473	522,602	6,177,560
2002	3,337,819	963,001	681,839	66,533	317,932	480,217	476,498	6,323,839
2003	3,057,298	1,689,255	597,894	121,639	189,435	380,875	498,105	6,534,501

(1) Includes General Fund, Special Revenue Funds and Debt Service Fund
(2) Includes Special Assessments and All Other Revenues

NOTE In 1995 the Income Tax and Police Pension Funds (expendable trust funds) were reclassified. Income Tax is reported into the General Fund and the Police Pension Fund is now reported as a special revenue fund.

CITY OF NAPOLEON, OHIO

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes to Total Tax Levy
1994	\$289,896	\$284,806	\$3,569	\$288,375	99.48%	\$3,532	1.22%
1995	295,504	288,137	4,645	292,782	99.08%	5,131	1.74%
1996	301,210	295,186	5,991	301,177	99.99%	4,599	1.53%
1997	336,308	312,912	5,826	318,738	94.78%	5,345	1.59%
1998	330,297	259,303	9,015	268,318	81.24%	1,475	0.45%
1999	352,182	341,725	8,344	350,069	99.40%	3,118	0.89%
2000	405,869	394,485	9,308	403,793	99.49%	2,169	0.53%
2001	409,633	400,038	7,639	407,677	99.52%	3,089	0.75%
2002	409,257	398,735	10,445	409,180	99.98%	3,089	0.75%
2003	430,358	427,046	9,368	436,414	101.41%	3,222	0.75%

Source: Henry County Auditor

**TANGIBLE TAX COLLECTED
LAST TEN YEARS**

<u>Year Paid</u>	<u>Amount</u>
1994	\$66,153
1995	71,558
1996	73,621
1997	61,252
1998	100,576
1999	104,762
2000	92,597
2001	106,276
2002	85,015
2003	85,553

Source: Henry County Auditor

CITY OF NAPOLEON, OHIO

**ASSESSED VALUATIONS AND ESTIMATED TRUE VALUES
OF TAXABLE PROPERTY
LAST TEN YEARS**

Tax Year	Real Property		Public Utility Personal		Tangible Personal Property		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Actual	
1994	\$75,566,330	\$215,903,800	\$3,699,790	\$4,204,307	\$24,025,675	\$88,983,981	\$103,291,795	\$309,092,088	33.42%
1995	76,051,100	217,288,857	3,936,490	4,473,284	24,382,578	90,305,844	104,370,168	312,067,985	33.44%
1996	77,681,990	221,948,543	3,976,050	4,518,239	25,608,664	94,846,904	107,266,704	321,313,686	33.38%
1997	88,136,170	246,061,343	3,506,130	4,174,330	28,314,167	96,938,593	119,956,467	347,174,266	34.55%
1998	89,735,450	256,387,000	3,396,460	3,855,068	28,314,167	113,256,668	121,446,077	373,498,736	32.52%
1999	102,814,376	293,755,360	3,331,130	3,333,130	35,687,750	142,751,000	141,833,256	439,839,490	32.25%
2000	103,446,330	295,560,943	3,748,180	3,748,180	31,633,917	126,535,668	138,828,427	425,844,791	32.60%
2001	105,734,600	302,098,857	1,952,600	1,952,600	33,565,573	134,262,292	141,252,773	438,313,749	32.23%
2002	116,426,730	332,647,800	1,873,020	1,873,020	30,099,594	120,398,376	148,399,344	454,919,196	32.62%
2003	120,384,780	343,956,514	1,926,360	1,926,360	28,486,381	113,945,524	150,797,521	459,828,398	32.79%

Source: Henry County Auditor

CITY OF NAPOLEON, OHIO

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATIONS)
LAST TEN YEARS**

Collection Year	City of Napoleon				Total City	Napoleon City School District	Joint Vocational School District	Henry County	Napoleon Township	Total
	General Fund	Police Pension Fund	Fire Pension Fund							
1994	2.00	0.60	0.30	2.90	42.80	3.20	12.60	0.40	61.90	
1995	2.00	0.60	0.30	2.90	42.80	3.20	12.60	0.40	61.90	
1996	2.00	0.60	0.30	2.90	42.80	3.20	14.00	0.40	63.30	
1997	2.00	0.60	0.30	2.90	44.90	3.20	15.30	0.40	66.70	
1998	2.00	0.60	0.30	2.90	44.90	3.20	15.30	0.40	66.70	
1999	2.00	0.60	0.30	2.90	45.80	3.20	15.30	0.40	67.60	
2000	2.00	0.60	0.30	2.90	45.80	3.20	15.30	0.40	67.60	
2001	2.00	0.60	0.30	2.90	45.80	3.20	14.10	0.40	66.40	
2002	2.00	0.60	0.30	2.90	45.80	3.20	16.20	0.40	68.50	
2003	2.00	0.60	0.30	2.90	45.80	3.20	16.20	0.40	68.50	

Source: Henry County Treasurer

CITY OF NAPOLEON, OHIO

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN YEARS**

Collection Year	Amount Billed	Amount Collected	Percent Collected
1994	\$477,305	\$480,708	100.71%
1995	471,964	472,361	100.08%
1996	466,386	468,027	100.35%
1997	478,477	481,189	100.57%
1998	468,893	467,776	99.76%
1999	508,435	440,706	86.68%
2000	471,774	318,144	67.44%
2001	424,254	476,185	112.24%
2002	384,439	352,454	91.68%
2003	381,287	429,861	112.74%

Source: City of Napoleon Finance Department

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2003**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$ 150,797,521	\$ 150,797,521
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	15,833,740	8,293,864
Applicable City Debt Outstanding (2)	0	0
Less: Applicable Debt Service Fund Amounts	<u>(637,266)</u>	<u>(637,266)</u>
Net Indebtedness Subject to Limitation	<u>0</u>	<u>0</u>
Legal Debt Margin	<u>\$15,196,474</u>	<u>\$7,656,598</u>

(1) Direct Debt Limitation Based Upon Section 133, The Uniform Bond Act of the Ohio Revised Code.

(2) The City does not have any non self-supporting general obligation debt.
Enterprise Debt is Not Considered in the Computation of the Legal Debt Margin.

CITY OF NAPOLEON, OHIO

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED
VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS**

<u>Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt (3)</u>	<u>Debt Service Funds Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Valuation</u>	<u>Net Bonded Debt Per Capita</u>
1994 b	9,215	\$103,291,795	\$0	\$938,031	\$0	0.00%	0.00
1995 b	9,215	104,370,168	0	268,590	0	0.00%	0.00
1996 b	9,215	107,266,704	0	283,725	0	0.00%	0.00
1997 b	9,215	115,978,300	0	300,495	0	0.00%	0.00
1998 b	9,215	121,446,077	0	308,476	0	0.00%	0.00
1999 b	9,215	141,833,256	0	281,696	0	0.00%	0.00
2000 c	9,318	138,828,427	0	310,986	0	0.00%	0.00
2001 c	9,318	141,252,773	0	387,721	0	0.00%	0.00
2002 c	9,318	148,399,344	0	364,647	0	0.00%	0.00
2003 c	9,318	150,797,521	0	415,455	0	0.00%	0.00

(1) Source: U.S. Bureau of Census, a) Federal 1990 Census.

b) Population estimates made by the City.

c) Federal 2000 Census.

(2) Source: Henry County Auditor.

(3) Includes all non self-supporting general obligation bonded debt supported by property taxes.

CITY OF NAPOLEON, OHIO

**COMPUTATION OF ALL DIRECT AND OVERLAPPING GOVERNMENTAL DEBT
DECEMBER 31, 2003**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Napoleon</u>	<u>Amount Applicable to City of Napoleon</u>
Direct			
City of Napoleon	\$5,624,305	100.00%	\$5,624,305
Overlapping Subdivisions			
Napoleon City School District	4,944,456	51.01%	2,522,167
Liberty Center School District	3,005,000	6.05%	181,803
Four County Vocational School District	0	5.44%	0
Henry County	2,753,575	28.47%	783,943
		Subtotal	<u>3,487,912</u>
		Total	<u><u>\$9,112,217</u></u>

Source: Bond Counsel - Squire, Sanders & Dempsey

CITY OF NAPOLEON, OHIO

MORTGAGE REVENUE BOND COVERAGE

<u>Year</u>	<u>Gross Revenues (3)</u>	<u>Direct Operating Expenses (4)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Annual Debt Service Requirement (5)</u>	<u>Coverage</u>
Electric (1)					
1999	\$11,057,218	\$10,041,853	\$1,015,365	\$234,584	4.33
2000	11,208,088	9,396,161	1,811,927	256,710	7.06
2001	11,873,698	10,214,482	1,659,216	257,255	6.45
2002	11,379,589	11,350,288	29,301	257,120	0.11
2003	11,271,553	10,865,183	406,370	252,500	1.61
Sewer (2)					
1999	\$1,498,570	\$546,998	\$951,572	\$253,793	3.75
2000	1,761,805	708,254	1,053,551	272,265	3.87
2001	2,028,949	802,347	1,226,602	272,608	4.50
2002	1,905,831	1,123,268	782,563	272,667	2.87
2003	1,950,287	921,891	1,028,396	272,437	3.77

The City had no Mortgage Revenue Bonds Prior to 1998.

(1) The Electric system 1st Mortgage Revenue Bonds were issued in 1998, in the amount of \$3,245,000.

(2) The Sewer system 1st Mortgage Revenue Bonds were issued in 1998, in the amount of \$3,480,000.

(3) Gross revenues include operating revenues plus interest income.

(4) Direct operating expenses include operating expenses less depreciation.

(5) Annual debt service requirements include principal and interest on revenue bonds only. It does not include the general obligation bonds reported in the Water Revenue Fund.

Source: City of Napoleon Finance Department

CITY OF NAPOLEON, OHIO

DEMOGRAPHIC STATISTICS LAST TEN YEARS

Year	City Population (1)	Henry County Population (b)	Unemployment Rate Henry County Area (2)	Per Capita Income Henry County Area (2)	School Enrollment (3)
1994	b 9,215	29,521	6.2%	\$20,326	2,459
1995	b 9,215	29,703	6.2%	20,870	2,451
1996	b 9,215	29,837	4.5%	21,723	2,399
1997	b 9,215	29,885	5.4%	22,928	2,436
1998	b 9,215	29,880	5.3%	23,144	2,462
1999	b 9,215	29,870	5.6%	23,833	2,779
2000	c 9,318	29,210	4.8%	24,430	2,885
2001	c 9,318	29,310	5.1%	25,330	2,902
2002	c 9,318	29,310	5.3%	25,330	2,844
2003	c 9,318	29,310	5.8%	25,343	2,846

- (1) Source: U.S. Bureau of Census, a) Federal 1990 Census.
 b) Population estimates c) Federal 2000 Census.
 (2) State Department of Labor
 (3) Napoleon City School District, Board of Education.

CITY OF NAPOLEON, OHIO

**PROPERTY VALUE AND CONSTRUCTION PERMITS
LAST TEN YEARS**

Year	Residential		Commercial	
	Number of Permits	Property Value	Number of Permits	Property Value
1994	325	\$4,553,321	110	\$4,742,731
1995	304	4,835,106	95	3,231,124
1996	396	3,752,544	99	9,371,560
1997	465	4,044,180	126	4,716,800
1998	422	5,004,557	142	14,928,580
1999	441	5,066,085	101	5,323,497
2000	464	3,757,826	106	11,525,340
2001	515	3,670,742	113	15,629,875
2002	509	3,715,511	134	6,268,530
2003	626	3,695,555	81	5,635,300

Source: City of Napoleon Building Department.

CITY OF NAPOLEON, OHIO

**PRINCIPAL TAXPAYERS (PERSONAL PROPERTY TAX) (1)
DECEMBER 31, 2003**

Taxpayer	Type of Business	2003 Assessed Valuation (Tax Duplicate)	Percentage of Total Assessed Valuation
1. Campbell Soup Supply Company, LLC	Food Canning and Processing	\$3,492,090	12.26%
2. Tenneco Automotive	Rubber and Metal Assembly	3,263,300	11.46%
3. Carson Industries	Manufacturing	1,796,890	6.31%
4. Sunshine Biscuit Company	Food Processing	1,260,260	4.42%
5. Pro Team Corvette Sales	Automobile Sales	1,163,520	4.08%
6. Plastech Engineered Products	Manufacturing	1,045,020	3.67%
7. Universal Co-op	Manufacturing	908,400	3.19%
8. General Electric Capital Corporation	Real Estate	853,630	3.00%
9. CCS Realty Company	Real Estate	809,980	2.84%
10. Yark Ford, LLC	Automobile Sales	744,740	2.61%
Sub-Total		15,337,830	53.84%
All Others		13,148,551	46.16%
Total		\$28,486,381	100.00%

(1) Based on valuation of property taxes to be collected in 2003.
Source: Henry County Auditor - Land and Buildings.

CITY OF NAPOLEON, OHIO

**PRINCIPAL TAXPAYERS (REAL PROPERTY TAX) (1)
DECEMBER 31, 2003**

Taxpayer	Type of Business	2003 Assessed Valuation (Tax Duplicate)	Percentage of Total Assessed Valuation
1. CCS Realty Company	Real Estate	\$6,144,942	5.10%
2. Wal-Mart	Retail Sales	6,451,285	5.36%
3. Lutheran Development	Nursing Home	2,486,228	2.06%
4. Imperial Clevite	Rubber and Metal Assembly	2,347,114	1.95%
5. Automatic Feed	Steel Handling Equipment	2,038,114	1.69%
6. HK New Plan Excel Realty Properties	Retail Sales	1,897,485	1.58%
7. Glen Arbor Limited	Apartments	1,717,657	1.43%
8. Rahee Hospitality	Motel	1,596,342	1.33%
9. Keller Plastering	Construction / Remodeling	1,500,628	1.25%
10. Marvin Yagel	Retail Sales	1,444,800	1.20%
Sub-Total		27,624,595	22.95%
All Others		92,760,185	77.05%
Total		\$120,384,780	100.00%

(1) Based on valuation of property taxes to be collected in 2003.
Source: Henry County Auditor - Land and Buildings.

CITY OF NAPOLEON, OHIO

**PRINCIPAL TAXPAYERS (INCOME TAX)
DECEMBER 31, 2003**

Taxpayer	Type of Business	Amount of Tax Paid in 2003	Percentage of Total
1. Tenneco Automotive (Pullman Company)	Manufacturing	\$176,720	8.28%
2. Campbell Soup Supply Company, LLC	Food Canning and Processing	144,315	6.76%
3. Napoleon City School District	Education	128,783	6.03%
4. Automatic Feed Company	Steel Handling Equipment	77,121	3.61%
5. Henry County	County Government	74,534	3.49%
6. City of Napoleon	Local Government	59,453	2.79%
7. Wal-Mart Stores, Inc.	Retail Sales	57,931	2.71%
8. Cloverleaf Cold Storage	Warehousing	41,290	1.94%
9. Plastech Engineered Products	Manufacturing	43,159	2.02%
10. Carson Industries	Manufacturing	39,912	1.87%
Sub-Total		843,218	39.50%
All Others		1,291,373	60.50%
Total		\$2,134,591	100.00%

Source: Napoleon City Income Tax Department

CITY OF NAPOLEON, OHIO

**PRINCIPAL EMPLOYERS
DECEMBER 31, 2003**

	Employer	Type of Business	Number of Employees		
			Full-Time	Part-Time	Total
1.	Henry County	County Government	287	5	292
2.	Napoleon City School District	Education	248	141	389
3.	Wal-Mart Stores	Retail	298	0	298
4.	Tenneco Automotive (Pullman Company)	Automobile Parts Manufacturer	258	129	387
5.	City of Napoleon	Local Government	107	110	217
6.	Plastech Engineered Products	Manufacturing	71	97	168
7.	The Lutheran Home	Long-term Health Care	175	15	190
8.	Carson Industries	Manufacturing	101	1	102
9.	Automatic Feed Company	Steel Handling Equipment	85	3	88
10.	Northcrest Nursing Home	Health Care and Rehabilitation	50	41	91

Source: City of Napoleon Chamber of Commerce/Each Employer's Personnel Departments.

**MISCELLANEOUS STATISTICS
DECEMBER 31, 2003**

Date of Incorporation	1863	Number of Stations	1	Water System:	1
Form of Government	Charter	Number of Police Personnel and Officers	21	Number of Purification Plants	58.48
Area (square miles)	6.52	Number of Patrol Units	7	Miles of Water Mains	327
Facilities and Services:		Number of Law Violations:		Number of Fire Hydrants	3,500
Miles of Streets	72	Criminal /Juvenile Citations and Charges	2,359	Average Daily Consumption (gallons)	1.3M
Recreation and Culture:		Traffic Citations Issued	800	Maximum Daily Capacity of Plant (gallons)	4.5M
Number of Parks	9	Parking Tickets Written	104	Sewerage System:	
Park Area (acres)	225	Fire/Emergency Medical Services:		Number of Treatment Plants	1
Number of Ball Fields:		Number of Stations	1	Miles of Sanitary Sewers	45
Lighted	3	Number of Fire Officers		Miles of Storm Sewers	30
Unlighted	2	and Firefighters/Paramedics:		Number of Service Connections	3,500
Number of Tennis Courts:		Full-Time	8	Average Daily Treatment (gallons)	1.8M
Lighted	2	Part-Time	31	Maximum Daily Capacity of Treatment (gallons)	2.5M
Number of Libraries	1	Number of Calls Answered		Education:	
Number of Hospitals	1	Fire	125	Elementary and Middle Schools	4
Number of Patient Beds	50	EMS	769	Elementary and Middle School Students	1,448
Number of Bassinets	5	Number of Inspections	10	Elementary and Middle School Instructors	113
		Number of Cemeteries	2	Secondary Schools	1
		Cemetery Area (acres)	25	Secondary School Students	853
				Secondary School Instructors	56
				Parochial Schools	3
				Parochial School Students	545
				Parochial School Instructors	40



The District is also served by three parochial schools.



St. Paul's

St. Augustine



St. John's





**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

CITY OF NAPOLEON

HENRY 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 26, 2004**