



**CITY OF NAPOLEON
HENRY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**CITY OF NAPOLEON
HENRY COUNTY**

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**CITY OF NAPOLEON
HENRY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF JUSTICE			
<i>Direct Assistance</i>			
Bullet Proof Vest Partnership Program Grant	n/a	16.607	<u>\$1,058</u>
Total U.S. Department of Justice			<u>1,058</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency</i>			
Disaster Grants- Public Assistance	DR-1580-OH	97.036	4,148
<i>Direct Assistance</i>			
Assistance to Firefighters Grant	n/a	97.044	<u>60,884</u>
Total U.S. Department of Homeland Security			<u>65,032</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Direct Assistance</i>			
Surveys, Studies, Investigations & Special Purpose Grants	n/a	66.606	<u>304,534</u>
Total U.S. Environmental Protection Agency			<u>304,534</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant- States Program	A-C-03-150-1	14.228	76,765
Home Investment Partnership Program (CHIP)	A-C-03-150-2	14.239	<u>235,101</u>
Total U.S. Department of Housing and Urban Development			<u>311,866</u>
Total			<u><u>\$682,490</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF NAPOLEON
HENRY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Napoleon
Henry County
255 West 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 City of Napoleon, Henry County (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated June 23, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated June 23, 2006, we reported other matters related to noncompliance we deemed immaterial.

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City of Napoleon
Henry County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the finance committee, management, council, federal awarding agencies, and pass-through entities. It is not intended for 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

June 23, 2006



**Auditor of State
Betty Montgomery**

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

City of Napoleon
Henry County
255 West 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 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 apply to each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 of Napoleon complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005. In a separate letter to the City's management dated June 23, 2006, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The City's management 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 directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Federal Awards Expenditures Schedule

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 as of and for the year ended December 31, 2005, and have issued our report thereon dated June 23, 2006. Our audit was performed to form an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information 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 intend this report solely for the information and use of the finance committee, management, council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 23, 2006

CITY OF NAPOLEON
HENRY COUNTY

SCHEDULE OF FINDINGS OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005

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):	Surveys, Studies, Investigations & Special Purpose Grant CFDA # 66.606 Home Investment Partnership 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 AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

THE CITY OF NAPOLEON, OHIO

HENRY COUNTY

Out With The Old ...



... In With The New



Photos courtesy of Robert L. Brubaker

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2005

Prepared by the Finance Department

Gregory J. Heath
Director of Finance



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HENRY COUNTY, OHIO

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INTRODUCTORY SECTION



It was a cold February startbut Spring did arrive and things started changing



PHOTOS COURTESY OF GARY L. FRANZ, NAPOLEON OH





CITY OF NAPOLEON

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Gregory J. Heath, Director of Finance

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June 23, 2006

Introduction

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

We are pleased to present the Tenth (10th) *Comprehensive Annual Financial Report* (CAFR) of the City of Napoleon, Ohio, (the City) for the year ended December 31, 2005. 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 an Organizational Chart, and the GFOA Certificate of Achievement;
2. *The Financial Section* contains the Report of Independent Accountants, Management's Discussion and Analysis, 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.

CITY OF NAPOLEON, OHIO

Letter of Transmittal For the Year Ended December 31, 2005

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, 2005.

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, 2005. 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 late 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, 2005

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 later 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*".

The 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 City Charter has been amended several times, and was last amended in its entirety by a vote of its Citizens on November 7, 2000, with an effective date of July 1, 2001.

The City operates and is governed by a strong City Council (Council)/City Manager form of government. The City is subject to 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 (7) member Council. The Mayor, who serves as ceremonial head of the City, is separately elected. The Mayor exercises limited executive and legislative authority as provided by the City Charter, including all judicial powers conferred upon mayors under Ohio law. The Council enacts ordinances and resolutions, fixes compensation of City officials and employees, sets policy relating to City services, including; tax levies, utility rates, appropriations and borrowing money, regulating businesses and trades, and all other related municipal services.

CITY OF NAPOLEON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

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 and the Mayor are elected at-large and terms of office are four-years (4). The Municipal Court Judge is separately elected every six (6) 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 Council and serve at the pleasure of Council with no specified terms. Except for the 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's 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 (ORC), 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 (4) 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, a yard waste dumping site, a mosquito control program, storm debris removal and seasonal bulk pickups.

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 114 member public entities 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. The City participates in three (3) Joint Ventures administrated by AMP-Ohio. Detailed descriptions of these Joint Ventures are listed in the Notes to the Financial Statements. 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, 2005

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 various 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, 2005**

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 (Certification of Funds) prior to final approval of purchase orders or other contracts to vendors. Encumbrances in excess of the available object level of 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 category to a different object category. 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 started showing signs of a positive but slow growth in 2005, reflective of the overall national economic trends. This growth has mirrored the State of Ohio which has gone from a flat profile to a growth profile in 2005. Business profit taxes were slightly above the prior year, and withholding taxes and individual returns were up over 6%. Overall Income Tax collections were up +6.4% in 2005 when compared to 2004. Withholdings in 2005 additionally were supplemented by construction wages paid on the SR-108 bridge replacement project over the Maumee River located in the City.

The City continues to have multiple growth opportunities available based on its greatest asset, its location. Recent investments in rail, road infrastructure, and open land have increased both potential and capacity of the City for development. Several factors have impacted the actual pace of growth including State of Ohio tax reform legislation that encourages investment in machinery and equipment, and have spurred additional development and investment in the manufacturing areas of the City. The beginning of improvements on US-24 from Toledo, Ohio, to Fort Wayne, Indiana, (known as the “Port to Fort Project”, a new four lane limited access highway) will position the City as an ideal location for businesses, both industrial and commercial, needing the City location to support its logistical needs. Early inquiry and actual growth in this area has demonstrated this occurrence. Currently, substantial investments have been made or committed to be made by local manufacturing and fulfillment centers in and near the City in 2005 and 2006. Specifically, the Campbell Soup Supply Company, LLC (Campbell’s), the largest employer in Henry County and a manufacturer of soups, drinks (V-8 & Splash) and other canned items, operates a plant adjacent to, but outside the City limits. Campbell’s has invested over \$50 Million in new manufacturing machinery and equipment in its production facility in 2005.

CITY OF NAPOLEON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

Campbell's has committed to investing another \$41 Million in new real and personal property in its facility for 2006. Adjacent to the Campbell's facility, the Southpoint Business Park (a new development) is currently investing over \$31 Million in new real and personal property in the immediate area. Ohio's tax law changes have positively affected the region, and specifically the City, as it has experienced and expects to further experience growth in the number and magnitude of on-site fulfillment centers for its manufacturers. Unfortunately, a large plastics manufacturer Plastech Engineering, Inc., with an estimated workforce of about 230 employees, has announced a business decision to consolidate its facilities and will be discontinuing its operations in the City during 2006.

Commercially, the City has seen growth of its retail and service industries, with new service businesses starting or growing in business in the last 18 months—due to a trickle-down effect of the growth in the immediate and surrounding region. Such growth includes a \$500 Million investment by General Motors in Toledo, and \$130 Million investment by Johns Manville in neighboring Defiance County. Alex Products, located in Ridgeville Corners six (6) miles northeast of the City in Henry County, is a prime supplier for the automotive industry and completed a substantial expansion in 2003. In addition, millions of dollars have been invested in recent years to increase the broadband fiber optic capacity of both the City and its surrounding areas. These investments have spurred new interest from potential businesses to invest in new manufacturing, logistics, and information technology businesses to be located in the area.

The challenges to the domestic automotive industry as a whole negatively impacted Henry County's 2005 unemployment rate, which was 6.2%, in contrast to Ohio's as a whole, which was 5.9%. While specific data is unavailable from the Ohio Department of Job and Family Services (ODJFS), it is estimated that the City unemployment rate falls between the State and County rates from 5.9% to 6.2% respectively. However, as the City transitions from an near-exclusively domestic automotive-based economy to a more diversified economic approach anchored by food production and storage as well as logistics and information technology, economic growth will continue to accelerate in the City and the immediate region, as has been experienced in the recent announced business expansions of over \$72 Million projected in the first half of 2006. Commercially, the City added more businesses than it lost in 2005.

Business

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
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, 2005

Excluding Alex Products, Campbell's and Silgan Can, 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 both full time and part time, with another 240 persons employed in the Silgan Can Company.

Future

The Oakwood Plaza was purchased in 2003 by the Henry County Commissioners and has been renovated for government offices. The Oakwood Plaza currently houses County Administrative Offices, the Henry County Health Department, and an Emergency Operations Center used by both the City and County. Other governmental offices may be moved to the Oakwood Plaza in the future. Three (3) new commerce parks are being developed: the Napoleon Commerce Park; the North Pointe Commerce Park; and the Southpoint Business Park located outside the City limits to the south. Five (5) current and new businesses have built or relocated to the North Pointe Commerce Park with other new businesses inquiring about available space. The most recent businesses to locate there are two (2) truck travel service centers.

A subdivision on the south side of Napoleon is continuing to construct new single-family homes, and there are three condominium developments currently under construction or in the later planning stages. The State in 2005 replaced the Perry Street Bridge (SR-108) over the Maumee River, a \$17/million dollar project. In addition, a new water tower was under construction on the South Side and once completed will give the City additional pressure redundancy to the water system.

The downtown area has had some turn over of businesses in 2005, and some vacant store fronts remain. A recent fire has contributed to disruptions in some downtown businesses. A new jewelry store was opened in 2005. Most new business are locating along the business strip of SR-108 just North of the downtown area.

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, including Melody Lane and Westmoreland Avenue.
- Completed a badge ID security system at the Water Plant and City Hall.
- Purchased a fiber network for the electrical system to increase reliability.
- Upgraded major equipment in many of the Departments, including two (2) new police cruisers.
- Upgraded various Department computers, software, and added fiber optic extensions.
- Completed major sewer separations on the sanitary sewer system, and constructed a new critical pump station.
- Completed waterline upgrades on the distribution system, and completed a new Water Tower.
- Continued with a major re-metering of water and electric meters with automated radio read meter reading devices.

***Letter of Transmittal
For the Year Ended December 31, 2005***

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 new water lines on the south side to improve water pressure and quality.
- Expansion of electric, water and sewer lines to new development areas in the City.
- Elimination of sanitary sewer and combined sewer overflows, and adding a 2.5 million gallon detention basin.
- Formation of a storm water charge for storm water remediation.
- Completion of the SR-24 Fort to Port project, and a study by the State of Ohio for a second river bridge crossing.
- 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 has been implemented 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. In addition, the City has a Healthcare Cost Committee that actively re-evaluates City health programs and costs.

Cash Management

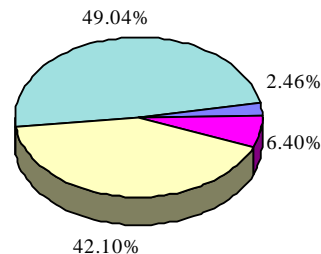
Cash management is an integral component of the City's overall financial plan. The City's goal is to earn a market rate of return consistent with providing the liquidity needed to pay obligations on a timely basis. Authorized investments are described in detail in Note 5 of the footnotes to the basic 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, 2005

The City's cash resources were invested as follows at December 31, 2005:

<u>Cash Resources</u>	<u>2005</u>	<u>%</u>
Cash and Cash Equivalents	\$401,883	2.46%
STAR Ohio	1,044,556	6.40%
Federal Securities	6,870,010	42.10%
Certificates of Deposit	8,000,000	49.04%
Total	\$16,316,449	100.00%



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; natural disasters and injuries to employees. To manage this risk the City participates in various jointly funded pools, both risk sharing and group rated, to provide separate and distinct coverage for the risk involved. These pools are: Buckeye Ohio Risk Management Agency-Property and Casualty, Inc., for Property and Casualty Coverage (aka - BORMA Property and Casualty); Buckeye Ohio Risk Management Agency-Health Benefits, Inc., for Health and Group Life Insurance Coverage (aka - BORMA Health Benefits); and Ohio Rural Water Association-Group Rated Pool for Workers Compensation (aka - ORWA Workers Compensation Pool). Detailed descriptions with basic outlines of coverage's for these pools are listed in Note 15.

For both the BORMA Property and Casualty, and the BORMA Health Benefits Pool's; individual members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of the pool other than residual claims upon dissolution. Both pools are a multi-jurisdictional arrangement that have characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint ventures as defined in GASB Statement No. 14.

Both pools have 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 additional amounts have been reserved in the financial statements. Audited financial statements are maintained separately by each pool.

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 2005. 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.

***Letter of Transmittal
For the Year Ended December 31, 2005***

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.

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, 2005, 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, 2004. We believe this, our tenth (10th) Comprehensive Annual Financial Report, meets the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting, and so therefore the City is 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.

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, 2005***

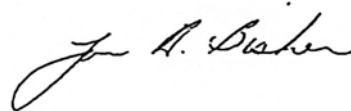
A special thank you is extended to the Members of City Council, the Mayor and the City Departments for the support and trust shown to the City Administration and the Finance Department. Also for allocating the resources and time for the development of this report, which demonstrates the City's commitment 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 professionalism throughout the many hours required in preparing this report. A special thank you is extended to Ms. Chris Peddicord, 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, 2005**

Elected Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Years of Service</u>	<u>Surety</u>
J. Andrew Small	Mayor	12/31/07	5	A
Glen Miller	President of Council	12/31/05	6	A
Mike DeWit	Council	12/31/07	12	A
Jim Hershberger	Council	12/31/05	18	A
Steve Small	Council	12/31/05	3	A
Travis Sheaffer	Council	12/31/05	9	A
Terri Williams	Council	12/31/07	18	A
John Helberg	Council	12/31/07	5	A
John Collier	Municipal Judge	12/31/05	8	A

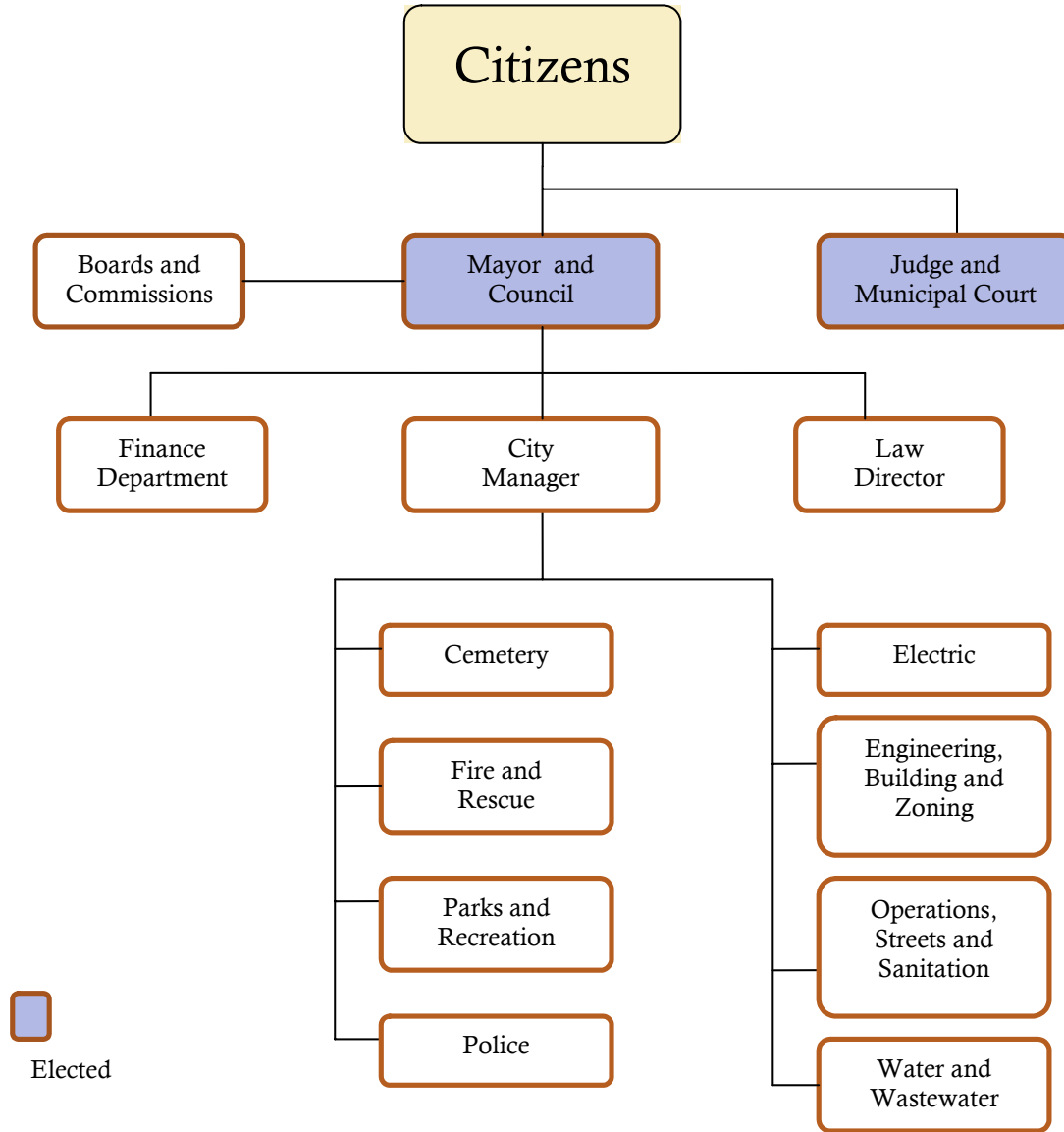
Appointed Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Years of Service</u>	<u>Surety</u>
Jon Bisher	City Manager	Indefinite	7	A
Gregory Heath	Director of Finance	Indefinite	10	A
Betty Marihugh	Clerk of Courts	Indefinite	22	A
David Grahn	Law Director	Indefinite	12	A

(A) BORMA Insurance Company, Public Official Bond Surety up to \$1,000,000.

City Address:
City of Napoleon
255 West Riverview Avenue
Napoleon, Ohio 43545
www.napoleonohio.com

**City Organizational Chart
For the Year Ended December 31, 2005**



Boards and Commissions

Board of Public Affairs	Lodge Tax and Advisory Control Board	Board of Zoning Appeals
Civil Service Commission	Planning Commission	Tree Commission
Charter Review Commission	Americans with Disabilities Act	Parks and Recreation Board
Board of Building Appeals	Compliance Board	Records Retention Commission
CIC Board	County/City General Health District	Housing Advisory Board
NCTV Advisory Board	Volunteer Firefighters Dependent Board	Tax Incentive Review Council

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, 2004

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.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

Different changes...



Better weather...

Some rough edges!



FINANCIAL SECTION

All good things must reach their end to make room for new things to come!



PHOTO COURTESY OF ROBERT L. BRUBAKER, NAPOLEON OHIO





Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of Napoleon
Henry County
255 West 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, Ohio (the City), as of and for the year ended December 31, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Betty Montgomery
Auditor of State

June 23, 2006

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, 2005. 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 2005 are as follows:

- ❑ In total, net assets increased \$4,267,216, and represent a 7.6% increase from 2004. The net assets of governmental activities increased \$2,681,169, representing a 9.1% increase from 2004; and the net assets of business-type activities increased \$1,586,047, representing a 5.9% increase from 2004.
- ❑ Total revenues exceeded \$30 million. \$4.9 million was general revenues, or 16% of the total revenues; and \$25.7 million was program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants and contributions, or 84% of the total revenues.
- ❑ The City had \$7.3 million in program expenses related to governmental activities; only \$5.4 million of these expenses were offset by program specific revenues. General revenues (primarily taxes) of \$4.7 million were adequate to provide for the balance on these programs.
- ❑ Among major funds, the general fund had \$5.6 million in revenues and \$3.6 million in expenditures (the expenditures reflect a net of reimbursements (or off-sets) for shared administrative costs allocated to the business type activities). The general fund's fund balance increased \$341,732 to \$2.4 million.
- ❑ Net assets for business type activities (primarily enterprise funds) increased by \$1,586,047. The increase is a result of higher revenues and higher capital contributions in the form of capital assets.

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 accepted 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 programs 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 programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are reconciled in the financial statements.

CITY OF NAPOLEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

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

The following table provides a comparison of net assets between 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	
	Restated				Restated	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$10,720,647	\$9,621,087	\$18,304,809	\$18,556,318	\$29,025,456	\$28,177,405
Capital assets, Net	24,319,542	22,835,804	24,984,334	23,735,909	49,303,876	46,571,713
Total assets	35,040,189	32,456,891	43,289,143	42,292,227	78,329,332	74,749,118
Long-term debt outstanding	2,095,300	2,244,315	12,746,506	10,664,254	14,841,806	12,908,569
Other liabilities	936,490	885,346	2,241,529	4,912,912	3,178,019	5,798,258
Total liabilities	3,031,790	3,129,661	14,988,035	15,577,166	18,019,825	18,706,827
Net assets						
Invested in capital assets, net of related debt	22,705,762	21,021,667	12,190,666	9,405,924	34,896,428	30,427,591
Restricted	7,056,410	4,680,666	0	0	7,056,410	4,680,666
Unrestricted	2,246,227	3,624,897	16,110,442	17,309,137	18,356,669	20,934,034
Total net assets	\$32,008,399	\$29,327,230	\$28,301,108	\$26,715,061	\$60,309,507	\$56,042,291

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CITY OF NAPOLEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2005 and 2004:

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	Restated 2004	2005	2004	2005	Restated 2004
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,132,945	\$984,938	\$19,635,400	\$17,644,022	\$20,768,345	\$18,628,960
Operating Grants and Contributions	885,954	2,198,081	0	0	885,954	2,198,081
Capital Grants and Contributions	3,361,224	89,966	672,235	0	4,033,459	89,966
General revenues:						
Property Taxes	403,855	405,565	0	0	403,855	405,565
Income Taxes	2,520,569	2,308,225	0	0	2,520,569	2,308,225
Other Local Taxes	585,033	558,804	0	0	585,033	558,804
Shared Revenues	369,573	602,094	0	0	369,573	602,094
Investment Earnings	239,399	195,858	284,854	214,275	524,253	410,133
Miscellaneous	540,580	322,631	0	0	540,580	322,631
Total revenues	10,039,132	7,666,162	20,592,489	17,858,297	30,631,621	25,524,459
Program Expenses						
Security of Persons and Property	3,509,589	3,083,153	0	0	3,509,589	3,083,153
Public Health and Welfare Services	100,116	100,118	0	0	100,116	100,118
Leisure Time Activities	840,601	821,192	0	0	840,601	821,192
Community Environment	717,906	222,063	0	0	717,906	222,063
Transportation	1,292,990	1,813,717	0	0	1,292,990	1,813,717
General Government	779,647	885,066	0	0	779,647	885,066
Interest and Fiscal Charges	86,114	81,851	0	0	86,114	81,851
Electric	0	0	14,680,376	13,137,325	14,680,376	13,137,325
Water	0	0	1,831,263	2,066,067	1,831,263	2,066,067
Sewer	0	0	1,883,991	2,177,445	1,883,991	2,177,445
Sanitation	0	0	641,812	577,992	641,812	577,992
Total expenses	7,326,963	7,007,160	19,037,442	17,958,829	26,364,405	24,965,989
Change in Net Assets Before Transfers	2,712,169	659,002	1,555,047	(100,532)	4,267,216	558,470
Transfers	(31,000)	0	31,000	0	0	0
Total Change in Net Assets	2,681,169	659,002	1,586,047	(100,532)	4,267,216	558,470
Beginning Net Assets	29,327,230	28,668,228	26,715,061	26,815,593	56,042,291	55,483,821
Ending Net Assets	\$32,008,399	\$29,327,230	\$28,301,108	\$26,715,061	\$60,309,507	\$56,042,291

CITY OF NAPOLEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

Governmental Activities

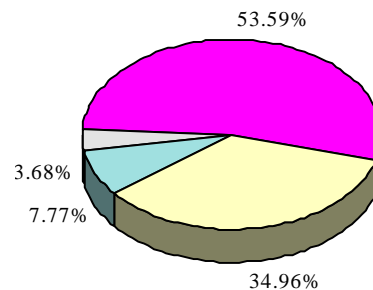
Net assets of the City's governmental activities increased by \$2,681,169. The City experienced an increase in various revenue sources in 2005 over 2004, primarily in income taxes due to improvements in the local economy, and in investment earnings due to higher interest rates. The Operating Grants and Contributions for 2005 included the balance of the \$1.1 million in funds allocated from the State of Ohio to operate South Side Safety Services during the SR-108 bridge-out replacement over the Maumee River.

The unique nature of property taxes in Ohio sometimes creates the need for certain taxing entities (i.e. schools) to routinely seek voter approval for operating funds. *Voted* property tax revenues will not increase solely as a result of inflation, but remains fixed to the property value at the time of the new levy passage for the period of the levy, or a renewal of the levy. As an example, using a 1.0 mill levy, a home valued at \$100,000 is taxed at 35% of its value or \$35,000, and would generate \$35.00 annually in taxes; however, if three years later the home was reappraised at \$200,000 (as comparable to other like homes), the taxed 35% value of the home for the voted levy remains at \$35,000, reducing the effective rate of the voted levy to 0.5 mills. Only by passing a voted *New Levy* would the effective rate increase back to 1 mill. The City currently has no voted property tax levies; however, the City receives a 2.90 mill allocation from the un-voted inside 10 mill general property tax allowed by the State of Ohio. The 2.90 mill allocation *is not* subject to the set valuation on voted levies, and will rise when home values increase.

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 4.0% and 25.1% respectively of revenues for governmental activities for the City in fiscal year 2005. The City's reliance upon tax revenues is demonstrated by the following graph indicating 34.96% of total revenues from general tax revenues:

Revenue Sources	2005	Percent of Total
General Shared Revenues	\$369,573	3.68%
Program Revenues	5,380,123	53.59%
General Tax Revenues	3,509,457	34.96%
General Other	779,979	7.77%
Total Revenue	\$10,039,132	100.00%



Business-Type Activities

Net assets of the business-type activities (electric, water, sewer, sanitation and garage rotary) increased by a net \$1,586,047. Revenues increased \$2 million over 2004 primarily due to recovery of higher purchased power costs in 2005 that are passed through to the customer in the billing process; and higher revenues in water and sewer to fund capital projects, increasing contributions in the form of capital assets.

User rates in the enterprise funds are evaluated annually by management with rate adjustments recommended by City administration to the legislative body for formal approval. Changes to user rates are made periodically whenever necessary to keep pace with increased operational and capital costs.

CITY OF NAPOLEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$5,951,489, which is an increase of \$155,205 from last year's balance of \$5,796,284. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2005 and 2004:

	Fund Balance December 31, 2005	Fund Balance December 31, 2004	Increase (Decrease)
General	\$2,392,097	\$2,050,365	\$341,732
Special Assessment Bond Retirement	428,672	431,878	(3,206)
Capital Improvement	505,371	914,041	(408,670)
Clean Ohio	(77,756)	0	(77,756)
Other Governmental	2,703,105	2,400,000	303,105
Total	\$5,951,489	\$5,796,284	\$155,205

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

	2005 Revenues	2004 Revenues	Increase (Decrease)
Taxes	\$3,355,377	\$3,128,947	\$226,430
Intergovernmental Revenue	1,372,259	720,292	651,967
Charges for Services	212,111	250,313	(38,202)
Licenses and Permits	89,952	114,276	(24,324)
Fines and Forfeitures	252,773	220,551	32,222
Investment Earnings	166,161	146,780	19,381
Special Assessments	1,080	0	1,080
All Other Revenue	193,365	182,843	10,522
Total	\$5,643,078	\$4,764,002	\$879,076

General Fund revenues in 2005 increased approximately 18.4% compared to revenues in fiscal year 2004. The most significant factor contributing to this increase was in revenues from municipal income taxes and intergovernmental revenues. Municipal income taxes were up as overall economic conditions improved. Intergovernmental revenues increased as a result of payments from the State of Ohio to operate South Side Safety Services during the SR-108 bridge-out replacement over the Maumee River.

	2005 Expenditures	2004 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,830,498	\$2,273,303	\$557,195
Public Health and Welfare Services	88,465	89,627	(1,162)
Community Environment	87,096	83,661	3,435
General Government	639,877	784,222	(144,345)
Total	\$3,645,936	\$3,230,813	\$415,123

CITY OF NAPOLEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2005

Unaudited

General Fund expenditures increased by \$415,123 or 12.8% when compared to the prior year of 2004. General government expenditures reflect a net of reimbursements (or off-sets) for shared administrative costs allocated to the business type activities. In addition, reimbursement off-sets are included from the kilowatt hour tax monies directed back to the General Fund pursuant to Ohio law. Overall salary and wages, retirement contributions, and health insurance premiums for the City's employees did increase in 2005. The expenditures for the temporary police and fire station on the City's south side of the river are listed with Security of Persons and Property, and are funded by a grant from the State of Ohio.

Changes in the other major governmental funds include decreases in the Special Assessment Bond Retirement Fund, the Capital Improvement Fund and the Clean Ohio fund. The Special Assessment Bond Retirement Fund decreased slightly by \$3,206. The Capital Improvement Fund is primarily funded by income taxes, and expenditures in 2005 included \$325,000 in transfers to other funds to cover carryover fund balance requirements and \$40,000 in transfers for other purposes pursuant to the revised code, as well as over \$83,000 in capitalized street and storm sewer related projects, reducing the fund balance in 2005 by \$408,670. The Clean Ohio Fund is primarily funded by a grant from the State of Ohio; and includes payables for \$78,145, posted on a GAAP basis, for contractors providing onsite cleanup services in 2005 reducing the fund balance by \$77,756.

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 2005 the City amended its General Fund budget several times, none were considered significant.

For the General Fund, the final budget basis revenue of \$5.3 million did not significantly change over the conservative original budget estimates of \$4.6 million. The General Fund had an adequate revenue stream and fund balance to cover its expenditures in 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005 the City had \$49,303,876 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$24,319,542 was related to governmental activities and \$24,984,334 to the business-type activities. The following table shows fiscal year 2005 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2005	2004	
Land	\$8,421,238	\$8,358,866	\$62,372
Improvements	548,257	462,950	85,307
Infrastructure	21,226,236	20,512,263	713,973
Buildings	2,405,551	2,046,549	359,002
Machinery and Equipment	4,931,847	4,665,988	265,859
Construction in Progress	1,030,638	36,354	994,284
Less: Accumulated Depreciation	(14,244,225)	(13,247,166)	(997,059)
Totals	\$24,319,542	\$22,835,804	\$1,483,738

CITY OF NAPOLEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2005	2004	
Land	\$349,695	\$349,695	\$0
Buildings	7,030,855	7,010,555	20,300
Improvements	25,928,609	25,080,818	847,791
Machinery and Equipment	6,431,088	6,262,859	168,229
Construction in Progress	1,780,662	753,349	1,027,313
Less: Accumulated Depreciation	(16,536,575)	(15,721,367)	(815,208)
Totals	\$24,984,334	\$23,735,909	\$1,248,425

The primary increases occurred in infrastructure and construction in progress. Additional information on the City's capital assets can be found in Note 9.

Debt

At December 31, 2005, the City had \$8.9 million in bonds outstanding, \$601,320 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2005 and 2004:

	2005	2004
Governmental Activities:		
Special Assessment Bonds	\$785,568	\$963,575
General Obligation Bonds	680,000	0
Long-Term Notes	0	690,000
OPWC Loans Payable	148,212	160,562
Compensated Absences	481,520	430,178
Total Governmental Activities	2,095,300	2,244,315
Business-Type Activities:		
General Obligation Bonds	\$2,350,000	\$2,385,000
Mortgage Revenue Bonds	5,000,000	5,280,000
Special Assessment Bonds	97,432	101,425
OWDA Loans Payable	4,019,916	2,562,451
OPWC Loans Payable	51,582	55,266
OSWRC Deferred Loan Payable	666,070	88,341
Payable to Joint Venture	331,831	0
Compensated Absences	229,675	191,771
Total Business-Type Activities	12,746,506	10,664,254
Totals	\$14,841,806	\$12,908,569

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 the other applicable political subdivisions within Henry County, Ohio, where Napoleon is located, is limited to ten mills. At December 31, 2005, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

ECONOMIC FACTORS AND BUDGET

The City's original budget for 2005 included built in conservative revenue estimates with limited increases in base operating costs. These estimates projected limited growth, or a potential decline, in certain revenues. Expenditures were *projected to exceed revenues* in most funds, including the General Fund. However, the City Council desiring to maintain current service levels to the residents of the City, decided to utilize some of the projected fund balance reserves and not cut service levels.

The original 2005 General Fund revenues were projected at a level of 17.3% less than final actual receipts for 2005. Some of the reduced revenue estimates included a projected decrease in interest income; projected reductions in state shared revenue including the estate tax; and a lowered projected municipal income tax to buffer any potential downturn in local economic conditions.

General Fund expenditures were originally budgeted at 3.4% more than final actual expenditures for 2005. No additional permanent personnel were added in the final approved budget, *except those hired to man the temporary South Side Safety Services during the SR-108 bridge replacement project*. In addition, department requests were reduced from original submissions; certain requested capital projects and capital acquisitions were reduced or eliminated; and only those items that City 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. Please see the transmittal letter for a more in depth review of the local economy.

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 please contact the Finance Department by one of the following venues:

- | | |
|------------------|---|
| Written Request: | City of Napoleon, Ohio
Attn: Department of Finance
255 West Riverview Avenue
P.O. Box 151
Napoleon, Ohio 43545-0151 |
| Phone Request: | Phone (419) 599-1235
FAX (419) 599-8393 |
| E-mail Request: | gheath@napoleonohio.com |
| Web Page: | www.napoleonohio.com |



Pickup the pieces and start a new...



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CITY OF NAPOLEON, OHIO

**Statement of Net Assets
December 31, 2005**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 974,450	\$ 1,939,259	\$ 2,913,709
Investments	4,151,570	9,230,820	13,382,390
Receivables:			
Property Taxes	476,993	0	476,993
Municipal Income Taxes	748,446	0	748,446
Accounts	186,137	3,096,955	3,283,092
Intergovernmental	2,864,867	257,458	3,122,325
Interest	28,656	31,774	60,430
Special Assessments	1,094,713	1,427,675	2,522,388
Loans	127,915	0	127,915
Internal Balances	(13,282)	13,282	0
Inventory of Supplies at Cost	80,182	1,159,594	1,239,776
Capital Assets:			
Capital Assets Not Being Depreciated	9,451,876	2,130,357	11,582,233
Capital Assets Being Depreciated, Net	14,867,666	22,853,977	37,721,643
Investment in Joint Venture	0	1,147,992	1,147,992
Total Assets	35,040,189	43,289,143	78,329,332
Liabilities:			
Accounts Payable	164,805	1,150,570	1,315,375
Accrued Wages and Benefits	315,364	144,111	459,475
Unearned Revenue	444,520	0	444,520
Accrued Interest Payable	11,801	21,848	33,649
General Obligation Notes Payable	0	925,000	925,000
Long-Term Liabilities:			
Due Within One Year	438,746	813,833	1,252,579
Due in More Than One Year	1,656,554	11,932,673	13,589,227
Total Liabilities	3,031,790	14,988,035	18,019,825
Net Assets:			
Invested in Capital Assets, Net of Related Debt	22,705,762	12,190,666	34,896,428
Restricted For:			
Capital Projects	2,572,167	0	2,572,167
Debt Service	1,532,394	0	1,532,394
Street Construction, Maintenance and Repair	721,508	0	721,508
EMS Transport Service	208,299	0	208,299
Economic Development	859,406	0	859,406
Fire Equipment	284,949	0	284,949
Court Improvement	236,335	0	236,335
Other Purposes	641,352	0	641,352
Unrestricted	2,246,227	16,110,442	18,356,669
Total Net Assets	\$ 32,008,399	\$ 28,301,108	\$ 60,309,507

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

**Statement of Activities
For the Year Ended December 31, 2005**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 3,509,589	\$ 796,718	\$ 52,597	\$ 113,612
Public Health and Welfare Services	100,116	19,733	0	0
Leisure Time Activities	840,601	258,863	0	0
Community Environment	717,906	2,808	103,876	2,759,538
Transportation	1,292,990	3,950	729,481	488,074
General Government	779,647	50,873	0	0
Interest and Fiscal Charges	86,114	0	0	0
Total Governmental Activities	7,326,963	1,132,945	885,954	3,361,224
Business-Type Activities:				
Electric	14,680,376	14,548,024	0	0
Water	1,831,263	2,124,645	0	419,686
Sewer	1,883,991	2,346,604	0	252,549
Sanitation	641,812	616,127	0	0
Total Business-Type Activities	19,037,442	19,635,400	0	672,235
Totals	\$ 26,364,405	\$ 20,768,345	\$ 885,954	\$ 4,033,459

General Revenues:

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

Change in Net Assets

Net Assets Beginning of Year, as Restated
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
\$ (2,546,662)	\$ 0	\$ (2,546,662)
(80,383)	0	(80,383)
(581,738)	0	(581,738)
2,148,316	0	2,148,316
(71,485)	0	(71,485)
(728,774)	0	(728,774)
(86,114)	0	(86,114)
<u>(1,946,840)</u>	<u>0</u>	<u>(1,946,840)</u>
0	(132,352)	(132,352)
0	713,068	713,068
0	715,162	715,162
0	(25,685)	(25,685)
<u>0</u>	<u>1,270,193</u>	<u>1,270,193</u>
<u>(1,946,840)</u>	<u>1,270,193</u>	<u>(676,647)</u>
403,855	0	403,855
2,520,569	0	2,520,569
585,033	0	585,033
369,573	0	369,573
239,399	284,854	524,253
540,580	0	540,580
(31,000)	31,000	0
<u>4,628,009</u>	<u>315,854</u>	<u>4,943,863</u>
2,681,169	1,586,047	4,267,216
<u>29,327,230</u>	<u>26,715,061</u>	<u>56,042,291</u>
<u>\$ 32,008,399</u>	<u>\$ 28,301,108</u>	<u>\$ 60,309,507</u>

CITY OF NAPOLEON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2005**

	General	Special Assessment Bond Retirement	Capital Improvement
Assets:			
Cash and Cash Equivalents	\$ 297,440	\$ 74,261	\$ 88,208
Investments	1,423,577	353,854	420,312
Receivables:			
Property Taxes	337,615	0	0
Municipal Income Taxes	748,446	0	0
Accounts	57,621	0	0
Intergovernmental	370,897	0	240,752
Interest	21,103	1,620	0
Special Assessments	44	1,094,669	0
Loans	0	0	0
Inventory of Supplies, at Cost	2,221	0	0
Total Assets	\$ 3,258,964	\$ 1,524,404	\$ 749,272
Liabilities:			
Accounts Payable	2,673	0	62,949
Accrued Wages and Benefits Payable	198,702	0	0
Deferred Revenue	665,492	1,095,732	180,952
Total Liabilities	866,867	1,095,732	243,901
Fund Balances:			
Reserved for Encumbrances	72,172	0	115,123
Reserved for Supplies Inventory	2,221	0	0
Reserved for Loans Receivable	0	0	0
Undesignated/Unreserved in:			
General Fund	2,317,704	0	0
Special Revenue Funds	0	0	0
Debt Service Funds	0	428,672	0
Capital Projects Funds	0	0	390,248
Total Fund Balances	2,392,097	428,672	505,371
Total Liabilities and Fund Balances	\$ 3,258,964	\$ 1,524,404	\$ 749,272

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

<u>Clean Ohio</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 389	\$ 466,741	\$ 927,039
0	1,953,827	4,151,570
0	139,378	476,993
0	0	748,446
0	128,516	186,137
1,963,600	289,618	2,864,867
0	5,933	28,656
0	0	1,094,713
0	127,915	127,915
0	66,878	69,099
<u>\$ 1,963,989</u>	<u>\$ 3,178,806</u>	<u>\$ 10,675,435</u>
78,145	19,276	163,043
0	109,306	308,008
<u>1,963,600</u>	<u>347,119</u>	<u>4,252,895</u>
<u>2,041,745</u>	<u>475,701</u>	<u>4,723,946</u>
0	449,633	636,928
0	66,878	69,099
0	127,915	127,915
0	0	2,317,704
0	2,038,888	2,038,888
0	19,791	448,463
(77,756)	0	312,492
<u>(77,756)</u>	<u>2,703,105</u>	<u>5,951,489</u>
<u>\$ 1,963,989</u>	<u>\$ 3,178,806</u>	<u>\$ 10,675,435</u>

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2005***

Total Governmental Fund Balances	\$ 5,951,489
<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.	24,313,579
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	3,808,375
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.	35,937
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,100,981)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 32,008,399</u></u>

See accompanying notes to the basic financial statements

Push forward!



Reach High!



PHOTOS BY GARY L. FRANZ, NAPOLEON OHIO

CITY OF NAPOLEON, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005**

	General	Special Assessment Bond Retirement	Capital Improvement
Revenues:			
Property Taxes	\$ 280,298	\$ 0	\$ 0
Municipal Income Tax	2,490,046	0	0
Other Local Taxes	585,033	0	0
Intergovernmental Revenues	1,372,259	0	93,308
Charges for Services	212,111	0	0
Licenses and Permits	89,952	0	0
Investment Earnings	166,161	13,935	0
Special Assessments	1,080	223,028	0
Fines and Forfeitures	252,773	0	0
All Other Revenue	193,365	0	12,604
Total Revenue	5,643,078	236,963	105,912
Expenditures:			
Current:			
Security of Persons and Property	2,830,498	0	0
Public Health and Welfare Services	88,465	0	0
Leisure Time Activities	0	0	0
Community Environment	87,096	0	0
Transportation	0	0	0
General Government	639,877	4,273	0
Capital Outlay	0	0	1,225,917
Debt Service:			
Principal Retirement	0	190,357	690,000
Interest and Fiscal Charges	0	57,899	14,077
Total Expenditures	3,645,936	252,529	1,929,994
Excess (Deficiency) of Revenues Over Expenditures	1,997,142	(15,566)	(1,824,082)
Other Financing Sources (Uses):			
Sale of Capital Assets	67	0	0
General Obligation Bonds Issued	0	0	690,000
Transfers In	150,881	12,360	1,090,412
Transfers Out	(1,807,000)	0	(365,000)
Total Other Financing Sources (Uses)	(1,656,052)	12,360	1,415,412
Net Change in Fund Balances	341,090	(3,206)	(408,670)
Fund Balances at Beginning of Year, as Restated	2,050,365	431,878	914,041
Increase in Inventory Reserve	642	0	0
Fund Balances (Deficit) End of Year	\$ 2,392,097	\$ 428,672	\$ 505,371

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

Clean Ohio	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 126,116	\$ 406,414
0	0	2,490,046
0	0	585,033
774,100	1,006,469	3,246,136
0	446,953	659,064
0	0	89,952
0	53,892	233,988
0	0	224,108
0	89,309	342,082
0	96,574	302,543
<u>774,100</u>	<u>1,819,313</u>	<u>8,579,366</u>
0	439,417	3,269,915
0	0	88,465
0	764,355	764,355
0	629,246	716,342
0	585,866	585,866
0	51,894	696,044
949,856	0	2,175,773
0	10,000	890,357
0	21,657	93,633
<u>949,856</u>	<u>2,502,435</u>	<u>9,280,750</u>
(175,756)	(683,122)	(701,384)
0	288,500	288,567
0	0	690,000
98,000	832,433	2,184,086
0	(138,086)	(2,310,086)
<u>98,000</u>	<u>982,847</u>	<u>852,567</u>
(77,756)	299,725	151,183
0	2,400,000	5,796,284
0	3,380	4,022
<u>\$ (77,756)</u>	<u>\$ 2,703,105</u>	<u>\$ 5,951,489</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, 2005***

Net Change in Fund Balances - Total Governmental Funds \$ 151,183

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. 1,242,450

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 capital assets net of proceeds received. (55,197)

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 296,956

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 874,243

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. 200,357

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 7,519

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (47,638)

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. 11,296

Change in Net Assets of Governmental Activities \$ 2,681,169

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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 272,350	\$ 280,300	\$ 280,298	\$ (2)
Municipal Income Tax	2,426,400	2,769,720	2,769,724	4
Intergovernmental Revenue	1,102,420	1,387,380	1,387,389	9
Charges for Services	215,980	231,800	242,902	11,102
Licenses and Permits	56,360	89,960	89,952	(8)
Investment Earnings	101,130	192,350	192,348	(2)
Special Assessments	0	1,080	1,080	0
Fines and Forfeitures	212,000	237,240	237,236	(4)
All Other Revenues	201,302	181,012	181,013	1
Total Revenues	<u>4,587,942</u>	<u>5,370,842</u>	<u>5,381,942</u>	<u>11,100</u>
Expenditures:				
Current:				
Security of Persons and Property	2,981,420	2,939,763	2,938,736	1,027
Public Health and Welfare Services	93,570	88,370	88,179	191
Community Environment	95,010	85,940	85,794	146
General Government	1,161,570	1,078,591	1,076,980	1,611
Total Expenditures	<u>4,331,570</u>	<u>4,192,664</u>	<u>4,189,689</u>	<u>2,975</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	256,372	1,178,178	1,192,253	14,075
Other Financing Sources (Uses):				
Sale of Capital Assets	0	70	67	(3)
Transfers In	582,162	735,927	735,914	(13)
Transfers Out	(1,593,490)	(1,807,010)	(1,807,000)	10
Total Other Financing Sources (Uses):	<u>(1,011,328)</u>	<u>(1,071,013)</u>	<u>(1,071,019)</u>	<u>(6)</u>
Net Change In Fund Balance	(754,956)	107,165	121,234	14,069
Fund Balance at Beginning of Year	1,280,722	1,280,722	1,280,722	0
Prior Year Encumbrances	224,317	224,317	224,317	0
Fund Balance at End of Year	<u>\$ 750,083</u>	<u>\$ 1,612,204</u>	<u>\$ 1,626,273</u>	<u>\$ 14,069</u>

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

**Statement of Net Assets
Proprietary Fund
December 31, 2005**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 1,127,333	\$ 184,502	\$ 518,574
Investments	5,367,046	879,153	2,465,954
Receivables:			
Accounts	2,534,333	228,834	251,630
Intergovernmental	0	151,222	106,236
Interest	15,107	3,620	10,642
Special Assessments	0	55,449	1,372,226
Inventory of Supplies at Cost	1,049,767	72,034	37,793
<i>Total Current Assets</i>	<u>10,093,586</u>	<u>1,574,814</u>	<u>4,763,055</u>
<i>Non Current Assets:</i>			
Capital Assets, Net	10,557,090	5,323,886	8,875,996
Investment in Joint Venture	1,147,992	0	0
<i>Total Non Current Assets</i>	<u>11,705,082</u>	<u>5,323,886</u>	<u>8,875,996</u>
Total Assets	<u>21,798,668</u>	<u>6,898,700</u>	<u>13,639,051</u>

CITY OF NAPOLEON, OHIO

<u>Other</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 108,850	\$ 1,939,259	\$ 47,411
518,667	9,230,820	0
82,158	3,096,955	0
0	257,458	0
2,405	31,774	0
0	1,427,675	0
<u>0</u>	<u>1,159,594</u>	<u>11,083</u>
<u>712,080</u>	<u>17,143,535</u>	<u>58,494</u>
227,362	24,984,334	5,963
<u>0</u>	<u>1,147,992</u>	<u>0</u>
<u>227,362</u>	<u>26,132,326</u>	<u>5,963</u>
<u>939,442</u>	<u>43,275,861</u>	<u>64,457</u>

(Continued)

CITY OF NAPOLEON, OHIO

**Statement of Net Assets
Proprietary Fund
December 31, 2005**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	914,642	2,001	228,031
Accrued Wages and Benefits	61,899	50,227	22,110
General Obligation Bonds - Current	0	110,000	0
Special Assessment Bonds - Current	0	0	3,993
Mortgage Revenue Bonds - Current	140,000	0	150,000
Ohio Public Works Commission Loan - Current	0	0	3,684
Ohio Water Development Authority Loans - Current	0	28,869	275,472
<i>Total Current Liabilities</i>	<u>1,116,541</u>	<u>191,097</u>	<u>683,290</u>
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	85,105	69,839	56,946
Accrued Interest Payable	0	21,364	484
General Obligation Notes Payable	0	925,000	0
General Obligation Bonds Payable	0	2,240,000	0
Special Assessment Bonds Payable	0	0	93,439
Revenue Bonds Payable	2,270,000	0	2,440,000
OWDA Loans Payable	0	559,843	3,155,732
OPWC Loans Payable	0	0	47,898
Ohio Sewer & Water Rotary Commission Deferred Loan Payable	0	158,166	507,904
Payable to Joint Venture	331,831	0	0
<i>Total Long-Term Liabilities</i>	<u>2,686,936</u>	<u>3,974,212</u>	<u>6,302,403</u>
Total Liabilities	<u>3,803,477</u>	<u>4,165,309</u>	<u>6,985,693</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	8,147,090	1,618,340	2,197,874
Unrestricted	9,848,101	1,115,051	4,455,484
Total Net Assets	<u>\$ 17,995,191</u>	<u>\$ 2,733,391</u>	<u>\$ 6,653,358</u>

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
5,896	1,150,570	1,762
9,875	144,111	7,356
0	110,000	0
0	3,993	0
0	290,000	0
0	3,684	0
0	304,341	0
15,771	2,006,699	9,118
17,785	229,675	6,120
0	21,848	0
0	925,000	0
0	2,240,000	0
0	93,439	0
0	4,710,000	0
0	3,715,575	0
0	47,898	0
0	666,070	0
0	331,831	0
17,785	12,981,336	6,120
33,556	14,988,035	15,238
227,362	12,190,666	5,963
678,524	16,097,160	43,256
\$ 905,886	28,287,826	\$ 49,219
	13,282	
	\$ 28,301,108	

CITY OF NAPOLEON, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2005**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
Operating Revenues:			
Charges for Services	\$ 14,705,556	\$ 1,872,986	\$ 1,894,906
Other Charges for Services	39,310	251,659	451,698
Total Operating Revenues	14,744,866	2,124,645	2,346,604
Operating Expenses:			
Personal Services	1,049,475	574,855	430,476
Contractual Services	1,847,908	521,452	471,812
Materials and Supplies	135,207	262,266	153,847
Utilities	11,023,096	126,446	97,837
Depreciation	376,019	143,030	376,167
Total Operating Expenses	14,431,705	1,628,049	1,530,139
Operating Income (Loss)	313,161	496,596	816,465
Nonoperating Revenue (Expenses):			
Investment Earnings	133,138	42,285	89,872
Interest Expense	(118,092)	(204,236)	(353,171)
Other Local Taxes (kWh Tax)	128,990	0	0
Gain on Investment in Joint Venture	(325,832)	0	0
Other Nonoperating Expense (kWh Paid to State)	(128,512)	0	0
Total Nonoperating Revenues (Expenses)	(310,308)	(161,951)	(263,299)
Income (Loss) Before Transfers and Contributions	2,853	334,645	553,166
Transfers In	0	0	31,000
Capital Contributions	0	419,686	252,549
Change in Net Assets	2,853	754,331	836,715
Net Assets Beginning of Year	17,992,338	1,979,060	5,816,643
Net Assets End of Year	\$ 17,995,191	\$ 2,733,391	\$ 6,653,358

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
\$ 607,693	\$ 19,081,141	\$ 82,693
8,434	751,101	1,550
<u>616,127</u>	<u>19,832,242</u>	<u>84,243</u>
170,868	2,225,674	110,838
352,828	3,194,000	265
88,966	640,286	59,263
3,512	11,250,891	577
23,897	919,113	471
<u>640,071</u>	<u>18,229,964</u>	<u>171,414</u>
(23,944)	1,602,278	(87,171)
19,559	284,854	0
0	(675,499)	0
0	128,990	0
0	(325,832)	0
0	(128,512)	0
<u>19,559</u>	<u>(715,999)</u>	<u>0</u>
(4,385)	886,279	(87,171)
0	31,000	95,000
0	672,235	0
(4,385)	1,589,514	7,829
<u>910,271</u>	<u>26,698,312</u>	<u>41,390</u>
<u>\$ 905,886</u>	<u>\$ 28,287,826</u>	<u>\$ 49,219</u>
	\$ 1,589,514	
	<u>(3,467)</u>	
	<u>\$ 1,586,047</u>	

CITY OF NAPOLEON, OHIO

**Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2005**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$14,653,505	\$2,052,337	\$2,042,240
Cash Payments for Goods and Services	(13,024,240)	(909,762)	(731,951)
Cash Payments to Employees	(1,022,737)	(555,661)	(417,995)
Net Cash Provided (Used) by Operating Activities	606,528	586,914	892,294
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	0	31,000
Capital Contributions	0	268,464	146,313
Receipts of Other Local Taxes	128,990	0	0
kWh Tax Paid to State	(128,512)	0	0
Receipts of Special Assessments	0	0	127,552
Net Cash Provided by Noncapital Financing Activities	478	268,464	304,865
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(549,948)	(1,096,148)	(615,859)
General Obligation Notes Issued	0	2,022,000	1,213,000
General Obligation Bonds Issued	0	1,450,000	0
OWDA Loans Issued	0	299,594	1,415,401
OSWRC Loans Issued	0	158,166	419,563
Principal Paid on General Obligation Notes	(430,000)	(2,194,000)	(3,226,000)
Principal Paid on Special Assessment Bond	0	0	(3,993)
Principal Paid on General Obligation Bonds	0	(1,485,000)	0
Principal Paid on Mortgage Revenue Bonds	(135,000)	0	(145,000)
Principal Paid on Ohio Public Works Commission Loan	0	0	(3,684)
Principal Paid on Ohio Water Development Authority Loans	0	(22,467)	(235,063)
Interest Paid on All Debt	(128,513)	(196,555)	(357,847)
Net Cash Used for Capital and Related Financing Activities	(1,243,461)	(1,064,410)	(1,539,482)
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	275,384	154,929	0
Purchase of Investments	0	0	(1,670)
Receipts of Interest	143,958	44,813	91,618
Net Cash Provided by Investing Activities	419,342	199,742	89,948
Net Increase (Decrease) in Cash and Cash Equivalents	(217,113)	(9,290)	(252,375)
Cash and Cash Equivalents at Beginning of Year	1,344,446	193,792	770,949
Cash and Cash Equivalents at End of Year	\$1,127,333	\$184,502	\$518,574

CITY OF NAPOLEON, OHIO

Other	Totals	Governmental Activities Internal Service Funds
\$610,473	\$19,358,555	\$84,243
(445,894)	(15,111,847)	(61,904)
(161,039)	(2,157,432)	(111,869)
3,540	2,089,276	(89,530)
0	31,000	95,000
0	414,777	0
0	128,990	0
0	(128,512)	0
0	127,552	0
0	573,807	95,000
0	(2,261,955)	0
0	3,235,000	0
0	1,450,000	0
0	1,714,995	0
0	577,729	0
0	(5,850,000)	0
0	(3,993)	0
0	(1,485,000)	0
0	(280,000)	0
0	(3,684)	0
0	(257,530)	0
0	(682,915)	0
0	(3,847,353)	0
0	430,313	0
(9,806)	(11,476)	0
19,753	300,142	0
9,947	718,979	0
13,487	(465,291)	5,470
95,363	2,404,550	41,941
\$108,850	\$1,939,259	\$47,411

(Continued)

CITY OF NAPOLEON, OHIO

**Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2005**

	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)	\$313,161	\$496,596	\$816,465
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	376,019	143,030	376,167
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(91,361)	(16,859)	(3,855)
Increase in Special Assessments Receivable	0	(55,449)	(300,509)
Decrease (Increase) in Inventory	(49,546)	6,349	(3,824)
Increase (Decrease) in Accounts Payable	31,517	(5,947)	(4,631)
Increase (Decrease) in Accrued			
Wages and Benefits	7,645	18,544	2,590
Increase (Decrease) in			
Compensated Absences	19,093	650	9,891
Total Adjustments	<u>293,367</u>	<u>90,318</u>	<u>75,829</u>
Net Cash Provided (Used) by Operating Activities	<u>\$606,528</u>	<u>\$586,914</u>	<u>\$892,294</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2005, the Electric and Sewer Funds had outstanding liabilities of \$429 and \$225,527, respectively, for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

<u>Other</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
(\$23,944)	\$1,602,278	(\$87,171)
23,897	919,113	471
(5,654)	(117,729)	0
0	(355,958)	0
0	(47,021)	(3,561)
(588)	20,351	1,762
1,559	30,338	(713)
8,270	37,904	(318)
<u>27,484</u>	<u>486,998</u>	<u>(2,359)</u>
<u>\$3,540</u>	<u>\$2,089,276</u>	<u>(\$89,530)</u>

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2005***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 20,350
Total Assets	<u>20,350</u>
Liabilities:	
Due to Others	<u>20,350</u>
Total Liabilities	<u>\$ 20,350</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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 Charter was amended by vote on November 3, 1992, and became effective January 1, 1993; and the current Charter was amended by vote on November 7, 2000 and became effective January 1, 2001.

The financial statements are presented as of December 31, 2005 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 17 "Joint Ventures and Jointly Governed Organizations."

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 17 "Joint Ventures and Jointly Governed Organizations."

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

1. Joint Ventures with Equity Interest (Continued)

Ohio Municipal Electric Generation Agency Joint Venture 6 (Omega JV-6) - The City is a participant with ten subdivisions within the State of Ohio in a distributive generation project using wind turbine technology. The Omega JV-6 was created for that purpose. See Note 17 "Joint Ventures and Jointly Governed Organizations."

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 17 "Joint Ventures and Jointly Governed Organizations."

3. Jointly Governed Organizations:

Maumee Valley Planning Organization - The City is a member of the Maumee Valley Planning Organization (MVPO), which is a jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams Counties and the respective townships and municipalities in each of those counties. The purpose of the MVPO is to act as a joint regional planning commission to write and administer Community Development Block Grants (CDBG) and help with housing rehabilitation in the area. See Note 17 "Joint Ventures and Jointly Governed Organizations."

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 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:

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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, mainly income tax revenue transferred into the fund, used for the major capital projects undertaken by the City.

Clean Ohio Fund - To account for grants from the State of Ohio and other resources used for hazardous waste land cleanup and remediation.

Proprietary Funds

All proprietary funds fall under Business-Type Activities and 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 and non-major enterprise funds are:

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Water Fund – (Major) – This fund is used to account for the operation of the City’s water service.

Sewer Fund – (Major) – This fund is used to account for the operation of the City’s sanitary sewer service.

Sanitation Fund – (Non-major) – This fund is used to account for the operation of the City’s sanitation (refuse) pickup and disposal service.

Internal Service Funds (Non-major) - 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. The City has one internal service fund, the Garage Fund. This fund is used to account for monies received from city departments to cover the cost of servicing the vehicles of the City departments.

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 a full accrual basis of accounting. The City has two agency funds. These funds are used to account for monies received by the City in situations where the City’s role is purely custodial in nature. The two funds are the Municipal Court Fund, which accounts for monies that flow through the municipal court office, and the Employee Benefits Fund, which accounts for funds related to the IRS 125 Employees Benefit Plan.

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 internal service fund is eliminated to avoid “doubling up” revenues and expenses; however, the interfund services provided and used are not eliminated in the process of consolidation.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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.

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

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, 2005 but are not intended to finance 2005 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

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 funds are required to be reported. The only funds required to be reported in the basic financial statements are the general fund and any major special revenue funds. 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.

The budget commission has waived the filing of the budget, however, schedules A and B of the budget must be submitted to the commission.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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 2005.

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 2005, 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 "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, 2005***

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	
	General Fund
GAAP Basis (as reported)	\$341,090
Increase (Decrease):	
Accrued Revenues at December 31, 2005 received during 2006	(870,234)
Accrued Revenues at December 31, 2004 received during 2005	783,395
Accrued Expenditures at December 31, 2005 paid during 2006	201,375
Accrued Expenditures at December 31, 2004 paid during 2005	(281,573)
2004 Adjustment to Fair Value	41,925
2005 Adjustment to Fair Value	(22,459)
Outstanding Encumbrances	(72,285)
Budget Basis	<u>\$121,234</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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." Investment earnings of \$148,172 earned by other funds were credited to the general fund as required by local statute.

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, other than certificates of deposit, 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 2005. 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, 2005.

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, 2005***

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. All infrastructure acquired prior to the implementation of GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”, has been reported.

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 and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Debt

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Bond Retirement Fund 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
Long-Term Notes	Capital Improvement 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, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

For governmental funds, that portion of unpaid compensated absences that has matured and 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 cost 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.

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. In addition, interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, electric generation 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 2005.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

A. Changes in Accounting Principles

For fiscal year 2005, the City has implemented GASB Statement No. 40, “*Deposit and Investment Risk Disclosures*” and GASB Statement No. 42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*”

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks, credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. This statement also clarifies and establishes accounting revenues for insurance recoveries.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 5, "Cash, Cash Equivalents and Investments." The implementation of GASB Statement No. 42 did not have an effect on the financial statements of the City.

B. Prior Period Adjustment

During the year ended December 31, 2004, it was determined that intergovernmental receivables in the Greenfield Open Space Fund (capital projects fund) were overstated. The adjustment had the following effect on the Greenfield Open Space Fund balance:

	Greenfield Open Space Fund
	<hr/>
Fund Balance at December 31, 2004 as reported	\$24,418
Accounting Change for accounts receivable	(4,587)
Fund Balance at December 31, 2004 as restated	<hr/> <hr/>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

(Continued)

B. Prior Period Adjustment (Continued)

The changes to the beginning Greenfield Open Space Fund balance had the following effect on the governmental activities beginning net assets:

	<u>Governmental Activities</u>
Net Assets December 31, 2004 as reported	\$29,331,817
Adjustments:	
Accounting Change for accounts receivable	<u>(4,587)</u>
Net Assets December 31, 2004 as restated	<u>\$29,327,230</u>

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	\$96,650
Delinquent Property Tax Revenue	4,586
Shared Revenues	2,593,622
Interest Revenues	18,804
Special Assessment Revenue	<u>1,094,713</u>
	\$3,808,375

Long-Term liabilities not reported in the funds:

Special Assessment Bonds Payable	(\$785,568)
General Obligation Bonds Payable	(680,000)
OPWC Loans Payable	(148,212)
Accrued Interest on Long-Term Debt	(11,801)
Compensated Absences Payable	<u>(475,400)</u>
	(\$2,100,981)

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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	\$2,530,399
Depreciation Expense	<u>(1,287,949)</u>
	\$1,242,450

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$30,523
Increase in Delinquent Property Tax	(2,559)
Increase in Shared Revenue	1,073,659
Increase in Interest Revenue	5,411
Decrease in Special Assessment Revenue	<u>(232,791)</u>
	\$874,243

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$51,660)
Increase in supplies inventory	<u>4,022</u>
	(\$47,638)

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at December 31, 2005 of \$6,633 in the Probation Officer Grant Fund, \$38,146 in the Police Pension Fund, \$26,319 in the Fire Pension Fund (special revenue funds) and \$77,756 in the Clean Ohio Fund (capital projects fund) 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, 2005***

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments.

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, 2005***

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.

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks. All deposits, except for deposits held by fiscal and escrow agents or trustees, are collateralized with eligible securities. 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. Collateral permitted by Chapter 135 of the ORC is 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. Such collateral, as permitted by Chapter 135 of the ORC is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at a Federal Reserve Bank in the name of the City.

At year end the carrying amount of the City's deposits was \$8,401,883 and \$8,415,873 of the City's bank balance of \$8,726,446 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, not in the City's name.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

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

B. Investments

The City's investments at December 31, 2005 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years) less than 1</u>
FHLMC	\$5,382,390	AAA ¹ / Aaa ²	\$5,382,390
FHLB	1,487,620	AAA ¹ / Aaa ²	1,487,620
STAR Ohio	1,044,556	AAAm ¹	1,044,556
Total Investments	<u>\$7,914,566</u>		<u>\$7,914,566</u>

¹ Standard & Poor's

² Moody's Investor Service

Interest Rate Risk – The City's investment policy limits security purchases to those that mature within five years of settlement date with an average weighted maturity not to exceed two years.

Credit Risk – The City's investments in FHLMC and FHLB securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investment policy addresses credit risk by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers, intermediaries and financial advisors and by diversifying the investment portfolio so that potential losses on individual securities do not exceed income generated from the remaining portfolio.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments in FHLMC and FHLB securities in the amount of \$5,382,390 and \$1,487,620, respectively, are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent in the City's name. The City has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 68% are FHLMC and 19% are FHLB.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

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

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the 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 Financial Statements	\$2,934,059	\$13,382,390
Certificates of Deposit (with maturities of more than 3 months)	8,000,000	(8,000,000)
FHLB (with maturities of less than 3 months)	(1,487,620)	1,487,620
Investments:		
STAR Ohio	(1,044,556)	1,044,556
Per GASB Statement No. 3	<u>\$8,401,883</u>	<u>\$7,914,566</u>

* Includes cash on hand.

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 2005 were levied after October 1, 2004 on assessed values as of January 1, 2004, 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 2005. 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

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, 2005 was \$2.90 per \$1,000 of assessed value. The assessed value upon which the 2005 receipts were based was \$153,282,264. This amount constitutes \$122,257,360 in real property assessed value, \$1,861,494 in public utility assessed value and \$29,163,410 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.

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, 2005 consisted of taxes, interest, accounts receivable, special assessments, loans and intergovernmental receivables arising from shared revenues.

CITY OF NAPOLEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2005:

Transfers In:	Transfers Out:			Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	
General Fund	\$0	\$73,000	\$77,881	\$150,881
Special Assessment Bond Retirement Fund	0	0	12,360	12,360
Capital Improvement Fund	1,090,412	0	0	1,090,412
Clean Ohio Fund	0	98,000	0	98,000
Nonmajor Governmental Funds	621,588	163,000	47,845	832,433
Sewer Fund	0	31,000	0	31,000
Internal Service Fund	95,000	0	0	95,000
Total	<u>\$1,807,000</u>	<u>\$365,000</u>	<u>\$138,086</u>	<u>\$2,310,086</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2005:

Historical Cost:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
<i>Capital assets not being depreciated:</i>				
Land	\$8,358,866	\$62,372	\$0	\$8,421,238
Construction in Progress	36,354	994,284	0	1,030,638
Subtotal	8,395,220	1,056,656	0	9,451,876
<i>Capital assets being depreciated:</i>				
Improvements	462,950	85,307	0	548,257
Buildings	2,046,549	359,002	0	2,405,551
Machinery and Equipment	4,665,988	495,169	(229,310)	4,931,847
Infrastructure	20,512,263	881,730	(167,757)	21,226,236
Subtotal	27,687,750	1,821,208	(397,067)	29,111,891
Total Cost	\$36,082,970	\$2,877,864	(\$397,067)	\$38,563,767

Accumulated Depreciation:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Improvements	(\$96,722)	(\$9,832)	\$0	(\$106,554)
Buildings	(1,933,967)	(31,323)	0	(1,965,290)
Machinery and Equipment	(2,630,840)	(435,757)	168,482	(2,898,115)
Infrastructure	(8,585,637)	(811,037)	122,408	(9,274,266)
Total Depreciation	(\$13,247,166)	(\$1,287,949) *	\$290,890	(\$14,244,225)
<i>Net Value:</i>	\$22,835,804			\$24,319,542

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$182,439
Public Health and Welfare Services	6,913
Leisure Time Activities	84,450
Community Environment	22,065
Transportation	879,432
General Government	112,650
Total Depreciation Expense	\$1,287,949

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 9 - CAPITAL ASSETS (continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2005:

Historical Cost:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
<i>Capital assets not being depreciated:</i>				
Land	\$349,695	\$0	\$0	\$349,695
Construction in Progress	753,349	1,076,164	(48,851)	1,780,662
Subtotal	1,103,044	1,076,164	(48,851)	2,130,357
<i>Capital assets being depreciated:</i>				
Buildings	7,010,555	20,300	0	7,030,855
Improvements	25,080,818	847,791	0	25,928,609
Machinery and Equipment	6,262,859	308,017	(139,788)	6,431,088
Subtotal	38,354,232	1,176,108	(139,788)	39,390,552
Total Cost	\$39,457,276	\$2,252,272	(\$188,639)	\$41,520,909

Accumulated Depreciation:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$2,947,546)	(\$235,216)	\$0	(\$3,182,762)
Improvements	(7,968,723)	(494,326)	0	(8,463,049)
Machinery and Equipment	(4,805,098)	(225,454)	139,788	(4,890,764)
Total Depreciation	(\$15,721,367)	(\$954,996)	\$139,788	(\$16,536,575)
<i>Net Value:</i>	\$23,735,909			\$24,984,334

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

(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 that has elements of both a defined benefit and defined contribution 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) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 employer contribution rate for pension benefits was 9.55%. 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, 2005, 2004, and 2003 were \$375,001, \$367,278 and \$321,989, respectively; 77% has been contributed for fiscal year 2005 and 100% has been contributed for fiscal years 2004 and 2003.

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, 2005***

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 11.75% and 16.25% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2005, 2004, and 2003 were \$92,382, \$81,549 and \$83,824 for police and \$99,657, \$70,958 and \$61,890 for firefighters, respectively. The full amount has been contributed for 2004 and 2003. 76% and 81% has been contributed for fiscal year 2005.

NOTE 11 – POSTEMPLOYMENT BENEFITS

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

The Ohio PERS administers three separate pension plans: the Traditional Pension Plan (TP) – a cost-sharing, multiple-employee defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan and the Combined Plan (CO) – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Ohio PERS provides retirement, disability and survivor benefits as well as post-retirement health care coverage to qualifying members of both the TP Plan and the CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age-and-service retirees under the TP Plan and CO Plan must have 10 or more years of qualifying Ohio service credit. 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 2005 employer contribution rate that was used to fund health care for the year 2005 was 4.0% of covered payroll which amounted to \$157,072.

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, 2004. 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 2004 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 plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

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

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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

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 total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll. 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 2005 covered payroll that was used to fund postemployment health care benefits was \$61,455 representing 7.75% of covered payroll for police and \$47,105 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, 2004, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,812 for police and 10,528 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, 2004 were \$102,173,796, which was net of member contributions of \$55,665,341.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 12 – 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.

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, 2005, the City's accumulated, unpaid compensated absences amounted to \$711,195, of which \$481,520 is recorded as a liability of the Governmental Activities and \$229,675 is recorded as a liability of the Business-Type Activities.

NOTE 13 - 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.

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CITY OF NAPOLEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 13 - NOTES PAYABLE (Continued)

	Issue Date	Balance December 31, 2004	Issued (Retired)	Balance December 31, 2005
Enterprise Funds Notes Payable:				
2.25% Electric Capital Facilities	7/29/04	\$430,000	(\$430,000)	\$0
1.69% North Pointe Water Distribution	7/29/04	447,000	(447,000)	0
2.20% North Pointe Water Distribution	4/28/05	0	447,000	
			(447,000)	0
1.75% Waterline S. Perry	5/21/04	250,000	(250,000)	0
3.00% Waterline S. Perry	5/19/05	0	250,000	
			(250,000)	0
1.75% Waterline S. Perry	5/21/04	100,000	(100,000)	0
3.00% Waterline S. Perry	5/19/05	0	100,000	
			(100,000)	0
1.75% Water Tower Project	5/21/04	300,000	(300,000)	0
3.00% Water Tower Project	5/19/05	0	300,000	
			(300,000)	0
4.00% Waterline Plant Flow Controls	7/28/05	0	225,000	225,000
4.00% Waterline S. Perry	7/28/05	0	250,000	250,000
4.00% Waterline S. Perry	7/28/05	0	100,000	100,000
4.00% Water Tower Project	7/28/05	0	350,000	350,000
2.25% Sewer Pump Lift Station	7/29/04	600,000	(600,000)	0
1.69% Sewer Pump Station	7/29/04	411,000	(411,000)	0
2.20% Sewer Pump Station	4/28/05	0	411,000	
			(411,000)	0
1.69% Collector Sewer Main	7/29/04	115,000	(115,000)	0
2.20% Collector Sewer Main	4/28/05	0	115,000	
			(115,000)	0
1.69% East Interceptor Sewer	7/29/04	312,000	(312,000)	0
2.20% East Interceptor Sewer	4/28/05	0	312,000	
			(312,000)	0
1.69% West Interceptor Sewer	7/29/04	375,000	(375,000)	0
2.20% West Interceptor Sewer	4/28/05	0	375,000	
			(375,000)	0
1.75% Sewer Sludge Process Building	5/21/04	200,000	(200,000)	0
Total Enterprise Funds Notes Payable:		<u>3,540,000</u>	<u>(2,615,000)</u>	<u>925,000</u>
Capital Projects Fund Notes Payable:				
3.00% Northwest Drive Paving	5/19/05	0	240,000	
			(240,000)	0
3.00% Northwest Drive Paving	5/19/05	0	150,000	
			(150,000)	0
3.00% SR 424 Resurfacing	5/19/05	0	200,000	
			(200,000)	0
3.00% Melody Lane Rebuild	5/19/05	0	100,000	
			(100,000)	0
Total Capital Project Fund Notes Payable:		<u>0</u>	<u>0</u>	<u>0</u>
Total Notes Payable		<u>\$3,540,000</u>	<u>(\$2,615,000)</u>	<u>\$925,000</u>

CITY OF NAPOLEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 14 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2005 was as follows:

Date Purchased	Interest Rate	Description	Maturity Date	Balance December 31, 2004	Additions	(Reductions)	Balance December 31, 2005	Amount Due Within One Year
Business-Type Activities:								
General Obligation Bonds:								
1994	6.00%	Waterworks System Improvements	2019	\$1,385,000	\$0	(\$1,385,000)	\$0	\$0
2005	3.00% - 5.00%	Waterworks System Improvements	2019	0	1,450,000	(75,000)	1,375,000	75,000
2004	2.50%	Capital Facilities Improvement	2024	1,000,000	0	(25,000)	975,000	35,000
Total General Obligation Bonds				2,385,000	1,450,000	(1,485,000)	2,350,000	110,000
Mortgage Revenue Bonds:								
1998	4.00%	Sewer System Improvement	2018	2,735,000	0	(145,000)	2,590,000	150,000
1998	4.00%	Electric System Improvement	2018	2,545,000	0	(135,000)	2,410,000	140,000
Total Mortgage Revenue Bonds				5,280,000	0	(280,000)	5,000,000	290,000
Special Assessment Bond: (with Governmental Commitment)								
2000	5.00%	West Main, Wested and Vine Improvements	2020	101,425	0	(3,993)	97,432	3,993
Ohio Sewer and Water Rotary Commission Deferred Loans:								
1998		OSWRC - Palmer Ditch Project		88,341	0	0	88,341	0
2005		OSWRC - North Pointe Water and SewerProject		0	577,729	0	577,729	0
Total OSWRC Loans				88,341	577,729	0	666,070	0
Ohio Public Works Commission Loan:								
1999		Railroad Street Sewer Separation	2019	55,266	0	(3,684)	51,582	3,684
Ohio Water Development Authority Loans (OWDA):								
1990	7.840%	OWDA - Project #1089	2013	2,250,866	0	(212,849)	2,038,017	229,536
1992	9.185%	OWDA - Malinta Waterline	2016	311,585	0	(17,765)	293,820	19,146
2005	4.490%	OWDA - Waterline Construction	2025	0	1,415,401	(22,214)	1,393,187	45,936
2005	4.490%	OWDA - Sewer System Improvements	2025	0	299,594	(4,702)	294,892	9,723
Total Ohio Water Development Authority Loans				2,562,451	1,714,995	(257,530)	4,019,916	304,341
Payable to Joint Venture				0	331,831	0	331,831	0
Compensated Absences				191,771	229,675	(191,771)	229,675	101,815
Total Business-Type Long-Term Debt				\$10,664,254	\$4,304,230	(\$2,221,978)	\$12,746,506	\$813,833

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CITY OF NAPOLEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 14- LONG-TERM DEBT (Continued)

Date Purchased	Interest Rate	Description	Maturity Date	Balance December 31, 2004	Additions	(Reductions)	Balance December 31, 2005	Amount Due Within One Year
Governmental Activities:								
Special Assessment Bonds:								
1985	9.500%	Sheffield Street Improvements	2004	\$5,000	\$0	(\$5,000)	\$0	\$0
1990	7.250%	Oberhaus Creek Sewer Improvements	2009	90,000	0	(15,000)	75,000	15,000
1991	5.65-6.55%	Street Improvements	2010	275,000	0	(110,000)	165,000	115,000
1992	5.70-6.10%	Street Improvements	2011	160,000	0	(20,000)	140,000	20,000
1993	5.400%	Street Improvements	2012	78,000	0	(7,000)	71,000	7,000
1996	7.500%	Street Improvements	2016	140,000	0	(10,000)	130,000	10,000
1998	4.50%	Street Improvements	2019	126,680	0	(6,680)	120,000	6,000
1998	4.50%	Street Improvements	2019	63,320	0	(3,320)	60,000	4,000
2000	5.00%	West Main, Wested and Vine Improvements	2020	25,575	0	(1,007)	24,568	1,007
Total Special Assessment Bonds (with Governmental Commitment)				963,575	0	(178,007)	785,568	178,007
General Obligation Bonds:								
2005	3.00% - 5.00%	Northcrest Drive	2025	0	390,000	(5,000)	385,000	15,000
2005	3.00% - 5.00%	SR 424 Resurfacing	2025	0	300,000	(5,000)	295,000	10,000
Total General Obligation Bonds				0	690,000	(10,000)	680,000	25,000
Long-Term Notes:								
2004	1.75%	Northwest Drive Paving	2005	240,000	0	(240,000)	0	0
2004	1.75%	Northwest Drive Paving	2005	150,000	0	(150,000)	0	0
2004	1.75%	SR 242 Repaving	2005	200,000	0	(200,000)	0	0
2004	1.75%	Melody Lane Rebuild	2005	100,000	0	(100,000)	0	0
Total Long-Term Notes				690,000	0	(690,000)	0	0
Ohio Public Works Commission Loan:								
1998		Unimproved Street Program	2018	160,562	0	(12,350)	148,212	12,350
Compensated Absences				430,178	481,520	(430,178)	481,520	223,389
Total Governmental Activities Long-Term Debt				\$2,244,315	\$1,171,520	(\$1,320,535)	\$2,095,300	\$438,746

The principal amount of the City's special assessment debt outstanding at December 31, 2005, \$883,000, 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 \$428,672 in the Special Assessment Bond Retirement Fund at December 31, 2005 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.

Ohio Water Development Authority Loans - The City entered into two loan agreements with Ohio Water Development Authority (OWDA) on May 16, 2005 to finance the Sewer System Extension and Improvement (loan number 4334) and the Waterline Construction (loan number 4333) projects. The sources of payments for the obligations are to be derived from user charges and assessments on property owners.

The City's portion of the debt payments on the 1992 issue of the Malinta Waterline OWDA loan is being paid by the City of Napoleon to the Village of Malinta. The Village in turn is responsible for making the full debt payment when it is due.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 14 - LONG-TERM DEBT (Continued)

Refunding Bonds, Series 2005 - During 2005, the City refunded the 1994 Waterworks System Improvement General Obligation Bond. The refunded debt is considered defeased and accordingly; has been removed from the statement of net assets.

The refunding bonds were issued on July 28, 2005. The bonds consisted of \$980,000 in serial bonds and \$470,000 in term bonds.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2006	\$75,000	3.00%
2007	85,000	3.00%
2008	80,000	3.00%
2009	85,000	3.25%
2010	90,000	3.25%
2011	90,000	3.50%
2012	95,000	3.50%
2013	100,000	3.50%
2014	100,000	3.75%
2015	105,000	3.75%

The term bonds maturing on December 1, 2017 have interest rates of 5 percent per year, and are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund requirements. The mandatory redemption is to occur on December 1, 2016 (with the balance of the \$115,000 to be paid at stated maturity on December 1, 2017) at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2016	\$110,000
2017	115,000

The term bonds maturing on December 1, 2019 have interest rates of 5 percent per year, and are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund requirements. The mandatory redemption is to occur on December 1, 2018 (with the balance of the \$125,000 to be paid at stated maturity on December 1, 2019) at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 14 - LONG-TERM DEBT (Continued)

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2018	\$120,000
2019	125,000

This current refunding was undertaken to reduce total debt service payments over the next 14 years by \$145,017 and resulted in an economic gain of \$112,340.

The refunding bonds outstanding are general obligations of the City for which the full faith and credit of the City is pledged for repayment. The source of payment for the obligations is to be derived from user charges.

Various Purpose Improvement Bonds, Series 2005 - The general obligation bonds were issued on July 28, 2005 for the purpose of retiring bond anticipation notes issued for Northcrest Drive and Road Improvements. The bonds consist of \$285,000 in serial bonds and \$405,000 in term bonds.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2006	\$25,000	3.00%
2007	25,000	3.00%
2008	25,000	3.00%
2009	25,000	3.25%
2010	25,000	3.25%
2011	25,000	3.50%
2012	30,000	3.50%
2013	30,000	3.50%
2014	30,000	3.75%
2015	35,000	3.75%

The term bonds maturing on December 1, 2017 have interest rates of 5 percent per year, and are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund requirements. The mandatory redemption is to occur on December 1, 2016 (with the balance of the \$35,000 to be paid at stated maturity on December 1, 2017) at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2016	\$35,000
2017	35,000

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 14 - LONG-TERM DEBT (Continued)

The term bonds maturing on December 1, 2019 have interest rates of 5 percent per year, and are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund requirements. The mandatory redemption is to occur on December 1, 2018 (with the balance of the \$35,000 to be paid at stated maturity on December 1, 2019) at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2018	\$35,000
2019	35,000

The term bonds maturing on December 1, 2025 have interest rates of 5 percent per year, and are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund requirements. The mandatory redemption is to occur on December 1 in the years 2020 through 2024 (with the balance of the \$50,000 to be paid at stated maturity on December 1, 2025) at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2020	\$35,000
2021	45,000
2022	45,000
2023	45,000
2024	45,000
2025	50,000

The bonds outstanding are general obligations of the City for which the full faith and credit of the City is pledged for repayment. The source of payment for the obligations will be derived from a tax levied on property.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 14 - LONG-TERM DEBT (Continued)

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, 2005 follows:

Years	General Obligation Bonds		Mortgage Revenue Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$135,000	\$125,972	\$290,000	\$240,523	\$182,000	\$52,257
2007	150,000	122,096	300,000	227,762	78,000	40,846
2008	145,000	117,596	315,000	214,413	79,000	36,091
2009	150,000	113,146	330,000	200,237	80,000	31,251
2010	155,000	108,272	345,000	184,563	80,000	26,411
2011-2015	865,000	455,464	1,980,000	660,763	261,000	72,899
2016-2020	925,000	255,016	1,440,000	146,500	123,000	16,260
2021-2024	505,000	71,132	0	0	0	0
Totals	<u>\$3,030,000</u>	<u>\$1,368,694</u>	<u>\$5,000,000</u>	<u>\$1,874,761</u>	<u>\$883,000</u>	<u>\$276,015</u>

Years	OWDA Loans		OPWC Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$304,341	\$257,787	\$16,035	\$0	\$927,376	\$676,539
2007	326,351	235,777	16,035	0	870,386	626,481
2008	350,003	212,126	16,035	0	905,038	580,226
2009	375,421	186,708	16,035	0	951,456	531,342
2010	402,737	159,389	16,035	0	998,772	478,635
2011-2015	1,238,739	403,948	80,174	0	4,424,913	1,593,074
2016-2020	494,558	180,609	39,445	0	3,022,003	598,385
2021-2025	527,766	60,995	0	0	1,032,766	132,127
Totals	<u>\$4,019,916</u>	<u>\$1,697,339</u>	<u>\$199,794</u>	<u>\$0</u>	<u>\$13,132,710</u>	<u>\$5,216,809</u>

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

The City has received advances to meet the portion of costs of sewer and water improvements 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 for which the deferrals were made when the property no longer meets the exemption criteria.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 15 - 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; natural disasters and injuries to employees. To manage this risk the City participates in various jointly funded pools, both risk sharing and group rated, to provide separate and distinct coverage for the risk involved. These pools are: Buckeye Ohio Risk Management Agency-Property and Casualty, Inc., for Property and Casualty Coverage (aka - BORMA Property and Casualty); Buckeye Ohio Risk Management Agency-Health Benefits, Inc., for Health and Group Life Insurance Coverage (aka - BORMA Health Benefits); and Ohio Rural Water Association-Group Rated Pool for Workers Compensation (aka - ORWA Workers Compensation Pool).

A. BORMA Property and Casualty Pool

The BORMA Property and Casualty Pool provides comprehensive and general liability for; automobiles, automobile physical damage, general liability, crime and property, and public officials coverage's up to specific limits. The pool includes the following Ohio Cities as members: 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, 2005 the pool has cash reserves of \$797,852, which in the opinion of management is adequate for any claims currently pending against the pool.

For the period 01/01/2005 through 11/30/2005, the amount of risk retained within the pool is \$150,000 per occurrence for Property and Crime, \$150,000 per occurrence for General Liability and Automobile Liability. The City's individual liability is \$1,000 per occurrence for Property and Crime losses. Coverage is provided by various insurance carriers with total Property limits of \$68,671,293, primary General Liability limit of \$1,000,000 per occurrence, primary Automobile Liability limit of \$1,000,000 per occurrence and excess Liability limits of \$5,000,000 per occurrence and aggregate. These limits are inclusive of the above noted retentions.

For the period 12/01/2005 through 11/30/2006, the amount of risk retained within the pool is \$150,000 per occurrence for Property and Crime, \$150,000 per occurrence for General Liability and Automobile Liability. The City's individual liability is \$1,000 per occurrence for Property and Crime losses. Coverage is provided by various insurance carriers with total Property limits of \$70,058,790, primary General Liability limit of \$2,000,000 per occurrence, primary Automobile Liability limit of \$2,000,000 per occurrence and excess Liability limits of \$8,000,000 per occurrence and aggregate. These limits are inclusive of the above noted retentions.

In a move to lower costs to pool members, starting on 12/01/2005 the BORMA Property and Casualty Pool joined with other risk sharing pools to form a new pool called the Public Entity Risk Corporation (PERC). This pool provides self-insured retentions for each of the member pools as follows: Property up to \$250,000 per occurrence, Liability up to \$500,000 per occurrence and Stop Loss up to \$2,900,000 maximum per year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 15 - RISK MANAGEMENT (Continued)

B. BORMA Health Benefits Pool

The BORMA Health Benefits Pool is for employee benefits and includes Life Insurance, Accidental Death and Dismemberment Insurance, Health Insurance and Prescription Drug Insurance. Each pool member has its own respective plan and coverage it has elected to provide for its employees. Premiums paid into the pool by each member are based on the level of coverage within each respective plan. The pool includes the following Ohio Cities as members: Archbold, Bowling Green, Carey, Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Sandusky, Upper Sandusky and Willard. Additionally, the pool includes the Ohio County of Wyandot and the Township of Shawnee in Allen County, Ohio. 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, 2005 the pool has cash reserves of \$3,240,352, which in the opinion of management is adequate for any claims currently pending against the pool.

The City provides to its employees all available options listed in its own developed plan as covered by the pool. The 2005 premiums paid into the employee benefits pool were a monthly cost of \$792.40 for family coverage and \$276.10 for single coverage. The life insurance monthly premium was \$5.20. During 2005 the City paid \$868,879 into the pool for coverage. The cost of coverage is paid out of each respective fund that pays the salary of the individuals covered under the plan. The amount of risk retained by the pool is \$100,000 per individual with excess coverage provided by the QBE Insurance Corporation.

For both the BORMA Property and Casualty, and the BORMA Health Benefits Pool's; individual members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of the pool other than residual claims upon dissolution. Both pools are a multi-jurisdictional arrangement that have characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint ventures as defined in GASB Statement No. 14.

Both pools have 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 additional amounts have been reserved in the financial statements. Audited financial statements are maintained separately by each pool.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 15 - RISK MANAGEMENT (Continued)

C. ORWA Workers Compensation Pool; and Unemployment Benefits

The City participates in the State of Ohio's Bureau of Workers Compensation Group Rating Program as a member of the ORWA Workers Compensation Pool. The Group Rated pool is one of many organized pools authorized by the State of Ohio to provide lowered workers compensation rates to groups of like entities. Benefits received by injured workers are established and controlled by the State Bureau of Workers Compensation. The City pays the State Worker's Compensation System a premium based upon a rate per \$100 of payroll plus administrative costs. The annual rate paid is a factor based on group loss history of members in the ORWA Pool.

The City pays Unemployment Benefits claims as they occur directly to the State of Ohio. Cities are not required to pay the unemployment tax.

NOTE 16 - 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 17 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

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.

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 17 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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 134.081MW is the participants entitlement and 4.569MW 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 \$88,745 at December 31, 2005. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

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 Joint Venture JV5 Agreement (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.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA-JV5-Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 17 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005 Napoleon has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

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 Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

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 to date in OMEGA JV5 was \$682,226 at December 31, 2005. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

C. Ohio Municipal Electric Generation Agency Joint Venture 6 (Omega JV-6)

The City of Napoleon is a Financing Participant with an ownership percentage of 4.17%, and shares participation with nine other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6). Financing Participants, after consideration of the potential risks and benefits can choose to be Owner Participants or Purchaser Participants. Owner Participants own undivided interests, as tenants in common in the Project in the amount of its Project Share. Purchaser Participants purchase the Project Power associated with its Project Share.

Pursuant to the OMEGA Joint Venture JV6 Agreement (Agreement), the participants agree jointly to plan, acquire, construct, operate and maintain the Project, and hereby agree, to pay jointly for the electric power, energy and other services associated with the Project.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 17 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Ohio Municipal Electric Generation Agency Joint Venture 6 (Omega JV-6) (Continued)

OMEGA JV6 was created to construct four (4) wind turbines near Bowling Green Ohio. Each turbine has a nominal capacity of 1.8 MW and sells electricity from its operations to OMEGA JV6 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005 Napoleon has met their debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date constitutes a default. In the event of a default and one in which the defaulting Participant failed to cure its default as provided for in the Agreement, the remaining participants would acquire the defaulting Participant's interest in the project and assume responsibility for the associated payments on a pro rata basis up to a maximum amount equal to 25% of such non-defaulting Participant's Project share ("Step Up Power").

OMEGA JV6 is managed by American Municipal Power-Ohio, Inc., which acts as the joint venture's agent. On July 30, 2004 AMP-Ohio issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project. The City's net obligation for these bonds at December 31, 2005 was \$331,831 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected).

The City's net investment and its share of operating results of OMEGA JV6 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV6 was \$377,021 at December 31, 2005. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 17 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. 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 \$163,200 to the CIC during 2005. Financial information can be obtained from the CIC, 104 East Washington Street, Napoleon, Ohio 43545.

E. Maumee Valley Planning Organization (MVPO)

The City is a member of the Maumee Valley Planning Organization (MVPO) which is jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams Counties and the respective townships and municipalities in each of those counties. The purpose of the MVPO is to act as a joint regional planning commission to write and administer Community Development Block Grants (CDBG) and help with housing rehabilitation in the area.

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main source of revenue is fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 2005, the City paid administrative fees of \$76,251 to MVPO.

NOTE 18 - 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, 2005, there were two mortgage revenue bonds outstanding with an aggregate principal amount payable of \$1,759,556.

*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 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. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

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.

FEMA Small Projects Fund

To account for financial resources from the Federal Government for damages associated with winter storm/flooding experienced by the City in 2005. (The Statement of Revenues, Expenditures and Changes in Fund Balances is not presented because there was no activity during the year. This fund only exists on a GAAP basis and is not part of the City's appropriated budget, therefore no budgetary schedule is presented).

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.

CITY OF NAPOLEON, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 446,950	\$ 19,791	\$ 466,741
Investments	1,953,827	0	1,953,827
Receivables (net of allowance for doubtful accounts):			
Taxes	139,378	0	139,378
Accounts	128,516	0	128,516
Intergovernmental	289,618	0	289,618
Interest	5,933	0	5,933
Loans	127,915	0	127,915
Inventory of Supplies, at Cost	66,878	0	66,878
Total Assets	\$ 3,159,015	\$ 19,791	\$ 3,178,806
Liabilities:			
Accounts Payable	\$ 19,276	\$ 0	\$ 19,276
Accrued Wages and Benefits Payable	109,306	0	109,306
Deferred Revenue	347,119	0	347,119
Total Liabilities	475,701	0	475,701
Fund Balances:			
Reserved for Encumbrances	449,633	0	449,633
Reserved for Supplies Inventory	66,878	0	66,878
Reserved for Loans Receivable	127,915	0	127,915
Undesignated/Unreserved in:			
Special Revenue Funds	2,038,888	0	2,038,888
Debt Service Funds	0	19,791	19,791
Total Fund Balances	2,683,314	19,791	2,703,105
Total Liabilities and Fund Balances	\$ 3,159,015	\$ 19,791	\$ 3,178,806

CITY OF NAPOLEON, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2005**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:				
Property Taxes	\$ 126,116	\$ 0	\$ 0	\$ 126,116
Intergovernmental Revenues	1,006,469	0	0	1,006,469
Charges for Services	446,953	0	0	446,953
Investment Earnings	53,892	0	0	53,892
Fines and Forfeitures	89,309	0	0	89,309
All Other Revenue	54,520	42,054	0	96,574
Total Revenue	1,777,259	42,054	0	1,819,313
Expenditures:				
Current:				
Security of Persons and Property	439,417	0	0	439,417
Leisure Time Activities	764,355	0	0	764,355
Community Environment	629,246	0	0	629,246
Transportation	585,866	0	0	585,866
General Government	51,894	0	0	51,894
Debt Service:				
Principal Retirement	0	10,000	0	10,000
Interest and Fiscal Charges	0	21,657	0	21,657
Total Expenditures	2,470,778	31,657	0	2,502,435
Excess (Deficiency) of Revenues Over Expenditures	(693,519)	10,397	0	(683,122)
Other Financing Sources (Uses):				
Sale of Capital Assets	288,500	0	0	288,500
Transfers In	832,433	0	0	832,433
Transfers Out	(118,255)	0	(19,831)	(138,086)
Total Other Financing Sources (Uses)	1,002,678	0	(19,831)	982,847
Net Change In Fund Balance	309,159	10,397	(19,831)	299,725
Fund Balances at Beginning of Year, as Restated	2,370,775	9,394	19,831	2,400,000
Increase in Inventory Reserve	3,380	0	0	3,380
Fund Balances End of Year	\$ 2,683,314	\$ 19,791	\$ 0	\$ 2,703,105

CITY OF NAPOLEON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005**

	Street Construction, Maintenance and Repair	State Highway Improvement	Motor Vehicle License Tax	EMS Transport Service
Assets:				
Cash and Cash Equivalents	\$ 24,424	\$ 5,832	\$ 48,801	\$ 15,350
Investments	116,381	27,790	232,535	73,142
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	0	0
Accounts	1,697	0	0	119,807
Intergovernmental	208,794	16,929	31,590	0
Interest	344	114	966	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	66,878	0	0	0
Total Assets	\$ 418,518	\$ 50,665	\$ 313,892	\$ 208,299
Liabilities:				
Accounts Payable	\$ 2,479	\$ 0	\$ 1,704	\$ 0
Accrued Wages and Benefits Payable	21,322	0	0	0
Deferred Revenue	139,422	11,361	21,694	0
Total Liabilities	163,223	11,361	23,398	0
Fund Balances:				
Reserved for Encumbrances	4,082	0	9,694	11,635
Reserved for Supplies Inventory	66,878	0	0	0
Reserved for Loans Receivable	0	0	0	0
Undesignated/Unreserved	184,335	39,304	280,800	196,664
Total Fund Balances	255,295	39,304	290,494	208,299
Total Liabilities and Fund Balances	\$ 418,518	\$ 50,665	\$ 313,892	\$ 208,299

CITY OF NAPOLEON, OHIO

Recreation	Special Events	Economic Development	CDBG Income	Indigent Drivers Alcohol Treatment	Law Enforcement and Education	Court Computerization
\$ 23,148	\$ 36,612	\$ 126,418	\$ 12,918	\$ 5,239	\$ 595	\$ 27,097
110,299	0	602,383	61,555	24,962	2,835	129,119
0	0	0	0	0	0	0
0	0	0	0	135	64	1,662
0	0	0	0	0	0	0
393	0	2,690	0	108	12	43
0	0	127,915	0	0	0	0
0	0	0	0	0	0	0
<u>\$ 133,840</u>	<u>\$ 36,612</u>	<u>\$ 859,406</u>	<u>\$ 74,473</u>	<u>\$ 30,444</u>	<u>\$ 3,506</u>	<u>\$ 157,921</u>
\$ 1,535	\$ 0	\$ 0	\$ 2,131	\$ 202	\$ 0	\$ 0
21,300	0	0	0	0	0	0
258	0	1,765	0	71	8	28
<u>23,093</u>	<u>0</u>	<u>1,765</u>	<u>2,131</u>	<u>273</u>	<u>8</u>	<u>28</u>
0	0	417,870	2,252	0	0	4,000
0	0	0	0	0	0	0
0	0	127,915	0	0	0	0
110,747	36,612	311,856	70,090	30,171	3,498	153,893
<u>110,747</u>	<u>36,612</u>	<u>857,641</u>	<u>72,342</u>	<u>30,171</u>	<u>3,498</u>	<u>157,893</u>
<u>\$ 133,840</u>	<u>\$ 36,612</u>	<u>\$ 859,406</u>	<u>\$ 74,473</u>	<u>\$ 30,444</u>	<u>\$ 3,506</u>	<u>\$ 157,921</u>

(Continued)

CITY OF NAPOLEON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005**

	Law Enforcement Trust	Mandatory Drug Fine	Fire Equipment	Municipal Probation Service
Assets:				
Cash and Cash Equivalents	\$ 1,382	\$ 1,471	\$ 50,347	\$ 5,954
Investments	6,583	7,012	239,906	28,369
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	0	0
Accounts	0	3	0	725
Intergovernmental	0	0	0	0
Interest	30	30	1,076	127
Loans	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Total Assets	\$ 7,995	\$ 8,516	\$ 291,329	\$ 35,175
Liabilities:				
Accounts Payable	\$ 430	\$ 0	\$ 6,380	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0
Deferred Revenue	20	20	706	83
Total Liabilities	450	20	7,086	83
Fund Balances:				
Reserved for Encumbrances	0	0	100	0
Reserved for Supplies Inventory	0	0	0	0
Reserved for Loans Receivable	0	0	0	0
Undesignated/Unreserved	7,545	8,496	284,143	35,092
Total Fund Balances	7,545	8,496	284,243	35,092
Total Liabilities and Fund Balances	\$ 7,995	\$ 8,516	\$ 291,329	\$ 35,175

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>FEMA Small Projects</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 1	\$ 45,952	\$ 300	\$ 0	\$ 0	\$ 15,109	\$ 0	\$ 446,950
0	218,960	0	0	0	71,996	0	1,953,827
0	0	0	92,918	46,460	0	0	139,378
0	4,423	0	0	0	0	0	128,516
24,281	0	0	4,011	2,006	0	2,007	289,618
0	0	0	0	0	0	0	5,933
0	0	0	0	0	0	0	127,915
0	0	0	0	0	0	0	66,878
<u>\$ 24,282</u>	<u>\$ 269,335</u>	<u>\$ 300</u>	<u>\$ 96,929</u>	<u>\$ 48,466</u>	<u>\$ 87,105</u>	<u>\$ 2,007</u>	<u>\$ 3,159,015</u>
\$ 4,415	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,276
2,219	0	0	38,146	26,319	0	0	109,306
24,281	0	0	96,929	48,466	0	2,007	347,119
<u>30,915</u>	<u>0</u>	<u>0</u>	<u>135,075</u>	<u>74,785</u>	<u>0</u>	<u>2,007</u>	<u>475,701</u>
0	0	0	0	0	0	0	449,633
0	0	0	0	0	0	0	66,878
0	0	0	0	0	0	0	127,915
(6,633)	269,335	300	(38,146)	(26,319)	87,105	0	2,038,888
<u>(6,633)</u>	<u>269,335</u>	<u>300</u>	<u>(38,146)</u>	<u>(26,319)</u>	<u>87,105</u>	<u>0</u>	<u>2,683,314</u>
<u>\$ 24,282</u>	<u>\$ 269,335</u>	<u>\$ 300</u>	<u>\$ 96,929</u>	<u>\$ 48,466</u>	<u>\$ 87,105</u>	<u>\$ 2,007</u>	<u>\$ 3,159,015</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, 2005***

	Street Construction, Maintenance and Repair	State Highway Improvement	Motor Vehicle License Tax	EMS Transport Service
Revenues:				
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	407,171	33,015	117,752	3,435
Charges for Services	3,950	0	0	182,700
Investment Earnings	3,316	1,169	7,627	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	11,116	0	0	0
Total Revenue	425,553	34,184	125,379	186,135
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	160,178
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	497,198	23,658	65,010	0
General Government	0	0	0	0
Total Expenditures	497,198	23,658	65,010	160,178
Excess (Deficiency) of Revenues Over Expenditures	(71,645)	10,526	60,369	25,957
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	0
Transfers In	77,000	0	0	0
Transfers Out	0	0	(36,360)	(20,000)
Total Other Financing Sources (Uses)	77,000	0	(36,360)	(20,000)
Net Change In Fund Balance	5,355	10,526	24,009	5,957
Fund Balances (Deficits) at Beginning of Year	246,560	28,778	266,485	202,342
Increase in Inventory Reserve	3,380	0	0	0
Fund Balances (Deficits) End of Year	\$ 255,295	\$ 39,304	\$ 290,494	\$ 208,299

CITY OF NAPOLEON, OHIO

Recreation	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	0	50,000	83,294	210,746	50,994	0	0
242,695	0	0	0	0	0	0	0
4,001	0	23,071	0	0	0	806	104
0	0	0	0	0	0	8,250	1,233
37,204	0	0	0	3,250	0	0	0
<u>283,900</u>	<u>0</u>	<u>73,071</u>	<u>83,294</u>	<u>213,996</u>	<u>50,994</u>	<u>9,056</u>	<u>1,337</u>
0	0	0	0	0	0	2,589	3,322
764,355	0	0	0	0	0	0	0
0	0	270,121	0	311,866	42,748	0	0
0	0	0	0	0	0	0	0
0	5,266	0	46,628	0	0	0	0
<u>764,355</u>	<u>5,266</u>	<u>270,121</u>	<u>46,628</u>	<u>311,866</u>	<u>42,748</u>	<u>2,589</u>	<u>3,322</u>
(480,455)	(5,266)	(197,050)	36,666	(97,870)	8,246	6,467	(1,985)
0	0	288,500	0	0	0	0	0
533,588	35,000	123,000	0	0	0	0	0
0	0	0	(46,630)	0	0	0	0
<u>533,588</u>	<u>35,000</u>	<u>411,500</u>	<u>(46,630)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
53,133	29,734	214,450	(9,964)	(97,870)	8,246	6,467	(1,985)
57,614	6,878	643,191	9,964	97,870	64,096	23,704	5,483
0	0	0	0	0	0	0	0
<u>\$ 110,747</u>	<u>\$ 36,612</u>	<u>\$ 857,641</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 72,342</u>	<u>\$ 30,171</u>	<u>\$ 3,498</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, 2005**

	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	4,638	244	246	7,666
Fines and Forfeitures	33,108	0	1,133	0
All Other Revenue	0	2,750	0	0
Total Revenue	37,746	2,994	1,379	22,666
Expenditures:				
Current:				
Security of Persons and Property	50,943	3,320	1,158	7,154
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
General Government	0	0	0	0
Total Expenditures	50,943	3,320	1,158	7,154
Excess (Deficiency) of Revenues Over Expenditures	(13,197)	(326)	221	15,512
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	0
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	(13,197)	(326)	221	75,512
Fund Balances (Deficits) at Beginning of Year	171,090	7,871	8,275	208,731
Increase in Inventory Reserve	0	0	0	0
Fund Balances (Deficits) End of Year	\$ 157,893	\$ 7,545	\$ 8,496	\$ 284,243

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	\$ 84,073	\$ 42,043	\$ 0	\$ 126,116
0	36,420	0	0	9,095	4,547	0	1,006,469
0	0	0	0	0	0	2,608	446,953
1,004	0	0	0	0	0	0	53,892
7,545	0	38,040	0	0	0	0	89,309
0	0	0	0	0	0	200	54,520
<u>8,549</u>	<u>36,420</u>	<u>38,040</u>	<u>0</u>	<u>93,168</u>	<u>46,590</u>	<u>2,808</u>	<u>1,777,259</u>
1,220	59,539	0	0	102,060	47,934	0	439,417
0	0	0	0	0	0	0	764,355
0	0	0	0	0	0	4,511	629,246
0	0	0	0	0	0	0	585,866
0	0	0	0	0	0	0	51,894
<u>1,220</u>	<u>59,539</u>	<u>0</u>	<u>0</u>	<u>102,060</u>	<u>47,934</u>	<u>4,511</u>	<u>2,470,778</u>
7,329	(23,119)	38,040	0	(8,892)	(1,344)	(1,703)	(693,519)
0	0	0	0	0	0	0	288,500
0	3,845	0	0	0	0	0	832,433
<u>(3,845)</u>	<u>(11,420)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(118,255)</u>
<u>(3,845)</u>	<u>(7,575)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,002,678</u>
3,484	(30,694)	38,040	0	(8,892)	(1,344)	(1,703)	309,159
31,608	24,061	231,295	300	(29,254)	(24,975)	88,808	2,370,775
0	0	0	0	0	0	0	3,380
<u>\$ 35,092</u>	<u>\$ (6,633)</u>	<u>\$ 269,335</u>	<u>\$ 300</u>	<u>\$ (38,146)</u>	<u>\$ (26,319)</u>	<u>\$ 87,105</u>	<u>\$ 2,683,314</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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 272,350	\$ 280,300	\$ 280,298	\$ (2)
Municipal Income Taxes	2,426,400	2,769,720	2,769,724	4
Intergovernmental Revenues	1,102,420	1,387,380	1,387,389	9
Charges for Services	215,980	231,800	242,902	11,102
Licenses and Permits	56,360	89,960	89,952	(8)
Investment Earnings	101,130	192,350	192,348	(2)
Special Assessments	0	1,080	1,080	0
Fines and Forfeitures	212,000	237,240	237,236	(4)
All Other Revenues	201,302	181,012	181,013	1
Total Revenues	<u>4,587,942</u>	<u>5,370,842</u>	<u>5,381,942</u>	<u>11,100</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,212,110	1,136,760	1,136,643	117
Materials and Supplies	50,966	48,616	48,491	125
Contractual Services	97,493	86,770	86,670	100
Other Expenditures	3,201	3,171	3,165	6
Total Police	<u>1,363,770</u>	<u>1,275,317</u>	<u>1,274,969</u>	<u>348</u>
Fire:				
Personal Services	642,140	577,430	577,220	210
Materials and Supplies	55,100	40,790	40,641	149
Contractual Services	151,520	136,860	136,745	115
Other Expenditures	50	0	0	0
Total Fire	<u>848,810</u>	<u>755,080</u>	<u>754,606</u>	<u>474</u>
Police/Fire:				
Personal Services	507,760	562,665	562,548	117
Materials and Supplies	72,000	24,700	24,683	17
Contractual Services	31,900	33,827	33,776	51
Other Expenditures	132,680	2,590	2,580	10
Capital Outlay	24,500	285,584	285,574	10
Total Police/Fire	<u>768,840</u>	<u>909,366</u>	<u>909,161</u>	<u>205</u>
Total Security of Persons and Property	<u>2,981,420</u>	<u>2,939,763</u>	<u>2,938,736</u>	<u>1,027</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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Health and Welfare Services:				
Cemetery:				
Personal Services	66,970	65,770	65,710	60
Materials and Supplies	11,800	12,390	12,370	20
Contractual Services	14,800	10,210	10,099	111
Total Cemetery	<u>93,570</u>	<u>88,370</u>	<u>88,179</u>	<u>191</u>
Total Public Health and Welfare Services	<u>93,570</u>	<u>88,370</u>	<u>88,179</u>	<u>191</u>
Community Environment:				
Building Inspection:				
Personal Services	84,360	80,930	80,892	38
Materials and Supplies	3,250	2,720	2,638	82
Contractual Services	6,700	1,850	1,825	25
Other Expenditures	700	440	439	1
Total Building Inspection	<u>95,010</u>	<u>85,940</u>	<u>85,794</u>	<u>146</u>
Total Community Environment	<u>95,010</u>	<u>85,940</u>	<u>85,794</u>	<u>146</u>
General Government:				
City Council:				
Personal Services	7,440	7,336	7,321	15
Materials and Supplies	300	0	0	0
Contractual Services	978	714	708	6
Other Expenditures	400	230	222	8
Total City Council	<u>9,118</u>	<u>8,280</u>	<u>8,251</u>	<u>29</u>
Mayor:				
Personal Services	3,041	2,988	2,980	8
Materials and Supplies	200	75	72	3
Contractual Services	1,300	1,385	1,366	19
Other Expenditures	100	0	0	0
Total Mayor	<u>4,641</u>	<u>4,448</u>	<u>4,418</u>	<u>30</u>
City Manager:				
Personal Services	48,104	47,174	47,089	85
Materials and Supplies	521	548	543	5
Contractual Services	1,031	559	547	12
Other Expenditures	100	60	7	53
Total City Manager	<u>49,756</u>	<u>48,341</u>	<u>48,186</u>	<u>155</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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Law Director:				
Personal Services	37,183	36,403	36,335	68
Materials and Supplies	1,252	1,128	1,124	4
Contractual Services	5,785	4,416	4,401	15
Other Expenditures	500	0	0	0
Total Law Director	44,720	41,947	41,860	87
Finance - Administration				
Personal Services	72,651	75,281	75,151	130
Materials and Supplies	650	710	571	139
Contractual Services	26,561	26,873	26,806	67
Other Expenditures	1,310	930	926	4
Total Finance - Administration	101,172	103,794	103,454	340
Finance - Utility Billing:				
Personal Services	31,741	30,722	30,661	61
Materials and Supplies	6,814	6,982	6,969	13
Contractual Services	7,739	4,953	4,942	11
Other Expenditures	100	0	0	0
Total Finance - Utility Billing	46,394	42,657	42,572	85
Finance - Income Tax Collection:				
Personal Services	114,360	92,940	92,912	28
Materials and Supplies	6,600	6,640	6,631	9
Contractual Services	17,000	13,070	13,046	24
Capital Outlay	2,200	15,208	15,202	6
Total Finance - Income Tax Collection	140,160	127,858	127,791	67
Finance - Information Systems:				
Personal Services	68,030	65,570	65,537	33
Materials and Supplies	21,200	18,580	18,567	13
Contractual Services	12,000	11,530	11,520	10
Total Finance - Information Systems	101,230	95,680	95,624	56
City Engineer:				
Personal Services	52,119	48,383	48,293	90
Materials and Supplies	1,263	1,162	1,120	42
Contractual Services	11,406	10,769	10,746	23
Other Expenditures	400	2,840	2,833	7
Total City Engineer	65,188	63,154	62,992	162

(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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Municipal Court:				
Personal Services	329,120	301,080	301,035	45
Materials and Supplies	31,200	28,680	28,661	19
Contractual Services	28,950	23,360	23,250	110
Other Expenditures	230	120	119	1
Total Municipal Court	<u>389,500</u>	<u>353,240</u>	<u>353,065</u>	<u>175</u>
Service - Buildings, Property and Equipment:				
Personal Services	26,702	27,057	27,007	50
Materials and Supplies	4,239	3,239	3,225	14
Contractual Services	1,073	550	536	14
Other Expenditures	90	0	0	0
Total Service - Buildings, Property and Equ	<u>32,104</u>	<u>30,846</u>	<u>30,768</u>	<u>78</u>
Miscellaneous:				
Materials and Supplies	8,896	8,175	8,158	17
Contractual Services	76,480	62,728	62,565	163
Other Expenditures	92,211	87,443	87,276	167
Total Miscellaneous	<u>177,587</u>	<u>158,346</u>	<u>157,999</u>	<u>347</u>
Total General Government	<u>1,161,570</u>	<u>1,078,591</u>	<u>1,076,980</u>	<u>1,611</u>
Total Expenditures	<u>4,331,570</u>	<u>4,192,664</u>	<u>4,189,689</u>	<u>2,975</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	256,372	1,178,178	1,192,253	14,075
Other Financing Sources (Uses):				
Sale of Capital Assets	0	70	67	(3)
Transfers In	582,162	735,927	735,914	(13)
Transfers Out	<u>(1,593,490)</u>	<u>(1,807,010)</u>	<u>(1,807,000)</u>	<u>10</u>
Total Other Financing Sources (Uses)	<u>(1,011,328)</u>	<u>(1,071,013)</u>	<u>(1,071,019)</u>	<u>(6)</u>
Net Change In Fund Balance	(754,956)	107,165	121,234	14,069
Fund Balance at Beginning of Year	1,280,722	1,280,722	1,280,722	0
Prior Year Encumbrances	224,317	224,317	224,317	0
Fund Balance at End of Year	<u>\$ 750,083</u>	<u>\$ 1,612,204</u>	<u>\$ 1,626,273</u>	<u>\$ 14,069</u>

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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
SPECIAL ASSESSMENT BOND RETIREMENT FUND				
Revenues:				
Investment Earnings	\$ 9,010	\$ 15,010	\$ 15,011	\$ 1
Special Assessments	243,660	232,830	232,835	5
Total Revenues	<u>252,670</u>	<u>247,840</u>	<u>247,846</u>	<u>6</u>
Expenditures:				
General Government:				
Contractual Services	4,300	4,280	4,273	7
Debt Service:				
Principal Retirement	194,350	194,351	194,351	0
Interest and Fiscal Charges	63,720	63,719	63,712	7
Total Expenditures	<u>262,370</u>	<u>262,350</u>	<u>262,336</u>	<u>14</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,700)	(14,510)	(14,490)	20
Other Financing Sources (Uses):				
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	2,660	(2,150)	(2,130)	20
Fund Balance at Beginning of Year	430,245	430,245	430,245	0
Fund Balance at End of Year	<u>\$ 432,905</u>	<u>\$ 428,095</u>	<u>\$ 428,115</u>	<u>\$ 20</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, 2005**

CAPITAL IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 299,800	\$ 33,510	\$ 33,508	\$ (2)
All Other Revenues	0	12,610	12,604	(6)
Total Revenues	<u>299,800</u>	<u>46,120</u>	<u>46,112</u>	<u>(8)</u>
Expenditures:				
Capital Outlay:				
City Manager	35,000	37,989	37,989	0
Law Director	500	0	0	0
Finance - Administration	18,970	9,910	9,903	7
Central Information System	46,600	48,161	48,154	7
Engineering	22,000	22,430	22,415	15
Municipal Court	9,000	0	0	0
Police	80,400	76,815	76,800	15
Fire	88,600	143,430	143,425	5
Building Inspections	0	553	553	0
Parks and Recreation	364,750	83,964	83,885	79
Cemetery	7,500	6,120	6,115	5
Street Maintenance	793,800	828,027	827,958	69
Storm Drainage	42,500	85,301	85,233	68
Debt Service:				
Principal Retirement	690,000	1,380,000	1,380,000	0
Interest and Fiscal Charges	10,630	14,080	14,077	3
Total Expenditures	<u>2,210,250</u>	<u>2,736,780</u>	<u>2,736,507</u>	<u>273</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,910,450)	(2,690,660)	(2,690,395)	265
Other Financing Sources (Uses):				
General Obligation Bonds Issued	0	690,000	690,000	0
General Obligation Notes Issued	690,000	690,000	690,000	0
Transfers In	934,750	1,090,410	1,090,412	2
Transfers Out	(163,000)	(365,000)	(365,000)	0
Total Other Financing Sources (Uses)	<u>1,461,750</u>	<u>2,105,410</u>	<u>2,105,412</u>	<u>2</u>
Net Change In Fund Balance	(448,700)	(585,250)	(584,983)	267
Fund Balance at Beginning of Year	748,371	748,371	748,371	0
Prior Year Encumbrances	167,459	167,459	167,459	0
Fund Balance at End of Year	<u>\$ 467,130</u>	<u>\$ 330,580</u>	<u>\$ 330,847</u>	<u>\$ 267</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, 2005***

CLEAN OHIO FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 774,100	\$ 774,100	\$ 0
Total Revenues	<u>0</u>	<u>774,100</u>	<u>774,100</u>	<u>0</u>
Expenditures:				
Economic Development	0	871,711	871,711	0
Total Expenditures	<u>0</u>	<u>871,711</u>	<u>871,711</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(97,611)	(97,611)	0
Other Financing Sources (Uses):				
Transfers In	0	98,000	98,000	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>98,000</u>	<u>98,000</u>	<u>0</u>
Net Change In Fund Balance	0	389	389	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 389</u>	<u>\$ 389</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, 2005**

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 350,000	\$ 394,760	\$ 394,747	\$ (13)
Charges for Services	22,990	3,970	3,972	2
Investment Earnings	3,500	3,600	3,591	(9)
All Other Revenues	21,200	11,110	11,116	6
Total Revenues	397,690	413,440	413,426	(14)
Expenditures:				
Transportation:				
Street Maintenance:				
Personal Services	220,260	231,410	231,357	53
Materials and Supplies	112,250	90,160	90,069	91
Contractual Services	117,110	75,661	75,557	104
Other Expenditures	24,400	22,860	22,851	9
Total Street Maintenance	474,020	420,091	419,834	257
Ice and Snow Removal:				
Personal Services	33,000	36,670	36,666	4
Materials and Supplies	2,330	2,080	2,074	6
Contractual Services	10,120	21,060	21,056	4
Other Expenditures	5,000	12,350	12,344	6
Total Ice and Snow Removal	50,450	72,160	72,140	20
Storm Drainage:				
Personal Services	12,000	6,470	6,464	6
Materials and Supplies	12,000	3,690	3,689	1
Contractual Services	4,200	0	0	0
Other Expenditures	200	2,300	2,291	9
Total Storm Drainage	28,400	12,460	12,444	16
Total Expenditures	552,870	504,711	504,418	293
Excess (Deficiency) of Revenues Over (Under) Expenditures	(155,180)	(91,271)	(90,992)	279
Other Financing Sources (Uses):				
Transfers In	77,000	77,000	77,000	0
Total Other Financing Sources (Uses)	77,000	77,000	77,000	0
Net Change In Fund Balance	(78,180)	(14,271)	(13,992)	279
Fund Balance at Beginning of Year	138,562	138,562	138,562	0
Prior Year Encumbrances	10,235	10,235	10,235	0
Fund Balance at End of Year	\$ 70,617	\$ 134,526	\$ 134,805	\$ 279

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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 29,000	\$ 32,010	\$ 32,007	\$ (3)
Investment Earnings	400	1,200	1,201	1
Total Revenues	<u>29,400</u>	<u>33,210</u>	<u>33,208</u>	<u>(2)</u>
Expenditures:				
Transportation:				
Materials and Supplies	14,200	14,310	14,308	2
Contractual Services	<u>9,000</u>	<u>9,350</u>	<u>9,350</u>	<u>0</u>
Total Expenditures	<u>23,200</u>	<u>23,660</u>	<u>23,658</u>	<u>2</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,200	9,550	9,550	0
Fund Balance at Beginning of Year	<u>24,072</u>	<u>24,072</u>	<u>24,072</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 30,272</u>	<u>\$ 33,622</u>	<u>\$ 33,622</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, 2005***

	MOTOR VEHICLE LICENSE TAX FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 114,000	\$ 117,440	\$ 117,428	\$ (12)
Investment Earnings	4,450	7,840	7,844	4
Total Revenues	<u>118,450</u>	<u>125,280</u>	<u>125,272</u>	<u>(8)</u>
Expenditures:				
Transportation:				
Materials and Supplies	80,250	76,744	76,730	14
Capital Outlay	15,000	0	0	0
Total Expenditures	<u>95,250</u>	<u>76,744</u>	<u>76,730</u>	<u>14</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,200	48,536	48,542	6
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	(13,160)	12,176	12,182	6
Fund Balance at Beginning of Year	238,033	238,033	238,033	0
Prior Year Encumbrances	21,427	21,427	21,427	0
Fund Balance at End of Year	<u>\$ 246,300</u>	<u>\$ 271,636</u>	<u>\$ 271,642</u>	<u>\$ 6</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, 2005**

EMS TRANSPORT SERVICE FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 3,440	\$ 3,435	\$ (5)
Charges for Services	147,000	173,340	173,427	87
Total Revenues	<u>147,000</u>	<u>176,780</u>	<u>176,862</u>	<u>82</u>
Expenditures:				
Security of Persons and Property:				
Materials and Supplies	23,000	18,450	18,440	10
Contractual Services	60,000	30,210	30,193	17
Other Expenditures	120,000	120,000	120,000	0
Capital Outlay	0	5,781	5,776	5
Total Expenditures	<u>203,000</u>	<u>174,441</u>	<u>174,409</u>	<u>32</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(56,000)	2,339	2,453	114
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	(76,000)	(17,661)	(17,547)	114
Fund Balance at Beginning of Year	91,123	91,123	91,123	0
Prior Year Encumbrances	3,281	3,281	3,281	0
Fund Balance at End of Year	<u>\$ 18,404</u>	<u>\$ 76,743</u>	<u>\$ 76,857</u>	<u>\$ 114</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, 2005**

	RECREATION FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 237,850	\$ 242,720	\$ 242,695	\$ (25)
Investment Earnings	16,130	4,170	4,174	4
All Other Revenues	28,500	37,210	37,204	(6)
Total Revenues	<u>282,480</u>	<u>284,100</u>	<u>284,073</u>	<u>(27)</u>
Expenditures:				
Leisure Time Activities:				
Administration:				
Personal Services	76,050	60,500	60,372	128
Materials and Supplies	21,300	20,406	20,386	20
Contractual Services	3,650	2,100	2,085	15
Other Expenditures	3,250	4	0	4
Total Administration	<u>104,250</u>	<u>83,010</u>	<u>82,843</u>	<u>167</u>
Golf Course Operations:				
Personal Services	130,950	128,290	128,267	23
Materials and Supplies	62,150	60,790	60,685	105
Contractual Services	19,080	15,760	15,660	100
Total Golf Course Operations	<u>212,180</u>	<u>204,840</u>	<u>204,612</u>	<u>228</u>
Pool Operations:				
Personal Services	57,430	60,890	60,868	22
Materials and Supplies	23,800	21,380	21,367	13
Contractual Services	22,130	18,740	18,696	44
Total Pool Operations	<u>103,360</u>	<u>101,010</u>	<u>100,931</u>	<u>79</u>
Parks and Programs:				
Personal Services	258,180	230,270	230,172	98
Materials and Supplies	83,200	80,685	80,614	71
Contractual Services	51,380	65,485	65,418	67
Total Parks and Programs	<u>392,760</u>	<u>376,440</u>	<u>376,204</u>	<u>236</u>
Total Expenditures	<u>812,550</u>	<u>765,300</u>	<u>764,590</u>	<u>710</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(530,070)	(481,200)	(480,517)	683
Other Financing Sources (Uses):				
Transfers In	475,740	533,590	533,588	(2)
Total Other Financing Sources (Uses)	<u>475,740</u>	<u>533,590</u>	<u>533,588</u>	<u>(2)</u>
Net Change In Fund Balance	(54,330)	52,390	53,071	681
Fund Balance at Beginning of Year	80,376	80,376	80,376	0
Fund Balance at End of Year	<u>\$ 26,046</u>	<u>\$ 132,766</u>	<u>\$ 133,447</u>	<u>\$ 681</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, 2005**

	SPECIAL EVENTS FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 2,000	\$ 0	\$ 0	\$ 0
All Other Revenues	350	0	0	0
Total Revenues	<u>2,350</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:				
General Government:				
Materials and Supplies	4,300	130	126	4
Contractual Services	28,460	5,140	5,140	0
Other Expenditures	6,500	0	0	0
Total Expenditures	<u>39,260</u>	<u>5,270</u>	<u>5,266</u>	<u>4</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,910)	(5,270)	(5,266)	4
Other Financing Sources (Uses):				
Transfers In	35,000	35,000	35,000	0
Total Other Financing Sources (Uses)	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>0</u>
Net Change In Fund Balance	(1,910)	29,730	29,734	4
Fund Balance at Beginning of Year	6,878	6,878	6,878	0
Fund Balance at End of Year	<u>\$ 4,968</u>	<u>\$ 36,608</u>	<u>\$ 36,612</u>	<u>\$ 4</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, 2005***

ECONOMIC DEVELOPMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 50,000	\$ 50,000	\$ 0
Investment Earnings	10,020	23,520	23,520	0
All Other Revenues	13,950	6,980	6,974	(6)
Total Revenues	<u>23,970</u>	<u>80,500</u>	<u>80,494</u>	<u>(6)</u>
Expenditures:				
Community Environment:				
Contractual Services	78,900	175,160	175,155	5
Capital Outlay	395,000	512,836	512,836	0
Total Expenditures	<u>473,900</u>	<u>687,996</u>	<u>687,991</u>	<u>5</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(449,930)	(607,496)	(607,497)	(1)
Other Financing Sources (Uses):				
Sale of Capital Assets	276,000	288,500	288,500	0
Transfers In	123,000	123,000	123,000	0
Total Other Financing Sources (Uses)	<u>399,000</u>	<u>411,500</u>	<u>411,500</u>	<u>0</u>
Net Change In Fund Balance	(50,930)	(195,996)	(195,997)	(1)
Fund Balance at Beginning of Year	54,562	54,562	54,562	0
Prior Year Encumbrances	452,366	452,366	452,366	0
Fund Balance at End of Year	<u>\$ 455,998</u>	<u>\$ 310,932</u>	<u>\$ 310,931</u>	<u>\$ (1)</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, 2005**

HOTEL/MOTEL TAX FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 70,000	\$ 83,300	\$ 83,294	\$ (6)
Total Revenues	<u>70,000</u>	<u>83,300</u>	<u>83,294</u>	<u>(6)</u>
Expenditures:				
General Government:				
Contractual Services	35,000	46,628	46,628	0
Total Expenditures	<u>35,000</u>	<u>46,628</u>	<u>46,628</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,000	36,672	36,666	(6)
Other Financing Sources (Uses):				
Transfers Out	(35,000)	(46,630)	(46,630)	0
Total Other Financing Sources (Uses)	<u>(35,000)</u>	<u>(46,630)</u>	<u>(46,630)</u>	<u>0</u>
Net Change In Fund Balance	0	(9,958)	(9,964)	(6)
Fund Balance at Beginning of Year	9,964	9,964	9,964	0
Fund Balance at End of Year	<u>\$ 9,964</u>	<u>\$ 6</u>	<u>\$ 0</u>	<u>\$ (6)</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, 2005**

	CHIP INCOME FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 387,400	\$ 302,760	\$ 302,761	\$ 1
All Other Revenues	0	3,250	3,250	0
Total Revenues	<u>387,400</u>	<u>306,010</u>	<u>306,011</u>	<u>1</u>
Expenditures:				
Community Environment:				
Contractual Services	<u>387,400</u>	<u>311,866</u>	<u>311,866</u>	<u>0</u>
Total Expenditures	<u>387,400</u>	<u>311,866</u>	<u>311,866</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(5,856)	(5,855)	1
Fund Balance at Beginning of Year	<u>5,855</u>	<u>5,855</u>	<u>5,855</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,855</u>	<u>\$ (1)</u>	<u>\$ 0</u>	<u>\$ 1</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, 2005***

	CDBG INCOME FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 62,110	\$ 50,994	\$ (11,116)
Total Revenues	<u>0</u>	<u>62,110</u>	<u>50,994</u>	<u>(11,116)</u>
Expenditures:				
Community Environment:				
Contractual Services	<u>52,500</u>	<u>45,000</u>	<u>45,000</u>	<u>(11,116)</u>
Total Expenditures	<u>52,500</u>	<u>45,000</u>	<u>45,000</u>	<u>(11,116)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,500)	17,110	5,994	(11,116)
Fund Balance at Beginning of Year	<u>64,096</u>	<u>64,096</u>	<u>64,096</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 11,596</u>	<u>\$ 81,206</u>	<u>\$ 70,090</u>	<u>\$ (11,116)</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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 490	\$ 830	\$ 827	\$ (3)
Fines and Forfeitures	5,600	8,380	8,378	(2)
Total Revenues	<u>6,090</u>	<u>9,210</u>	<u>9,205</u>	<u>(5)</u>
Expenditures:				
Security of Persons and Property:				
Contractual Services	20,000	2,770	2,764	6
Total Expenditures	<u>20,000</u>	<u>2,770</u>	<u>2,764</u>	<u>6</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,910)	6,440	6,441	1
Fund Balance at Beginning of Year	<u>23,760</u>	<u>23,760</u>	<u>23,760</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 9,850</u>	<u>\$ 30,200</u>	<u>\$ 30,201</u>	<u>\$ 1</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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 120	\$ 118	\$ (2)
Fines and Forfeitures	1,060	1,280	1,273	(7)
Total Revenues	<u>1,060</u>	<u>1,400</u>	<u>1,391</u>	<u>(9)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	1,000	2,320	2,314	6
Contractual Services	2,000	160	160	0
Capital Outlay	3,000	850	848	2
Total Expenditures	<u>6,000</u>	<u>3,330</u>	<u>3,322</u>	<u>8</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,940)	(1,930)	(1,931)	(1)
Fund Balance at Beginning of Year	<u>5,361</u>	<u>5,361</u>	<u>5,361</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 421</u>	<u>\$ 3,431</u>	<u>\$ 3,430</u>	<u>\$ (1)</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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 2,500	\$ 5,060	\$ 5,060	\$ 0
Fines and Forfeitures	32,000	33,650	33,647	(3)
Total Revenues	<u>34,500</u>	<u>38,710</u>	<u>38,707</u>	<u>(3)</u>
Expenditures:				
Security of Persons and Property:				
Contractual Services	3,500	40	34	6
Other Expenditures	28,000	32,700	32,695	5
Capital Outlay	<u>7,850</u>	<u>19,620</u>	<u>19,612</u>	<u>8</u>
Total Expenditures	<u>39,350</u>	<u>52,360</u>	<u>52,341</u>	<u>19</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,850)	(13,650)	(13,634)	16
Fund Balance at Beginning of Year	<u>169,850</u>	<u>169,850</u>	<u>169,850</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 165,000</u>	<u>\$ 156,200</u>	<u>\$ 156,216</u>	<u>\$ 16</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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 200	\$ 250	\$ 247	\$ (3)
All Other Revenues	0	2,750	2,750	0
Total Revenues	<u>200</u>	<u>3,000</u>	<u>2,997</u>	<u>(3)</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	1,000	0	0	0
Capital Outlay	<u>2,000</u>	<u>3,320</u>	<u>3,320</u>	<u>0</u>
Total Expenditures	<u>3,000</u>	<u>3,320</u>	<u>3,320</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,800)	(320)	(323)	(3)
Fund Balance at Beginning of Year	<u>7,858</u>	<u>7,858</u>	<u>7,858</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,058</u>	<u>\$ 7,538</u>	<u>\$ 7,535</u>	<u>\$ (3)</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, 2005**

	MANDATORY DRUG FINE FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Investment Earnings	\$ 140	\$ 260	\$ 258	\$ (2)
Fines and Forfeitures	400	1,200	1,197	(3)
Total Revenues	<u>540</u>	<u>1,460</u>	<u>1,455</u>	<u>(5)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	3,000	630	618	12
Other Expenditures	<u>2,000</u>	<u>540</u>	<u>540</u>	<u>0</u>
Total Expenditures	<u>5,000</u>	<u>1,170</u>	<u>1,158</u>	<u>12</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,460)	290	297	7
Fund Balance at Beginning of Year	<u>8,186</u>	<u>8,186</u>	<u>8,186</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,726</u>	<u>\$ 8,476</u>	<u>\$ 8,483</u>	<u>\$ 7</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, 2005***

FIRE EQUIPMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 15,000	\$ 15,000	\$ 15,000	\$ 0
Investment Earnings	3,500	7,820	7,823	3
Total Revenues	<u>18,500</u>	<u>22,820</u>	<u>22,823</u>	<u>3</u>
Expenditures:				
Security of Persons and Property:				
Capital Outlay	8,000	7,260	7,254	6
Total Expenditures	<u>8,000</u>	<u>7,260</u>	<u>7,254</u>	<u>6</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,500	15,560	15,569	9
Other Financing Sources (Uses):				
Transfers In	60,000	60,000	60,000	0
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	70,500	75,560	75,569	9
Fund Balance at Beginning of Year	200,529	200,529	200,529	0
Prior Year Encumbrances	7,675	7,675	7,675	0
Fund Balance at End of Year	<u>\$ 278,704</u>	<u>\$ 283,764</u>	<u>\$ 283,773</u>	<u>\$ 9</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, 2005***

MUNICIPAL PROBATION SERVICE FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 400	\$ 1,040	\$ 1,036	\$ (4)
Fines and Forfeitures	7,000	7,360	7,360	0
Total Revenues	<u>7,400</u>	<u>8,400</u>	<u>8,396</u>	<u>(4)</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	8,980	1,640	1,639	1
Total Expenditures	<u>8,980</u>	<u>1,640</u>	<u>1,639</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,580)	6,760	6,757	(3)
Other Financing Sources (Uses):				
Transfers Out	0	(3,845)	(3,845)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(3,845)</u>	<u>(3,845)</u>	<u>0</u>
Net Change In Fund Balance	(1,580)	2,915	2,912	(3)
Fund Balance at Beginning of Year	31,411	31,411	31,411	0
Fund Balance at End of Year	<u>\$ 29,831</u>	<u>\$ 34,326</u>	<u>\$ 34,323</u>	<u>\$ (3)</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, 2005**

PROBATION OFFICER GRANT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 24,280	\$ 60,700	\$ 60,701	\$ 1
Total Revenues	<u>24,280</u>	<u>60,700</u>	<u>60,701</u>	<u>1</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	21,870	43,456	43,456	0
Contractual Services	4,130	11,390	11,390	0
Total Expenditures	<u>26,000</u>	<u>54,846</u>	<u>54,846</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,720)	5,854	5,855	1
Other Financing Sources (Uses):				
Transfers In	0	3,850	3,845	(5)
Transfers Out	0	(11,420)	(11,420)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(7,570)</u>	<u>(7,575)</u>	<u>(5)</u>
Net Change In Fund Balance	(1,720)	(1,716)	(1,720)	(4)
Fund Balance at Beginning of Year	1,721	1,721	1,721	0
Fund Balance at End of Year	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 1</u>	<u>\$ (4)</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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 29,500	\$ 35,490	\$ 35,494	\$ 4
Total Revenues	<u>29,500</u>	<u>35,490</u>	<u>35,494</u>	<u>4</u>
Expenditures:				
Security of Persons and Property:				
Capital Outlay	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,500)	35,490	35,494	4
Fund Balance at Beginning of Year	<u>229,418</u>	<u>229,418</u>	<u>229,418</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 208,918</u>	<u>\$ 264,908</u>	<u>\$ 264,912</u>	<u>\$ 4</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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 100	\$ 0	\$ 0	\$ 0
Total Revenues	<u>100</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	<u>300</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>300</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200)	0	0	0
Fund Balance at Beginning of Year	<u>300</u>	<u>300</u>	<u>300</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 100</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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 81,670	\$ 84,080	\$ 84,073	\$ (7)
Intergovernmental Revenues	8,810	9,100	9,095	(5)
Total Revenues	<u>90,480</u>	<u>93,180</u>	<u>93,168</u>	<u>(12)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	<u>90,480</u>	<u>101,022</u>	<u>101,022</u>	<u>0</u>
Total Expenditures	<u>90,480</u>	<u>101,022</u>	<u>101,022</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(7,842)	(7,854)	(12)
Fund Balance at Beginning of Year	<u>7,854</u>	<u>7,854</u>	<u>7,854</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 7,854</u>	<u>\$ 12</u>	<u>\$ 0</u>	<u>\$ (12)</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, 2005***

	FIRE PENSION FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property Taxes	\$ 40,830	\$ 42,050	\$ 42,043	\$ (7)
Intergovernmental Revenues	4,410	4,550	4,547	(3)
Total Revenues	<u>45,240</u>	<u>46,600</u>	<u>46,590</u>	<u>(10)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	45,240	50,534	50,534	0
Total Expenditures	<u>45,240</u>	<u>50,534</u>	<u>50,534</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(3,934)	(3,944)	(10)
Fund Balance at Beginning of Year	<u>3,944</u>	<u>3,944</u>	<u>3,944</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,944</u>	<u>\$ 10</u>	<u>\$ 0</u>	<u>\$ (10)</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, 2005**

	CEMETERY FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 3,500	\$ 2,610	\$ 2,608	\$ (2)
All Other Revenues	0	200	200	0
Total Revenues	<u>3,500</u>	<u>2,810</u>	<u>2,808</u>	<u>(2)</u>
Expenditures:				
Community Environment:				
Materials and Supplies	<u>5,000</u>	<u>4,520</u>	<u>4,511</u>	<u>9</u>
Total Expenditures	<u>5,000</u>	<u>4,520</u>	<u>4,511</u>	<u>9</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,500)	(1,710)	(1,703)	7
Fund Balance at Beginning of Year	<u>88,808</u>	<u>88,808</u>	<u>88,808</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 87,308</u>	<u>\$ 87,098</u>	<u>\$ 87,105</u>	<u>\$ 7</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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 0	\$ 42,050	\$ 42,054	\$ 4
Total Revenues	<u>0</u>	<u>42,050</u>	<u>42,054</u>	<u>4</u>
Expenditures:				
Debt Service:				
Principal Retirement	0	10,000	10,000	0
Interest and Fiscal Charges	<u>7,730</u>	<u>21,670</u>	<u>21,657</u>	<u>13</u>
Total Expenditures	<u>7,730</u>	<u>31,670</u>	<u>31,657</u>	<u>13</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,730)	10,380	10,397	17
Fund Balance at Beginning of Year	<u>9,394</u>	<u>9,394</u>	<u>9,394</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,664</u>	<u>\$ 19,774</u>	<u>\$ 19,791</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 Capital Projects Fund
For the Year Ended December 31, 2005**

GREENFIELD OPEN SPACE FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 19,830	\$ 19,831	\$ 1
Total Revenues	<u>0</u>	<u>19,830</u>	<u>19,831</u>	<u>1</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	19,830	19,831	1
Other Financing Sources (Uses):				
Transfers Out	0	(19,831)	(19,831)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(19,831)</u>	<u>(19,831)</u>	<u>0</u>
Net Change In Fund Balance	0	(1)	0	1
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>\$ (1)</u>	<u>\$ 0</u>	<u>\$ 1</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.

Employee Benefits Fund

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

Payroll Withholding Fund

To account for withholding taxes until remitted to other entities.

CITY OF NAPOLEON, OHIO

***Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2005***

	Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005
<u>Municipal Court</u>				
Assets:				
Cash and Cash Equivalents	\$19,919	\$1,403,021	(\$1,414,049)	\$8,891
Total Assets	<u>\$19,919</u>	<u>\$1,403,021</u>	<u>(\$1,414,049)</u>	<u>\$8,891</u>
Liabilities:				
Due to Others	\$19,919	\$1,403,021	(\$1,414,049)	\$8,891
Total Liabilities	<u>\$19,919</u>	<u>\$1,403,021</u>	<u>(\$1,414,049)</u>	<u>\$8,891</u>
<u>Employee Benefits</u>				
Assets:				
Cash and Cash Equivalents	\$0	\$11,459	\$0	\$11,459
Total Assets	<u>\$0</u>	<u>\$11,459</u>	<u>\$0</u>	<u>\$11,459</u>
Liabilities:				
Due to Others	\$0	\$11,459	\$0	\$11,459
Total Liabilities	<u>\$0</u>	<u>\$11,459</u>	<u>\$0</u>	<u>\$11,459</u>
<u>Totals - Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$19,919	\$1,414,480	(\$1,414,049)	\$20,350
Total Assets	<u>\$19,919</u>	<u>\$1,414,480</u>	<u>(\$1,414,049)</u>	<u>\$20,350</u>
Liabilities:				
Due to Others	\$19,919	\$1,414,480	(\$1,414,049)	\$20,350
Total Liabilities	<u>\$19,919</u>	<u>\$1,414,480</u>	<u>(\$1,414,049)</u>	<u>\$20,350</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF NAPOLEON, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2005***

<u>Capital Assets:</u>	
Land	\$8,421,238
Construction in Progress	1,030,638
Buildings	2,405,551
Improvements	548,257
Machinery and Equipment	4,931,847
Infrastructure	<u>21,226,236</u>
Total Capital Assets	<u><u>\$38,563,767</u></u>
<u>Investment in Capital Assets:</u>	
General Fund	\$1,564,513
Special Revenue Funds	1,016,367
Capital Projects Funds	34,936,515
Enterprise Funds	612,162
Internal Service Fund	74,710
Donated	<u>359,500</u>
Total Investment in Capital Assets	<u><u>\$38,563,767</u></u>

CITY OF NAPOLEON, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2005**

Function and Activity	Land	Construction In Progress	Buildings	Improvements
General Government:				
City Manager	\$0	\$0	\$0	\$0
Law Director	0	0	0	0
Finance	0	0	179,304	0
Tax	0	0	0	0
MIS	0	0	0	0
Engineering	0	0	1,978	0
Municipal Court	0	0	0	0
General Administration	1,047,732	0	0	0
Total	1,047,732	0	181,282	0
Security of Persons and Property:				
Police	32,729	0	112,500	0
Fire	6,514	0	398,474	0
Total	39,243	0	510,974	0
Transportation:				
Street	6,024,103	53,312	654,534	150,315
Maintenance	0	0	0	0
Total	6,024,103	53,312	654,534	150,315
Leisure Time Activities:				
Parks and Recreation	1,072,860	0	1,052,961	397,942
Community Environment:				
Inspection	0	0	0	0
Economic Development	0	977,326	0	0
Total	0	977,326	0	0
Public Health and Welfare:				
Cemetery	237,300	0	5,800	0
Governmental IS:				
City Garage	0	0	0	0
Total Capital Assets	\$8,421,238	\$1,030,638	\$2,405,551	\$548,257

CITY OF NAPOLEON, OHIO

Machinery and Equipment	Infrastructure	Total
\$166,176	\$0	\$166,176
25,030	0	25,030
251,765	0	431,069
36,304	0	36,304
38,294	0	38,294
88,521	0	90,499
147,651	0	147,651
17,040	0	1,064,772
<u>770,781</u>	<u>0</u>	<u>1,999,795</u>
535,474	0	680,703
<u>1,703,529</u>	<u>0</u>	<u>2,108,517</u>
<u>2,239,003</u>	<u>0</u>	<u>2,789,220</u>
1,132,701	21,226,236	29,241,201
22,118	0	22,118
<u>1,154,819</u>	<u>21,226,236</u>	<u>29,263,319</u>
<u>604,624</u>	<u>0</u>	<u>3,128,387</u>
36,689	0	36,689
0	0	977,326
<u>36,689</u>	<u>0</u>	<u>1,014,015</u>
<u>91,773</u>	<u>0</u>	<u>334,873</u>
<u>34,158</u>	<u>0</u>	<u>34,158</u>
<u>\$4,931,847</u>	<u>\$21,226,236</u>	<u>\$38,563,767</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, 2005***

Function and Activity	December 31, 2004	Additions	Deletions	December 31, 2005
<u>General Government:</u>				
City Manager	\$116,988	\$49,188	\$0	\$166,176
Law Director	22,685	2,345	0	25,030
Finance	430,289	2,319	(1,539)	431,069
Tax	32,347	6,326	(2,369)	36,304
MIS	4,712	33,582	0	38,294
Engineering	90,965	5,134	(5,600)	90,499
Municipal Court	107,674	39,977	0	147,651
General Administration	1,064,772	0	0	1,064,772
Total	1,870,432	138,871	(9,508)	1,999,795
<u>Security of Persons and Property:</u>				
Police	763,228	115,817	(198,342)	680,703
Fire	2,069,212	39,305	0	2,108,517
Total	2,832,440	155,122	(198,342)	2,789,220
<u>Transportation:</u>				
Street	28,259,644	1,149,314	(167,757)	29,241,201
Maintenance	22,118	0	0	22,118
Total	28,281,762	1,149,314	(167,757)	29,263,319
<u>Leisure Time Activities:</u>				
Parks and Recreation	2,718,376	427,196	(17,185)	3,128,387
<u>Community Environment:</u>				
Inspection	15,789	20,900	0	36,689
Economic Development	0	977,326	0	977,326
Total	15,789	998,226	0	1,014,015
<u>Public Health and Welfare:</u>				
Cemetery	330,013	9,135	(4,275)	334,873
<u>Governmental IS:</u>				
City Garage	34,158	0	0	34,158
Total Capital Assets	\$36,082,970	\$2,877,864	(\$397,067)	\$38,563,767

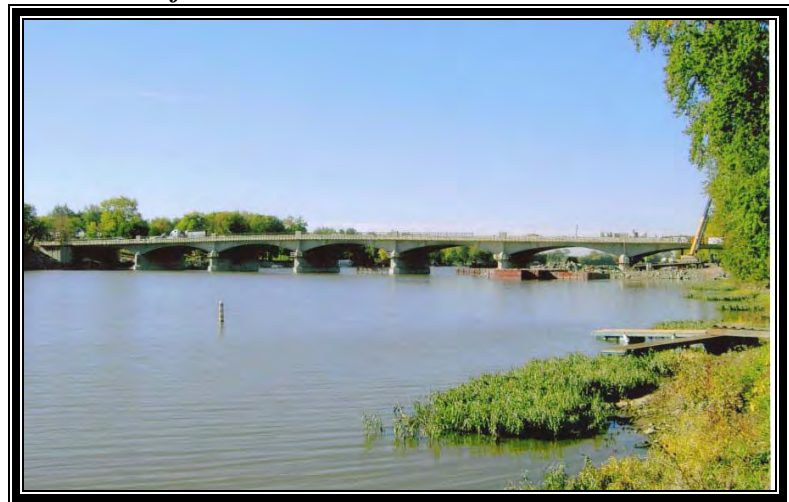
STATISTICAL SECTION



Weather was good and progress was noticed by all.....



on a clear day, from afar, the bridge started to come to life



Suddenly one day before our eyes.....

PHOTOS COURTESY OF GARY L. FRANZ



STATISTICAL TABLES

***T**HE 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 Environment	Transportation	General Government	Debt Service	Total
1996	\$1,701,587	\$53,255	\$650,675	\$101,021	\$419,561	\$613,264	\$328,443	\$3,867,806
1997	1,620,552	66,127	594,786	322,033	369,319	573,955	340,717	3,887,489
1998	1,811,903	66,231	637,495	166,716	460,040	526,416	347,991	4,016,792
1999	1,686,473	62,354	665,529	390,281	382,531	655,126	354,329	4,196,623
2000	2,451,923	66,118	710,193	653,905	519,657	793,592	345,952	5,541,340
2001	2,132,567	79,675	786,130	180,763	584,706	1,060,213	286,175	5,110,229
2002	2,334,971	80,577	770,783	599,187	645,695	977,419	246,787	5,655,419
2003	2,475,239	87,882	756,745	1,071,531	617,653	833,966	250,581	6,093,597
2004	2,821,246	89,627	755,563	229,297	727,926	857,184	257,139	5,737,982
2005	3,269,915	88,465	764,355	716,342	585,866	691,771	279,913	6,396,627

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

CITY OF NAPOLEON, OHIO

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

<u>Year</u>	<u>Taxes</u>	<u>Inter- Governmental Revenue</u>	<u>Charges for Service</u>	<u>Licenses and Permits</u>	<u>Investment Earnings</u>	<u>Fines and Forfeitures</u>	<u>(2) Miscellaneous</u>	<u>Total</u>
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
2004	3,253,269	1,609,341	627,492	114,276	188,501	299,738	488,638	6,581,255
2005	3,481,493	2,378,728	659,064	89,952	233,988	342,082	514,047	7,699,354

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

(2) Includes Special Assessments and All Other Revenues

CITY OF NAPOLEON, OHIO

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

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage of Accumulated Delinquent Taxes to Total Tax Levy</u>
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%
2004	437,313	354,340	11,800	366,140	83.72%	3,778	0.86%
2005	444,519	357,308	6,639	363,947	81.87%	4,423	1.00%

Source: Henry County Auditor

CITY OF NAPOLEON, OHIO

***TANGIBLE TAX COLLECTED
LAST TEN YEARS***

<u>Year Paid</u>	<u>Amount</u>
1996	\$73,621
1997	61,252
1998	100,576
1999	104,762
2000	92,597
2001	106,276
2002	85,015
2003	85,553
2004	82,776
2005	86,528

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	
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%
2004	122,257,360	349,306,743	1,861,494	1,861,494	29,163,410	116,653,640	153,282,264	467,821,877	32.77%
2005	138,379,700	395,370,571	1,425,967	1,425,967	22,340,157	89,360,628	162,145,824	486,157,166	33.35%

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						
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
2004	2.00	0.60	0.30	2.90	53.70	3.20	14.80	0.40	75.00
2005	2.00	0.60	0.30	2.90	53.70	3.20	14.80	0.40	75.00

Source: Henry County Treasurer

CITY OF NAPOLEON, OHIO

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

<u>Collection Year</u>	<u>Amount Billed</u>	<u>Amount Collected</u>	<u>Percent Collected</u>
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%
2004	384,078	388,937	101.27%
2005	385,404	384,156	99.68%

Source: City of Napoleon Finance Department

CITY OF NAPOLEON, OHIO

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2005**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$153,282,264	\$153,282,264
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	16,094,638	8,430,525
Applicable City Debt Outstanding (2)	0	0
Less: Applicable Debt Service Fund Amounts	<u>(9,394)</u>	<u>(9,394)</u>
Net Indebtedness Subject to Limitation	<u>0</u>	<u>0</u>
Legal Debt Margin	<u><u>\$16,085,244</u></u>	<u><u>\$8,421,131</u></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 DEBT TO ASSESSED
VALUE AND NET GENERAL OBLIGATION DEBT PER CAPITA
LAST TEN YEARS**

Year	Population (1)	Assessed Value (2)	Gross General Obligation Debt (3)	Debt Service Funds Available	Net Bonded Debt	Ratio of General Obligation Debt to Assessed Valuation	Net General Obligation Debt Per Capita
1996	9,215	\$107,266,704	\$0	\$0	\$0	0.00%	\$0.00
1997	9,215	119,956,467	0	0	0	0.00%	0.00
1998	9,215	121,446,077	0	0	0	0.00%	0.00
1999	9,215	141,833,256	0	0	0	0.00%	0.00
2000	9,318	138,828,427	0	0	0	0.00%	0.00
2001	9,318	141,252,773	0	0	0	0.00%	0.00
2002	9,318	148,399,344	0	0	0	0.00%	0.00
2003	9,318	150,797,521	0	0	0	0.00%	0.00
2004	9,318	153,282,264	0	0	0	0.00%	0.00
2005	9,318	162,145,824	680,000	0	680,000	0.42%	72.98

(1) Source: U.S. Bureau of Census, 1990 Federal Census, 2000 Federal Census

(2) Source: Wood County Auditor

(3) Includes all general obligation debt supported by property taxes

CITY OF NAPOLEON, OHIO

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS**

Year	Debt Principal	Debt Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Tax Debt Service to General Governmental Expenditures
1996	\$0	\$0	\$0	\$3,867,806	0.00%
1997	0	0	0	3,887,489	0.00%
1998	0	0	0	4,016,792	0.00%
1999	0	0	0	4,196,623	0.00%
2000	0	0	0	5,541,340	0.00%
2001	0	0	0	5,110,229	0.00%
2002	0	0	0	5,655,419	0.00%
2003	0	0	0	6,093,597	0.00%
2004	0	0	0	5,737,982	0.00%
2005	10,000	11,273	21,273	6,396,627	0.33%

CITY OF NAPOLEON, OHIO

**COMPUTATION OF ALL DIRECT AND OVERLAPPING GOVERNMENTAL DEBT
DECEMBER 31, 2005**

<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	\$7,680,000	100.00%	\$7,680,000
Overlapping Subdivisions			
Napoleon City School District	4,454,456	50.98%	2,270,882
Liberty Center School District	2,719,998	6.23%	169,456
Four County Vocational School District	0	5.44%	0
Henry County	7,325,362	28.62%	2,096,519
		Subtotal	<u>4,536,856</u>
		Total	<u><u>\$12,216,856</u></u>

Source: Bond Counsel - Squire, Sanders & Dempsey

CITY OF NAPOLEON, OHIO

REVENUE BOND COVERAGE - ELECTRIC MORTGAGE BONDS (1) LAST EIGHT YEARS

<u>Year</u>	<u>Gross Revenues (2)</u>	<u>Direct Operating Expenses (3)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Annual Debt Service Requirement (4)</u>	<u>Coverage</u>
1998	\$9,898,206	\$9,939,969	(\$41,763)	\$21,326	(1.96)
1999	11,057,218	10,041,853	1,015,365	234,586	4.33
2000	11,208,088	9,396,161	1,811,927	256,710	7.06
2001	11,873,698	9,458,169	2,415,529	1,013,568	2.38
2002	11,379,589	10,593,975	785,614	1,013,433	0.78
2003	11,271,553	10,101,397	1,170,156	1,016,286	1.15
2004	12,842,711	11,724,425	1,118,286	1,057,729	1.06
2005	14,878,004	13,235,112	1,642,892	1,077,384	1.52

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) Gross revenues include operating revenues plus interest income.

(3) Direct operating expenses include operating expenses less depreciation and payments to joint venture.

(4) Annual debt service requirements include principal and interest on revenue bonds only.

Source: City of Napoleon Finance Department

CITY OF NAPOLEON, OHIO

REVENUE BOND COVERAGE - SEWER MORTGAGE BONDS (1) LAST EIGHT YEARS

<u>Year</u>	<u>Gross Revenues (2)</u>	<u>Direct Operating Expenses (3)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Annual Debt Service Requirement (4)</u>	<u>Coverage</u>
1998	\$1,521,674	\$1,258,196	\$263,478	\$23,072	11.42
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
2004	2,026,358	1,459,737	566,621	276,913	2.05
2005	2,436,476	1,153,972	1,282,504	275,892	4.65

The City had no Mortgage Revenue Bonds Prior to 1998.

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

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

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

(4) 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***

<u>Year</u>		<u>City Population (1)</u>	<u>Henry County Population (b)</u>	<u>Unemployment Rate Henry County Area (2)</u>	<u>Per Capita Income Henry County Area (2)</u>	<u>School Enrollment (3)</u>
1996	a	9,215	29,837	4.5%	\$21,723	2,399
1997	a	9,215	29,885	5.4%	22,928	2,436
1998	a	9,215	29,880	5.3%	23,144	2,462
1999	a	9,215	29,870	5.6%	23,833	2,779
2000	b	9,318	29,210	4.8%	24,430	2,885
2001	b	9,318	29,310	5.1%	25,330	2,902
2002	b	9,318	29,310	5.3%	25,330	2,844
2003	b	9,318	29,310	5.8%	25,343	2,846
2004	b	9,318	29,310	6.4%	25,343	2,808
2005	b	9,318	29,310	6.2%	25,343	2,822

(1) Source: U.S. Bureau of Census, a) Population estimates b) 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**

<u>Year</u>	<u>Residential</u>		<u>Commercial</u>	
	<u>Number of Permits</u>	<u>Property Value</u>	<u>Number of Permits</u>	<u>Property Value</u>
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
2004	517	5,186,179	116	4,017,500
2005	540	3,769,963	93	3,912,860

Source: City of Napoleon Building Department.

CITY OF NAPOLEON, OHIO

**PRINCIPAL TAXPAYERS (PERSONAL PROPERTY TAX) (1)
DECEMBER 31, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Campbell Soup Supply Company, LLC	Food Canning and Processing	\$4,692,700	21.01%
2. Tenneco Automotive	Rubber and Metal Assembly	3,348,280	14.99%
3. Carson Industries	Manufacturing	1,777,680	7.96%
4. Walmart Stores	Retail	1,745,370	7.81%
5. Automatic Feed	Steel Handling Equipment	1,530,450	6.85%
6. Pro Team Corvette Sales	Automobile Sales	1,449,600	6.49%
7. Snyder Chevrolet	Automobile Sales	1,096,520	4.91%
8. Plastech Engineered Products	Manufacturing	1,070,730	4.79%
9. Advanced Drainage	Manufacturing	1,012,260	4.53%
10. Fresh Mark, Incorporated	Food Processing	917,610	4.11%
Sub-Total		18,641,200	83.45%
All Others		3,698,957	16.55%
Total		\$22,340,157	100.00%

(1) Based on valuation of property taxes to be collected in 2006.
Source: Henry County Auditor - Land and Buildings.

CITY OF NAPOLEON, OHIO

**PRINCIPAL TAXPAYERS (REAL PROPERTY TAX) (1)
DECEMBER 31, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Wal-Mart Stores, Inc.	Retail Sales	\$9,199,742	6.65%
2. CCS Realty Company	Real Estate	\$5,918,057	4.28%
3. Galileo Apollo II	Food Canning and Processing	3,191,228	2.31%
4. Marvin Yagel	Retail Sales	3,176,999	2.30%
5. Thomas J. Short	Real Estate	2,836,514	2.05%
6. Lutheran Development	Nursing Home	2,601,828	1.88%
7. Imperial Clevite	Rubber and Metal Assembly	2,286,514	1.65%
8. Automatic Feed	Steel Handling Equipment	1,899,485	1.37%
9. Wharster Properties	Real Estate	1,752,751	1.27%
10. Glen Arbor Limited	Apartments	1,728,000	1.25%
Sub-Total		34,591,118	25.00%
All Others		103,788,582	75.00%
Total		\$138,379,700	100.00%

(1) Based on valuation of property taxes to be collected in 2006.
Source: Henry County Auditor - Land and Buildings.

CITY OF NAPOLEON, OHIO

***PRINCIPAL TAXPAYERS (INCOME TAX)
DECEMBER 31, 2005***

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Amount of Tax Paid in 2005</u>	<u>Percentage of Total</u>
1. Tenneco Automotive (Pullman Company)	Manufacturing	\$171,045	10.86%
2. Campbell Soup Supply Company, LLC	Food Canning and Processing	146,923	9.33%
3. Napoleon City School District	Education	126,893	8.06%
4. Henry County	County Government	94,329	5.99%
5. Automatic Feed	Steel Handling Equipment	73,808	4.69%
6. City of Napoleon	Local Government	64,636	4.10%
7. Plastech Engineered Products	Manufacturing	61,016	3.87%
8. Wal-Mart Stores, Inc.	Retail Sales	57,019	3.62%
9. Luthern Home	Health Care and Rehabilitation	37,408	2.38%
10. Henry County Hospital	Health Care	35,359	2.25%
Sub-Total		868,436	55.15%
All Others		706,860	44.85%
Total		<u>\$1,575,296</u>	<u>100.00%</u>

Source: Napoleon City Income Tax Department

CITY OF NAPOLEON, OHIO

PRINCIPAL EMPLOYERS DECEMBER 31, 2005

	Employer	Type of Business	Number of Employees		
			Full-Time	Part-Time	Total
1.	Henry County	County Government	369	102	471
2.	Tenneco Automotive (Pullman Company)	Automobile Parts Manufacturer	353	8	361
3.	Wal-Mart Stores	Retail	298	0	298
4.	Napoleon City School District	Education	147	100	247
5.	City of Napoleon	Local Government	113	108	221
6.	Plastech Engineered Products	Manufacturing	218	0	218
7.	The Lutheran Home	Long-term Health Care	175	15	190
8.	Carson Industries	Manufacturing	119	0	119
9.	Automatic Feed Company	Steel Handling Equipment	100	2	102
10.	Northcrest Nursing Home	Health Care and Rehabilitation	55	36	91

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

CITY OF NAPOLEON, OHIO

**MISCELLANEOUS STATISTICS
DECEMBER 31, 2005**

		Police Services:		Water System:	
Date of Incorporation	1863	Number of Stations	2	Number of Purification Plants	1
Form of Government	Charter	Number of Police Personnel and Officers	22	Miles of Water Mains	58.48
Area (square miles)	6.52	Number of Patrol Units	8	Number of Fire Hydrants	599
Facilities and Services:		Number of Law Violations: Criminal /Juvenile Citations and Charges	1,193	Number of Service Connections	3,634
Miles of Streets	72	Traffic Citations Issued	1,200	Average Daily Consumption (gallons)	1.3M
Recreation and Culture:		Parking Tickets Written	134	Maximum Daily Capacity of Plant (gallons)	4.5M
Number of Parks	9	Fire/Emergency Medical Services:		Sewerage System:	
Park Area (acres)	225	Number of Stations	1	Number of Treatment Plants	1
Number of Ball Fields:		Number of Fire Officers and Firefighters/Paramedics:		Miles of Sanitary Sewers	45
Lighted	4	Full-Time	8	Miles of Storm Sewers	30
Unlighted	3	Part-Time	39	Number of Service Connections	3,493
Number of Tennis Courts:		Number of Calls Answered		Average Daily Treatment (gallons)	1.8M
Lighted	2	Fire	190	Maximum Daily Capacity of Treatment (gallons)	2.5M
Number of Libraries	1	EMS	950	Education:	
Number of Hospitals	1	Number of Inspections	43	Elementary and Middle Schools	4
Number of Patient Beds	25	Number of Cemeteries	2	Elementary and Middle School Students	1,500
Number of Bassinets	6	Cemetery Area (acres)	25	Elementary and Middle School Instructor	99
				Secondary Schools	1
				Secondary School Students	862
				Secondary School Instructors	47
				Parochial Schools	3
				Parochial School Students	437
				Parochial School Instructors	29

CITY OF NAPOLEON, OHIO



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THE BRIDGE!



***AERIAL PHOTO COURTESY OF ECKEL AIR PHOTO
NAPOLEON, OHIO JEFF ECKEL PHOTOGRAPHER***



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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
JULY 13, 2006**