



**Auditor of State
Betty Montgomery**

**CITY OF NAPOLEON
HENRY COUNTY**

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**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 the City of Napoleon (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 17, 2005. 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 opinions 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 17, 2005, 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*.

We intend this report solely for the information and use of the finance committee, management, and City Council. 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 17, 2005

THE CITY OF NAPOLEON, OHIO

HENRY COUNTY



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2004



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2004

Prepared by the Finance Department

Gregory J. Heath
Director of Finance



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HENRY COUNTY, OHIO**

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INTRODUCTORY SECTION



Flags flying high over the Henry County War Memorial
Honoring our Fallen Heroes.







CITY OF NAPOLEON

255 West Riverview Avenue • Napoleon, Ohio 43545

Gregory J. Heath, Director of Finance

phone (419) 599-1235

fax (419)-599-8393

June 17, 2005

Introduction

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

We are pleased to present the Ninth (9th) *Comprehensive Annual Financial Report* (CAFR) of the City of Napoleon, Ohio, (the City) for the year ended December 31, 2004. The report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) established by statements of the Governmental Accounting Standards Board (GASB), other authoritative pronouncements and guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada, and audited in accordance with Generally Accepted Auditing Standards (GAAS) by the Auditor of the State of Ohio. GAAP requires a narrative introduction, overview, and analysis called the Management's Discussion and Analysis (MD&A) to accompany the basic financial statements. This Letter of Transmittal (LOT) is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The Report

This report is comprised of three major sections:

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

CITY OF NAPOLEON, OHIO

Letter of Transmittal For the Year Ended December 31, 2004

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, 2004.

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, 2004. The report from the Auditor of State is presented as the first component of the financial section of this report.

PROFILE OF THE CITY OF NAPOLEON

Early History

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

***Letter of Transmittal
For the Year Ended December 31, 2004***

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

The City of Napoleon

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

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

Form of Government

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

***Letter of Transmittal
For the Year Ended December 31, 2004***

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

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 City Council and serve at the pleasure of Council with no specified terms. Except for departments of Finance, Law and Municipal Court, the City Manager has authority over all other operational departments and appoints those department heads. Subject to approval of Council, the Mayor, and on certain boards the City Manager, recommends appointments of citizen members to City boards and commissions.

Municipal Services

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

The City also operates four (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 and a yard waste dumping site.

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

CITY OF NAPOLEON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

The City is one (1) of the 108 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. Currently the City has a closed electric system and does not retail power from other providers.

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

The Reporting Entity

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

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

Budgetary and Accounting Controls

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

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

***Letter of Transmittal
For the Year Ended December 31, 2004***

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.

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 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 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 2004, reflective of the overall national economic trends. This growth was slightly better than the State of Ohio which has experienced a relatively flat profile in growth for the past three years. Business profit taxes rebounded from the prior year down level, and withholding taxes and individual returns grew slightly. Overall Income Tax collections were up +8.0 % in 2004 when compared to 2003, mainly on returns from business profits.

CITY OF NAPOLEON, OHIO

Letter of Transmittal For the Year Ended December 31, 2004

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 will dictate the actual pace of growth including pending State of Ohio tax reform legislation that could encourage investment in machinery and equipment, and spur additional development and investment in the manufacturing areas of the City. With the 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.

Certain manufacturers have added, or are planning to add, additional capital investment. Companies such as Midwest Wood Trim, Automatic Feed Company, Carson Industries and Tenneco Automotive are continuing to invest in their long term growth potential. The Campbell Soup Supply Company, LLC (Campbell’s), a manufacturer of soups, drinks (V-8 & Splash) and other canned items, is located adjacent, but outside the City, and continues to be the largest employer in Henry County.

The Silgan Can Company, located in the Campbell complex, markets to areas in the US, Canada and Mexico. A new warehouse was erected in 2003 adjacent to the plant to handle its increased production. Substantial investments were made in the local plant in both 2003 and 2004 to upgrade production capability, including a new plastic bottle manufacturing facility completed in 2004. However, due to rising health care and raw material costs, overall growth rates are estimated to remain close to the national average for all manufacturing located in the City.

Commercially, the City added six (6) more businesses than it lost in 2004. Other positive aspects, relative to manufacturing, include the introduction of the new Jeep Liberty in Toledo, which has resulted in additional suppliers locating in the area. GM Power Train in Defiance, Ohio, has added aluminum parts production to its operations and will see suppliers move to the area. Alex Products, located in Ridgeville Corners (six (6) miles NE of the City in Henry County), is a prime supplier for the automotive industry and completed a substantial expansion in 2003.

Henry County in 2004 experienced unemployment at a higher rate than the National or State average’s. As of December 31, 2004, the State of Ohio recorded average unemployment rate in 2004 was 6.1% and the National seasonally adjusted unemployment rate was 5.5%. The unemployment rate in Henry County for the same period was 6.4%. 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 6.1% to 6.4% respectively.

Business

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

CITY OF NAPOLEON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

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

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

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

Future

The vacated Oakwood Plaza was recently purchased and renovated by the Henry County Commissioners for government offices. The Oakwood Plaza currently houses County Administrative Offices, Henry County Health Department, and a new Emergency Operations Center used by both the City and County. Two new commerce parks are being developed: the Napoleon Commerce Park with the construction of a spec-building; and the North Pointe Commerce Park that involves 400 acres of land recently annexed by the City. 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 is in the process of replacing the Perry Street Bridge (SR-108), a \$17/million dollar project, over the Maumee River, with a projected completion date of October, 2005. In addition, a feasibility study for a second bridge crossing is in process.

The downtown area continues to have a relatively low vacancy rate, a new bar and grill style restaurant "Tin Lizzy's" opened in 2004, along with a new internet café. Improvements on US-24 when completed, will position the City as an ideal location for both industrial and commercial development. The US-24 project has been funded by the State and is moving forward at this time with early construction in 2006.

***Letter of Transmittal
For the Year Ended December 31, 2004***

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 Northcrest Drive and Monroe Street.
- Completed wireless computer upgrades to City police cruisers.
- Purchased electrical substation testing equipment for increased system reliability.
- Upgraded major equipment in many of the Departments, including two (2) new ambulances.
- Upgraded various Department computers, software, and added City Wide fiber optic connections.
- Completed major sewer separations on the sanitary sewer system.
- Completed waterline upgrades on the distribution system, and started a new Water Tower.
- Continue with a major re-metering of water and electric meters with automated radio read meter reading devices.

Major Initiatives for the Future

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

- Implement the new City Master Plan to assist in City growth and direction.
- Continued development of industrial and commercial sites for expanded and new industries.
- On-going road improvements and other infrastructure street repairs.
- Building of a new water tower on the south side to improve water pressure and quality.
- Expansion of water and sewer lines to new development areas in the City.
- Elimination of sanitary sewer and combined sewer overflows.
- Formation of a storm water utility.
- River bridge SR-108 replacement by the State of Ohio, study 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, was recently completed and approved by the City and its unions. Management reviews continue for all departmental operations which have resulted in operational changes, enhancing the efficiency and revenue effectiveness of those departments. Continuing education and skill training programs remained a priority item for all departments. Safety (OSHA) training programs have been implemented and required for all departments. Renovation made to the waste water treatment facility for handling sludge waste have been completed, and will allow the City to expand its options on sludge utilization. The City is continuing the process of updating department policies and procedures for more efficient operations and to reflect recent changes to City code. Recently, all departments have extensively reviewed their operations for cost savings and new potential revenue enhancement programs. In addition, the City has implemented a Healthcare Cost Committee that actively reevaluates City health programs and costs.

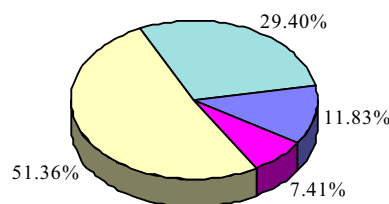
**Letter of Transmittal
For the Year Ended December 31, 2004**

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.

The City's cash resources were invested as follows at December 31, 2004:

Cash Resources	2004	%
Cash and Cash Equivalents	\$2,011,380	11.83%
STAR Ohio	1,261,127	7.41%
Federal Securities	8,735,780	51.36%
Certificates of Deposit	5,000,000	29.40%
Total	\$17,008,287	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; injuries to employees and natural disasters. The City participates with other cities in the Buckeye Ohio Risk Management Agency, Inc., (BORMA, Inc.) in jointly funded risk financing programs administered by Arthur J. Gallagher & Co. The BORMA, Inc. programs include two separate pools, which provide separate and distinct coverage's. The first pool provides comprehensive automobile liability, automobile physical damage, comprehensive general liability, crime and property liability and public officials' liability coverage up to specified limits. The second pool is for employee health benefits and includes life insurance, accidental death and dismemberment insurance, health insurance and prescription drug insurance. Detailed description of both pools are listed in Note 14.

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

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

***Letter of Transmittal
For the Year Ended December 31, 2004***

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 2004. The City reviews closely all Workers' Compensation claims to control costs. A Transitional Work Program was recently developed and adopted by the City. This program cuts lost time claims and allows gradual transition of injured workers from light duty to normal duty over a period of time.

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

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, 2004, 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, 2003. We believe this, our ninth (9th) Comprehensive Annual Financial Report, meets the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting, 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.

***Letter of Transmittal
For the Year Ended December 31, 2004***

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.

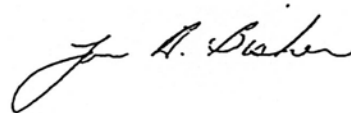
A special thank you is extended to the Members of City Council, the Mayor and the City Departments for the support and trust shown to the City Administration and the Finance Department. Also for allocating the resources and time for the development of this report, which demonstrates the City's commitment 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, 2004**

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	4	A
Glen Miller	President of Council	12/31/05	5	A
Mike DeWit	Council	12/31/07	11	A
Jim Hershberger	Council	12/31/05	17	A
Steve Small	Council	12/31/05	2	A
Travis Sheaffer	Council	12/31/05	8	A
Terri Williams	Council	12/31/07	17	A
John Helberg	Council	12/31/07	4	A
John Collier	Municipal Judge	12/31/05	7	A

Appointed Officials

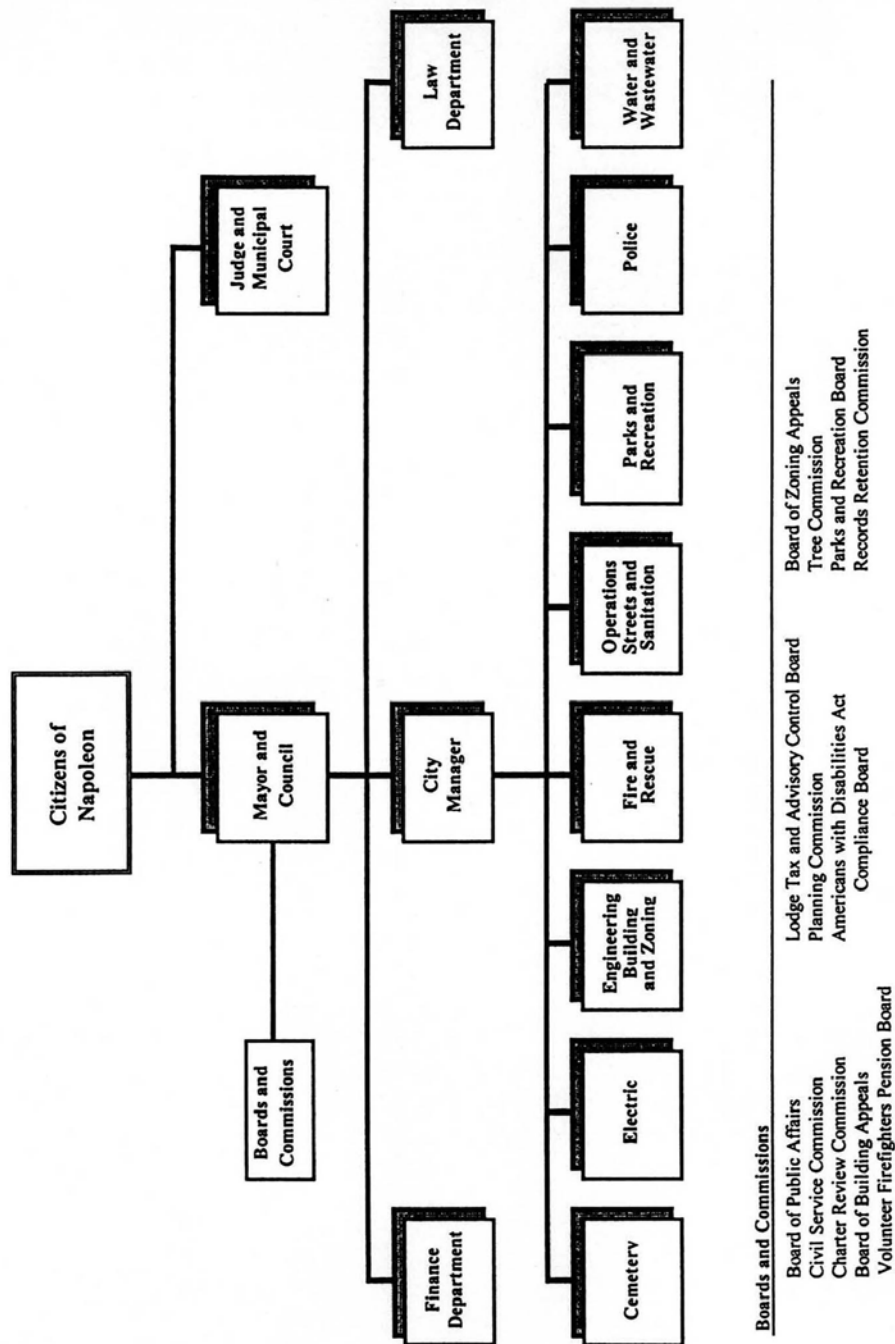
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Years of Service</u>	<u>Surety</u>
Jon Bisher	City Manager	Indefinite	6	A
Gregory Heath	Director of Finance	Indefinite	9	A
Betty Marihugh	Clerk of Courts	Indefinite	21	A
David Grahn	Law Director	Indefinite	11	A

(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 OF NAPOLEON, OHIO

**City Organizational Chart
For the Year Ended December 31, 2004**



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, 2003

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.



Nancy L. Ziehl

President

Jeffrey R. Egan

Executive Director



FINANCIAL SECTION



Arthur Dan Peterson
AMVETS
POST 1313

American Legion
Bert G. Taylor
Post 300



VFW
Luther R Kolbe
Post 8218





**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Mayor and Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Napoleon, Henry County, (the City), as of and for the year ended December 31, 2004, 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, 2004, and the respective changes in financial position and cash flows, where applicable, 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 17, 2005, 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.

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 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 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 17, 2005

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, 2004. 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 2004 are as follows:

- In total, net assets increased \$563,057. Net assets of governmental activities increased \$663,589, which represents a 2.3% increase from 2003. Net assets of business-type activities decreased \$100,532 representing a .4% decrease from 2003.
- General revenues accounted for \$4.6 million in revenue or 18% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 82% of total revenues of \$25.5 million.
- The City had \$7 million in expenses related to governmental activities; only \$3.3 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$4.4 million were adequate to provide for these programs.
- Among major funds, the general fund had \$4.8 million in revenues and \$3.2 million in expenditures. The general fund's fund balance decreased \$176,114 to \$2 million.
- Net assets for enterprise funds decreased by \$104,961. This decrease is a result of increased costs of purchased power 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 program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's electric, water, sewer and sanitation services are reported as business-type activities.

Fund Financial Statements

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

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

CITY OF NAPOLEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

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 2004 and 2003:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$9,625,674	\$8,588,789	\$18,556,318	\$18,569,588	\$28,181,992	\$27,158,377
Capital assets, Net	22,835,804	22,861,821	23,735,909	23,795,444	46,571,713	46,657,265
Total assets	32,461,478	31,450,610	42,292,227	42,365,032	74,753,705	73,815,642
Long-term debt outstanding	2,244,315	1,778,886	10,664,254	10,238,206	12,908,569	12,017,092
Other liabilities	885,346	1,003,496	4,912,912	5,311,233	5,798,258	6,314,729
Total liabilities	3,129,661	2,782,382	15,577,166	15,549,439	18,706,827	18,331,821
Net assets						
Invested in capital assets, net of related debt	21,021,667	21,317,327	9,405,924	9,404,424	30,427,591	30,721,751
Restricted	4,685,253	5,495,123	0	0	4,685,253	5,495,123
Unrestricted	3,624,897	1,855,778	17,309,137	17,411,169	20,934,034	19,266,947
Total net assets	<u>\$29,331,817</u>	<u>\$28,668,228</u>	<u>\$26,715,061</u>	<u>\$26,815,593</u>	<u>\$56,046,878</u>	<u>\$55,483,821</u>

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CITY OF NAPOLEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2004 and 2003:

	Governmental		Business-type		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for Services and Sales	\$984,938	\$990,844	\$17,644,022	\$16,003,923	\$18,628,960	\$16,994,767
Operating Grants and Contributions	2,198,081	1,297,692	0	0	2,198,081	1,297,692
Capital Grants and Contributions	94,553	83,160	0	75,000	94,553	158,160
General revenues:						
Property Taxes	405,565	389,763	0	0	405,565	389,763
Income Taxes	2,308,225	2,134,591	0	0	2,308,225	2,134,591
Other Local Taxes	558,804	540,096	0	0	558,804	540,096
Shared Revenues	602,094	399,079	0	0	602,094	399,079
Investment Earnings	195,858	153,241	214,275	230,404	410,133	383,645
Miscellaneous	322,631	318,967	0	0	322,631	318,967
Total revenues	7,670,749	6,307,433	17,858,297	16,309,327	25,529,046	22,616,760
Program Expenses						
Security of Persons and Property	3,083,153	2,680,032	0	0	3,083,153	2,680,032
Public Health and Welfare Services	100,118	85,401	0	0	100,118	85,401
Leisure Time Activities	821,192	818,891	0	0	821,192	818,891
Community Environment	222,063	1,080,975	0	0	222,063	1,080,975
Transportation	1,813,717	1,459,500	0	0	1,813,717	1,459,500
General Government	885,066	903,636	0	0	885,066	903,636
Interest and Fiscal Charges	81,851	81,409	0	0	81,851	81,409
Electric	0	0	13,137,325	11,387,550	13,137,325	11,387,550
Water	0	0	2,066,067	1,536,309	2,066,067	1,536,309
Sewer	0	0	2,177,445	1,843,617	2,177,445	1,843,617
Sanitation	0	0	577,992	519,287	577,992	519,287
Total expenses	7,007,160	7,109,844	17,958,829	15,286,763	24,965,989	22,396,607
Total Change in Net Assets	663,589	(802,411)	(100,532)	1,022,564	563,057	220,153
Beginning Net Assets	28,668,228	29,470,639	26,815,593	25,793,029	55,483,821	55,263,668
Ending Net Assets	\$29,331,817	\$28,668,228	\$26,715,061	\$26,815,593	\$56,046,878	\$55,483,821

Governmental Activities

Net assets of the City's governmental activities increased by \$663,589. The City experienced an increase in various revenue sources in 2004 over 2003; primarily in income tax due to improvements in the local economy, and in investment earnings due to higher interest rates. The Operating Grants and Contributions for 2004 include \$1.1 million in funds 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 creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

CITY OF NAPOLEON, OHIO

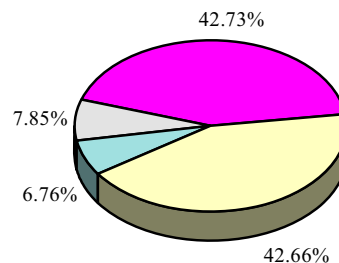
**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

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

Property taxes and income taxes made up 5.3% and 30% respectively of revenues for governmental activities for the City in fiscal year 2004. The City's reliance upon tax revenues is demonstrated by the following graph indicating 42.66% of total revenues from general tax revenues:

Revenue Sources	2004	Percent of Total
General Shared Revenues	\$602,094	7.85%
Program Revenues	3,277,572	42.73%
General Tax Revenues	3,272,594	42.66%
General Other	518,489	6.76%
Total Revenue	\$7,670,749	100.00%



Business-Type Activities

Net assets of the business-type activities (enterprise funds – electric, water, sewer, sanitation and garage rotary) decreased by a net \$100,532. Revenues increased \$1.5 million over 2003 primarily due to recovery of higher purchased power costs that are passed through to the customer in the billing process. Conversely, expenditures increased \$2.7 million over 2003 that includes the higher purchased power costs, and includes additional non-capitalized expenditures on various enterprise fund infrastructure improvements.

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.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$5,800,871, which is an increase of \$212,727 from last year's balance of \$5,588,144. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2004 and 2003:

	Fund Balance December 31, 2004	Fund Balance December 31, 2003	Increase (Decrease)
General	\$2,050,365	\$2,226,479	(\$176,114)
Special Assessment Bond Retirement	431,878	415,455	16,423
Capital Improvement	914,041	550,190	363,851
Other Governmental	2,404,587	2,396,020	8,567
Total	\$5,800,871	\$5,588,144	\$212,727

CITY OF NAPOLEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

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

	2004 Revenues	2003 Revenues	Increase (Decrease)
Taxes	\$3,128,947	\$2,937,012	\$191,935
Intergovernmental Revenue	720,292	553,810	166,482
Charges for Services	250,313	245,691	4,622
Licenses and Permits	114,276	121,639	(7,363)
Fines and Forfeitures	220,551	260,155	(39,604)
Investment Earnings	146,780	128,376	18,404
All Other Revenue	182,843	159,361	23,482
Total	<u>\$4,764,002</u>	<u>\$4,406,044</u>	<u>\$357,958</u>

General Fund revenues in 2004 increased approximately 8.1% compared to revenues in fiscal year 2003. The most significant factor contributing to this increase was in revenues from municipal income taxes and intergovernmental revenues. Municipal incomes taxes were up as overall economic conditions improved.

	2004 Expenditures	2003 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,273,303	\$2,000,650	\$272,653
Public Health and Welfare Services	89,627	87,882	1,745
Community Environment	83,661	78,107	5,554
General Government	784,222	775,934	8,288
Total	<u>\$3,230,813</u>	<u>\$2,942,573</u>	<u>\$288,240</u>

General Fund expenditures increased by \$288,240 or 9.8% when compared to the prior year of 2003. General government reflects a net total that is offset for allocated shared expenditures from other funds in the form of reimbursements. Reimbursement off-sets include the kilowatt hour tax monies directed back to the General Fund pursuant to Ohio law, and expenditure off-sets for shared general government activities from the enterprise funds. Overall salary and wages, retirement contributions, and health insurance premiums for the City's employees did increase in 2004. In addition, the expenditures for the temporary police and fire station on the City's south side of the river are funded by a grant from the State and are not directly reflected in the General Fund itself, but are listed with Governmental Activities.

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 2004 the City amended its General Fund budget several times, none significant.

CITY OF NAPOLEON, OHIO**Management's Discussion and Analysis
For the Year Ended December 31, 2004****Unaudited**

For the General Fund, final budget basis revenue of \$4.3 million did not significantly change over the original budget estimates of \$4.8 million. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

At the end of fiscal 2004 the City had \$46,571,713 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$22,835,804 was related to governmental activities and \$23,735,909 to the business-type activities. The following table shows fiscal year 2004 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Land	\$8,358,866	\$8,294,146	\$64,720
Improvements	462,950	457,967	4,983
Infrastructure	20,512,263	19,907,896	604,367
Buildings	2,046,549	2,046,549	0
Machinery and Equipment	4,665,988	4,435,510	230,478
Construction in Progress	36,354	0	36,354
Less: Accumulated Depreciation	(13,247,166)	(12,280,247)	(966,919)
Totals	<u>\$22,835,804</u>	<u>\$22,861,821</u>	<u>(\$26,017)</u>
	Business-Type Activities		Increase (Decrease)
	2004	2003	
Land	\$349,695	\$349,695	\$0
Buildings	7,010,555	7,010,555	0
Improvements	25,080,818	24,938,016	142,802
Machinery and Equipment	6,262,859	6,332,767	(69,908)
Construction in Progress	753,349	41,920	711,429
Less: Accumulated Depreciation	(15,721,367)	(14,877,509)	(843,858)
Totals	<u>\$23,735,909</u>	<u>\$23,795,444</u>	<u>(\$59,535)</u>

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

CITY OF NAPOLEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2004

Unaudited

Debt

At December 31, 2004, the City had \$8.7 million in bonds outstanding, \$547,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Governmental Activities:		
Special Assessment Bonds	\$963,575	\$1,131,582
Long-Term Notes	690,000	0
OPWC Loans Payable	160,562	172,912
Compensated Absences	430,178	474,392
Total Governmental Activities	<u>2,244,315</u>	<u>1,778,886</u>
Business-Type Activities:		
General Obligation Bonds	\$2,385,000	\$1,460,000
Mortgage Revenue Bonds	5,280,000	5,550,000
Special Assessment Bonds	101,425	105,418
OWDA Loans Payable	2,562,451	2,776,311
OPWC Loans Payable	55,266	58,950
OSWRC Deferred Loan Payable	88,341	88,341
Compensated Absences	191,771	199,186
Total Business-Type Activities	<u>10,664,254</u>	<u>10,238,206</u>
Totals	<u>\$12,908,569</u>	<u>\$12,017,092</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Napoleon lies, is limited to ten mills. At December 31, 2004, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

ECONOMIC FACTORS AND BUDGET

The City's original budget for 2004 included built in conservative revenue estimates with limited increases in base operating costs. These estimates projected a no growth, or a potential decline, in certain revenues. Expenditures were *projected to exceed revenues* in many of the funds, including the General Fund. However, the City Council decided they wanted to maintain current service levels to the residents of the City by utilizing some of the reserve fund balances.

The original 2004 General Fund revenues were projected at a level of 5.2% less than final actual receipts for 2003. Some of the reduced projections included a projected decrease in interest income due to lower interest rates on investments; projected reductions in state shared revenues; and a lowered projected municipal income tax due to uncertain economic conditions.



Statement of Net Assets
December 31, 2004

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 845,756	\$ 2,404,550	\$ 3,250,306
Investments	4,086,123	9,649,657	13,735,780
Receivables:			
Taxes	1,116,022	0	1,116,022
Accounts	165,459	2,979,226	3,144,685
Intergovernmental	1,861,222	0	1,861,222
Interest	32,849	42,494	75,343
Special Assessments	1,327,504	1,209,076	2,536,580
Loans	134,889	0	134,889
Internal Balances	(16,749)	16,749	0
Inventory of Supplies at Cost	72,599	1,112,573	1,185,172
Capital Assets:			
Capital Assets Not Being Depreciated	8,395,220	1,103,044	9,498,264
Capital Assets Being Depreciated, Net	14,440,584	22,632,865	37,073,449
Investment in Joint Venture	0	1,141,993	1,141,993
Total Assets	32,461,478	42,292,227	74,753,705
Liabilities:			
Accounts Payable	122,394	907,134	1,029,528
Accrued Wages and Benefits	299,113	113,773	412,886
Contracts Payable	0	317,502	317,502
Deferred Revenue	444,519	0	444,519
Accrued Interest Payable	19,320	34,503	53,823
General Obligation Notes Payable	0	3,540,000	3,540,000
Long-Term Liabilities:			
Due Within One Year	1,066,717	696,684	1,763,401
Due in More Than One Year	1,177,598	9,967,570	11,145,168
Total Liabilities	3,129,661	15,577,166	18,706,827
Net Assets:			
Invested in Capital Assets, Net of Related Debt	21,021,667	9,405,924	30,427,591
Restricted For:			
Capital Projects	931,080	0	931,080
Debt Service	1,757,959	0	1,757,959
Other Purposes	2,686,214	0	2,686,214
Unrestricted (Deficit)	2,934,897	17,309,137	20,244,034
Total Net Assets	\$ 29,331,817	\$ 26,715,061	\$ 56,046,878

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

**Statement of Activities
For the Year Ended December 31, 2004**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 3,083,153	\$ 636,713	\$ 105,472	\$ 1,053
Public Health and Welfare Services	100,118	22,613	0	0
Leisure Time Activities	821,192	240,534	0	0
Community Environment	222,063	4,083	420,145	0
Transportation	1,813,717	7,657	1,549,640	0
General Government	885,066	73,338	122,824	93,500
Interest and Fiscal Charges	81,851	0	0	0
Total Governmental Activities	7,007,160	984,938	2,198,081	94,553
Business-Type Activities:				
Electric	13,137,325	13,307,816	0	0
Water	2,066,067	1,826,371	0	0
Sewer	2,177,445	1,959,987	0	0
Sanitation	577,992	549,848	0	0
Total Business-Type Activities	17,958,829	17,644,022	0	0
Totals	\$ 24,965,989	\$ 18,628,960	\$ 2,198,081	\$ 94,553

General Revenues:

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

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,339,915)	\$ 0	\$ (2,339,915)
(77,505)	0	(77,505)
(580,658)	0	(580,658)
202,165	0	202,165
(256,420)	0	(256,420)
(595,404)	0	(595,404)
(81,851)	0	(81,851)
<u>(3,729,588)</u>	<u>0</u>	<u>(3,729,588)</u>
0	170,491	170,491
0	(239,696)	(239,696)
0	(217,458)	(217,458)
0	(28,144)	(28,144)
<u>0</u>	<u>(314,807)</u>	<u>(314,807)</u>
<u>(3,729,588)</u>	<u>(314,807)</u>	<u>(4,044,395)</u>
405,565	0	405,565
2,308,225	0	2,308,225
558,804	0	558,804
602,094	0	602,094
195,858	214,275	410,133
<u>322,631</u>	<u>0</u>	<u>322,631</u>
<u>4,393,177</u>	<u>214,275</u>	<u>4,607,452</u>
663,589	(100,532)	563,057
<u>28,668,228</u>	<u>26,815,593</u>	<u>55,483,821</u>
<u>\$ 29,331,817</u>	<u>\$ 26,715,061</u>	<u>\$ 56,046,878</u>

CITY OF NAPOLEON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2004**

	General	Special Assessment Bond Retirement	Capital Improvement
Assets:			
Cash and Cash Equivalents	\$ 228,176	\$ 67,904	\$ 144,543
Investments	1,318,788	362,341	771,287
Receivables:			
Taxes	975,850	0	0
Accounts	42,657	0	5,497
Intergovernmental	1,263,945	0	0
Interest	23,599	2,757	0
Special Assessments	0	1,327,504	0
Loans	0	0	0
Inventory of Supplies, at Cost	1,579	0	0
Total Assets	\$ 3,854,594	\$ 1,760,506	\$ 921,327
Liabilities:			
Accounts Payable	\$ 98,630	\$ 0	\$ 7,286
Accrued Wages and Benefits Payable	182,943	0	0
Deferred Revenue	1,522,656	1,328,628	0
Total Liabilities	1,804,229	1,328,628	7,286
Fund Balances:			
Reserved for Encumbrances	158,971	0	164,999
Reserved for Supplies Inventory	1,579	0	0
Reserved for Loans Receivable	0	0	0
Undesignated/Unreserved in:			
General Fund	1,889,815	0	0
Special Revenue Funds	0	0	0
Debt Service Funds	0	431,878	0
Capital Projects Funds	0	0	749,042
Total Fund Balances	2,050,365	431,878	914,041
Total Liabilities and Funds Balances	\$ 3,854,594	\$ 1,760,506	\$ 921,327

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 363,192	\$ 803,815
1,633,707	4,086,123
140,172	1,116,022
117,305	165,459
597,277	1,861,222
6,493	32,849
0	1,327,504
134,889	134,889
63,498	65,077
<u>\$ 3,056,533</u>	<u>\$ 9,592,960</u>
\$ 16,478	\$ 122,394
108,101	291,044
<u>527,367</u>	<u>3,378,651</u>
<u>651,946</u>	<u>3,792,089</u>
493,914	817,884
63,498	65,077
134,889	134,889
0	1,889,815
1,678,474	1,678,474
9,394	441,272
24,418	773,460
<u>2,404,587</u>	<u>5,800,871</u>
<u>\$ 3,056,533</u>	<u>\$ 9,592,960</u>

CITY OF NAPOLEON, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2004***

Total Governmental Fund Balances	\$ 5,800,871
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	22,829,370
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	2,934,132
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.	24,641
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,257,197)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 29,331,817</u></u>

See accompanying notes to the basic financial statements



CITY OF NAPOLEON, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	General	Special Assessment Bond Retirement	Capital Improvement
Revenues:			
Property Taxes	\$ 277,877	\$ 0	\$ 0
Municipal Income Tax	2,292,266	0	0
Other Local Taxes	558,804	0	0
Intergovernmental Revenues	720,292	0	94,553
Charges for Services	250,313	0	0
Licenses and Permits	114,276	0	0
Investment Earnings	146,780	11,138	0
Special Assessments	0	246,059	0
Fines and Forfeitures	220,551	0	0
All Other Revenue	182,843	0	5,000
Total Revenue	4,764,002	257,197	99,553
Expenditures:			
Current:			
Security of Persons and Property	2,273,303	0	0
Public Health and Welfare Services	89,627	0	0
Leisure Time Activities	0	0	0
Community Environment	83,661	0	0
Transportation	0	0	0
General Government	784,222	4,261	0
Capital Outlay	0	0	1,386,011
Debt Service:			
Principal Retirement	0	180,357	0
Interest & Fiscal Charges	0	68,516	371
Total Expenditures	3,230,813	253,134	1,386,382
Excess (Deficiency) of Revenues Over Expenditures	1,533,189	4,063	(1,286,829)
Other Financing Sources (Uses):			
Sale of Capital Assets	3,500	0	0
Sale of Notes	0	0	690,000
Transfers In	35,704	12,360	1,000,680
Transfers Out	(1,748,135)	0	(40,000)
Total Other Financing Sources (Uses)	(1,708,931)	12,360	1,650,680
Net Change in Fund Balances	(175,742)	16,423	363,851
Fund Balances at Beginning of Year	2,226,479	415,455	550,190
Increase (Decrease) in Inventory Reserve	(372)	0	0
Fund Balances End of Year	\$ 2,050,365	\$ 431,878	\$ 914,041

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 124,322	\$ 402,199
0	2,292,266
0	558,804
913,467	1,728,312
377,179	627,492
0	114,276
30,583	188,501
0	246,059
79,187	299,738
59,736	247,579
<u>1,584,474</u>	<u>6,705,226</u>
547,943	2,821,246
0	89,627
755,563	755,563
145,636	229,297
727,926	727,926
68,701	857,184
0	1,386,011
0	180,357
8,266	77,153
<u>2,254,035</u>	<u>7,124,364</u>
(669,561)	(419,138)
25,000	28,500
0	690,000
742,505	1,791,249
<u>(92,064)</u>	<u>(1,880,199)</u>
<u>675,441</u>	<u>629,550</u>
5,880	210,412
2,396,020	5,588,144
2,687	2,315
<u>\$ 2,404,587</u>	<u>\$ 5,800,871</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, 2004***

Net Change in Fund Balances - Total Governmental Funds \$ 210,412

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 depreciation exceeded capital outlay in the current period. 55,661

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. (79,570)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 937,023

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. (509,643)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (4,698)

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 48,278

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. 6,126

Change in Net Assets of Governmental Activities \$ 663,589

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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 269,200	\$ 277,880	\$ 277,877	\$ (3)
Municipal Income Tax	2,225,000	2,594,310	2,594,316	6
Intergovernmental Revenue	1,544,070	630,080	630,090	10
Charges for Services	172,500	249,442	249,432	(10)
Licenses and Permits	52,320	114,280	114,276	(4)
Investment Earnings	125,000	112,660	112,656	(4)
Fines and Forfeitures	282,500	220,060	220,055	(5)
All Other Revenues	176,090	182,850	182,843	(7)
Total Revenues	<u>4,846,680</u>	<u>4,381,562</u>	<u>4,381,545</u>	<u>(17)</u>
Expenditures:				
Current:				
Security of Persons and Property	3,263,012	2,389,942	2,386,900	3,042
Public Health and Welfare Services	90,260	90,560	90,038	522
Community Environment	96,240	84,740	84,446	294
General Government	1,252,969	1,137,677	1,110,046	27,631
Total Expenditures	<u>4,702,481</u>	<u>3,702,919</u>	<u>3,671,430</u>	<u>31,489</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	144,199	678,643	710,115	31,472
Other Financing Sources (Uses):				
Sale of Capital Assets	0	3,500	3,500	0
Transfers In	486,500	594,509	594,508	(1)
Transfers Out	(1,523,260)	(1,748,138)	(1,748,135)	3
Total Other Financing Sources (Uses):	<u>(1,036,760)</u>	<u>(1,150,129)</u>	<u>(1,150,127)</u>	<u>2</u>
Net Change In Fund Balance	(892,561)	(471,486)	(440,012)	31,474
Fund Balance at Beginning of Year	1,651,553	1,651,553	1,651,553	0
Prior Year Encumbrances	69,181	69,181	69,181	0
Fund Balance at End of Year	<u>\$ 828,173</u>	<u>\$ 1,249,248</u>	<u>\$ 1,280,722</u>	<u>\$ 31,474</u>

See accompanying notes to the basic financial statements

CITY OF NAPOLEON, OHIO

**Statement of Net Assets
Proprietary Fund
December 31, 2004**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 1,344,446	\$ 193,792	\$ 770,949
Investments	5,642,430	1,034,082	2,464,284
Receivables:			
Accounts	2,442,972	211,975	247,775
Interest	19,537	6,148	14,210
Special Assessments	0	0	1,209,076
Inventory of Supplies at Cost	1,000,221	78,383	33,969
Total Current Assets	10,449,606	1,524,380	4,740,263
<i>Non Current Assets:</i>			
Capital Assets, Net	10,385,603	4,370,768	8,728,279
Investment in Joint Venture	1,141,993	0	0
Total Assets	21,977,202	5,895,148	13,468,542
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	885,567	7,948	7,135
Accrued Wages and Benefits	54,254	31,683	19,520
Contracts Payable	0	0	317,502
General Obligation Bonds - Current	0	85,000	0
Special Assessment Bonds - Current	0	0	3,993
Mortgage Revenue Bonds - Current	135,000	0	145,000
Ohio Public Works Commission Loan - Current	0	0	3,684
Ohio Water Development Authority Loans - Current	0	17,765	212,849
Total Current Liabilities	1,074,821	142,396	709,683
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	66,012	69,189	47,055
Accrued Interest Payable	4,031	13,683	16,789
General Obligation Notes Payable	430,000	1,097,000	2,013,000
General Obligation Bonds Payable	0	2,300,000	0
Special Assessment Bonds Payable	0	0	97,432
Revenue Bonds Payable	2,410,000	0	2,590,000
OWDA Loans Payable	0	293,820	2,038,017
OPWC Loans Payable	0	0	51,582
Ohio Sewer & Water Rotary Commission Deferred Loan Payable	0	0	88,341
Total Liabilities	3,984,864	3,916,088	7,651,899
Net Assets:			
Invested in Capital Assets, Net of Related Debt	7,410,603	577,183	1,166,879
Unrestricted	10,581,735	1,401,877	4,649,764
Total Net Assets	\$ 17,992,338	\$ 1,979,060	\$ 5,816,643

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
\$ 95,363	\$ 2,404,550	\$ 41,941
508,861	9,649,657	0
76,504	2,979,226	0
2,599	42,494	0
0	1,209,076	0
0	1,112,573	7,522
683,327	17,397,576	49,463
251,259	23,735,909	6,434
0	1,141,993	0
934,586	42,275,478	55,897
6,484	907,134	0
8,316	113,773	8,069
0	317,502	0
0	85,000	0
0	3,993	0
0	280,000	0
0	3,684	0
0	230,614	0
14,800	1,941,700	8,069
9,515	191,771	6,438
0	34,503	0
0	3,540,000	0
0	2,300,000	0
0	97,432	0
0	5,000,000	0
0	2,331,837	0
0	51,582	0
0	88,341	0
24,315	15,577,166	14,507
251,259	9,405,924	6,434
659,012	17,292,388	34,956
\$ 910,271	26,698,312	\$ 41,390
	16,749	
	\$ 26,715,061	

CITY OF NAPOLEON, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2004**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
Operating Revenues:			
Charges for Services	\$ 12,714,532	\$ 1,689,782	\$ 1,813,626
Other Charges for Services	25,100	136,589	146,361
Total Operating Revenues	12,739,632	1,826,371	1,959,987
Operating Expenses:			
Personal Services	953,541	516,156	378,824
Contractual Services	978,845	471,696	497,375
Materials and Supplies	855,316	634,761	494,989
Utilities	9,737,052	111,099	88,549
Depreciation	351,632	135,826	376,189
Total Operating Expenses	12,876,386	1,869,538	1,835,926
Operating Income (Loss)	(136,754)	(43,167)	124,061
Nonoperating Revenue (Expenses):			
Investment Earnings	103,079	32,060	66,371
Interest Expense	(136,464)	(196,484)	(341,840)
Loss from the Sale of Capital Assets	(19,790)	0	0
Other Local Taxes (kWh Tax)	123,359	0	0
Gain on Investment in Joint Venture	464,615	0	0
Other Nonoperating Expense (kWh Paid to State)	(127,528)	0	0
Total Nonoperating Revenues (Expenses)	407,271	(164,424)	(275,469)
Income(Loss) Before Transfers	270,517	(207,591)	(151,408)
Transfers In	0	0	0
Change in Net Assets	270,517	(207,591)	(151,408)
Net Assets Beginning of Year	17,721,821	2,186,651	5,968,051
Net Assets End of Year	<u>\$ 17,992,338</u>	<u>\$ 1,979,060</u>	<u>\$ 5,816,643</u>

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
\$ 542,296	\$ 16,760,236	\$ 95,169
7,552	315,602	2,683
<u>549,848</u>	<u>17,075,838</u>	<u>97,852</u>
136,372	1,984,893	109,732
360,602	2,308,518	348
55,189	2,040,255	63,208
3,032	9,939,732	851
<u>23,897</u>	<u>887,544</u>	<u>2,108</u>
<u>579,092</u>	<u>17,160,942</u>	<u>176,247</u>
(29,244)	(85,104)	(78,395)
12,765	214,275	0
0	(674,788)	0
0	(19,790)	0
0	123,359	0
0	464,615	0
<u>0</u>	<u>(127,528)</u>	<u>0</u>
<u>12,765</u>	<u>(19,857)</u>	<u>0</u>
(16,479)	(104,961)	(78,395)
0	0	88,950
(16,479)	(104,961)	10,555
<u>926,750</u>	<u>26,803,273</u>	<u>30,835</u>
<u>\$ 910,271</u>	<u>26,698,312</u>	<u>\$ 41,390</u>
	(104,961)	
	<u>4,429</u>	
	<u>\$ (100,532)</u>	

CITY OF NAPOLEON, OHIO

***Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2004***

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$12,365,493	\$1,821,028	\$1,937,763
Cash Payments for Goods and Services	(11,388,234)	(1,093,024)	(1,092,746)
Cash Payments to Employees	(958,041)	(519,419)	(376,326)
Net Cash Provided (Used) by Operating Activities	19,218	208,585	468,691
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	0	0
Receipts of Other Local Taxes	123,359	0	0
kWh Tax Paid to State	(127,528)	0	0
Receipts of Special Assessments	0	0	134,474
Net Cash Provided (Used) by Noncapital Financing Activities	(4,169)	0	134,474
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(181,485)	(172,810)	(307,653)
Proceeds From General Obligation Notes	430,000	1,097,000	2,013,000
Proceeds From General Obligation Bonds	0	1,000,000	0
Principal Paid on General Obligation Notes	(650,000)	(2,062,000)	(1,640,000)
Principal Paid on Special Assessment Bond	0	0	(3,993)
Principal Paid on General Obligation Bonds	0	(75,000)	0
Principal Paid on Mortgage Revenue Bonds	(130,000)	0	(140,000)
Principal Paid on Ohio Public Works Commission Loan	0	0	(3,684)
Principal Paid on Ohio Water Development Authority Loans	0	(16,485)	(197,375)
Interest Paid on All Debt	(135,041)	(193,100)	(324,045)
Net Cash Used for Capital and Related Financing Activities	(666,526)	(422,395)	(603,750)
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	1,146,667	286,956	218,739
Purchase of Investments	0	0	0
Receipts of Interest	103,096	30,968	63,374
Net Cash Provided (Used) by Investing Activities	1,249,763	317,924	282,113
Net Increase (Decrease) in Cash and Cash Equivalents	598,286	104,114	281,528
Cash and Cash Equivalents at Beginning of Year	746,160	89,678	489,421
Cash and Cash Equivalents at End of Year	\$1,344,446	\$193,792	\$770,949

CITY OF NAPOLEON, OHIO

Other	Totals	Governmental Activities Internal Service Funds
\$543,521	\$16,667,805	\$97,852
(419,510)	(13,993,514)	(63,022)
(134,823)	(1,988,609)	(106,153)
(10,812)	685,682	(71,323)
0	0	88,950
0	123,359	0
0	(127,528)	0
0	134,474	0
0	130,305	88,950
0	(661,948)	0
0	3,540,000	0
0	1,000,000	0
0	(4,352,000)	0
0	(3,993)	0
0	(75,000)	0
0	(270,000)	0
0	(3,684)	0
0	(213,860)	0
0	(652,186)	0
0	(1,692,671)	0
0	1,652,362	0
(70,342)	(70,342)	0
12,122	209,560	0
(58,220)	1,791,580	0
(69,032)	914,896	17,627
164,395	1,489,654	24,314
\$95,363	\$2,404,550	\$41,941

(Continued)

CITY OF NAPOLEON, OHIO

***Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2004***

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	(\$136,754)	(\$43,167)	\$124,061
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Miscellaneous Nonoperating Income	105,990	0	0
Depreciation Expense	351,632	135,826	376,189
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(374,139)	(5,343)	(22,224)
Decrease (Increase) in Inventory	(31,445)	118,180	(1,744)
Increase (Decrease) in Accounts Payable	108,434	6,352	(10,089)
Increase (Decrease) in Accrued			
Wages and Benefits	2,260	(516)	1,345
Increase (Decrease) in			
Compensated Absences	(6,760)	(2,747)	1,153
Total Adjustments	<u>155,972</u>	<u>251,752</u>	<u>344,630</u>
Net Cash Provided (Used) by Operating Activities	<u>\$19,218</u>	<u>\$208,585</u>	<u>\$468,691</u>

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>
(29,244)	(85,104)	(78,395)
0	105,990	0
23,897	887,544	2,108
(6,327)	(408,033)	0
0	84,991	1,385
(687)	104,010	0
610	3,699	1,830
<u>939</u>	<u>(7,415)</u>	<u>1,749</u>
<u>18,432</u>	<u>770,786</u>	<u>7,072</u>
<u>(\$10,812)</u>	<u>\$685,682</u>	<u>(\$71,323)</u>

CITY OF NAPOLEON, OHIO

***Statement of Net Assets
Fiduciary Funds
December 31, 2004***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 22,201
Total Assets	<u>22,201</u>
Liabilities:	
Due to Others	<u>22,201</u>
Total Liabilities	<u>22,201</u>
Total Net Assets	<u>\$ 0</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2004 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

1. Joint Ventures with Equity Interest

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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 16 "Joint Ventures."

2. Joint Ventures without Equity Interest

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

B. Basis of Presentation - Fund Accounting

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

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

Governmental Funds

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, state levied locally shared taxes (including motor vehicle license fees and local government assistance). Income taxes other than those withheld by employers, licenses, permits, charges for service and other miscellaneous revenues are recorded as revenue when received in cash because generally this revenue is not measurable until received.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes, which are measurable at December 31, 2004 but are not intended to finance 2004 operations, and delinquent property taxes whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6 "Taxes".

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

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

E. Budgetary Process

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental 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, 2004***

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 2004.

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 2004, several supplemental appropriations were necessary to budget the use of contingency funds, intergovernmental grant proceeds and capital improvement projects. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--General Fund" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrances

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (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:

	<u>Net Change In Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$175,742)
Increase (Decrease):	
Accrued Revenues at December 31, 2004 received during 2005	(783,395)
Accrued Revenues at December 31, 2003 received during 2004	683,799
Accrued Expenditures at December 31, 2004 paid during 2005	281,573
Accrued Expenditures at December 31, 2003 paid during 2004	(188,497)
2003 Adjustment to Fair Value	8,492
2004 Adjustment to Fair Value	(41,925)
Outstanding Encumbrances	(224,317)
Budget Basis	<u>(\$440,012)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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 \$133,269 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 2004. 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, 2004.

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, 2004***

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", have 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:

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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	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, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

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

L. Net Assets

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

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

M. Pensions

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

N. Interfund Activity

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

O. Reservations of Fund Balance

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Estimates

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

Q. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, maintenance of storm water collection systems, 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 2004.

NOTE 2 – RESTATEMENT OF FUND BALANCE

Prior Period Adjustments - During the year ended December 31, 2003, it was determined that accounts receivable in the Electric Fund were understated. The adjustment had the following effect on the Electric Fund balance:

	Electric Fund
Net Assets at December 31, 2003 as reported	<u>\$17,165,400</u>
Accounting Change for accounts receivable	<u>556,421</u>
Net Assets at December 31, 2003 as restated	<u><u>\$17,721,821</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 2 – RESTATEMENT OF FUND BALANCE (Continued)

The changes to the beginning Electric Fund balance had the following effect on the business-type activities beginning net assets:

	<u>Business Type Activities</u>
Net Assets December 31, 2003 as reported	\$26,259,172
Adjustments:	
Accounting Change for accounts receivable	<u>556,421</u>
Net Assets December 31, 2003 as restated	<u><u>\$26,815,593</u></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	\$66,127
Delinquent Property Tax Revenue	7,145
Shared Revenues	1,519,963
Interest Revenues	13,393
Special Assessment Revenue	<u>1,327,504</u>
	\$2,934,132

Long-Term liabilities not reported in the funds:

Special Assessment Bonds Payable	(\$963,575)
OPWC Loans Payable	(160,562)
Long-Term Notes Payable	(690,000)
Accrued Interest on Long-Term Debt	(19,320)
Compensated Absences Payable	<u>(423,740)</u>
	(\$2,257,197)

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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

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

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

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

Capital Outlay	\$1,122,749
Depreciation Expense	<u>(1,067,088)</u>
	\$55,661

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$15,959
Increase in Delinquent Property Tax	3,366
Increase in Shared Revenue	1,166,416
Increase in Interest Revenue	7,357
Decrease in Special Assessment Revenue	<u>(256,075)</u>
	\$937,023

Expenses not requiring the use of current financial resources:

Decrease in Compensated Absences Payable	\$45,963
Increase in supplies inventory	<u>2,315</u>
	\$48,278

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at December 31, 2004 of \$29,254 in the Police Pension Fund and \$24,975 in the Fire Pension Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis. The deficits do not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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

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

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

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

Deposits:

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

Investments:

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

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

A. Deposits

At year end the carrying amount of the City's deposits was \$7,011,380 and the bank balance was \$8,064,900. Federal depository insurance covered \$535,788 of the bank balance. Of the bank balance, \$221,675 was classified as category 2. All remaining deposits were classified as Category 3. In addition, the City had \$2,500 cash on hand.

B. Investments

The City's investments at December 31, 2004 are summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Fair Value</u>
U.S. Government Securities	\$8,735,780	\$8,735,780
<u>Non-Categorized Investments</u>		
STAR Ohio	N/A	1,261,127
Total Non-Categorized Investments	N/A	1,261,127
Total Investments	<u>\$8,735,780</u>	<u>\$9,996,907</u>

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$3,272,507	\$13,735,780
Certificates of Deposit (with maturities of more than 3 months)	5,000,000	(5,000,000)
Investments:		
STAR Ohio	<u>(1,261,127)</u>	<u>1,261,127</u>
Per GASB Statement No. 3	<u>\$7,011,380</u>	<u>\$9,996,907</u>

* Includes cash on hand.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed for tax year 2000. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semi-annually, the first payment is due by February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

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

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

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

The full tax rate for the City's operations for the year ended December 31, 2004 was \$2.90 per \$1,000 of assessed value. The assessed value upon which the 2004 receipts were based was \$150,797,521. This amount constitutes \$120,384,780 in real property assessed value, \$1,926,360 in public utility assessed value and \$28,486,381 in tangible personal property assessed value.

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 6 - TAXES (Continued)

B. Income Tax

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

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

NOTE 7 - RECEIVABLES

Receivables at December 31, 2004 consisted of taxes, interest, accounts receivable, special assessments, loans and intergovernmental receivables arising from shared revenues.

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2004:

	Transfers In:					Total
	General Fund	Special Assessment Bond Retirement Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Internal Service Fund	
Transfers Out:						
General Fund	\$0	\$0	\$1,000,680	\$658,505	\$88,950	\$1,748,135
Capital Improvement Fund	0	0	0	40,000	0	40,000
Other Governmental Funds	35,704	12,360	0	44,000	0	92,064
	<u>\$35,704</u>	<u>\$12,360</u>	<u>\$1,000,680</u>	<u>\$742,505</u>	<u>\$88,950</u>	<u>\$1,880,199</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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2004:

Historical Cost:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Capital assets not being depreciated:				
Land	\$8,294,146	\$64,720	\$0	\$8,358,866
Construction in Progress	0	36,354	0	36,354
	8,294,146	101,074	0	8,395,220
Capital assets being depreciated:				
Improvements	457,967	4,983	0	462,950
Buildings	2,046,549	0	0	2,046,549
Machinery and Equipment	4,435,510	412,326	(181,848)	4,665,988
Infrastructure	19,907,896	604,367	0	20,512,263
	26,847,922	1,021,676	(181,848)	27,687,750
Total Cost	\$35,142,068	\$1,122,750	(\$181,848)	\$36,082,970

Accumulated Depreciation:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Improvements	(\$87,193)	(\$9,529)	\$0	(\$96,722)
Buildings	(1,895,913)	(38,054)	0	(1,933,967)
Machinery and Equipment	(2,429,012)	(304,107)	102,279	(2,630,840)
Infrastructure	(7,868,129)	(717,508)	0	(8,585,637)
Total Depreciation	(\$12,280,247)	(\$1,069,198) *	\$102,279	(\$13,247,166)
Net Value:	\$22,861,821			\$22,835,804

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$184,597
Public Health and Welfare Services	7,554
Leisure Time Activities	45,067
Community Environment	981
Transportation	794,338
General Government	36,661
Total Depreciation Expense	\$1,069,198

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 9 - CAPITAL ASSETS (continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2004:

Historical Cost:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Capital assets not being depreciated:				
Land	\$349,695	\$0	\$0	\$349,695
Construction in Progress	41,920	753,349	(41,920)	753,349
	391,615	753,349	(41,920)	1,103,044
Capital assets being depreciated:				
Buildings	7,010,555	0	0	7,010,555
Improvements	24,938,016	142,802	0	25,080,818
Machinery and Equipment	6,332,767	99,558	(169,466)	6,262,859
	38,281,338	242,360	(169,466)	38,354,232
Total Cost	\$38,672,953	\$995,709	(\$211,386)	\$39,457,276

Accumulated Depreciation:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$2,710,917)	(\$236,629)	\$0	(\$2,947,546)
Improvements	(7,483,726)	(484,997)	0	(7,968,723)
Machinery and Equipment	(4,682,866)	(165,918)	43,686	(4,805,098)
Total Depreciation	(\$14,877,509)	(\$887,544)	\$43,686	(\$15,721,367)
Net Value:	\$23,795,444			\$23,735,909

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, 2004***

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 2004, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2004 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2004, 2003 and 2002 were \$521,112, \$510,287 and \$497,333, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year 2004 was 4.0% of covered payroll which amounted to \$153,834.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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, 2003. 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 2003 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).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 369,885. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2003 is \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures Ohio PERS’ health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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, 2004***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2004, 2003 and 2002 were \$135,336, \$138,282 and \$133,012 for police and \$104,800, \$91,407 and \$89,037 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2004 covered payroll that was used to fund postemployment health care benefits was \$53,787 representing 7.75% of covered payroll for police and \$33,842 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, 2003, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,662 for police and 10,474 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, 2003 were \$150,853,148, which was net of member contributions of \$17,207,506.

NOTE 11 – COMPENSATED ABSENCES

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

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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 11 – COMPENSATED ABSENCES (Continued)

At December 31, 2004, the City's accumulated, unpaid compensated absences amounted to \$621,949, of which \$430,178 is recorded as a liability of the Governmental Activities and \$191,771 is recorded as a liability of the Business-Type Activities.

NOTE 12 - NOTES PAYABLE

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

	Issue Date	Balance December 31, 2003	Issued (Retired)	Balance December 31, 2004
Enterprise Funds Notes Payable:				
1.70% Electric Capital Facilities	10/30/03	\$650,000	(\$650,000)	\$0
2.25% Electric Capital Facilities	7/29/04	0	430,000	430,000
1.70% Wauseon Waterline Project	10/30/03	1,000,000	(1,000,000)	0
1.70% Watermain Project	10/30/03	450,000	(450,000)	0
1.65% Riverview Waterline Project	5/21/03	150,000	(150,000)	0
1.65% Pontious Place Waterline	5/21/03	162,000	(162,000)	0
1.65% Water Tower Project	5/21/03	300,000	(300,000)	0
1.69% North Pointe Water Distribution	7/29/04	0	447,000	447,000
1.75% Waterline S. Perry	5/21/04	0	250,000	250,000
1.75% Waterline S. Perry	5/21/04	0	100,000	100,000
1.75% Water Tower Project	5/21/04	0	300,000	300,000
1.70% Sewer Pump Station	10/30/03	420,000	(420,000)	0
1.70% Collector Sewer Main	10/30/03	120,000	(120,000)	0
1.70% East Interceptor Sewer	10/30/03	312,000	(312,000)	0
1.70% West Interceptor Sewer	10/30/03	388,000	(388,000)	0
1.65% Sewer Sludge Process Building	5/21/03	400,000	(400,000)	0
2.25% Sewer Pump Lift Station	7/29/04	0	600,000	600,000
1.69% Sewer Pump Station	7/29/04	0	411,000	411,000
1.69% Collector Sewer Main	7/29/04	0	115,000	115,000
1.69% East Interceptor Sewer	7/29/04	0	312,000	312,000
1.69% West Interceptor Sewer	7/29/04	0	375,000	375,000
1.75% Sewer Sludge Process Building	5/21/04	0	200,000	200,000
Total Enterprise Funds Notes Payable:		<u>4,352,000</u>	<u>(812,000)</u>	<u>3,540,000</u>
Capital Projects Fund Notes Payable:				
1.65% Northwest Drive Paving	5/21/03	240,000	(240,000)	0
Total Capital Project Fund Notes Payable:		<u>240,000</u>	<u>(240,000)</u>	<u>0</u>
Total Notes Payable		<u>\$4,592,000</u>	<u>(\$1,052,000)</u>	<u>\$3,540,000</u>

CITY OF NAPOLEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 13 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2004 was as follows:

Date Purchased	Interest Rate	Description	Maturity Date	Balance December 31, 2003	Additions	(Reductions)	Balance December 31, 2004	Amount Due Within One Year
Business-Type Activities:								
General Obligation Bonds:								
1980	7.25%	Waterworks System Improvement	2004	\$15,000	\$0	(\$15,000)	\$0	\$0
1994	6.00%	Waterworks System Improvements	2019	1,445,000	0	(60,000)	1,385,000	60,000
2004	2.50%	Capital Facilities Improvement	2024	0	1,000,000	0	1,000,000	25,000
Total General Obligation Bonds				1,460,000	1,000,000	(75,000)	2,385,000	85,000
Mortgage Revenue Bonds:								
1998	4.00%	Sewer System Improvement	2018	2,875,000	0	(140,000)	2,735,000	145,000
1998	4.00%	Electric System Improvement	2018	2,675,000	0	(130,000)	2,545,000	135,000
Total Mortgage Revenue Bonds				5,550,000	0	(270,000)	5,280,000	280,000
Special Assessment Bond:								
(with Governmental Commitment)								
2000	5.00%	West Main, Wested and Vine Improvements	2020	105,418	0	(3,993)	101,425	3,993
Ohio Sewer and Water Rotary Commission Deferred Loan:								
1998		OSWRC - Palmer Ditch Project		88,341	0	0	88,341	0
Ohio Public Works Commission Loan:								
1999		Railroad Street Sewer Separation	2019	58,950	0	(3,684)	55,266	3,684
Ohio Water Development Authority Loans (OWDA):								
1990	7.840%	OWDA - Project #1089	2013	2,448,241	0	(197,375)	2,250,866	212,849
1992	9.185%	OWDA - Malinta Waterline	2016	328,070	0	(16,485)	311,585	17,765
Total Ohio Water Development Authority Loans				2,776,311	0	(213,860)	2,562,451	230,614
Compensated Absences				199,186	191,771	(199,186)	191,771	93,393
Total Business-Type Long-Term Debt				<u>\$10,238,206</u>	<u>\$1,191,771</u>	<u>(\$765,723)</u>	<u>\$10,664,254</u>	<u>\$696,684</u>
Governmental Activities:								
Special Assessment Bonds:								
1985	9.500%	Sheffield Street Improvements	2004	\$10,000	\$0	(\$5,000)	\$5,000	\$5,000
1990	7.250%	Oberhaus Creek Sewer Improvements	2009	105,000	0	(15,000)	90,000	15,000
1991	5.65-6.55%	Street Improvements	2010	375,000	0	(100,000)	275,000	110,000
1992	5.70-6.10%	Street Improvements	2011	180,000	0	(20,000)	160,000	20,000
1993	5.400%	Street Improvements	2012	85,000	0	(7,000)	78,000	7,000
1996	7.500%	Street Improvements	2016	150,000	0	(10,000)	140,000	10,000
1998	4.50%	Street Improvements	2019	133,360	0	(6,680)	126,680	6,680
1998	4.50%	Street Improvements	2019	66,640	0	(3,320)	63,320	3,320
2000	5.00%	West Main, Wested and Vine Improvements	2020	26,582	0	(1,007)	25,575	1,007
Total Special Assessment Bonds (with Governmental Commitment)				1,131,582	0	(168,007)	963,575	178,007
Long-Term Notes:								
2004	1.75%	Northwest Drive Paving	2005	0	240,000	0	240,000	240,000
2004	1.75%	Northwest Drive Paving	2005	0	150,000	0	150,000	150,000
2004	1.75%	SR 242 Repaving	2005	0	200,000	0	200,000	200,000
2004	1.75%	Melody Lane Rebuild	2005	0	100,000	0	100,000	100,000
Total Long-Term Notes				0	690,000	0	690,000	690,000
Ohio Public Works Commission Loan:								
1998		Unimproved Street Program	2018	172,912	0	(12,350)	160,562	12,350
Compensated Absences				474,392	430,178	(474,392)	430,178	186,360
Total Governmental Activities Long-Term Debt				<u>\$1,778,886</u>	<u>\$1,120,178</u>	<u>(\$654,749)</u>	<u>\$2,244,315</u>	<u>\$1,066,717</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 13 - LONG-TERM DEBT (Continued)

The principal amount of the City's special assessment debt outstanding at December 31, 2004, \$1,065,000, 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 \$431,878 in the Special Assessment Bond Retirement Fund at December 31, 2004 is reserved for the retirement of outstanding special assessment bonds. The Sewer Fund will be collecting special assessments to retire the enterprise funds' special assessment debt.

A. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2004 follows:

Years	General Obligation Bonds		Mortgage Revenue Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$85,000	\$125,193	\$280,000	\$252,702	\$182,000	\$63,712
2006	95,000	121,059	290,000	240,523	182,000	52,257
2007	110,000	116,673	300,000	227,762	78,000	40,846
2008	110,000	111,378	315,000	214,413	79,000	36,091
2009	115,000	105,983	330,000	200,237	80,000	31,251
2010-2014	665,000	435,648	1,890,000	751,576	302,000	90,346
2015-2019	870,000	235,490	1,875,000	240,250	151,000	24,578
2020-2024	335,000	53,300	0	0	11,000	646
Totals	<u>\$2,385,000</u>	<u>\$1,304,724</u>	<u>\$5,280,000</u>	<u>\$2,127,463</u>	<u>\$1,065,000</u>	<u>\$339,727</u>

Years	OWDA Loans		OPWC Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$230,614	\$200,678	\$16,035	\$0	\$793,649	\$642,285
2006	248,682	182,611	16,035	0	831,717	596,450
2007	268,165	163,127	16,035	0	772,200	548,408
2008	289,176	142,118	16,035	0	809,211	504,000
2009	311,831	119,462	16,035	0	852,866	456,933
2010-2014	1,156,963	220,865	80,175	0	4,094,138	1,498,435
2015-2019	57,020	5,943	55,478	0	3,008,498	506,261
2020-2024	0	0	0	0	346,000	53,946
Totals	<u>\$2,562,451</u>	<u>\$1,034,804</u>	<u>\$215,828</u>	<u>\$0</u>	<u>\$11,508,279</u>	<u>\$4,806,718</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 13 - LONG-TERM DEBT (Continued)

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

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

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City participates with other cities in the Buckeye Ohio Risk Management Agency, Inc., (BORMA, Inc.) in jointly funded risk financing programs administered by Arthur J. Gallagher & Co. BORMA, Inc. includes two separate pools which provide separate and distinct coverages.

The first pool provides comprehensive automobile liability, automobile physical damage, comprehensive general liability, crime and property liability and public officials liability coverage up to specified limits. The pool includes the following municipalities: Bowling Green, Defiance, Huron, Napoleon, Sandusky and Willard. Member contributions are calculated annually to produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims. As of December 31, 2004 the pool had cash reserves of \$601,551, which in the opinion of management is adequate for any claims against the pool. The amount of risk retained within the pool is \$150,000 per claim for property and crime, \$150,000 for liability, general liability and auto, \$1,000,000 per occurrence, \$9,000,000 aggregate. Claims in excess of \$25,000 up to \$9,000,000 are covered by various insurance carriers.

The second pool is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance and prescription drug insurance. Each member has an option on the coverage it has elected to provide for its employees. Napoleon provides to its employees all available options offered by the pool. The employee benefits pool includes the following municipalities: Archbold, Bowling Green, Carey, Defiance, Fayette, Clyde, Hicksville, Oberlin, Upper Sandusky, Napoleon, Sandusky and Willard. As of December 31, 2004 the pool had cash reserves of \$2,397,520 which, in the opinion of management, is adequate for any claims against the pool.

Premiums are paid to the employee benefits pool at a cost of \$632.79 for family coverage and \$220.82 for single coverage. The life insurance monthly premium is \$5.20. During 2004 the City paid \$677,609 into the pool for coverage. The cost of coverage is paid by the fund that pays the salary of the individual employees. The amount of risk retained within the employee benefits pool is \$100,000 per individual with excess claims coverage provided by the American National Insurance Company.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 14 - RISK MANAGEMENT (Continued)

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

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

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

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

NOTE 15 - CONTINGENCIES

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

NOTE 16 - JOINT VENTURES

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 16 - JOINT VENTURES (Continued)

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

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW 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 \$93,772 at December 31, 2004. 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 16 - JOINT VENTURES (Continued)

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

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 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, 2004 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 \$635,416 at December 31, 2004. 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 16 - JOINT VENTURES (Continued)

C. 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 this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net assets of Omega JV-6 will be shared by the participants on a percentage basis. The Omega JV-6 is managed by AMP-Ohio which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The City's net investment and its share of the operating results of Omega JV-6 are reported in the City's electric fund (an enterprise fund). The City's equity interest in Omega JV-6 was \$412,805 at December 31, 2004. Complete financial statements for Omega JV-6 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

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 \$29,000 to the CIC during 2004. Financial information can be obtained from the CIC, 104 East Washington Street, Napoleon, Ohio 43545.

NOTE 17 - CONDUIT DEBT OBLIGATIONS

The City issued mortgage revenue bonds to provide financial assistance to The Lutheran Orphans' and Old Folks' Home Society at Napoleon, Ohio, Inc. The City has no obligation for the debt beyond the resources provided by the mortgage revenue bonds. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2004, there were two mortgage revenue bonds outstanding with an aggregate principal amount payable of \$1,887,179.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

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

State Highway Improvement Fund

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

Motor Vehicle License Tax Fund

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

EMS Transport Service Fund

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

Recreation Fund

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

Special Events Fund

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

Economic Development Fund

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

Hotel/Motel Tax Fund

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

Community Housing Improvement Program (CHIP) Income Fund

To account for Community Housing Improvement Program grant monies to be used for home improvements.

(Continued)

Special Revenue Funds

Community Development Block Grant (CDBG) Income Fund

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

Indigent Drivers Alcohol Treatment Fund

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

Law Enforcement and Education Fund

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

Court Computerization Fund

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

Law Enforcement Trust Fund

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

Mandatory Drug Fine Fund

To account for mandatory fines collected for drug related offenses.

Fire Equipment Fund

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

Municipal Probation Service Fund

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

Probation Officer Grant Fund

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

Court Improvement Fund

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

(Continued)

Special Revenue Funds

Handicap Parking Fines Fund

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

Police Pension Fund

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

Fire Pension Fund

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

Cemetery Fund

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

Debt Service Fund

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

General Bond Retirement Fund

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

Capital Projects Funds

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

Greenfield Open Space Fund

To account for grant monies and local share monies to purchase land adjacent to park area. (This fund only exists on a GAAP basis and is not part of the City's appropriated budget, therefore no budgetary schedule is presented.)

CITY OF NAPOLEON, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 353,798	\$ 9,394	\$ 0	\$ 363,192
Investments	1,633,707	0	0	1,633,707
Receivables (net of allowance for doubtful accounts):				
Taxes	140,172	0	0	140,172
Accounts	117,305	0	0	117,305
Intergovernmental	572,859	0	24,418	597,277
Interest	6,493	0	0	6,493
Loans	134,889	0	0	134,889
Inventory of Supplies, at Cost	63,498	0	0	63,498
Total Assets	<u>\$ 3,022,721</u>	<u>\$ 9,394</u>	<u>\$ 24,418</u>	<u>\$ 3,056,533</u>
Liabilities:				
Accounts Payable	\$ 16,478	\$ 0	\$ 0	\$ 16,478
Accrued Wages and Benefits Payable	108,101	0	0	108,101
Deferred Revenue	527,367	0	0	527,367
Total Liabilities	<u>651,946</u>	<u>0</u>	<u>0</u>	<u>651,946</u>
Fund Balances:				
Reserved for Encumbrances	493,914	0	0	493,914
Reserved for Supplies Inventory	63,498	0	0	63,498
Reserved for Loans Receivable	134,889	0	0	134,889
Undesignated/Unreserved in:				
Special Revenue Funds	1,678,474	0	0	1,678,474
Debt Service Funds	0	9,394	0	9,394
Capital Projects Funds	0	0	24,418	24,418
Total Fund Balances	<u>2,370,775</u>	<u>9,394</u>	<u>24,418</u>	<u>2,404,587</u>
Total Liabilities and Funds Balances	<u>\$ 3,022,721</u>	<u>\$ 9,394</u>	<u>\$ 24,418</u>	<u>\$ 3,056,533</u>

CITY OF NAPOLEON, OHIO**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Property Taxes	\$ 124,322	\$ 0	\$ 0	\$ 124,322
Intergovernmental Revenues	889,049	0	24,418	913,467
Charges for Services	377,179	0	0	377,179
Investment Earnings	30,583	0	0	30,583
Fines and Forfeitures	79,187	0	0	79,187
All Other Revenue	50,342	9,394	0	59,736
Total Revenue	1,550,662	9,394	24,418	1,584,474
Expenditures:				
Current:				
Security of Persons and Property	547,943	0	0	547,943
Leisure Time Activities	755,563	0	0	755,563
Community Development	145,636	0	0	145,636
Transportation	727,926	0	0	727,926
General Government	68,701	0	0	68,701
Debt Service:				
Interest & Fiscal Charges	0	8,266	0	8,266
Total Expenditures	2,245,769	8,266	0	2,254,035
Excess (Deficiency) of Revenues Over Expenditures	(695,107)	1,128	24,418	(669,561)
Other Financing Sources (Uses):				
Sale of Capital Assets	25,000	0	0	25,000
Transfers In	742,505	0	0	742,505
Transfers Out	(92,064)	0	0	(92,064)
Total Other Financing Sources (Uses)	675,441	0	0	675,441
Net Change In Fund Balance	(19,666)	1,128	24,418	5,880
Fund Balances at Beginning of Year	2,387,754	8,266	0	2,396,020
Increase (Decrease) in Inventory Reserve	2,687	0	0	2,687
Fund Balances End of Year	\$ 2,370,775	\$ 9,394	\$ 24,418	\$ 2,404,587

CITY OF NAPOLEON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004**

	Street Construction, Maintenance and Repair	State Highway Improvement	Motor Vehicle License Tax	EMS Transport Service	Recreation
Assets:					
Cash and Cash Equivalents	\$ 23,484	\$ 3,799	\$ 40,950	\$ 14,900	\$ 12,686
Investments	125,313	20,273	218,510	79,504	67,690
Receivables (net of allowance for doubtful accounts):					
Taxes	0	0	0	0	0
Accounts	1,719	0	0	110,534	0
Intergovernmental	171,522	13,905	30,618	0	0
Interest	663	120	927	0	520
Loans	0	0	0	0	0
Inventory of Supplies, at Cost	63,498	0	0	0	0
Total Assets	\$ 386,199	\$ 38,097	\$ 291,005	\$ 204,938	\$ 80,896
Liabilities:					
Accounts Payable	\$ 6,373	\$ 0	\$ 3,730	\$ 2,596	\$ 1,585
Accrued Wages and Benefits Payable	18,648	0	0	0	21,485
Deferred Revenue	114,618	9,319	20,790	0	212
Total Liabilities	139,639	9,319	24,520	2,596	23,282
Fund Balances:					
Reserved for Encumbrances	8,895	0	17,697	3,281	0
Reserved for Supplies Inventory	63,498	0	0	0	0
Reserved for Loans Receivable	0	0	0	0	0
Undesignated/Unreserved	174,167	28,778	248,788	199,061	57,614
Total Fund Balances	246,560	28,778	266,485	202,342	57,614
Total Liabilities and Funds Balances	\$ 386,199	\$ 38,097	\$ 291,005	\$ 204,938	\$ 80,896

CITY OF NAPOLEON, OHIO

Special Events	Economic Development	Hotel/Motel Tax	CHIP Income	CDBG Income	Indigent Drivers Alcohol Treatment	Law Enforcement and Education
\$ 6,878	\$ 80,007	\$ 9,964	\$ 5,855	\$ 19,479	\$ 3,750	\$ 846
0	426,921	0	0	44,617	20,010	4,515
0	0	0	0	0	0	0
0	0	0	0	0	263	104
0	0	0	314,247	0	0	0
0	2,320	0	0	0	98	30
0	134,889	0	0	0	0	0
0	0	0	0	0	0	0
<u>\$ 6,878</u>	<u>\$ 644,137</u>	<u>\$ 9,964</u>	<u>\$ 320,102</u>	<u>\$ 64,096</u>	<u>\$ 24,121</u>	<u>\$ 5,495</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 377	\$ 0
0	0	0	0	0	0	0
0	946	0	222,232	0	40	12
0	946	0	222,232	0	417	12
0	452,366	0	0	0	0	0
0	0	0	0	0	0	0
0	134,889	0	0	0	0	0
6,878	55,936	9,964	97,870	64,096	23,704	5,483
6,878	643,191	9,964	97,870	64,096	23,704	5,483
<u>\$ 6,878</u>	<u>\$ 644,137</u>	<u>\$ 9,964</u>	<u>\$ 320,102</u>	<u>\$ 64,096</u>	<u>\$ 24,121</u>	<u>\$ 5,495</u>

(Continued)

CITY OF NAPOLEON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004**

	Court Computerization	Law Enforcement Trust	Mandatory Drug Fine	Fire Equipment	Municipal Probation Service
Assets:					
Cash and Cash Equivalents	\$ 26,807	\$ 1,240	\$ 1,292	\$ 32,860	\$ 4,958
Investments	143,043	6,618	6,894	175,344	26,453
Receivables (net of allowance for doubtful accounts):					
Taxes	0	0	0	0	0
Accounts	2,201	0	67	0	540
Intergovernmental	0	0	0	0	0
Interest	738	22	37	890	128
Loans	0	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0	0
Total Assets	\$ 172,789	\$ 7,880	\$ 8,290	\$ 209,094	\$ 32,079
Liabilities:					
Accounts Payable	\$ 1,398	\$ 0	\$ 0	\$ 0	\$ 419
Accrued Wages and Benefits Payable	0	0	0	0	0
Deferred Revenue	301	9	15	363	52
Total Liabilities	1,699	9	15	363	471
Fund Balances:					
Reserved for Encumbrances	4,000	0	0	7,675	0
Reserved for Supplies Inventory	0	0	0	0	0
Reserved for Loans Receivable	0	0	0	0	0
Undesignated/Unreserved	167,090	7,871	8,275	201,056	31,608
Total Fund Balances	171,090	7,871	8,275	208,731	31,608
Total Liabilities and Funds Balances	\$ 172,789	\$ 7,880	\$ 8,290	\$ 209,094	\$ 32,079

CITY OF NAPOLEON, OHIO

<u>Probation Officer Grant</u>	<u>Court Improvement</u>	<u>Handicap Parking Fines</u>	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Cemetery</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 1,721	\$ 36,208	\$ 300	\$ 7,854	\$ 3,944	\$ 14,016	\$ 353,798
0	193,210	0	0	0	74,792	1,633,707
0	0	0	93,447	46,725	0	140,172
0	1,877	0	0	0	0	117,305
35,821	0	0	4,497	2,249	0	572,859
0	0	0	0	0	0	6,493
0	0	0	0	0	0	134,889
0	0	0	0	0	0	63,498
<u>\$ 37,542</u>	<u>\$ 231,295</u>	<u>\$ 300</u>	<u>\$ 105,798</u>	<u>\$ 52,918</u>	<u>\$ 88,808</u>	<u>\$ 3,022,721</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,478
1,941	0	0	37,108	28,919	0	108,101
<u>11,540</u>	<u>0</u>	<u>0</u>	<u>97,944</u>	<u>48,974</u>	<u>0</u>	<u>527,367</u>
<u>13,481</u>	<u>0</u>	<u>0</u>	<u>135,052</u>	<u>77,893</u>	<u>0</u>	<u>651,946</u>
0	0	0	0	0	0	493,914
0	0	0	0	0	0	63,498
0	0	0	0	0	0	134,889
<u>24,061</u>	<u>231,295</u>	<u>300</u>	<u>(29,254)</u>	<u>(24,975)</u>	<u>88,808</u>	<u>1,678,474</u>
<u>24,061</u>	<u>231,295</u>	<u>300</u>	<u>(29,254)</u>	<u>(24,975)</u>	<u>88,808</u>	<u>2,370,775</u>
<u>\$ 37,542</u>	<u>\$ 231,295</u>	<u>\$ 300</u>	<u>\$ 105,798</u>	<u>\$ 52,918</u>	<u>\$ 88,808</u>	<u>\$ 3,022,721</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, 2004**

	Street Construction, Maintenance and Repair	State Highway Improvement	Motor Vehicle License Tax	EMS Transport Service	Recreation
Revenues:					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	363,590	29,479	121,006	34,275	0
Charges for Services	7,658	0	0	122,684	225,380
Investment Earnings	4,009	551	5,298	0	2,010
Fines and Forfeitures	0	0	0	0	0
All Other Revenue	16,639	0	0	0	28,948
Total Revenue	<u>391,896</u>	<u>30,030</u>	<u>126,304</u>	<u>156,959</u>	<u>256,338</u>
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	162,289	0
Leisure Time Activities	0	0	0	0	755,563
Community Development	0	0	0	0	0
Transportation	598,570	22,554	106,802	0	0
General Government	0	0	0	0	0
Total Expenditures	<u>598,570</u>	<u>22,554</u>	<u>106,802</u>	<u>162,289</u>	<u>755,563</u>
Excess (Deficiency) of Revenues Over Expenditures	(206,674)	7,476	19,502	(5,330)	(499,225)
Other Financing Sources (Uses):					
Sale of Capital Assets	0	0	0	25,000	0
Transfers In	104,150	0	0	0	536,935
Transfers Out	0	0	(36,360)	(20,000)	0
Total Other Financing Sources (Uses)	<u>104,150</u>	<u>0</u>	<u>(36,360)</u>	<u>5,000</u>	<u>536,935</u>
Net Change In Fund Balance	(102,524)	7,476	(16,858)	(330)	37,710
Fund Balances at Beginning of Year	346,397	21,302	283,343	202,672	19,904
Increase (Decrease) in Inventory Reserve	2,687	0	0	0	0
Fund Balances End of Year	<u>\$ 246,560</u>	<u>\$ 28,778</u>	<u>\$ 266,485</u>	<u>\$ 202,342</u>	<u>\$ 57,614</u>

CITY OF NAPOLEON, OHIO

Special Events	Economic Development	Hotel/Motel Tax	CHIP Income	CDBG Income	Indigent Drivers Alcohol Treatment	Law Enforcement and Education
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	73,208	177,768	31,263	0	0
2,375	0	0	0	0	0	0
0	9,684	0	0	0	480	109
0	0	0	0	0	6,464	1,181
299	0	0	0	0	0	0
<u>2,674</u>	<u>9,684</u>	<u>73,208</u>	<u>177,768</u>	<u>31,263</u>	<u>6,944</u>	<u>1,290</u>
0	0	0	0	0	7,200	1,843
0	0	0	0	0	0	0
0	62,707	0	79,898	439	0	0
0	0	0	0	0	0	0
<u>32,997</u>	<u>0</u>	<u>35,704</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>32,997</u>	<u>62,707</u>	<u>35,704</u>	<u>79,898</u>	<u>439</u>	<u>7,200</u>	<u>1,843</u>
(30,323)	(53,023)	37,504	97,870	30,824	(256)	(553)
0	0	0	0	0	0	0
30,000	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>(35,704)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>30,000</u>	<u>0</u>	<u>(35,704)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(323)	(53,023)	1,800	97,870	30,824	(256)	(553)
7,201	696,214	8,164	0	33,272	23,960	6,036
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 6,878</u>	<u>\$ 643,191</u>	<u>\$ 9,964</u>	<u>\$ 97,870</u>	<u>\$ 64,096</u>	<u>\$ 23,704</u>	<u>\$ 5,483</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, 2004**

	Court Computerization	Law Enforcement Trust	Mandatory Drug Fine	Fire Equipment	Municipal Probation Service
Revenues:					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0	0	0
Charges for Services	0	0	0	15,000	0
Investment Earnings	3,363	182	170	4,189	538
Fines and Forfeitures	32,751	0	731	0	8,022
All Other Revenue	0	2,100	0	0	0
Total Revenue	36,114	2,282	901	19,189	8,560
Expenditures:					
Current:					
Security of Persons and Property	38,579	5,664	656	126,777	3,772
Leisure Time Activities	0	0	0	0	0
Community Development	0	0	0	0	0
Transportation	0	0	0	0	0
General Government	0	0	0	0	0
Total Expenditures	38,579	5,664	656	126,777	3,772
Excess (Deficiency) of Revenues Over Expenditures	(2,465)	(3,382)	245	(107,588)	4,788
Other Financing Sources (Uses):					
Sale of Capital Assets	0	0	0	0	0
Transfers In	0	0	0	60,000	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	60,000	0
Net Change In Fund Balance	(2,465)	(3,382)	245	(47,588)	4,788
Fund Balances at Beginning of Year	173,555	11,253	8,030	256,319	26,820
Increase (Decrease) in Inventory Reserve	0	0	0	0	0
Fund Balances End of Year	\$ 171,090	\$ 7,871	\$ 8,275	\$ 208,731	\$ 31,608

CITY OF NAPOLEON, OHIO

Probation Officer Grant	Court Improvement	Handicap Parking Fines	Police Pension	Fire Pension	Cemetery	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 82,876	\$ 41,446	\$ 0	\$ 124,322
45,005	0	0	8,969	4,486	0	889,049
0	0	0	0	0	4,082	377,179
0	0	0	0	0	0	30,583
0	30,038	0	0	0	0	79,187
2,356	0	0	0	0	0	50,342
<u>47,361</u>	<u>30,038</u>	<u>0</u>	<u>91,845</u>	<u>45,932</u>	<u>4,082</u>	<u>1,550,662</u>
49,859	6,470	0	91,848	52,986	0	547,943
0	0	0	0	0	0	755,563
0	0	0	0	0	2,592	145,636
0	0	0	0	0	0	727,926
0	0	0	0	0	0	68,701
<u>49,859</u>	<u>6,470</u>	<u>0</u>	<u>91,848</u>	<u>52,986</u>	<u>2,592</u>	<u>2,245,769</u>
(2,498)	23,568	0	(3)	(7,054)	1,490	(695,107)
0	0	0	0	0	0	25,000
11,420	0	0	0	0	0	742,505
0	0	0	0	0	0	(92,064)
<u>11,420</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>675,441</u>
8,922	23,568	0	(3)	(7,054)	1,490	(19,666)
15,139	207,727	300	(29,251)	(17,921)	87,318	2,387,754
0	0	0	0	0	0	2,687
<u>\$ 24,061</u>	<u>\$ 231,295</u>	<u>\$ 300</u>	<u>\$ (29,254)</u>	<u>\$ (24,975)</u>	<u>\$ 88,808</u>	<u>\$ 2,370,775</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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 269,200	\$ 277,880	\$ 277,877	\$ (3)
Municipal Income Taxes	2,225,000	2,594,310	2,594,316	6
Intergovernmental Revenues	1,544,070	630,080	630,090	10
Charges for Services	172,500	249,442	249,432	(10)
Licenses and Permits	52,320	114,280	114,276	(4)
Investment Earnings	125,000	112,660	112,656	(4)
Fines and Forfeitures	282,500	220,060	220,055	(5)
All Other Revenues	176,090	182,850	182,843	(7)
Total Revenues	<u>4,846,680</u>	<u>4,381,562</u>	<u>4,381,545</u>	<u>(17)</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,184,430	1,117,410	1,116,669	741
Materials and Supplies	53,040	41,030	40,758	272
Contractual Services	99,790	78,100	77,649	451
Other Expenditures	5,229	2,929	2,830	99
Total Police	<u>1,342,489</u>	<u>1,239,469</u>	<u>1,237,906</u>	<u>1,563</u>
Fire:				
Personal Services	617,760	621,260	621,154	106
Materials and Supplies	57,298	42,138	41,781	357
Contractual Services	145,415	133,675	132,711	964
Other Expenditures	50	50	0	50
Total Fire	<u>820,523</u>	<u>797,123</u>	<u>795,646</u>	<u>1,477</u>
Police/Fire:				
Personal Services	266,000	75,013	75,013	0
Materials and Supplies	87,000	17,984	17,983	1
Contractual Services	14,500	9,464	9,463	1
Other Expenditures	674,200	3,663	3,663	0
Capital Outlay	58,300	247,226	247,226	0
Total Police/Fire	<u>1,100,000</u>	<u>353,350</u>	<u>353,348</u>	<u>2</u>
Total Security of Persons and Property	<u>3,263,012</u>	<u>2,389,942</u>	<u>2,386,900</u>	<u>3,042</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Health and Welfare Services:				
Cemetery:				
Personal Services	63,310	66,010	65,929	81
Materials and Supplies	11,600	12,840	12,740	100
Contractual Services	15,350	11,710	11,369	341
Total Cemetery	<u>90,260</u>	<u>90,560</u>	<u>90,038</u>	<u>522</u>
Total Public Health and Welfare Services	<u>90,260</u>	<u>90,560</u>	<u>90,038</u>	<u>522</u>
Community Environment:				
Building Inspection:				
Personal Services	87,600	80,900	80,751	149
Materials and Supplies	2,440	550	482	68
Contractual Services	5,500	3,090	3,085	5
Other Expenditures	700	200	128	72
Total Building Inspection	<u>96,240</u>	<u>84,740</u>	<u>84,446</u>	<u>294</u>
Total Community Environment	<u>96,240</u>	<u>84,740</u>	<u>84,446</u>	<u>294</u>
General Government:				
City Council:				
Personal Services	8,949	7,935	7,671	264
Materials and Supplies	300	0	0	0
Contractual Services	1,613	1,019	970	49
Other Expenditures	300	430	422	8
Total City Council	<u>11,162</u>	<u>9,384</u>	<u>9,063</u>	<u>321</u>
Mayor:				
Personal Services	3,660	3,237	3,122	115
Materials and Supplies	200	0	0	0
Contractual Services	4,042	3,752	2,903	849
Other Expenditures	100	0	0	0
Total Mayor	<u>8,002</u>	<u>6,989</u>	<u>6,025</u>	<u>964</u>
City Manager:				
Personal Services	57,647	50,808	49,125	1,683
Materials and Supplies	721	449	395	54
Contractual Services	2,271	294	276	18
Other Expenditures	100	60	40	20
Total City Manager	<u>60,739</u>	<u>51,611</u>	<u>49,836</u>	<u>1,775</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Law Director:				
Personal Services	44,867	39,556	38,239	1,317
Materials and Supplies	1,788	816	772	44
Contractual Services	11,689	7,124	5,696	1,428
Other Expenditures	500	100	0	100
Total Law Director	58,844	47,596	44,707	2,889
Finance - Administration				
Personal Services	87,138	76,459	73,915	2,544
Materials and Supplies	500	730	691	39
Contractual Services	35,686	31,326	30,233	1,093
Other Expenditures	1,450	850	826	24
Total Finance - Administration	124,774	109,365	105,665	3,700
Finance - Utility Billing:				
Personal Services	36,630	32,398	31,288	1,110
Materials and Supplies	8,007	6,954	6,718	236
Contractual Services	8,702	7,645	7,275	370
Other Expenditures	100	200	0	200
Total Finance - Utility Billing	53,439	47,197	45,281	1,916
Finance - Income Tax Collection:				
Personal Services	110,220	114,669	114,668	1
Materials and Supplies	4,800	6,948	6,948	0
Contractual Services	12,780	12,021	12,021	0
Capital Outlay	14,300	13,480	13,480	0
Total Finance - Income Tax Collection	142,100	147,118	147,117	1
Finance - Information Systems:				
Personal Services	65,690	63,690	63,541	149
Materials and Supplies	24,700	23,000	22,172	828
Contractual Services	4,000	2,500	2,396	104
Total Finance - Information Systems	94,390	89,190	88,109	1,081
City Engineer:				
Personal Services	61,771	54,380	52,579	1,801
Materials and Supplies	1,457	1,041	995	46
Contractual Services	18,319	14,942	14,391	551
Other Expenditures	200	810	804	6
Total City Engineer	81,747	71,173	68,769	2,404

(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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Municipal Court:				
Personal Services	318,290	292,990	292,822	168
Materials and Supplies	32,500	26,800	26,684	116
Contractual Services	29,750	22,800	22,732	68
Other Expenditures	730	380	209	171
Total Municipal Court	<u>381,270</u>	<u>342,970</u>	<u>342,447</u>	<u>523</u>
Service - Buildings, Property and Equipment:				
Personal Services	31,946	28,255	27,260	995
Materials and Supplies	4,828	3,487	3,324	163
Contractual Services	1,350	551	510	41
Other Expenditures	110	0	0	0
Total Service - Buildings, Property and Equipment	<u>38,234</u>	<u>32,293</u>	<u>31,094</u>	<u>1,199</u>
Miscellaneous:				
Materials and Supplies	9,553	8,722	8,360	362
Contractual Services	93,728	82,931	75,989	6,942
Other Expenditures	94,987	91,138	87,584	3,554
Total Miscellaneous	<u>198,268</u>	<u>182,791</u>	<u>171,933</u>	<u>10,858</u>
Total General Government	<u>1,252,969</u>	<u>1,137,677</u>	<u>1,110,046</u>	<u>27,631</u>
Total Expenditures	<u>4,702,481</u>	<u>3,702,919</u>	<u>3,671,430</u>	<u>31,489</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	144,199	678,643	710,115	31,472
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	0	3,500	3,500	0
Transfers In	486,500	594,509	594,508	(1)
Transfers Out	<u>(1,523,260)</u>	<u>(1,748,138)</u>	<u>(1,748,135)</u>	<u>3</u>
Total Other Financing Sources (Uses)	<u>(1,036,760)</u>	<u>(1,150,129)</u>	<u>(1,150,127)</u>	<u>2</u>
Net Change In Fund Balance	(892,561)	(471,486)	(440,012)	31,474
Fund Balance at Beginning of Year	1,651,553	1,651,553	1,651,553	0
Prior Year Encumbrances	69,181	69,181	69,181	0
Fund Balance at End of Year	<u>\$ 828,173</u>	<u>\$ 1,249,248</u>	<u>\$ 1,280,722</u>	<u>\$ 31,474</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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 9,000	\$ 10,980	\$ 10,982	\$ 2
Special Assessments	242,340	256,080	256,075	(5)
Total Revenues	<u>251,340</u>	<u>267,060</u>	<u>267,057</u>	<u>(3)</u>
Expenditures:				
General Government:				
Contractual Services	4,800	4,300	4,261	39
Debt Service:				
Principal Retirement	184,349	184,350	184,350	0
Interest and Fiscal Charges	74,539	74,539	74,539	0
Total Expenditures	<u>263,688</u>	<u>263,189</u>	<u>263,150</u>	<u>39</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,348)	3,871	3,907	36
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	12	16,231	16,267	36
Fund Balance at Beginning of Year	413,978	413,978	413,978	0
Fund Balance at End of Year	<u>\$ 413,990</u>	<u>\$ 430,209</u>	<u>\$ 430,245</u>	<u>\$ 36</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, 2004**

CAPITAL IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 313,370	\$ 94,550	\$ 94,553	\$ 3
All Other Revenues	0	5,000	5,000	0
Total Revenues	<u>313,370</u>	<u>99,550</u>	<u>99,553</u>	<u>3</u>
Expenditures:				
Capital Outlay:				
City Manager	6,000	2,800	2,742	58
Law Director	500	0	0	0
Finance - Administration	6,000	2,100	2,049	51
Central Information System	32,355	31,805	31,606	199
Engineering	25,366	24,386	24,198	188
Municipal Court	1,500	150	124	26
Police	108,700	88,010	88,009	1
Fire	99,900	69,350	69,338	12
Building Inspections	14,095	18,295	8,693	9,602
Parks and Recreation	424,226	105,126	105,048	78
Street Maintenance	1,299,470	1,137,070	1,131,803	5,267
Storm Drainage	126,500	84,300	84,245	55
Debt Service:				
Principal Retirement	240,000	240,000	240,000	0
Interest and Fiscal Charges	2,800	2,800	2,791	9
Total Expenditures	<u>2,387,412</u>	<u>1,806,192</u>	<u>1,790,646</u>	<u>15,546</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,074,042)	(1,706,642)	(1,691,093)	15,549
Other Financing Sources (Uses):				
Sale of Notes	690,000	690,000	690,000	0
Transfers In	849,740	1,000,680	1,000,680	0
Transfers Out	(40,000)	(40,000)	(40,000)	0
Total Other Financing Sources (Uses)	<u>1,499,740</u>	<u>1,650,680</u>	<u>1,650,680</u>	<u>0</u>
Net Change In Fund Balance	(574,302)	(55,962)	(40,413)	15,549
Fund Balance at Beginning of Year	527,872	527,872	527,872	0
Prior Year Encumbrances	260,912	260,912	260,912	0
Fund Balance at End of Year	<u>\$ 214,482</u>	<u>\$ 732,822</u>	<u>\$ 748,371</u>	<u>\$ 15,549</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND				
Revenues:				
Intergovernmental Revenues	\$ 334,150	\$ 351,840	\$ 351,836	\$ (4)
Charges for Services	1,800	9,090	9,089	(1)
Investment Earnings	2,500	4,110	4,113	3
All Other Revenues	16,620	16,640	16,639	(1)
Total Revenues	<u>355,070</u>	<u>381,680</u>	<u>381,677</u>	<u>(3)</u>
Expenditures:				
Transportation:				
Street Maintenance:				
Personal Services	343,080	337,180	336,896	284
Materials and Supplies	81,600	71,920	71,836	84
Contractual Services	142,780	121,380	121,078	302
Other Expenditures	850	25,070	25,063	7
Total Street Maintenance	<u>568,310</u>	<u>555,550</u>	<u>554,873</u>	<u>677</u>
Ice and Snow Removal:				
Personal Services	33,000	13,100	13,004	96
Materials and Supplies	5,100	4,190	4,100	90
Contractual Services	5,300	2,940	2,940	0
Other Expenditures	0	4,670	4,663	7
Total Ice and Snow Removal	<u>43,400</u>	<u>24,900</u>	<u>24,707</u>	<u>193</u>
Storm Drainage:				
Personal Services	12,000	11,240	11,237	3
Materials and Supplies	13,000	12,240	12,175	65
Contractual Services	4,200	0	0	0
Other Expenditures	0	560	559	1
Total Storm Drainage	<u>29,200</u>	<u>24,040</u>	<u>23,971</u>	<u>69</u>
Total Expenditures	<u>640,910</u>	<u>604,490</u>	<u>603,551</u>	<u>939</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(285,840)	(222,810)	(221,874)	936
Other Financing Sources (Uses):				
Transfers In	104,150	104,150	104,150	0
Total Other Financing Sources (Uses)	<u>104,150</u>	<u>104,150</u>	<u>104,150</u>	<u>0</u>
Net Change In Fund Balance	(181,690)	(118,660)	(117,724)	936
Fund Balance at Beginning of Year	256,286	256,286	256,286	0
Fund Balance at End of Year	<u>\$ 74,596</u>	<u>\$ 137,626</u>	<u>\$ 138,562</u>	<u>\$ 936</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, 2004***

STATE HIGHWAY IMPROVEMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 27,370	\$ 28,520	\$ 28,527	\$ 7
Investment Earnings	150	490	494	4
Total Revenues	<u>27,520</u>	<u>29,010</u>	<u>29,021</u>	<u>11</u>
Expenditures:				
Transportation:				
Materials and Supplies	9,300	13,800	13,759	41
Contractual Services	9,000	8,800	8,795	5
Total Expenditures	<u>18,300</u>	<u>22,600</u>	<u>22,554</u>	<u>46</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,220	6,410	6,467	57
Fund Balance at Beginning of Year	<u>17,605</u>	<u>17,605</u>	<u>17,605</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 26,825</u>	<u>\$ 24,015</u>	<u>\$ 24,072</u>	<u>\$ 57</u>

CITY OF NAPOLEON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 103,000	\$ 120,080	\$ 120,080	\$ 0
Investment Earnings	5,050	5,230	5,236	6
Total Revenues	<u>108,050</u>	<u>125,310</u>	<u>125,316</u>	<u>6</u>
Expenditures:				
Transportation:				
Materials and Supplies	80,250	71,550	71,494	56
Capital Outlay	81,000	53,300	53,005	295
Total Expenditures	<u>161,250</u>	<u>124,850</u>	<u>124,499</u>	<u>351</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,200)	460	817	357
Other Financing Sources (Uses):				
Transfers Out	<u>(36,360)</u>	<u>(36,360)</u>	<u>(36,360)</u>	<u>0</u>
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	(89,560)	(35,900)	(35,543)	357
Fund Balance at Beginning of Year	273,576	273,576	273,576	0
Fund Balance at End of Year	<u>\$ 184,016</u>	<u>\$ 237,676</u>	<u>\$ 238,033</u>	<u>\$ 357</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 35,000	\$ 34,270	\$ 34,275	\$ 5
Charges for Services	175,000	164,960	164,969	9
Total Revenues	<u>210,000</u>	<u>199,230</u>	<u>199,244</u>	<u>14</u>
Expenditures:				
Security of Persons and Property:				
Materials and Supplies	20,000	18,300	18,229	71
Contractual Services	38,000	29,600	29,509	91
Capital Outlay	125,000	115,900	115,838	62
Total Expenditures	<u>183,000</u>	<u>163,800</u>	<u>163,576</u>	<u>224</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,000	35,430	35,668	238
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	0	25,000	25,000	0
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>5,000</u>	<u>5,000</u>	<u>0</u>
Net Change In Fund Balance	7,000	40,430	40,668	238
Fund Balance at Beginning of Year	<u>50,455</u>	<u>50,455</u>	<u>50,455</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 57,455</u>	<u>\$ 90,885</u>	<u>\$ 91,123</u>	<u>\$ 238</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, 2004***

	RECREATION FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 256,850	\$ 225,270	\$ 225,380	\$ 110
Investment Earnings	500	1,870	1,868	(2)
All Other Revenues	32,500	28,940	28,948	8
Total Revenues	289,850	256,080	256,196	116
Expenditures:				
Leisure Time Activities:				
Administration:				
Personal Services	60,760	57,750	57,336	414
Materials and Supplies	23,900	18,960	18,951	9
Contractual Services	4,150	2,100	2,097	3
Total Administration	88,810	78,810	78,384	426
Golf Course Operations:				
Personal Services	127,330	125,130	124,933	197
Materials and Supplies	64,650	55,965	55,858	107
Contractual Services	18,910	18,785	18,740	45
Total Golf Course Operations	210,890	199,880	199,531	349
Pool Operations:				
Personal Services	56,940	54,840	54,750	90
Materials and Supplies	19,800	18,440	18,306	134
Contractual Services	24,880	24,080	24,052	28
Total Pool Operations	101,620	97,360	97,108	252
Parks and Programs:				
Personal Services	245,410	251,610	251,451	159
Materials and Supplies	82,700	80,630	80,604	26
Contractual Services	50,930	48,400	48,252	148
Total Parks and Programs	379,040	380,640	380,307	333
Total Expenditures	780,360	756,690	755,330	1,360
Excess (Deficiency) of Revenues Over (Under) Expenditures	(490,510)	(500,610)	(499,134)	1,476
Other Financing Sources (Uses):				
Transfers In	474,420	536,940	536,935	(5)
Total Other Financing Sources (Uses)	474,420	536,940	536,935	(5)
Net Change In Fund Balance	(16,090)	36,330	37,801	1,471
Fund Balance at Beginning of Year	42,575	42,575	42,575	0
Fund Balance at End of Year	\$ 26,485	\$ 78,905	\$ 80,376	\$ 1,471

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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 2,000	\$ 2,380	\$ 2,375	\$ (5)
All Other Revenues	100	300	299	(1)
Total Revenues	<u>2,100</u>	<u>2,680</u>	<u>2,674</u>	<u>(6)</u>
Expenditures:				
General Government:				
Materials and Supplies	4,000	4,100	4,064	36
Contractual Services	26,000	25,300	25,270	30
Other Expenditures	<u>5,000</u>	<u>3,700</u>	<u>3,663</u>	<u>37</u>
Total Expenditures	<u>35,000</u>	<u>33,100</u>	<u>32,997</u>	<u>103</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,900)	(30,420)	(30,323)	97
Other Financing Sources (Uses):				
Transfers In	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>
Net Change In Fund Balance	(2,900)	(420)	(323)	97
Fund Balance at Beginning of Year	<u>7,201</u>	<u>7,201</u>	<u>7,201</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 4,301</u>	<u>\$ 6,781</u>	<u>\$ 6,878</u>	<u>\$ 97</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 10,000	\$ 10,700	\$ 10,695	\$ (5)
All Other Revenues	13,950	11,620	11,624	4
Total Revenues	<u>23,950</u>	<u>22,320</u>	<u>22,319</u>	<u>(1)</u>
Expenditures:				
Community Environment:				
Contractual Services	33,000	29,600	29,550	50
Capital Outlay	<u>485,876</u>	<u>522,176</u>	<u>487,066</u>	<u>35,110</u>
Total Expenditures	<u>518,876</u>	<u>551,776</u>	<u>516,616</u>	<u>35,160</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(494,926)	(529,456)	(494,297)	35,159
Fund Balance at Beginning of Year	102,983	102,983	102,983	0
Prior Year Encumbrances	<u>445,876</u>	<u>445,876</u>	<u>445,876</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 53,933</u>	<u>\$ 19,403</u>	<u>\$ 54,562</u>	<u>\$ 35,159</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 72,000	\$ 73,200	\$ 73,208	\$ 8
Total Revenues	<u>72,000</u>	<u>73,200</u>	<u>73,208</u>	<u>8</u>
Expenditures:				
General Government:				
Contractual Services	<u>36,000</u>	<u>35,704</u>	<u>35,704</u>	<u>0</u>
Total Expenditures	<u>36,000</u>	<u>35,704</u>	<u>35,704</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	36,000	37,496	37,504	8
Other Financing Sources (Uses):				
Transfers Out	<u>(36,000)</u>	<u>(35,704)</u>	<u>(35,704)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(36,000)</u>	<u>(35,704)</u>	<u>(35,704)</u>	<u>0</u>
Net Change In Fund Balance	0	1,792	1,800	8
Fund Balance at Beginning of Year	<u>8,164</u>	<u>8,164</u>	<u>8,164</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,164</u>	<u>\$ 9,956</u>	<u>\$ 9,964</u>	<u>\$ 8</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, 2004***

	CHIP INCOME FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 50,000	\$ 85,750	\$ 85,753	\$ 3
Total Revenues	<u>50,000</u>	<u>85,750</u>	<u>85,753</u>	<u>3</u>
Expenditures:				
Community Environment:				
Contractual Services	<u>0</u>	<u>79,898</u>	<u>79,898</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>79,898</u>	<u>79,898</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,000	5,852	5,855	3
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>\$ 50,000</u>	<u>\$ 5,852</u>	<u>\$ 5,855</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, 2004***

CDBG INCOME FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 31,268	\$ 31,263	\$ (5)
Total Revenues	<u>0</u>	<u>31,268</u>	<u>31,263</u>	<u>(5)</u>
Expenditures:				
Community Environment:				
Contractual Services	33,000	439	439	0
Total Expenditures	<u>33,000</u>	<u>439</u>	<u>439</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,000)	30,829	30,824	(5)
Fund Balance at Beginning of Year	<u>33,272</u>	<u>33,272</u>	<u>33,272</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 272</u>	<u>\$ 64,101</u>	<u>\$ 64,096</u>	<u>\$ (5)</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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 500	\$ 480	\$ 484	\$ 4
Fines and Forfeitures	9,000	6,420	6,425	5
Total Revenues	<u>9,500</u>	<u>6,900</u>	<u>6,909</u>	<u>9</u>
Expenditures:				
Security of Persons and Property:				
Contractual Services	20,000	7,100	7,006	94
Total Expenditures	<u>20,000</u>	<u>7,100</u>	<u>7,006</u>	<u>94</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,500)	(200)	(97)	103
Fund Balance at Beginning of Year	<u>23,857</u>	<u>23,857</u>	<u>23,857</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 13,357</u>	<u>\$ 23,657</u>	<u>\$ 23,760</u>	<u>\$ 103</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 100	\$ 110	\$ 110	\$ 0
Fines and Forfeitures	1,500	1,260	1,263	3
Total Revenues	<u>1,600</u>	<u>1,370</u>	<u>1,373</u>	<u>3</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	3,000	1,100	1,070	30
Contractual Services	2,000	510	503	7
Capital Outlay	1,000	290	270	20
Total Expenditures	<u>6,000</u>	<u>1,900</u>	<u>1,843</u>	<u>57</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,400)	(530)	(470)	60
Fund Balance at Beginning of Year	<u>5,831</u>	<u>5,831</u>	<u>5,831</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,431</u>	<u>\$ 5,301</u>	<u>\$ 5,361</u>	<u>\$ 60</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 2,900	\$ 3,380	\$ 3,376	\$ (4)
Fines and Forfeitures	60,000	32,890	32,890	0
Total Revenues	<u>62,900</u>	<u>36,270</u>	<u>36,266</u>	<u>(4)</u>
Expenditures:				
Security of Persons and Property:				
Contractual Services	4,700	500	439	61
Other Expenditures	27,020	27,020	27,020	0
Capital Outlay	14,050	10,550	9,722	828
Total Expenditures	<u>45,770</u>	<u>38,070</u>	<u>37,181</u>	<u>889</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,130	(1,800)	(915)	885
Fund Balance at Beginning of Year	166,765	166,765	166,765	0
Prior Year Encumbrances	4,000	4,000	4,000	0
Fund Balance at End of Year	<u>\$ 187,895</u>	<u>\$ 168,965</u>	<u>\$ 169,850</u>	<u>\$ 885</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 350	\$ 200	\$ 197	\$ (3)
Fines and Forfeitures	1,000	0	0	0
All Other Revenues	0	2,100	2,100	0
Total Revenues	<u>1,350</u>	<u>2,300</u>	<u>2,297</u>	<u>(3)</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	1,000	5,200	5,181	19
Capital Outlay	<u>4,500</u>	<u>500</u>	<u>483</u>	<u>17</u>
Total Expenditures	<u>5,500</u>	<u>5,700</u>	<u>5,664</u>	<u>36</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,150)	(3,400)	(3,367)	33
Fund Balance at Beginning of Year	<u>11,225</u>	<u>11,225</u>	<u>11,225</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 7,075</u>	<u>\$ 7,825</u>	<u>\$ 7,858</u>	<u>\$ 33</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 150	\$ 170	\$ 167	\$ (3)
Fines and Forfeitures	500	720	716	(4)
Total Revenues	<u>650</u>	<u>890</u>	<u>883</u>	<u>(7)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	3,000	550	539	11
Other Expenditures	<u>2,000</u>	<u>120</u>	<u>117</u>	<u>3</u>
Total Expenditures	<u>5,000</u>	<u>670</u>	<u>656</u>	<u>14</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,350)	220	227	7
Fund Balance at Beginning of Year	<u>7,959</u>	<u>7,959</u>	<u>7,959</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,609</u>	<u>\$ 8,179</u>	<u>\$ 8,186</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, 2004***

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	4,330	4,325	(5)
Total Revenues	<u>18,500</u>	<u>19,330</u>	<u>19,325</u>	<u>(5)</u>
Expenditures:				
Security of Persons and Property:				
Capital Outlay	140,500	134,500	134,452	48
Total Expenditures	<u>140,500</u>	<u>134,500</u>	<u>134,452</u>	<u>48</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(122,000)	(115,170)	(115,127)	43
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	(62,000)	(55,170)	(55,127)	43
Fund Balance at Beginning of Year	255,656	255,656	255,656	0
Fund Balance at End of Year	<u>\$ 193,656</u>	<u>\$ 200,486</u>	<u>\$ 200,529</u>	<u>\$ 43</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 400	\$ 530	\$ 528	\$ (2)
Fines and Forfeitures	5,500	8,390	8,392	2
Total Revenues	<u>5,900</u>	<u>8,920</u>	<u>8,920</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	9,700	3,400	3,353	47
Total Expenditures	<u>9,700</u>	<u>3,400</u>	<u>3,353</u>	<u>47</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,800)	5,520	5,567	47
Fund Balance at Beginning of Year	<u>25,844</u>	<u>25,844</u>	<u>25,844</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 22,044</u>	<u>\$ 31,364</u>	<u>\$ 31,411</u>	<u>\$ 47</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, 2004***

PROBATION OFFICER GRANT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 23,980	\$ 20,724	\$ 20,724	\$ 0
All Other Revenues	0	2,360	2,356	(4)
Total Revenues	<u>23,980</u>	<u>23,084</u>	<u>23,080</u>	<u>(4)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	21,020	41,834	41,834	0
Contractual Services	4,130	8,091	8,091	0
Total Expenditures	<u>25,150</u>	<u>49,925</u>	<u>49,925</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,170)	(26,841)	(26,845)	(4)
Other Financing Sources (Uses):				
Transfers In	0	11,420	11,420	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>11,420</u>	<u>11,420</u>	<u>0</u>
Net Change In Fund Balance	(1,170)	(15,421)	(15,425)	(4)
Fund Balance at Beginning of Year	17,146	17,146	17,146	0
Fund Balance at End of Year	<u>\$ 15,976</u>	<u>\$ 1,725</u>	<u>\$ 1,721</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 49,500	\$ 30,100	\$ 30,096	\$ (4)
Total Revenues	<u>49,500</u>	<u>30,100</u>	<u>30,096</u>	<u>(4)</u>
Expenditures:				
Security of Persons and Property:				
Capital Outlay	<u>50,000</u>	<u>6,500</u>	<u>6,470</u>	<u>30</u>
Total Expenditures	<u>50,000</u>	<u>6,500</u>	<u>6,470</u>	<u>30</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(500)	23,600	23,626	26
Fund Balance at Beginning of Year	<u>205,792</u>	<u>205,792</u>	<u>205,792</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 205,292</u>	<u>\$ 229,392</u>	<u>\$ 229,418</u>	<u>\$ 26</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, 2004***

	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
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	(200)	0	0	0
Fund Balance at Beginning of Year	300	300	300	0
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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 80,600	\$ 82,870	\$ 82,876	\$ 6
Intergovernmental Revenues	8,440	8,960	8,969	9
Total Revenues	<u>89,040</u>	<u>91,830</u>	<u>91,845</u>	<u>15</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	89,040	89,040	89,024	16
Total Expenditures	<u>89,040</u>	<u>89,040</u>	<u>89,024</u>	<u>16</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	2,790	2,821	31
Fund Balance at Beginning of Year	<u>5,033</u>	<u>5,033</u>	<u>5,033</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,033</u>	<u>\$ 7,823</u>	<u>\$ 7,854</u>	<u>\$ 31</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, 2004**

	FIRE PENSION FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property Taxes	\$ 40,340	\$ 41,450	\$ 41,446	\$ (4)
Intergovernmental Revenues	4,180	4,490	4,486	(4)
Total Revenues	<u>44,520</u>	<u>45,940</u>	<u>45,932</u>	<u>(8)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	44,520	44,520	44,517	3
Total Expenditures	<u>44,520</u>	<u>44,520</u>	<u>44,517</u>	<u>3</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	1,420	1,415	(5)
Fund Balance at Beginning of Year	<u>2,529</u>	<u>2,529</u>	<u>2,529</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,529</u>	<u>\$ 3,949</u>	<u>\$ 3,944</u>	<u>\$ (5)</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, 2004***

	CEMETERY FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 3,500	\$ 4,080	\$ 4,082	\$ 2
Total Revenues	<u>3,500</u>	<u>4,080</u>	<u>4,082</u>	<u>2</u>
Expenditures:				
Community Environment:				
Materials and Supplies	<u>5,000</u>	<u>2,600</u>	<u>2,592</u>	<u>8</u>
Total Expenditures	<u>5,000</u>	<u>2,600</u>	<u>2,592</u>	<u>8</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,500)	1,480	1,490	10
Fund Balance at Beginning of Year	<u>87,318</u>	<u>87,318</u>	<u>87,318</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 85,818</u>	<u>\$ 88,798</u>	<u>\$ 88,808</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 Debt Service Fund
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 10	\$ 0	\$ 0	\$ 0
All Other Revenues	0	9,390	9,394	4
Total Revenues	<u>10</u>	<u>9,390</u>	<u>9,394</u>	<u>4</u>
Expenditures:				
Debt Service:				
Interest and Fiscal Charges	<u>8,270</u>	<u>8,266</u>	<u>8,266</u>	<u>0</u>
Total Expenditures	<u>8,270</u>	<u>8,266</u>	<u>8,266</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,260)	1,124	1,128	4
Fund Balance at Beginning of Year	<u>8,266</u>	<u>8,266</u>	<u>8,266</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 6</u>	<u>\$ 9,390</u>	<u>\$ 9,394</u>	<u>\$ 4</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, 2004***

	Balance December 31, 2003	Additions	Deductions	Balance December 31, 2004
<u>Municipal Court</u>				
Assets:				
Cash and Cash Equivalents	\$13,479	\$1,314,121	(\$1,307,681)	\$19,919
Total Assets	<u>\$13,479</u>	<u>\$1,314,121</u>	<u>(\$1,307,681)</u>	<u>\$19,919</u>
Liabilities:				
Due to Others	\$13,479	\$1,314,121	(\$1,307,681)	\$19,919
Total Liabilities	<u>\$13,479</u>	<u>\$1,314,121</u>	<u>(\$1,307,681)</u>	<u>\$19,919</u>
<u>Employee Benefits</u>				
Assets:				
Cash and Cash Equivalents	\$1,982	\$1,800	(\$1,500)	\$2,282
Total Assets	<u>\$1,982</u>	<u>\$1,800</u>	<u>(\$1,500)</u>	<u>\$2,282</u>
Liabilities:				
Due to Others	\$1,982	\$1,800	(\$1,500)	\$2,282
Total Liabilities	<u>\$1,982</u>	<u>\$1,800</u>	<u>(\$1,500)</u>	<u>\$2,282</u>
<u>Totals - Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$15,461	\$1,315,921	(\$1,309,181)	\$22,201
Total Assets	<u>\$15,461</u>	<u>\$1,315,921</u>	<u>(\$1,309,181)</u>	<u>\$22,201</u>
Liabilities:				
Due to Others	\$15,461	\$1,315,921	(\$1,309,181)	\$22,201
Total Liabilities	<u>\$15,461</u>	<u>\$1,315,921</u>	<u>(\$1,309,181)</u>	<u>\$22,201</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, 2004***

<u>Capital Assets:</u>	
Land	\$8,358,866
Construction in Progress	36,354
Buildings	2,046,549
Improvements	462,950
Machinery and Equipment	4,665,988
Infrastructure	<u>20,512,263</u>
Total Capital Assets	<u><u>\$36,082,970</u></u>
<u>Investment in Capital Assets:</u>	
General Fund	\$581,869
Special Revenue Funds	1,002,374
Capital Projects Funds	33,853,570
Enterprise Funds	567,947
Internal Service Fund	74,710
Donated	<u>2,500</u>
Total Investment in Capital Assets	<u><u>\$36,082,970</u></u>

CITY OF NAPOLEON, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2004***

<u>Function and Activity</u>	<u>Land</u>	<u>Construction In Progress</u>	<u>Buildings</u>
<u>General Government:</u>			
City Manager	\$0	\$0	\$0
Law Director	0	0	0
Finance	0	0	179,304
Tax	0	0	0
MIS	0	0	0
Engineering	0	0	1,978
Municipal Court	0	0	0
General Administration	1,047,732	0	0
Total	<u>1,047,732</u>	<u>0</u>	<u>181,282</u>
<u>Security of Persons and Property:</u>			
Police	32,729	0	112,500
Fire	6,514	0	398,474
Total	<u>39,243</u>	<u>0</u>	<u>510,974</u>
<u>Transportation:</u>			
Street	5,961,731	36,354	654,534
Maintenance	0	0	0
Total	<u>5,961,731</u>	<u>36,354</u>	<u>654,534</u>
<u>Leisure Time Activities:</u>			
Parks and Recreation	1,072,860	0	693,959
<u>Community Environment:</u>			
Inspection	0	0	0
<u>Public Health and Welfare:</u>			
Cemetery	237,300	0	5,800
<u>Governmental IS:</u>			
City Garage	0	0	0
Total Capital Assets	<u>\$8,358,866</u>	<u>\$36,354</u>	<u>\$2,046,549</u>

CITY OF NAPOLEON, OHIO

<u>Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$0	\$116,988	\$0	\$116,988
0	22,685	0	22,685
0	250,985	0	430,289
0	32,347	0	32,347
0	4,712	0	4,712
0	88,987	0	90,965
0	107,674	0	107,674
0	17,040	0	1,064,772
<u>0</u>	<u>641,418</u>	<u>0</u>	<u>1,870,432</u>
0	617,999	0	763,228
0	1,664,224	0	2,069,212
<u>0</u>	<u>2,282,223</u>	<u>0</u>	<u>2,832,440</u>
65,008	1,029,754	20,512,263	28,259,644
0	22,118	0	22,118
<u>65,008</u>	<u>1,051,872</u>	<u>20,512,263</u>	<u>28,281,762</u>
<u>397,942</u>	<u>553,615</u>	<u>0</u>	<u>2,718,376</u>
<u>0</u>	<u>15,789</u>	<u>0</u>	<u>15,789</u>
<u>0</u>	<u>86,913</u>	<u>0</u>	<u>330,013</u>
<u>0</u>	<u>34,158</u>	<u>0</u>	<u>34,158</u>
<u>\$462,950</u>	<u>\$4,665,988</u>	<u>\$20,512,263</u>	<u>\$36,082,970</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, 2004***

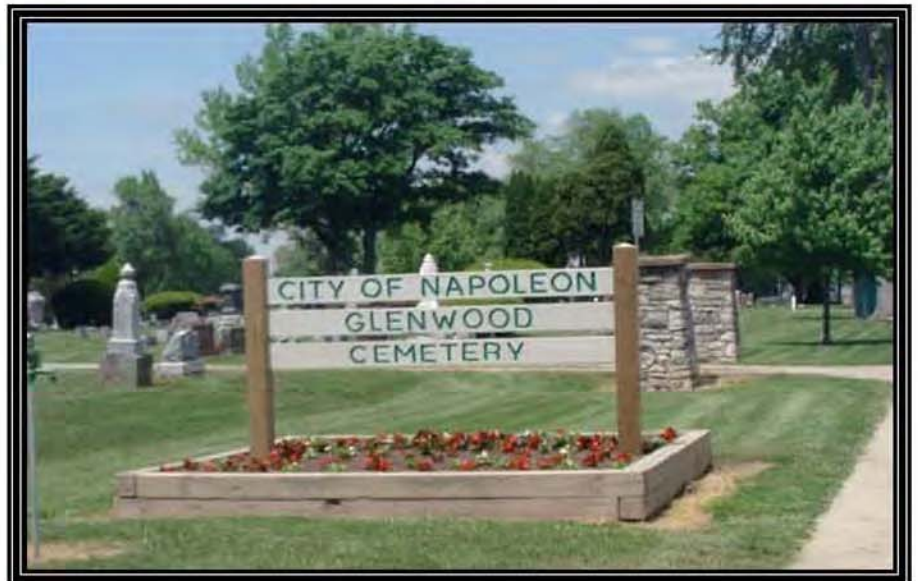
Function and Activity	December 31, 2003	Additions	Deletions	December 31, 2004
<u>General Government:</u>				
City Manager	\$116,988	\$0	\$0	\$116,988
Law Director	15,844	6,841	0	22,685
Finance	430,289	0	0	430,289
Tax	32,347	0	0	32,347
MIS	0	4,712	0	4,712
Engineering	89,473	1,492	0	90,965
Municipal Court	101,142	6,532	0	107,674
General Administration	1,064,772	0	0	1,064,772
Total	1,850,855	19,577	0	1,870,432
<u>Security of Persons and Property:</u>				
Police	699,630	63,598	0	763,228
Fire	1,899,460	281,903	(112,151)	2,069,212
Total	2,599,090	345,501	(112,151)	2,832,440
<u>Transportation:</u>				
Street	27,579,517	720,279	(40,152)	28,259,644
Maintenance	22,118	0	0	22,118
Total	27,601,635	720,279	(40,152)	28,281,762
<u>Leisure Time Activities:</u>				
Parks and Recreation	2,714,623	33,298	(29,545)	2,718,376
<u>Community Environment:</u>				
Inspection	11,694	4,095	0	15,789
<u>Public Health and Welfare:</u>				
Cemetery	330,013	0	0	330,013
<u>Governmental IS:</u>				
City Garage	34,158	0	0	34,158
Total Capital Assets	\$35,142,068	\$1,122,750	(\$181,848)	\$36,082,970

STATISTICAL SECTION



City of Napoleon
Forrest Hill Cemetery
Mausoleum

City of Napoleon
Glenwood Cemetery





STATISTICAL TABLES

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

CITY OF NAPOLEON, OHIO

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

Year	Security of	Public	Leisure	Community	Transportation	General	Debt	Total
	Persons and Property	Health and Welfare	Time Activities	Environment		Government	Service	
1995	\$1,348,173	\$66,816	\$660,108	\$225,456	\$355,099	\$627,134	\$346,984	\$3,629,770
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

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

CITY OF NAPOLEON, OHIO

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

Year	Taxes	Inter-Governmental Revenue	Charges for Service	Licenses and Permits	Investment Earnings	Fines and Forfeitures	Miscellaneous (2)	Total
1995	\$2,327,551	\$860,524	\$537,149	\$20,288	\$137,300	\$229,291	\$388,174	\$4,500,277
1996	2,519,304	1,132,078	720,752	60,039	362,975	261,235	470,928	5,527,311
1997	2,546,058	1,056,318	458,110	48,663	408,910	242,252	465,081	5,225,392
1998	2,726,758	1,067,245	596,375	49,531	392,843	286,415	552,914	5,672,081
1999	3,018,876	1,311,630	531,657	50,966	388,960	271,662	655,030	6,228,781
2000	2,991,556	1,536,355	582,955	52,682	487,111	293,545	481,167	6,425,371
2001	2,851,943	1,243,384	615,613	52,815	480,730	410,473	522,602	6,177,560
2002	3,337,819	963,001	681,839	66,533	317,932	480,217	476,498	6,323,839
2003	3,057,298	1,689,255	597,894	121,639	189,435	380,875	498,105	6,534,501
2004	3,253,269	1,609,341	627,492	114,276	188,501	299,738	488,638	6,581,255

(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**

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes to Total Tax Levy
1995	\$295,504	\$288,137	\$4,645	\$292,782	99.08%	\$5,131	1.74%
1996	301,210	295,186	5,991	301,177	99.99%	4,599	1.53%
1997	336,308	312,912	5,826	318,738	94.78%	5,345	1.59%
1998	330,297	259,303	9,015	268,318	81.24%	1,475	0.45%
1999	352,182	341,725	8,344	350,069	99.40%	3,118	0.89%
2000	405,869	394,485	9,308	403,793	99.49%	2,169	0.53%
2001	409,633	400,038	7,639	407,677	99.52%	3,089	0.75%
2002	409,257	398,735	10,445	409,180	99.98%	3,089	0.75%
2003	430,358	427,046	9,368	436,414	101.41%	3,222	0.75%
2004	437,313	354,340	11,800	366,140	83.72%	3,778	0.86%

Source: Henry County Auditor

CITY OF NAPOLEON, OHIO

**TANGIBLE TAX COLLECTED
LAST TEN YEARS**

<u>Year Paid</u>	<u>Amount</u>
1995	\$71,558
1996	73,621
1997	61,252
1998	100,576
1999	104,762
2000	92,597
2001	106,276
2002	85,015
2003	85,553
2004	82,776

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

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		Joint Vocational School District		Henry County	Napoleon Township	Total
	General Fund	Police Pension Fund	Fire Pension Fund			School District		School District				
1995	2.00	0.60	0.30		2.90	42.80	42.80	3.20	3.20	12.60	0.40	61.90
1996	2.00	0.60	0.30		2.90	42.80	42.80	3.20	3.20	14.00	0.40	63.30
1997	2.00	0.60	0.30		2.90	44.90	44.90	3.20	3.20	15.30	0.40	66.70
1998	2.00	0.60	0.30		2.90	44.90	44.90	3.20	3.20	15.30	0.40	66.70
1999	2.00	0.60	0.30		2.90	45.80	45.80	3.20	3.20	15.30	0.40	67.60
2000	2.00	0.60	0.30		2.90	45.80	45.80	3.20	3.20	15.30	0.40	67.60
2001	2.00	0.60	0.30		2.90	45.80	45.80	3.20	3.20	14.10	0.40	66.40
2002	2.00	0.60	0.30		2.90	45.80	45.80	3.20	3.20	16.20	0.40	68.50
2003	2.00	0.60	0.30		2.90	45.80	45.80	3.20	3.20	16.20	0.40	68.50
2004	2.00	0.60	0.30		2.90	53.70	53.70	3.20	3.20	14.80	0.40	75.00

Source: Henry County Treasurer

CITY OF NAPOLEON, OHIO

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

Collection Year	Amount Billed	Amount Collected	Percent Collected
1995	\$471,964	\$472,361	100.08%
1996	466,386	468,027	100.35%
1997	478,477	481,189	100.57%
1998	468,893	467,776	99.76%
1999	508,435	440,706	86.68%
2000	471,774	318,144	67.44%
2001	424,254	476,185	112.24%
2002	384,439	352,454	91.68%
2003	381,287	429,861	112.74%
2004	384,078	388,937	101.27%

Source: City of Napoleon Finance Department

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2004**

	Total Debt	Unvoted Debt
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	(9,394)	(9,394)
Net Indebtedness Subject to Limitation	0	0
Legal Debt Margin	\$ 16,085,244	\$ 8,421,131

(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

**COMPUTATION OF ALL DIRECT AND OVERLAPPING GOVERNMENTAL DEBT
DECEMBER 31, 2004**

<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 SEVEN 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

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 SEVEN 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

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**

Year	City Population (1)	Henry County Population (b)	Unemployment Rate Henry County Area (2)	Per Capita Income Henry County Area (2)	School Enrollment (3)
1995	a 9,215	29,703	6.2%	\$20,870	2,451
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

(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**

Year	Residential		Commercial	
	Number of Permits	Property Value	Number of Permits	Property Value
1995	304	\$4,835,106	95	\$3,231,124
1996	396	3,752,544	99	9,371,560
1997	465	4,044,180	126	4,716,800
1998	422	5,004,557	142	14,928,580
1999	441	5,066,085	101	5,323,497
2000	464	3,757,826	106	11,525,340
2001	515	3,670,742	113	15,629,875
2002	509	3,715,511	134	6,268,530
2003	626	3,695,555	81	5,635,300
2004	517	5,186,179	116	4,017,500

Source: City of Napoleon Building Department.

CITY OF NAPOLEON, OHIO

**PRINCIPAL TAXPAYERS (PERSONAL PROPERTY TAX) (1)
DECEMBER 31, 2004**

Taxpayer	Type of Business	2004 Assessed Valuation (Tax Duplicate)	Percentage of Total Assessed Valuation
1. Campbell Soup Supply Company, LLC	Food Canning and Processing	\$3,482,540	11.94%
2. Tenneco Automotive	Rubber and Metal Assembly	2,154,620	7.39%
3. Carson Industries	Manufacturing	1,926,610	6.61%
4. Automatic Feed	Steel Handling Equipment	1,775,660	6.09%
5. Sunshine Biscuit Company	Food Processing	1,753,340	6.01%
6. Walmart Stores	Retail	1,663,360	5.70%
7. Pro Team Corvette Sales	Automobile Sales	1,310,990	4.50%
8. Plastech Engineered Products	Manufacturing	917,180	3.14%
9. Universal Co-op	Manufacturing	893,810	3.06%
10. Snyder Chevrolet	Automobile Sales	859,600	2.95%
Sub-Total		16,737,710	57.39%
All Others		12,425,700	42.61%
Total		\$29,163,410	100.00%

(1) Based on valuation of property taxes to be collected in 2005.
Source: Henry County Auditor - Land and Buildings.

CITY OF NAPOLEON, OHIO

**PRINCIPAL TAXPAYERS (REAL PROPERTY TAX) (1)
DECEMBER 31, 2004**

Taxpayer	Type of Business	2004 Assessed Valuation (Tax Duplicate)	Percentage of Total Assessed Valuation
1. Campbell Soup Supply Company, LLC	Food Canning and Processing	\$10,899,200	8.91%
2. Wal-Mart Stores, Inc.	Retail Sales	6,451,285	5.28%
3. CCS Realty Company	Real Estate	6,144,942	5.03%
4. Marvin Yagel	Retail Sales	2,552,400	2.09%
5. Lutheran Development	Nursing Home	2,486,228	2.03%
6. Imperial Cleвите	Rubber and Metal Assembly	2,347,114	1.92%
7. Automatic Feed	Steel Handling Equipment	2,038,114	1.67%
8. Tippman - Napoleon	Warehouse Refrigeration	2,015,257	1.65%
9. HK New Plan ERP Napoleon	Retail Sales	1,951,685	1.60%
10. Glen Arbor Limited	Apartments	1,717,657	1.40%
Sub-Total		38,603,882	31.58%
All Others		83,653,478	68.42%
Total		\$122,257,360	100.00%

(1) Based on valuation of property taxes to be collected in 2005.
Source: Henry County Auditor - Land and Buildings.

CITY OF NAPOLEON, OHIO

**PRINCIPAL TAXPAYERS (INCOME TAX)
DECEMBER 31, 2004**

Taxpayer	Type of Business	Amount of Tax Paid in 2004	Percentage of Total
1. Tenneco Automotive (Pullman Company)	Manufacturing	\$176,968	7.67%
2. Campbell Soup Supply Company, LLC	Food Canning and Processing	150,678	6.53%
3. Napoleon City School District	Education	129,945	5.63%
4. Henry County	County Government	81,694	3.54%
5. Automatic Feed	Steel Handling Equipment	67,475	2.92%
6. Wal-Mart Stores, Inc.	Retail Sales	60,943	2.64%
7. City of Napoleon	Local Government	60,033	2.60%
8. Plastech Engineered Products	Manufacturing	51,393	2.23%
9. Luthern Home	Health Care and Rehabilitation	35,645	1.54%
10. Henry County Hospital	Health Care	33,942	1.47%
Sub-Total		848,716	36.77%
All Others		1,459,509	63.23%
Total		\$2,308,225	100.00%

Source: Napoleon City Income Tax Department

CITY OF NAPOLEON, OHIO

**PRINCIPAL EMPLOYERS
DECEMBER 31, 2004**

	Employer	Type of Business	Number of Employees		
			Full-Time	Part-Time	Total
1.	Henry County	County Government	405	102	507
2.	Napoleon City School District	Education	228	138	366
3.	Tenneco Automotive (Pullman Company)	Automobile Parts Manufacturer	323	8	331
4.	Wal-Mart Stores	Retail	298	0	298
5.	Plastech Engineered Products	Manufacturing	220	3	223
6.	City of Napoleon	Local Government	113	99	212
7.	The Lutheran Home	Long-term Health Care	175	15	190
8.	Automatic Feed Company	Steel Handling Equipment	101	2	103
9.	Carson Industries	Manufacturing	93	1	94
10.	Northerst Nursing Home	Health Care and Rehabilitation	55	36	91

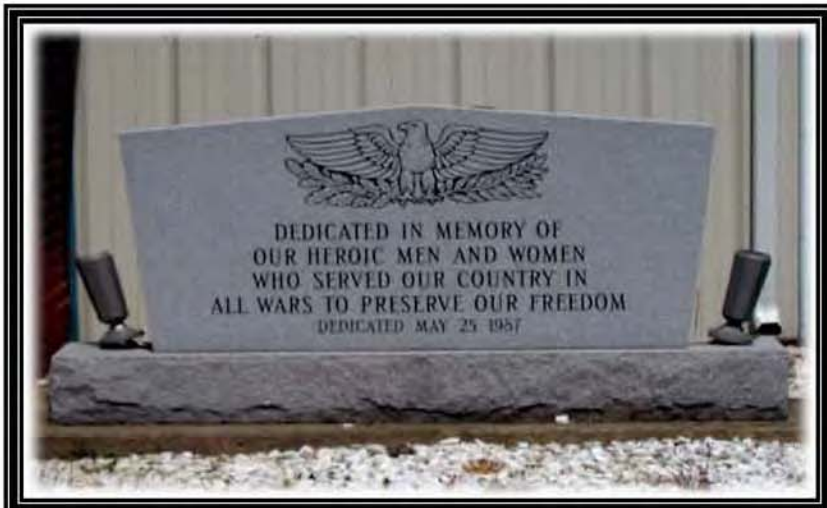
Source: City of Napoleon Chamber of Commerce/Each Employer's Personnel Departments.





American Legion
Post 300
Cannon

American Legion
Dedication Stone



VFW
Post 8218
Dedication Stone



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

CITY OF NAPOLEON

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2005**