

CITY OF PERRYSBURG, OHIO

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2004**

Prepared by:
David D. Creps
Director of Finance



**Auditor of State
Betty Montgomery**

City Council
City of Perrysburg
201 West Indiana Ave.
Perrysburg, OH 43551

We have reviewed the *Independent Auditor's Report* of the City of Perrysburg, Wood County, prepared by Gilmore, Jason & Mahler, LTD, for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 3, 2006

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CITY OF PERRYSBURG, OHIO

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GILMORE, JASION & MAHLER, LTD

Independent Auditor's Report

Members of Council and Mayor
City of Perrysburg
201 W Indiana Ave
Perrysburg, OH 43551

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 Perrysburg, Wood County, Ohio, (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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Kevin M. Gilmore, CPA, CVA

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perrysburg, Wood County, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Adele M. Jasion, CPA

Andrew L. Mahler,
CPA, CVA, CFFA

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

The management's discussion and analysis and the respective budgetary comparison for the general fund on pages 3 through 11 and page 55 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Gilmore, Jasion & Mahler, Ltd.

Gilmore, Jasion & Mahler, LTD

November 9, 2005

CITY OF PERRYSBURG, OHIO

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

Unaudited

The discussion and analysis of the City of Perrysburg'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 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 \$5,604,381. Net assets of governmental activities increased \$2.0 million, which represents a 4.1% increase from 2003. Net assets of business-type activities increased \$3.6 million or 11.2% from 2003.
- ❑ General revenues accounted for \$14.6 million in revenue or 55.2% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 44.8% of total revenues of \$26,382,102 million.
- ❑ The City had \$15.5 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 \$14.6 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$13.8 million in revenues and \$10.8 million in expenditures. The general fund's fund balance declined \$498,974 to \$3,242,072 million.
- ❑ Net assets for enterprise funds increased by \$3,602,454. This increase is primarily the result of the addition of several new capital assets, which are related to the wastewater treatment expansion project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. 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.

CITY OF PERRYSBURG, OHIO

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

Unaudited

Government-wide Statements

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

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

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

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

- Governmental Activities – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, parking meter and utility collection 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 PERRYSBURG, 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 the City's net assets between December 31, 2004 and 2003:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$11,672,539	\$17,368,453	\$7,185,112	\$5,019,172	\$18,857,651	\$22,387,625
Capital assets, Net	60,006,950	55,427,270	47,592,940	47,385,627	107,599,890	102,812,897
Total assets	71,679,489	72,795,723	54,778,052	52,404,799	126,457,541	125,200,522
Long-term debt outstanding	763,239	733,303	8,311,865	8,749,660	9,075,104	9,482,963
Other liabilities	19,378,448	22,539,423	10,947,563	11,726,091	30,326,011	34,265,514
Total liabilities	20,141,687	23,272,726	19,259,428	20,475,751	39,401,115	43,748,477
Net assets						
Invested in capital assets, net of related debt	49,891,950	47,342,970	28,721,592	27,304,077	78,613,542	74,647,047
Restricted	2,815,779	2,631,293	0	0	2,815,779	2,631,293
Unrestricted	(1,169,927)	(451,266)	6,797,032	4,624,971	5,627,105	4,173,705
Total net assets	<u>\$51,537,802</u>	<u>\$49,522,997</u>	<u>\$35,518,624</u>	<u>\$31,929,048</u>	<u>\$87,056,426</u>	<u>\$81,452,045</u>

CITY OF PERRYSBURG, 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	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,680,141	\$1,811,485	\$8,493,064	\$8,525,044	\$10,173,205	\$10,336,529
Operating Grants and Contributions	1,129,054	959,668	0	0	1,129,054	959,668
Capital Grants and Contributions	501,181	2,219,075	0	0	501,181	2,219,075
General revenues:						
Property Taxes	2,857,715	2,726,469	0	0	2,857,715	2,726,469
Income Taxes	9,448,182	8,990,438	0	0	9,448,182	8,990,438
Shared Revenues	2,013,508	1,652,333	0	0	2,013,508	1,652,333
Investment Earnings	157,080	207,782	400	4,010	157,480	211,792
Miscellaneous	101,777	358,925	0	0	101,777	358,925
Transfers In (Out)	(394,998)	(90,000)	394,998	90,000	0	0
Total revenues	<u>17,493,640</u>	<u>18,836,175</u>	<u>8,888,462</u>	<u>8,619,054</u>	<u>26,382,102</u>	<u>27,455,229</u>
Program Expenses						
Security of Persons and Property	6,203,721	5,589,175	0	0	6,203,721	5,589,175
Public Health and Welfare Services	26,493	26,847	0	0	26,493	26,847
Leisure Time Activities	1,171,405	1,166,972	0	0	1,171,405	1,166,972
Community Development	1,182,163	729,970	0	0	1,182,163	729,970
Basic Utility Service	858,021	987,555	0	0	858,021	987,555
Transportation	2,236,699	3,275,169	0	0	2,236,699	3,275,169
General Government	3,493,571	3,557,924	0	0	3,493,571	3,557,924
Debt Service:						
Interest and Fiscal Charges	306,762	254,327	0	0	306,762	254,327
Sewer	0	0	3,030,905	3,455,589	3,030,905	3,455,589
Water	0	0	2,267,981	2,340,447	2,267,981	2,340,447
Total expenses	<u>15,478,835</u>	<u>15,587,939</u>	<u>5,298,886</u>	<u>5,796,036</u>	<u>20,777,721</u>	<u>21,383,975</u>
Total Change in Net Assets	2,014,805	3,248,236	3,589,576	2,823,018	5,604,381	6,071,254
Beginning Net Assets	<u>49,522,997</u>	<u>46,274,761</u>	<u>31,929,048</u>	<u>29,106,030</u>	<u>81,452,045</u>	<u>75,380,791</u>
Ending Net Assets	<u>\$51,537,802</u>	<u>\$49,522,997</u>	<u>\$35,518,624</u>	<u>\$31,929,048</u>	<u>\$87,056,426</u>	<u>\$81,452,045</u>

Governmental Activities

Net assets of the City's governmental activities increased by \$2,014,805. This increase was due to several factors. Income tax collections were increased by approximately 5% in 2004. Expenses were reduced, particularly in the area of Transportation. General Fund debt was reduced by approximately \$1.9 million.

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 PERRYSBURG, OHIO

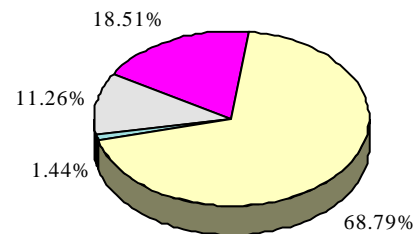
**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

The City also receives an income tax, which is based on 1.5% 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 15.9% and 52.89% 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 68.79% of total revenues from general tax revenues:

Revenue Sources	2004	Percent of Total
General Shared Revenues	\$2,013,508	11.26%
Program Revenues	3,310,376	18.51%
General Tax Revenues	12,305,897	68.79%
General Other	258,857	1.44%
Total Revenue	<u>\$17,888,638</u>	<u>100.00%</u>



Business-Type Activities

Net assets of the business-type activities increased by \$3,589,576. This increase was the result of several factors. Revenues for 2004 increased modestly, while expenditures were reduced, due in part, to a cool summer in 2004, leading to reduced consumption. Utility rates are increased annually based on a five-year rate study, incorporating current and future operational and capital needs. The City completed the most recent rate analysis in 2004. Debt balances were reduced by \$770,000.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$(9,361,529), which is a decrease from last year's balance of \$(6,739,270). 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	\$3,242,072	\$3,741,046	(\$498,974)
Capital Improvements	(9,826,141)	(6,795,565)	(3,030,576)
Way Library	(5,008,850)	(5,721,191)	712,341
Other Governmental	2,231,390	2,036,440	194,950
Total	<u>(\$9,361,529)</u>	<u>(\$6,739,270)</u>	<u>(\$2,622,259)</u>

CITY OF PERRYSBURG, OHIO

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

Unaudited

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

	2004 Revenues	2003 Revenues	Increase (Decrease)
Taxes	\$10,345,918	\$9,939,154	\$406,764
Intergovernmental Revenue	1,563,455	1,641,881	(78,426)
Charges for Services	517,349	453,563	63,786
Fines, Licenses and Permits	1,003,934	978,177	25,757
Investment Earnings	110,974	155,282	(44,308)
Special Assessments	134,204	181,528	(47,324)
All Other Revenue	97,630	118,205	(20,575)
Total	\$13,773,464	\$13,467,790	\$305,674

General Fund revenues in 2004 increased approximately 2.3% compared to revenues in fiscal year 2003. This increase is primarily the result of increased income tax collections. Increases in charges for services, and fines/permits were offset by reductions in intergovernmental revenues, as well as investments and assessments. The reduction in Intergovernmental Revenues is a result of cuts made by the State to the Local Government Fund. The reduction in Investment Earnings is a result of the overall economy, and lower rates of return on investments.

	2004 Expenditures	2003 Expenditures	Increase (Decrease)
Security of Persons and Property	\$5,278,859	\$4,657,357	\$621,502
Public Health and Welfare Services	26,493	26,847	(354)
Leisure Time Activities	1,066,464	1,049,267	17,197
Community Development	498,689	430,091	68,598
Transportation	900,513	881,205	19,308
General Government	2,988,952	2,958,153	30,799
Debt Service:			
Interest and Fiscal Charges	885	1,647	(762)
Total	\$10,760,855	\$10,004,567	\$756,288

General Fund expenditures increased by \$756,288 or 7.6% from the prior year mostly due to increases in salary and wages, retirement contributions, and health insurance premiums for the City's employees. The City of Perrysburg has done its best to maintain the current level of services without adding additional staff.

CITY OF PERRYSBURG, OHIO

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

Unaudited

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.

For the General Fund, final budget basis revenue of \$14.3 million did not significantly change over the original budget estimates of \$13.8 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 \$107,599,890 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$60,066,950 was related to governmental activities and \$47,592,940 to the business-type activities. The following table shows fiscal year 2004 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
	Land	\$10,325,638	\$9,534,711
Buildings	14,725,778	6,917,485	7,808,293
Improvements Other Than Buildings	4,042,026	3,684,071	357,955
Infrastructure	37,590,072	37,180,095	409,977
Machinery and Equipment	7,697,823	7,316,031	381,792
Construction in Progress	0	4,172,796	(4,172,796)
Less: Accumulated Depreciation	(14,374,387)	(13,377,919)	(996,468)
Totals	\$60,006,950	\$55,427,270	\$4,579,680

	Business-Type Activities		Increase (Decrease)
	2004	2003	
	Land	\$321,383	\$322,158
Buildings	7,754,448	7,752,713	1,735
Improvements Other Than Buildings	43,437,448	42,112,503	1,324,945
Machinery and Equipment	11,567,853	11,439,957	127,896
Construction in Progress	1,171,790	1,028,363	143,427
Less: Accumulated Depreciation	(16,659,982)	(15,270,067)	(1,389,915)
Totals	\$47,592,940	\$47,385,627	\$207,313

CITY OF PERRYSBURG, OHIO

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

Unaudited

The primary increases occurred in buildings, due to the construction of the new police station.

As of December 31, 2004, the City has contractual commitments of \$431,530 for various remaining projects. Additional information on the City's capital assets can be found in Note 8.

Debt

The following table summarizes the City's debt outstanding as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Governmental Activities:		
General Obligation Notes	\$15,243,000	\$17,826,000
Compensated Absences	763,239	733,303
Total Governmental Activities	<u>16,006,239</u>	<u>18,559,303</u>
Business-Type Activities:		
General Obligation Notes	10,630,000	11,400,000
OWDA Loans Payable	8,193,348	8,633,550
Compensated Absences	118,517	116,110
Total Business-Type Activities	<u>18,941,865</u>	<u>20,149,660</u>
Totals	<u>\$34,948,104</u>	<u>\$38,708,963</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 Perrysburg 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 12.

ECONOMIC FACTORS

The City of Perrysburg has taken a conservative approach to budgeting for the past several years. Throughout the recent economic downturn, the City has been able to maintain its current level of services, without any significant budgetary changes. Income Tax revenues for 2005 are budgeted at a modest (2.0%) increase over 2004 actual figures. This increase is offset by an expected reduction in intergovernmental revenues, particularly in Local Government Funds. This reflects an overall trend in the economy, which showed signs of recovery in 2004, although the benefits of any recovery appear to be lagging for the government sector.

CITY OF PERRYSBURG, OHIO

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

Unaudited

Perrysburg continues to be a growing, vital community. With the annexation of the Owens Illinois property in 2000, and the subsequent development of the Town Center at Levis Commons, the City has already realized a significant increase in income tax revenue, with prospects for additional growth in the near future. In May, 2005, O-I announced that it will be relocating its World Headquarters, making the City of Perrysburg the home of a Fortune 500 container manufacturer. This move is expected to be the catalyst for significant growth in the area. The City Administration and City Council continue to pursue all economic development possibilities, with an ultimate goal of reaching an optimal balance on a commercial/industrial/residential tax base.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 419-872-8030 or writing to City of Perrysburg Finance Department, 201 West Indiana Avenue, Perrysburg, Ohio 43551.

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CITY OF PERRYSBURG, OHIO

Statement of Net Assets
December 31, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 2,977,198	\$ 3,618,890	\$ 6,596,088
Investments	1,760,027	576,373	2,336,400
Receivables:			
Taxes	4,050,078	0	4,050,078
Accounts	99,185	2,770,693	2,869,878
Intergovernmental	1,657,458	0	1,657,458
Special Assessments	191,928	98,453	290,381
Loans	601,881	0	601,881
Internal Balances	17,799	(17,799)	0
Inventory of Supplies at Cost	50,846	123,440	174,286
Prepaid Items	54,010	15,062	69,072
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	212,129	0	212,129
Capital Assets, Net	60,006,950	47,592,940	107,599,890
Total Assets	<u>71,679,489</u>	<u>54,778,052</u>	<u>126,457,541</u>
Liabilities:			
Accounts Payable	457,810	109,754	567,564
Accrued Wages and Benefits	822,952	87,635	910,587
Intergovernmental Payable	0	34,247	34,247
Retainage Payable	15,899	0	15,899
Deferred Revenue	2,662,687	0	2,662,687
Accrued Interest Payable	176,100	85,927	262,027
General Obligation Notes Payable	15,243,000	10,630,000	25,873,000
Long-Term Liabilities:			
Due Within One Year	219,771	505,778	725,549
Due in More Than One Year	543,468	7,806,087	8,349,555
Total Liabilities	<u>20,141,687</u>	<u>19,259,428</u>	<u>39,401,115</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	49,891,950	28,721,592	78,613,542
Restricted For:			
Debt Service	25,253	0	25,253
Other Purposes	2,790,526	0	2,790,526
Unrestricted (Deficit)	(1,169,927)	6,797,032	5,627,105
Total Net Assets	<u>\$ 51,537,802</u>	<u>\$ 35,518,624</u>	<u>\$ 87,056,426</u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, 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	\$ 6,203,721	\$ 170,557	\$ 30,864	\$ 125,474
Public Health and Welfare Services	26,493	0	0	0
Leisure Time Activities	1,171,405	166,355	0	0
Community Development	1,182,163	352,046	16,945	53,061
Basic Utility Services	858,021	68,195	0	0
Transportation	2,236,699	24,576	1,081,245	322,646
General Government	3,493,571	898,412	0	0
Interest and Fiscal Charges	306,762	0	0	0
Total Governmental Activities	15,478,835	1,680,141	1,129,054	501,181
Business-Type Activities:				
Sewer	3,030,905	4,839,053	0	0
Water	2,267,981	3,654,011	0	0
Total Business-Type Activities	5,298,886	8,493,064	0	0
Totals	\$ 20,777,721	\$ 10,173,205	\$ 1,129,054	\$ 501,181

General Revenues

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

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (5,876,826)	\$ 0	\$ (5,876,826)
(26,493)	0	(26,493)
(1,005,050)	0	(1,005,050)
(760,111)	0	(760,111)
(789,826)	0	(789,826)
(808,232)	0	(808,232)
(2,595,159)	0	(2,595,159)
(306,762)	0	(306,762)
<u>(12,168,459)</u>	<u>0</u>	<u>(12,168,459)</u>
0	1,808,148	1,808,148
0	1,386,030	1,386,030
<u>0</u>	<u>3,194,178</u>	<u>3,194,178</u>
(12,168,459)	3,194,178	(8,974,281)
2,857,715	0	2,857,715
9,448,182	0	9,448,182
2,013,508	0	2,013,508
157,080	400	157,480
101,777	0	101,777
(394,998)	394,998	0
<u>14,183,264</u>	<u>395,398</u>	<u>14,578,662</u>
2,014,805	3,589,576	5,604,381
<u>49,522,997</u>	<u>31,929,048</u>	<u>81,452,045</u>
<u>\$ 51,537,802</u>	<u>\$ 35,518,624</u>	<u>\$ 87,056,426</u>

CITY OF PERRYSBURG, OHIO

Balance Sheet Governmental Funds December 31, 2004

	General	Capital Improvements	Way Library	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 1,123,201	\$ 361,511	\$ 45,163	\$ 1,458,211	\$ 2,988,086
Investments	1,371,001	0	61,606	291,762	1,724,369
Receivables:					
Taxes	2,167,771	0	782,946	1,099,361	4,050,078
Accounts	97,925	0	0	0	97,925
Intergovernmental	1,123,108	0	37,054	497,296	1,657,458
Special Assessments	136,717	4,847	0	50,364	191,928
Loans	0	0	0	601,881	601,881
Inventory of Supplies, at Cost	0	0	0	34,413	34,413
Prepaid Items	50,640	0	0	2,743	53,383
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	5,899	10,000	0	196,230	212,129
Total Assets	<u>\$ 6,076,262</u>	<u>\$ 376,358</u>	<u>\$ 926,769</u>	<u>\$ 4,232,261</u>	<u>\$ 11,611,650</u>
Liabilities:					
Accounts Payable	227,198	169,965	0	48,656	445,819
Accrued Wages and Benefits Payable	472,218	0	0	199,720	671,938
Retainage Payable	5,899	10,000	0	0	15,899
Deferred Revenue	2,100,709	4,847	820,000	1,494,867	4,420,423
Accrued Interest Payable	166	157,687	15,619	2,628	176,100
General Obligation Notes Payable	28,000	9,860,000	5,100,000	255,000	15,243,000
Total Liabilities	<u>2,834,190</u>	<u>10,202,499</u>	<u>5,935,619</u>	<u>2,000,871</u>	<u>20,973,179</u>
Fund Balances:					
Reserved for Encumbrances	175,639	148,065	0	161,704	485,408
Reserved for Prepaid Items	50,640	0	0	2,743	53,383
Reserved for Supplies Inventory	0	0	0	34,413	34,413
Reserved for Debt Service	0	0	0	1,807	1,807
Reserved for Loans Receivable	0	0	0	601,881	601,881
Undesignated/Unreserved in:					
General Fund	3,015,793	0	0	0	3,015,793
Special Revenue Funds	0	0	0	1,638,123	1,638,123
Capital Projects Funds	0	(9,974,206)	(5,008,850)	(209,281)	(15,192,337)
Total Fund Balances	<u>3,242,072</u>	<u>(9,826,141)</u>	<u>(5,008,850)</u>	<u>2,231,390</u>	<u>(9,361,529)</u>
Total Liabilities and Fund Balances	<u>\$ 6,076,262</u>	<u>\$ 376,358</u>	<u>\$ 926,769</u>	<u>\$ 4,232,261</u>	<u>\$ 11,611,650</u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

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

Total Governmental Fund Balances	(\$9,361,529)
 <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.	60,006,950
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	1,757,736
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(102,116)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(763,239)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 51,537,802</u></u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

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

	General	Capital Improvements	Way Library	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 905,907	\$ 0	\$ 813,265	\$ 1,083,650	\$ 2,802,822
Municipal Income Tax	9,440,011	0	0	0	9,440,011
Intergovernmental Revenues	1,563,455	322,320	0	1,059,525	2,945,300
Charges for Services	517,349	0	0	68,309	585,658
Licenses and Permits	354,798	0	0	20,129	374,927
Investment Earnings	110,974	0	6,553	39,553	157,080
Special Assessments	134,204	19,132	0	49,244	202,580
Fines and Forfeitures	649,136	0	0	160,915	810,051
All Other Revenue	97,630	1,805	0	308,556	407,991
Total Revenue	<u>13,773,464</u>	<u>343,257</u>	<u>819,818</u>	<u>2,789,881</u>	<u>17,726,420</u>
Expenditures:					
Current:					
Security of Persons and Property	5,278,859	0	0	670,869	5,949,728
Public Health and Welfare Services	26,493	0	0	0	26,493
Leisure Time Activities	1,066,464	0	0	0	1,066,464
Community Development	498,689	0	0	660,420	1,159,109
Basic Utility Services	0	0	0	814,400	814,400
Transportation	900,513	0	0	770,507	1,671,020
General Government	2,988,952	0	16,653	150,964	3,156,569
Capital Outlay	0	5,597,232	0	121,438	5,718,670
Debt Service:					
Interest & Fiscal Charges	885	316,601	90,824	5,034	413,344
Total Expenditures	<u>10,760,855</u>	<u>5,913,833</u>	<u>107,477</u>	<u>3,193,632</u>	<u>19,975,797</u>
Excess (Deficiency) of Revenues Over Expenditures	3,012,609	(5,570,576)	712,341	(403,751)	(2,249,377)
Other Financing Sources (Uses):					
Transfers In	63,415	2,540,000	0	611,020	3,214,435
Transfers Out	(3,574,998)	0	0	(34,435)	(3,609,433)
Total Other Financing Sources (Uses)	<u>(3,511,583)</u>	<u>2,540,000</u>	<u>0</u>	<u>576,585</u>	<u>(394,998)</u>
Net Change in Fund Balances	(498,974)	(3,030,576)	712,341	172,834	(2,644,375)
Fund Balances (Deficit) at Beginning of Year	3,741,046	(6,795,565)	(5,721,191)	2,036,440	(6,739,270)
Increase in Inventory Reserve	0	0	0	22,116	22,116
Fund Balances (Deficit) End of Year	<u>\$ 3,242,072</u>	<u>\$ (9,826,141)</u>	<u>\$ (5,008,850)</u>	<u>\$ 2,231,390</u>	<u>\$ (9,361,529)</u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2004***

Net Change in Fund Balances - Total Governmental Funds \$ (2,644,375)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 4,609,293

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets. (29,613)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 162,218

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. (7,820)

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. (74,898)

Change in Net Assets of Governmental Activities \$ 2,014,805

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Statement of Net Assets Proprietary Funds December 31, 2004

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service Funds	
	Sewer	Water	Parking Meter	Utility Collection		Total
	Sewer	Water	Parking Meter	Utility Collection		Total
Assets:						
<i>Current Assets:</i>						
Cash and Cash Equivalents	\$ 3,176,660	\$ 411,183	\$ 0	\$ 31,047	\$ 3,618,890	\$ 15,377
Investments	0	576,373	0	0	576,373	9,393
<i>Receivables:</i>						
Accounts	1,374,749	1,395,944	0	0	2,770,693	1,260
Special Assessments	90,546	7,907	0	0	98,453	0
Inventory of Supplies at Cost	3,170	120,270	0	0	123,440	16,433
Prepaid Items	3,572	11,490	0	0	15,062	627
Total Current Assets	4,648,697	2,523,167	0	31,047	7,202,911	43,090
<i>Non Current Assets:</i>						
Capital Assets, Net	32,125,946	15,418,994	48,000	0	47,592,940	0
Total Assets	36,774,643	17,942,161	48,000	31,047	54,795,851	43,090
Liabilities:						
<i>Current Liabilities:</i>						
Accounts Payable	66,710	43,044	0	0	109,754	11,951
Accrued Wages and Benefits	52,676	34,959	0	0	87,635	151,014
Intergovernmental Payable	0	0	0	34,247	34,247	0
OWDA Loans - Current	913,565	0	0	0	913,565	0
Total Current Liabilities	1,032,951	78,003	0	34,247	1,145,201	162,965
<i>Long Term Liabilities:</i>						
Compensated Absences Payable	64,222	54,295	0	0	118,517	0
Accrued Interest Payable	60,556	25,371	0	0	85,927	0
General Obligation Notes Payable	6,420,000	4,210,000	0	0	10,630,000	0
OWDA Loans Payable	7,279,783	0	0	0	7,279,783	0
Total Liabilities	14,857,512	4,367,669	0	34,247	19,259,428	162,965
Net Assets:						
Invested in Capital Assets, Net of Related Debt	17,512,598	11,208,994	48,000	0	28,769,592	0
Unrestricted	4,404,533	2,365,498	0	(3,200)	6,766,831	(119,875)
Total Net Assets	\$ 21,917,131	\$ 13,574,492	\$ 48,000	\$ (3,200)	35,536,423	\$ (119,875)
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.					(17,799)	
Net Assets of Business-type Activities					<u>\$ 35,518,624</u>	

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

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

	Business-Type Activities Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Sewer	Water	Parking Meter	Utility Collection		
Operating Revenues:						
Charges for Services	\$ 4,601,023	\$ 3,654,011	\$ 0	\$ 0	\$ 8,255,034	\$ 1,166,164
Total Operating Revenues	<u>4,601,023</u>	<u>3,654,011</u>	<u>0</u>	<u>0</u>	<u>8,255,034</u>	<u>1,166,164</u>
Operating Expenses:						
Personal Services	856,473	565,446	0	0	1,421,919	1,083,698
Contractual Services	289,434	1,128,941	0	0	1,418,375	3,203
Materials and Supplies	179,610	43,943	0	0	223,553	167,830
Depreciation	961,404	439,811	0	0	1,401,215	0
Total Operating Expenses	<u>2,286,921</u>	<u>2,178,141</u>	<u>0</u>	<u>0</u>	<u>4,465,062</u>	<u>1,254,731</u>
Operating Income (Loss)	2,314,102	1,475,870	0	0	3,789,972	(88,567)
Nonoperating Revenue (Expenses):						
Investment Earnings	0	400	0	0	400	831
Interest Expense	(735,949)	(84,997)	0	0	(820,946)	0
Capital Contributions	238,030	0	0	0	238,030	0
Total Nonoperating Revenues (Expenses)	<u>(497,919)</u>	<u>(84,597)</u>	<u>0</u>	<u>0</u>	<u>(582,516)</u>	<u>831</u>
Income (Loss) Before Transfers	1,816,183	1,391,273	0	0	3,207,456	(87,736)
Transfers:						
Transfers In	394,998	0	0	0	394,998	0
Total Transfers	<u>394,998</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>394,998</u>	<u>0</u>
Change in Net Assets	2,211,181	1,391,273	0	0	3,602,454	(87,736)
Net Assets Beginning of Year	19,705,950	12,183,219	48,000	(3,200)	31,933,969	(32,139)
Net Assets End of Year	<u>\$ 21,917,131</u>	<u>\$ 13,574,492</u>	<u>\$ 48,000</u>	<u>\$ (3,200)</u>	<u>35,536,423</u>	<u>\$ (119,875)</u>
Change in Net Assets - Total Enterprise Funds					3,602,454	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.					(12,878)	
Change in Net Assets - Business-type Activities					<u>\$ 3,589,576</u>	

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

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

	Business-Type Activities - Enterprise				Governmental Activities
	Sewer	Water	Utility Collection	Totals	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$3,943,983	\$3,093,329	\$252,542	\$7,289,854	\$1,165,927
Cash Payments for Goods and Services	(480,101)	(1,177,074)	(262,690)	(1,919,865)	(177,134)
Cash Payments to Employees	(840,579)	(545,293)	0	(1,385,872)	(1,000,615)
Net Cash Provided (Used) by Operating Activities	2,623,303	1,370,962	(10,148)	3,984,117	(11,822)
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers In from Other Funds	394,998	0	0	394,998	0
Advances Out to Other Funds	0	(500,000)	0	(500,000)	0
Net Cash Provided (Used) by Noncapital Financing Activities	394,998	(500,000)	0	(105,002)	0
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Proceeds of Intergovernmental Grants	238,030	0	0	238,030	0
Receipts of Special Assessments	239,708	0	0	239,708	0
Proceeds from Sale of Bond Anticipation Notes	6,420,000	4,210,000	0	10,630,000	0
Acquisition and Construction of Assets	(946,274)	(693,319)	0	(1,639,593)	0
Principal Paid on Bond Anticipation Notes	(7,115,000)	(4,285,000)	0	(11,400,000)	0
Principal Paid on Ohio Water Development Authority Loans	(440,202)	0	0	(440,202)	0
Interest Paid on All Debt	(728,637)	(73,632)	0	(802,269)	0
Net Cash Used for Capital and Related Financing Activities	(2,332,375)	(841,951)	0	(3,174,326)	0
<u>Cash Flows from Investing Activities:</u>					
Receipts of Interest	0	400	0	400	923
Sale of Investments	0	(71,417)	0	(71,417)	(529)
Net Cash Provided (Used) by Investing Activities	0	(71,017)	0	(71,017)	394
Net Increase (Decrease) in Cash and Cash Equivalents	685,926	(42,006)	(10,148)	633,772	(11,428)
Cash and Cash Equivalents at Beginning of Year	2,490,734	453,189	41,195	2,985,118	26,805
Cash and Cash Equivalents at End of Year	\$3,176,660	\$411,183	\$31,047	\$3,618,890	\$15,377

(Continued)

CITY OF PERRYSBURG, OHIO

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	Business-Type Activities Enterprise Funds				(Continued) Governmental Activities - Internal Service Funds
	Sewer	Water	Utility Collection	Totals	
	Sewer	Water	Utility Collection	Totals	Funds
Operating Income (Loss)	\$2,314,102	\$1,475,870	\$0	\$3,789,972	(\$88,567)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	961,404	439,811	0	1,401,215	0
Changes in Assets and Liabilities:					
Increase in Accounts Receivable	(444,614)	(564,706)	0	(1,009,320)	(237)
Decrease (Increase) in Special Assessments Receivable	(214,982)	1,783	0	(213,199)	0
Decrease (Increase) in Inventory	1,405	(14,488)	0	(13,083)	(7,199)
Decrease in Prepaid Items	692	21,573	0	22,265	66
Increase (Decrease) in Accounts Payable	(9,542)	11,846	0	2,304	955
Decrease in Intergovernmental Payables	0	0	(10,148)	(10,148)	0
Increase in Accrued Wages and Benefits	7,348	4,356	0	11,704	83,160
Increase (Decrease) in Compensated Absences	7,490	(5,083)	0	2,407	0
Total Adjustments	309,201	(104,908)	(10,148)	194,145	76,745
Net Cash Provided (Used) by Operating Activities	\$2,623,303	\$1,370,962	(\$10,148)	\$3,984,117	(\$11,822)

Schedule of Noncash Investing, Capital and Financing Activities:

During 2004 the fair value of investments increased by \$21,112 and \$94 in the Water and Employees Health and Welfare Funds respectively.
In addition, the Sewer Fund received \$238,030 of capital contributions from private sources.

The notes to the general purpose financial statements are an integral part of this statement.

CITY OF PERRYSBURG, OHIO

Statement of Net Assets
Fiduciary Funds
December 31, 2004

	Private Purpose Trust	
	Unclaimed Monies Fund	Agency
Assets:		
Cash and Cash Equivalents	\$ 46,842	\$ 95,943
Receivables:		
Taxes	0	146,531
Intergovernmental	0	8,469
Total Assets	<u>46,842</u>	<u>250,943</u>
Liabilities:		
Intergovernmental Payable	0	204,146
Due to Others	0	46,797
Total Liabilities	<u>0</u>	<u>250,943</u>
Net Assets:		
Unrestricted	<u>46,842</u>	<u>0</u>
Total Net Assets	<u>\$ 46,842</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2004

	Private Purpose Trust <u>Unclaimed Monies Fund</u>
Additions:	
Contributions:	
Private Donations	\$ 399
Total Additions	<u>399</u>
Deductions:	<u>0</u>
Change in Net Assets	399
Net Assets at Beginning of Year	46,443
Net Assets End of Year	<u>\$ 46,842</u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Perrysburg, Ohio (the "City") is a body corporate and politic established under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Mayor/Council form of government, was adopted in 1960 and has been amended several times, most recently in 1995.

A. Reporting Entity

The accompanying basic financial statements of the City present the financial position of the various fund types and, the results of operations of the various fund types and the cash flows of the proprietary funds. 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).

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 includes the following services: public safety, highways and streets, water, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. In addition, the City maintains water, sewer and parking meter operations which are reported as enterprise funds.

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.

B. Basis of Presentation - Fund Accounting

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:

CITY OF PERRYSBURG, OHIO

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)

Governmental Funds

Funds through which most governmental functions are typically financed are the governmental funds. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except that 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.

Capital Improvements Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Way Library Fund - This fund is used to manage the debt issued by the City on behalf of the Library.

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, where 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:

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.

Parking Meter Fund - This fund is used to account for the operation of the City's parking lots.

Utility Collection Fund - This fund is used to account for money collected through utility billing on behalf of other entities.

CITY OF PERRYSBURG, OHIO

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)

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 City's only trust fund is a private purpose trust that accounts for unclaimed monies. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation. These funds operate on an accrual basis of accounting.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

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

CITY OF PERRYSBURG, OHIO

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)

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

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

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. 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. 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. Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, and local government assistance). Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

CITY OF PERRYSBURG, OHIO

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)

Property taxes measurable as of December 31, 2004 but which 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 5.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

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

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 primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

1. Tax Budget

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

CITY OF PERRYSBURG, OHIO

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 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 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. 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 for unanticipated expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—General Fund" are provided on the budgetary basis to provide a comparison of actual results to 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.

CITY OF PERRYSBURG, OHIO

**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.

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

Net Change In Fund Balance	General Fund
GAAP Basis (as reported)	(\$498,974)
Increase (Decrease):	
Accrued Revenues at December 31, 2004 received during 2005	(1,432,294)
Accrued Revenues at December 31, 2003 received during 2004	1,425,086
Accrued Expenditures at December 31, 2004 paid during 2005	705,481
Accrued Expenditures at December 31, 2003 paid during 2004	(531,586)
2003 Prepays for 2004	28,596
2004 Prepays for 2005	(50,640)
Fund Debt:	
Note Issuance	28,000
Note Retirement	(56,000)
Cash With Fiscal Agent 2003	5,877
Cash With Fiscal Agent 2004	(5,899)
Outstanding Encumbrances	(281,764)
Budget Basis	(\$664,117)

CITY OF PERRYSBURG, OHIO

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. 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. See Note 4, "Cash, Cash Equivalents and Investments."

For purposes of the combined statement of cash flows and for the presentation on the statement of net assets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. 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 (repurchase agreements) which are reported at cost. See Note 4, "Cash, Cash Equivalents and Investments."

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.

I. Capital Assets and Depreciation

During 2004, the City changed its capitalization level for capital assets. The change to beginning fund balances was immaterial. 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.

CITY OF PERRYSBURG, OHIO

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 (Continued)

2. Property, Plant and Equipment – Business Type Activities

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

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

3. Depreciation

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

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	30 - 40
Improvements other than Buildings	50
Infrastructure	10-50
Machinery, Equipment, Furniture and Fixtures	5 - 15

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
Ohio Water Development Authority Loans	Sewer Fund
Compensated Absences	General Fund
	Income Tax Fund
	Litter Control Fund
	Water Fund
	Sewer Fund

K. 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 that 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 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 eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees expected to become eligible to receive such payments in the future.

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.

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of supplies and materials, prepaid items, debt service, loans receivable and encumbered amounts which have not been accrued at year end.

P. Estimates

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

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Restricted Assets

Cash with fiscal agent amounts are classified as restricted assets on the balance sheet because these funds are being held for specified purposes.

R. Operating Revenues and Expenses

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

S. 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.

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CITY OF PERRYSBURG, OHIO

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

NOTE 2 – 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	\$411,338
Delinquent Property Tax Revenue	97,878
Shared Revenues	1,056,592
Special Assessment Revenue	191,928
	<u>\$1,757,736</u>

Long-Term liabilities not reported in the funds:

Compensated Absences Payable	(\$763,239)
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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 depreciation exceeded capital outlay in the current period:

Capital Outlay	\$5,806,596
Depreciation Expense	<u>(1,197,303)</u>
	\$4,609,293

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$8,171
Increase in Delinquent Property Tax	54,893
Increase in Shared Revenue	128,886
Decrease in Special Assessment Revenue	<u>(29,732)</u>
	\$162,218

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$29,936)
Increase in supplies inventory	<u>22,116</u>
	(\$7,820)

CITY OF PERRYSBURG, OHIO

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

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The accumulated deficits at December 31, 2004 of \$3,200 in the Utility Collection Fund (enterprise fund) and \$133,475 in the Employee Health and Welfare Fund (internal service fund) arise from the recognition of expenses on the accrual basis of accounting which are greater than expenses on the cash basis of accounting. The fund deficits at December 31, 2004 of \$5,008,850 in the Way Library Fund, \$197,383 in the Park Land Acquisition and Development Fund and \$9,826,141 in the Capital Improvements Fund (capital projects funds) arise from the recording of general obligation notes payable within the individual funds. Deficits do not exist under the budgetary/cash basis of accounting. The general fund provides transfers when cash is required, not when accruals occur.

B. Fiscal Officer Certification

The City made purchases during the year without proper certification from the fiscal officer in charge. The City is working to remedy this situation in the future.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents 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;

CITY OF PERRYSBURG, OHIO

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

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- 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).

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 and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, 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.

CITY OF PERRYSBURG, OHIO

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

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

A. Deposits

At year end the carrying amount of the City's deposits was \$6,941,002 and the bank balance was \$7,456,463. The Federal Deposit Insurance Corporation (FDIC) covered \$339,389 of the bank balance. All remaining deposits were classified as Category 3.

B. Investments

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

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 3</u>	<u>Fair Value</u>
U.S. Government Securities	N/A	\$2,336,400	\$2,336,400
Series H Bonds	10,000	N/A	10,000
Total Categorized Investments	<u>\$10,000</u>	<u>\$2,336,400</u>	<u>\$2,346,400</u>

CITY OF PERRYSBURG, OHIO

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

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$6,951,002	\$2,336,400
Investments:		
Series H Bonds	<u>(10,000)</u>	<u>10,000</u>
Per GASB Statement No. 3	<u>\$6,941,002</u>	<u>\$2,346,400</u>

* Includes Cash with Fiscal Agent

NOTE 5 - 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 reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed during 2000 and the last equalization adjustment was completed in 2003. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

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.

CITY OF PERRYSBURG, OHIO

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

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Perrysburg. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2004 was \$5.83 per \$1,000 of assessed value. The assessed value upon which the 2004 receipts were based was \$475,264,604. This amount constitutes \$445,800,340 in real property assessed value, \$5,358,390 in public utility assessed value and \$24,105,874 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 .583% (5.83 mills) of assessed value.

B. Income Tax

The City levies a tax of 1.5% 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 50% of the tax paid to another municipality to a maximum of 50% of the total amount assessed.

Employers within the City are required to withhold income tax on employee 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 6 - RECEIVABLES

Receivables at December 31, 2004 consisted of taxes, loans, special assessments, accounts receivable and intergovernmental receivables.

NOTE 7 - TRANSFERS

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

Fund	Transfer In	Transfer Out
Governmental Activities:		
General Fund	\$63,415	\$3,574,998
Capital Improvements Fund	2,540,000	0
Other Governmental Funds	611,020	34,435
Total Governmental Transfers	3,214,435	3,609,433
Business Type Activities:		
Sewer Fund	394,998	0
Total Business Type Transfers	394,998	0
Totals	\$3,609,433	\$3,609,433

CITY OF PERRYSBURG, OHIO

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

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

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

Historical Cost:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
<i>Capital assets not being depreciated:</i>				
Land	\$9,534,711	\$791,702	(\$775)	\$10,325,638
Construction in Progress	4,172,796	3,528,915	(7,701,711)	0
<i>Capital assets being depreciated:</i>				
Buildings	6,917,485	7,808,293	0	14,725,778
Improvements Other than Buildings	3,684,071	359,946	(1,991)	4,042,026
Infrastructure	37,180,095	425,900	(15,923)	37,590,072
Machinery and Equipment	7,316,031	593,551	(211,759)	7,697,823
Total Cost	<u>\$68,805,189</u>	<u>\$13,508,307</u>	<u>(\$7,932,159)</u>	<u>\$74,381,337</u>

Accumulated Depreciation:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$2,161,318)	(\$171,452)	\$0	(\$2,332,770)
Improvements Other than Buildings	(314,505)	(120,123)	0	(434,628)
Infrastructure	(7,288,413)	(463,864)	12,970	(7,739,307)
Machinery and Equipment	(3,613,683)	(441,864)	187,865	(3,867,682)
Total Depreciation	<u>(\$13,377,919)</u>	<u>(\$1,197,303) *</u>	<u>\$200,835</u>	<u>(\$14,374,387)</u>
Net Value:	<u>\$55,427,270</u>			<u>\$60,006,950</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$168,407
Leisure Time Activities	104,769
Community Development	15,240
Basic Utility Services	44,347
Transportation	538,046
General Government	326,494
Total Depreciation Expense	<u>\$1,197,303</u>

CITY OF PERRYSBURG, OHIO

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

NOTE 8 - 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
<i>Capital assets not being depreciated:</i>				
Land	\$322,158	\$0	(\$775)	\$321,383
Construction in Progress	1,028,363	1,016,818	(873,391)	1,171,790
<i>Capital assets being depreciated:</i>				
Buildings	7,752,713	1,735	0	7,754,448
Improvements Other than Buildings	42,112,503	1,324,945	0	43,437,448
Machinery and Equipment	11,439,957	139,196	(11,300)	11,567,853
Total Cost	<u>\$62,655,694</u>	<u>\$2,482,694</u>	<u>(\$885,466)</u>	<u>\$64,252,922</u>

Accumulated Depreciation:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$2,613,243)	(\$187,110)	\$0	(\$2,800,353)
Improvements Other than Buildings	(7,903,958)	(817,792)	0	(8,721,750)
Machinery and Equipment	(4,752,866)	(396,313)	11,300	(5,137,879)
Total Depreciation	<u>(\$15,270,067)</u>	<u>(\$1,401,215)</u>	<u>\$11,300</u>	<u>(\$16,659,982)</u>
Net Value:	<u>\$47,385,627</u>			<u>\$47,592,940</u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System (the "Ohio PERS")

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

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions

CITY OF PERRYSBURG, OHIO

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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 \$623,369, \$530,668, and \$568,538, 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 \$184,020.

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

CITY OF PERRYSBURG, OHIO

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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.

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 \$350,659, \$323,229 and \$309,333 for police and \$312,325, \$288,157 and \$278,297 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF PERRYSBURG, OHIO

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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 \$139,364 representing 7.75% of covered payroll for police and \$100,855 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 10 - COMPENSATED ABSENCES

Employees are eligible for vacation at varying rates depending on their years of service to the City. Any vacation earned during the year must be taken during the subsequent year. Unless requested by the City, no employee will receive vacation pay in lieu of vacation time off with pay.

Sick leave is accrued by all employees at the rate of .0577 hours for each hour worked for a total of 120 hours in an employee's anniversary year. A percentage of accrued sick leave time is liquidated in cash upon normal retirement under the appropriate State of Ohio retirement system after ten years of credited service, or upon death, or upon termination of employment other than for disciplinary reasons after fifteen years of service with the City. The rate of cash compensation for sick leave payout varies within specified limits under collective bargaining agreements or under law. Generally, employees may receive 50% of their sick leave accrued prior to September 14, 1976 and 25% of their sick leave accrued after September 14, 1976 after meeting the minimum service time requirement. Cash compensation for sick leave is paid at the employee's full rate of pay at the time of termination or retirement.

At December 31, 2004, the City's accumulated, unpaid compensated absences amounted to \$881,756, of which \$763,239 is recorded as a liability of the Governmental Activities and \$118,517 is recorded as a liability of the Business-Type Activities.

CITY OF PERRYSBURG, OHIO

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

NOTE 11 - 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.

	Balance December 31, 2003	Issued	(Retired)	Balance December 31, 2004
General Fund:				
1.75% Fire Station Improvement	\$56,000	\$0	(\$56,000)	\$0
2.25% Fire Station Improvement	0	28,000	0	28,000
Total General Fund	<u>56,000</u>	<u>28,000</u>	<u>(56,000)</u>	<u>28,000</u>
Capital Projects Funds:				
1.50% - 1.75% Municipal Court Building	500,000	0	(500,000)	0
1.50% Library Building	5,785,000	0	(5,785,000)	0
2.35% Library Building	0	5,100,000	0	5,100,000
1.50% O-I Levis Commons	1,600,000	0	(1,600,000)	0
2.20% O-I Levis Commons	0	565,000	0	565,000
1.50% Eckel Junction	655,000	0	(655,000)	0
2.20% Eckel Junction	0	600,000	0	600,000
1.80% Rivercrest Park Land	240,000	0	(240,000)	0
1.75% Rivercrest Park Land	0	220,000	0	220,000
1.80% Municipal Park	100,000	0	(100,000)	0
1.75% Municipal Park	0	35,000	0	35,000
1.50% - 1.65% Police Station	7,940,000	0	(7,940,000)	0
1.80% - 2.35% Police Station	0	15,240,000	(7,440,000)	7,800,000
1.75% West Boundary Improvements	425,000	0	(425,000)	0
2.35% West Boundary Improvements	0	400,000	0	400,000
1.65% SR25/Roachton Road	525,000	0	(525,000)	0
1.80% SR25/Roachton Road	0	495,000	0	495,000
Total Capital Projects Funds	<u>17,770,000</u>	<u>22,655,000</u>	<u>(25,210,000)</u>	<u>15,215,000</u>

(Continued)

CITY OF PERRYSBURG, OHIO

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

NOTE 11 - NOTES PAYABLE (Continued)

	2003	Issued	(Retired)	2004
Enterprise Funds:				
1.75% Route 795 Water Line	580,000	0	(580,000)	0
2.35% Route 795 Water Line	0	530,000	0	530,000
1.50% Water System Improvement	690,000	0	(690,000)	0
2.20% Water System Improvement	0	630,000	0	630,000
1.50% Sewer System Improvement	2,675,000	0	(2,675,000)	0
2.20% Sewer System Improvement	0	2,540,000	0	2,540,000
1.50% Miscellaneous Water System Improvements	820,000	0	(820,000)	0
2.35% Miscellaneous Water System Improvements	0	85,000	0	85,000
2.35% Miscellaneous Water System Improvements	0	740,000	0	740,000
1.75% Miscellaneous Water System Improvements	110,000	0	(110,000)	0
1.75% Kohl F.M.	300,000	0	(300,000)	0
1.50% 5 Pt./Fort Meigs Waterline Improvements	690,000	0	(690,000)	0
2.35% 5 Pt./Fort Meigs Waterline Improvements	0	645,000	0	645,000
1.50% South Boundary Pump Station	150,000	0	(150,000)	0
2.20% South Boundary Pump Station	0	115,000	0	115,000
1.75% W.S. Bound Waterline	570,000	0	(570,000)	0
2.35% W.S. Bound Waterline	0	540,000	0	540,000
1.50% W.S. Reserve	675,000	0	(675,000)	0
2.20% W.S. Reserve	0	925,000	0	925,000
1.50% Route 795 Pump Station	525,000	0	(525,000)	0
2.20% Route 795 Pump Station	0	490,000	0	490,000
1.65% SR25/5PT. Road	1,470,000	0	(1,470,000)	0
1.80% SR25/5PT. Road	0	1,390,000	0	1,390,000
1.65% Simmons Road Sewer	1,470,000	0	(1,470,000)	0
1.80% Simmons Road Sewer	0	1,390,000	0	1,390,000
1.65% River's Edge Sewer	645,000	0	(645,000)	0
1.80% River's Edge Sewer	0	610,000	0	610,000
1.75% W. Boundry Sewer/Ford Road	30,000	0	(30,000)	0
Total Enterprise Funds	<u>11,400,000</u>	<u>10,630,000</u>	<u>(11,400,000)</u>	<u>10,630,000</u>
Total Notes Payable	<u>\$29,226,000</u>	<u>\$33,313,000</u>	<u>(\$36,666,000)</u>	<u>\$25,873,000</u>

CITY OF PERRYSBURG, OHIO

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

NOTE 12 - LONG-TERM DEBT

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

	Balance December 31, 2003	Additions	(Reductions)	Balance December 31, 2004	Due Within One Year
Governmental Activities:					
Compensated Absences	\$733,303	\$763,239	(\$733,303)	\$763,239	\$219,771
Total Governmental Activities Long-Term Debt	<u>\$733,303</u>	<u>\$763,239</u>	<u>(\$733,303)</u>	<u>\$763,239</u>	<u>\$219,771</u>

	Balance December 31, 2003	Additions	(Reductions)	Balance December 31, 2004	Amount Due Within One Year
Business-Type Activities:					
Ohio Water Development Authority (O.W.D.A.) Loans:					
7.51% Waste Water Treatment Plant 1990	\$7,851,545	\$0	(\$400,909)	\$7,450,636	\$431,017
7.77% Sewer Separation 1991	782,005	0	(39,293)	742,712	42,346
Total O.W.D.A. Loans	8,633,550	0	(440,202)	8,193,348	473,363
Compensated Absences	\$116,110	\$118,517	(\$116,110)	\$118,517	\$32,415
Total Business-Type Long-Term Debt	<u>\$8,749,660</u>	<u>\$118,517</u>	<u>(\$556,312)</u>	<u>\$8,311,865</u>	<u>\$505,778</u>

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

Years	OWDA Loans	
	Principal	Interest
2005	\$473,362	\$617,252
2006	509,022	581,592
2007	547,368	543,246
2008	588,603	502,011
2009	632,945	457,667
2010-2014	3,955,998	1,497,071
2015-2016	1,486,050	149,871
Totals	<u>\$8,193,348</u>	<u>\$4,348,710</u>

CITY OF PERRYSBURG, OHIO

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

NOTE 13- INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1989, the City joined the Ohio Government Risk Management Plan (the "OGRMP"), a public entity risk plan formed under Section 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 585 member political subdivisions. The City pays an annual premium to the OGRMP for its general insurance coverage. The agreement for formation of the OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure all claims in excess of a member's deductible through commercial insurance and reinsurance companies.

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

The City also pays unemployment claims to the State of Ohio as incurred.

The City maintains a self-funded health insurance program with claims processed by Administrative Service Consultants – Findlay on behalf of the City. A separate Self Insurance Fund (an internal service fund) was created in 1980 to account for and finance the health insurance program. As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$35,000 per individual per year up to a maximum of \$1,000,000 per individual per lifetime. Settled claims have not exceeded the commercial coverage limits in any of the past five fiscal years.

All funds of the City from which employee salaries are paid participate in the health insurance program and make payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Total contributions to the program during the year were \$998,892. The claims liability of \$151,014 reported in the Self Insurance Fund at December 31, 2004 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30 "Risk Management Omnibus," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and if the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in fiscal 2003 and 2004 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2003	\$54,370	\$1,002,974	(\$989,490)	\$67,854
2004	67,854	1,117,100	(1,033,940)	151,014

CITY OF PERRYSBURG, OHIO

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

NOTE 14- CONSTRUCTION COMMITMENTS

As of December 31, 2004 the City had the following commitments with respect to various construction projects:

<u>Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
2004 Resurfacing	\$3,120	July 2005
2004 Resurfacing	12,735	July 2005
2004 Resurfacing	24,601	July 2005
East Boundary Pumpstation	38,790	July 2005
Five Pt Road Sanitary Sewer Desing	6,155	July 2005
Digester Recirculator Pump	74,300	September 2005
WWTP Expansion	116,250	September 2005
Cherry Street Sewer	29,671	July 2005
2004 Curb Ramps	53,517	July 2005
Police Station	72,391	July 2005
Total	<u><u>\$431,530</u></u>	

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 RELATED ORGANIZATION

Perrysburg Public Library (Library) - The Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Perrysburg City Council. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the City for operational subsidies. Although the City does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Perrysburg Public Library, Clerk/Treasurer, 101 East Indiana Avenue, Perrysburg, Ohio 43551.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF PERRYSBURG, OHIO

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 891,500	\$ 906,600	\$ 905,907	\$ (693)
Municipal Income Tax	9,500,000	9,525,050	9,406,558	(118,492)
Intergovernmental Revenue	1,513,596	1,650,596	1,565,019	(85,577)
Charges for Services	501,500	552,100	465,462	(86,638)
Licenses and Permits	204,100	379,100	376,393	(2,707)
Investment Earnings	200,000	200,000	158,889	(41,111)
Speical Assessments	130,000	135,000	134,204	(796)
Fines and Forfeitures	776,950	778,350	654,817	(123,533)
All Other Revenues	130,950	160,347	99,007	(61,340)
Total Revenues	<u>13,848,596</u>	<u>14,287,143</u>	<u>13,766,256</u>	<u>(520,887)</u>
Expenditures:				
Current:				
Security of Persons and Property	5,449,542	5,650,583	5,330,572	320,011
Public Health and Welfare Services	27,500	27,500	26,493	1,007
Leisure Time Activities	1,162,007	1,173,598	1,091,119	82,479
Community Development	577,702	717,721	543,336	174,385
Transportation	992,618	989,540	898,548	90,992
General Government	3,305,301	3,315,096	2,999,742	315,354
Total Expenditures	<u>11,514,670</u>	<u>11,874,038</u>	<u>10,889,810</u>	<u>984,228</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,333,926	2,413,105	2,876,446	463,341
Other Financing Sources (Uses):				
Transfers In	40,000	40,000	34,435	(5,565)
Transfers Out	(2,475,998)	(4,398,998)	(3,574,998)	824,000
Total Other Financing Sources (Uses):	<u>(2,435,998)</u>	<u>(4,358,998)</u>	<u>(3,540,563)</u>	<u>818,435</u>
Net Change In Fund Balance	(102,072)	(1,945,893)	(664,117)	1,281,776
Fund Balance at Beginning of Year	2,661,111	2,661,111	2,661,111	0
Prior Year Encumbrances	207,962	207,962	207,962	0
Fund Balance at End of Year	<u>\$ 2,767,001</u>	<u>\$ 923,180</u>	<u>\$ 2,204,956</u>	<u>\$ 1,281,776</u>

INDEPENDENT AUDITOR'S REPORT

INTERNAL CONTROL

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

City of Perrysburg
Wood County
201 W. Indiana Ave
Perrysburg, Ohio 43551

To the Mayor and Members of City Council

We have audited the financial statements of City of Perrysburg (the City) as of and for the year ended December 31, 2004, and have issued our report thereon dated November 9, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standard* and which is described in the accompanying schedule of findings and responses as item (2004-001).

Kevin M. Gilmore, CPA, CVA

Adele M. Jasion, CPA

Andrew L. Mahler,
CPA, CVA, CFFA

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

This report is intended solely for the information and use of the Members of City Council, the Mayor and is not intended to be and should not be used by anyone other than these specified parties.

Dilmore, Jason ; Muller, LTD

November 9, 2005

**CITY OF PERRYSBURG
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

FINDING NUMBER 2004-001

Noncompliance

Ohio Revised Code 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section also provides two exceptions to the above requirements:

- A. If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the subdivision may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars (\$3,000 as of April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the subdivision.

We recommend the City certify the availability of funds prior to expenditures being made. Where prior certification is not feasible, we encourage the City to utilize then and now certificates or blanket certificates.

**CITY OF PERRYSBURG
 SCHEDULE OF STATUS OF PRIOR YEAR (2003)
 AUDIT FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected,; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2003-001	Ohio Revised Code Sec. 5705.41(D) Failure to certify transactions.	No	Not corrected. Repeated as Finding #2004-001



**Auditor of State
Betty Montgomery**

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800-282-0370

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CITY OF PERRYSBURG

WOOD 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
APRIL 13, 2006**