

**CITY OF NAPOLEON, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Napoleon, Henry County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2006 through December 31, 2006. 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 Napoleon is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 27, 2007

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**CITY OF NAPOLEON, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**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**

Members of City Council  
City of Napoleon, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Napoleon, Ohio, as of and for the year ended December 31, 2006, which collectively comprise the City of Napoleon, Ohio's basic financial statements and have issued our report thereon dated June 15, 2007. 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 of Napoleon, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Napoleon, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Napoleon, Ohio's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Napoleon, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Napoleon, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the City of Napoleon, Ohio's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Napoleon, Ohio's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Napoleon, Ohio'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 no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Napoleon, Ohio, in a separate letter dated June 15, 2007.

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

James G. Zupka, CPA, Inc.  
Certified Public Accountants

June 15, 2007

**CITY OF NAPOLEON, OHIO**  
**STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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The prior audit report, as of December 31, 2006, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



# *THE CITY OF NAPOLEON, OHIO*

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HENRY COUNTY



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2006







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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2006

*Prepared by the Finance Department*

Gregory J. Heath  
Director of Finance



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HENRY COUNTY, OHIO

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# ***INTRODUCTORY SECTION***

**COMMUNITY EVENTS FOUND THROUGHOUT NAPOLEON**



***KIDS KINGDOM***

***FUN ACTIVITIES WERE ENJOYED BY ALL AT.....***



***KIDS FEST!!***





# CITY OF NAPOLEON

255 West Riverview Avenue • Napoleon, Ohio 43545

Gregory J. Heath, Director of Finance

phone (419) 599-1235

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June 15, 2007

## Introduction

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

We are pleased to present the Eleventh (11<sup>th</sup>) ***Comprehensive Annual Financial Report*** (CAFR) of the City of Napoleon, Ohio, (the City) for the year ended December 31, 2006. The report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) established by statements of the Governmental Accounting Standards Board (GASB), other authoritative pronouncements and guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada, and audited in accordance with Generally Accepted Auditing Standards (GAAS). GAAP requires a narrative introduction, overview, and analysis called the Management's Discussion and Analysis (MD&A) to accompany the basic financial statements. This Letter of Transmittal (LOT) is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## The Report

*State law*, along with *Administrative Rules* of the Auditor of State, requires all City governments to publish an Annual Report within 150 days of the close of each fiscal year. This report must present a complete set of financial statements presented in conformity with GAAP. Various City debt service *Trust Agreements* require Audited Annual Reports in accordance with GAAS. Pursuant to these requirements, we hereby issue the CAFR of the City of Napoleon, Ohio, for the fiscal year ended December 31, 2006.

While there is no legal requirement for the preparation of a CAFR, it represents a commitment by the City, and its officers, to conform to nationally recognized standards of excellence in financial reporting. This report consists of management's representations concerning the finances of the City. Responsibility for both the accuracy of the presented data and the completeness and reliability of the presentation, including all disclosures, rests with City management.

***Letter of Transmittal  
For the Year Ended December 31, 2006***

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

The City's financial statements have been audited by an Independent Public Accountant (IPA), James G Zupka, CPA, Inc., Garfield Heights, Ohio, as contracted through the Auditor of State Office of Ohio. The IPA issued an unqualified opinion that the basic financial statements are presented fairly in conformity with GAAP, in all material respects, representing the financial position of the City as of December 31, 2006. The report from the IPA is presented as the first component of the financial section of this report.

***PROFILE OF THE CITY OF NAPOLEON***

**Early History**

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

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

***Letter of Transmittal  
For the Year Ended December 31, 2006***

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**The City of Napoleon**

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

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

**Form of Government**

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

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



***Letter of Transmittal  
For the Year Ended December 31, 2006***

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General elections are held every two years, alternating with four (4) council seats and then three (3) council seats plus the Mayor. All council seats and the Mayor are elected at-large and terms of office are four-years (4). The Municipal Court Judge is separately elected every six (6) years. The Council President is the presiding officer of Council and is elected from among the Council members. Except for Municipal Court, the Charter establishes certain administrative departments and Council may establish additional departments as needed. Except for Municipal Court, City Council establishes all department positions. By Charter the City Manager, Finance Director and Law Director are all appointed by Council and serve at the pleasure of Council with no specified terms. Except for the departments of Finance, Law and Municipal Court; the City Manager has authority over all other operational departments and appoints those department heads. Subject to approval of Council, the Mayor, and on certain boards the City Manager, recommends appointments of citizens to City boards and commissions.

**Municipal Services**

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

The City operates four (4) enterprise activities: water treatment and distribution; sewer wastewater collection and treatment; electric distribution for residential, commercial and industrial customers; and residential solid waste collection and disposal, including a curbside recycling program, a yard waste dumping site, a mosquito control program, storm debris removal and seasonal bulk pickups. Starting in 2007 the City added a storm water abatement charge to its sewer system to separate the two systems.

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

The City is one (1) of the 121 member public entities in the American Municipal Power-Ohio (AMP-Ohio). AMP-Ohio is a non-profit corporation organized in Ohio in 1971 for the purpose of owning and operating electric facilities and providing for the generation, transmission and distribution of electric power and energy to its members. AMP-Ohio purchases wholesale electric power and energy and sells it to members at rates based on purchase price plus a small service fee. The organization also develops alternative power sources to best meet member's short and long-term needs and operates a power dispatch center 24 hours a day, 365 days a year, to serve its member communities. The City participates in three (3) joint ventures administrated by AMP-Ohio. Detailed descriptions of these joint ventures are listed in the Notes to the Financial Statements. Currently the City has a closed electric system and does not purchase power from other providers.



***Letter of Transmittal  
For the Year Ended December 31, 2006***

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

**The Reporting Entity**

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

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

**Budgetary and Accounting Controls**

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

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

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

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

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

***Letter of Transmittal  
For the Year Ended December 31, 2006***

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**Budgetary Controls**

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

**Personal Services:**

- Salary and Wages
- Fringe Benefits

**Other Expenditures:**

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

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

***INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION***

**Local Economy**

The local economy continued a positive but slow growth in 2006, reflective of the overall national economic trends. Local economic growth trends mirrored that of the State of Ohio in 2006. Business profit taxes were above the prior year by 26.8%, individual returns were up 5.7%, withholding taxes were up slightly at 0.9%. Overall income tax collections were up 4.5% in 2006 compared to 2005. Withholdings in 2006, when compared to 2005, were held lower by the one time income tax windfall from the SR-108 bridge rebuild project booked in 2005; however, this was somewhat offset by the annexation of the Henry County Hospital in July 2006 with their estimated 250 employees. Future taxable income growth is being impacted by implementation of various approved tax deferred 125 plans. By State Law the City taxes on Box 5 of the W-2, Medicare wages, and not gross wages.

***Letter of Transmittal  
For the Year Ended December 31, 2006***

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The City continues to have multiple growth opportunities available based on its greatest asset, its location. Recent investments in rail, road infrastructure, and open land have increased both potential and capacity for development. Several factors have impacted the actual pace of growth including State of Ohio tax reform legislation that encourages investment in machinery and equipment, and have spurred additional development and investment in the manufacturing areas of the City. The beginning of a new four lane on US-24 from Toledo, Ohio, to Fort Wayne, Indiana, (known as the "Port to Fort Project") positions the City as an ideal location for businesses, both industrial and commercial. Early inquiry and actual growth in this area has demonstrated this occurrence. Currently, substantial investments have been made or committed to be made by local manufacturing and fulfillment centers in and near the City in 2006 and 2007. Specifically, the Campbell Soup Supply Company, LLC (Campbell's), the largest employer in Henry County and a manufacturer of soups, drinks (V-8 & Splash) and other canned items, operates a plant adjacent to, but outside the City limits. Campbell's has recently invested over \$50 Million for 2005, and \$41 Million for 2006, in real and personal property in its production facility.

Adjacent to Campbell's is the Southpoint Business Park (a new development) with projected investments over \$31 Million in new real and personal property in the immediate area. A plastics manufacturer Plastech Engineering, Inc., with an estimated workforce of about 230 employees, discontinued its operations in the City during 2006. Their facility has recently been leased to TMT Warehousing, a warehousing and repacking company; they are expected to create in excess of 75 new jobs at this facility.

Commercially, the City has seen some growth of its retail and service industries, due to a trickle-down effect of the growth in the immediate and surrounding region. Such growth includes a \$500 Million investment by General Motors in Toledo, investments of a \$130 Million by Johns Manville and \$61 Million by General Motors in adjacent Defiance County. In 2006, Buckeye Launderers and Cleaners announced its intention to expansion as a commercial launderer of healthcare-related textiles, adding over 50 employees. Alex Products, located in Ridgeville Corners six (6) miles northeast of the City in Henry County, is a prime supplier for the automotive industry and completed a substantial expansion in 2003. In addition, millions of dollars have been invested in recent years to increase the broadband fiber optic capacity of both the City and its surrounding areas. These investments have spurred new interest from potential businesses to invest in new manufacturing, logistics, and information technology businesses in the City or local area.

The challenges to the domestic automotive industry as a whole negatively impacted Henry County's 2005 unemployment rate of 6.2%; however, in 2006 the rate recovered slightly to 5.9%. This compares to the Ohio rate as a whole, which was 5.9%. While specific data is unavailable from the Ohio Department of Job and Family Services (ODJFS) for the City, it is estimated that the City unemployment rate falls close to the State rate of 5.9%. This rate is impacted by the approximate 410 seasonal workers hired by the Campbell's for an average annual term of six (6) months. As the City and region transitions from a near-exclusively automotive-based economy to a more diversified economy, with food production, storage, logistics and information technology; economic growth should continue in the City and the immediate region, as has been experienced in the recent announced business expansions of various businesses. Commercially, the City maintained about the same number of businesses in 2006 as compared to 2005.

***CITY OF NAPOLEON, OHIO***

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***Letter of Transmittal  
For the Year Ended December 31, 2006***

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**Business**

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

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

Excluding Alex Products, Campbell's and Silgan Can, all of which are located outside the City limits, the listed industries and service providers' employ over 2,000 persons in both full and part-time positions. Campbell's is the largest single employer in the County, and they are estimated to employ 1,560 persons, both full time and part time, with another approximate 350 persons employed by Silgan Can Company.

**Future**

The vacant Oakwood Retail Plaza was purchased in 2003 by the Henry County Commissioners and has since been renovated to accommodate government and other service business offices. The Plaza currently houses the County Administrative Offices, the County Health Department, the County Emergency Operations Center, used by both the City and County, and is the new location for the recently expanded Buckeye Launderers and Cleaners. Planning is underway to move the City Municipal Court to the Plaza sometime in 2007. Three (3) new commerce parks are being developed: the Napoleon Commerce Park; the North Pointe Commerce Park; and the Southpoint Business Park located outside the City limits to the south. Five (5) current and new businesses have built or relocated to the North Pointe Commerce Park with other new businesses inquiring about available space. The most recent businesses to locate there are two (2) truck travel service centers.

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

***Letter of Transmittal  
For the Year Ended December 31, 2006***

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The downtown area has had some turn over of businesses in 2006, and some vacant store fronts remain. A fire in 2005 contributed to disruptions in some of the downtown businesses. Downtown businesses and building owners have recently formed a new business recruitment and revitalization effort to spur new interest in downtown development. Many new businesses continue to locate along the business strip of SR-108 just north of the downtown area.

***Major Initiatives for the Year***

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

- Completed major street improvements and other infrastructure projects, including Wayne Street.
- Completed the first phase of a junk yard cleanup using Clean Ohio Grant (CORF project).
- Purchased a new fire truck to replace older unit, delivery in 2007.
- Upgraded major equipment in many of the Departments, including two (2) new police cruisers.
- Upgraded various Department computers, software, and added fiber optic extensions.
- Completed major sewer separations on the sanitary sewer and storm water systems.
- Completed waterline upgrades on the distribution system, and completed a new Water Tower.
- Continued with a major re-metering of water and electric meters with automated radio read meter reading devices.

***Major Initiatives for the Future***

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

- Implement the new City Master Plan to assist in City growth and direction.
- Continued development of industrial and commercial sites for expanded and new industries.
- On-going road improvements and other infrastructure street repairs.
- Upgrading of water lines to improve water flow rates.
- Expansion of electric, water and sewer lines to new development areas in the City.
- Elimination of sanitary sewer and combined sewer overflows, and adding a 2.5 million gallon detention basin. City implemented in 2007 a storm water charge for storm water remediation.
- Continued pursuit of annexations to the City.
- Completion of the SR-24 Fort to Port project, and a study by the State of Ohio for a second river bridge crossing.
- Major equipment and utility infrastructure upgrades and replacements.

***Letter of Transmittal  
For the Year Ended December 31, 2006***

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***Department Accomplishments***

Management reviews for all departmental operations that are ongoing to identify operational changes that will enhance the efficiency and revenue effectiveness of those departments. All departments do annual reviews of their operations for cost savings and new potential revenue sources. Continuing education, safety (OSHA training), and skill training programs remain a priority for all departments. The City is continuing the process of updating department policies and procedures for risk management, and to reflect ongoing changes to City code. The City's Healthcare Cost Committee actively re-evaluates City health programs and costs. In 2007 a Human Resources person will be added to staff to provide direct training and monitoring of the various employee programs and their costs.

**Cash Management**

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

The City's cash resources were invested as follows at December 31, 2006:

Cash Resources	2006	%
Cash and Cash Equivalents	\$481,224	2.66%
STAR Ohio	616,117	3.41%
Federal Securities	5,992,180	33.13%
Certificates of Deposit	11,000,000	60.80%
Total	<u>\$18,089,521</u>	<u>100.00%</u>

A 3D pie chart illustrating the distribution of cash resources. The largest slice is light blue, representing Certificates of Deposit at 60.80%. The next largest is yellow, representing Federal Securities at 33.13%. A small purple slice represents STAR Ohio at 3.41%, and the smallest slice is pink, representing Cash and Cash Equivalents at 2.66%.

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters and injuries to employees. To manage this risk the City participates in various jointly funded pools, both risk sharing and group rated, to provide separate and distinct coverage for the risk involved. These pools are: Buckeye Ohio Risk Management Agency-Property and Casualty, Inc., for Property and Casualty Coverage (aka - BORMA Property and Casualty); Buckeye Ohio Risk Management Agency-Health Benefits, Inc., for Health and Group Life Insurance Coverage (aka - BORMA Health Benefits); and Ohio Rural Water Association-Group Rated Pool for Workers Compensation (aka - ORWA Workers Compensation Pool). Detailed descriptions with basic outlines of coverages for these pools are listed in Note 14.

***Letter of Transmittal  
For the Year Ended December 31, 2006***

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

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

The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll plus administrative costs. The rate is determined based upon the accident history of the Ohio Rural Water Association (ORWA) joint rating pool, of which the City became a member in 1999 and continues into 2007. The City reviews closely all Workers' Compensation claims to control costs. A Transitional Work Program was recently developed and adopted by the City. This program cuts lost time claims and allows gradual transition of injured workers from light duty to normal duty over a period of time.

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

***AWARDS AND ACKNOWLEDGEMENTS***

**Independent Audit**

Included in this report is an unqualified audit opinion rendered on the City's financial statements for the year ended December 31, 2006, issued by the IPA, James G Zupka, CPA, Inc., Garfield Heights, Ohio, as contracted through the Auditor of State Office of Ohio. City management plans to continue to subject the financial statements to an annual independent audit as part of the preparation of a CAFR, and to meet requirements of certain Revenue Trust Agreements on Revenue Debt. In addition, an annual audit serves to maintain and strengthen the City's accounting and budgetary controls.

**Awards**

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

***Letter of Transmittal  
For the Year Ended December 31, 2006***

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The City received a Certificate of Achievement for the fiscal year ended December 31, 2005. We believe this, our eleventh (11<sup>th</sup>) Comprehensive Annual Financial Report, meets the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting, and so therefore the City is submitting it to GFOA for certification.

**Public Disclosure**

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

**Acknowledgments**

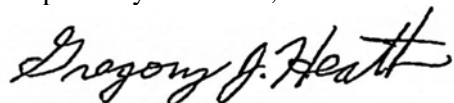
The City is grateful to the many agencies and organizations that continue to contribute to make this report possible, including the Henry County Auditor's Office, the Henry County Chamber of Commerce, the Community Improvement Corporation and the Audit Division of the State Auditor's Office.

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

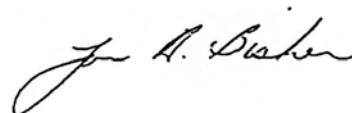
A special thank you is extended to the Members of City Council, the Mayor and the City Departments for the support and trust shown to the City Administration and the Finance Department and for allocating the resources and time for the development of this report, which demonstrates the City's commitment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

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

Respectfully submitted,



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



Jon A. Bisher  
City Manager  
City of Napoleon, Ohio



**CITY OF NAPOLEON, OHIO**

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**List of Principal Officials  
For the Year Ended December 31, 2006**

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**Elected Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Years of Service</u>	<u>Surety</u>
J. Andrew Small	Mayor	12/31/07	6	A
Glen Miller	President of Council	12/31/09	7	A
Mike DeWit	Council	12/31/07	13	A
Ronald Behm	Council	12/31/09	1	A
Steve Small	Council	12/31/09	4	A
Travis Sheaffer	Council	12/31/09	10	A
Terri Williams	Council	12/31/07	19	A
John Helberg	Council	12/31/07	6	A
John Collier	Municipal Judge	12/31/011	9	A

**Appointed Officials**

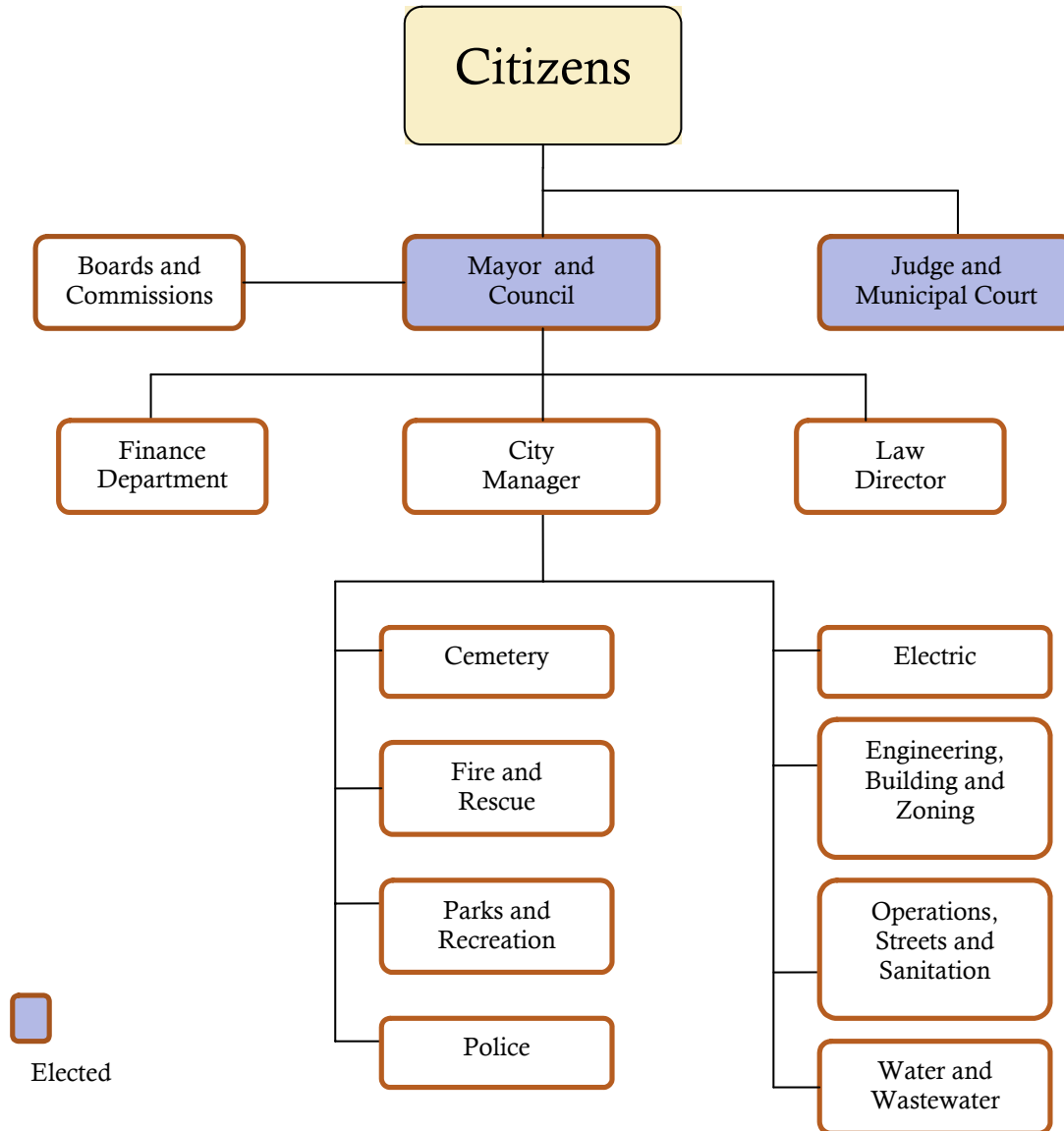
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Years of Service</u>	<u>Surety</u>
Jon Bisher	City Manager	Indefinite	8	A
Gregory Heath	Director of Finance	Indefinite	11	A
Betty Marihugh	Clerk of Courts	Indefinite	23	A
David Grahn	Law Director	Indefinite	13	A

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

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

**City Organizational Chart  
For the Year Ended December 31, 2006**

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**Boards and Commissions**

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

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Napoleon  
Ohio**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2005

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



President

Executive Director



# ***FINANCIAL SECTION***

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***RIB FEST 2006!***



***GREAT COMMUNITY FUN...***

***AND GREAT FOOD!***





**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Members of City Council  
City of Napoleon, Ohio

The Honorable Mary Taylor  
Auditor of State  
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Napoleon, Ohio, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Napoleon, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Napoleon, Ohio, as of December 31, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007, on our consideration of the City of Napoleon, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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.

Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is 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 required supplementary information. However, we did not audit the information and express no opinion on it.

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



James G. Zupka, CPA, Inc.  
Certified Public Accountants

June 15, 2007



The discussion and analysis of the City of Napoleon's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2006 are as follows:

- ❑ In total, net assets increased \$2,596,150, and represent a 4.3% increase from 2005. The net assets of governmental activities increased \$1,533,964, representing a 4.8% increase from 2005; and the net assets of business-type activities increased \$1,062,186, representing a 3.8% increase from 2005.
- ❑ Total revenues exceeded \$26 million. \$5.4 million was general revenues, or 20% of the total revenues; and \$20.9 million was program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants and contributions, or 80% of the total revenues.
- ❑ The City had \$6.3 million in program expenses related to governmental activities; only \$2.7 million of these expenses were offset by program specific revenues. General revenues (primarily taxes) of \$4.79million were adequate to provide for the balance on these programs.
- ❑ Among major funds, the general fund had \$4.9 million in revenues and \$3.1 million in expenditures (the expenditures reflect a net of reimbursements (or off-sets) for shared administrative costs allocated to the business type activities). The general fund's fund balance decreased \$278,199 to \$2.1 million.
- ❑ Net assets for the proprietary funds increased by \$1,060,780. The increase is a result of higher revenues and higher capital contributions in the form of capital assets.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

These statements are as follows:

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

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

### **Government-wide Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

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

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

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following table provides a comparison of net assets between 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
Current and other assets	\$10,403,411	\$10,607,195	\$19,797,648	\$18,202,400	\$30,201,059	\$28,809,595
Capital assets, Net	25,713,224	24,319,542	25,962,142	24,984,334	51,675,366	49,303,876
Total assets	36,116,635	34,926,737	45,759,790	43,186,734	81,876,425	78,113,471
Long-term debt outstanding	1,887,084	2,095,300	12,049,453	12,746,506	13,936,537	14,841,806
Other liabilities	800,640	936,490	4,449,452	2,241,529	5,250,092	3,178,019
Total liabilities	2,687,724	3,031,790	16,498,905	14,988,035	19,186,629	18,019,825
Net assets						
Invested in capital assets, net of related debt	24,314,801	22,705,762	11,264,160	12,190,666	35,578,961	34,896,428
Restricted	6,878,481	6,942,958	0	0	6,878,481	6,942,958
Unrestricted	2,235,629	2,246,227	17,996,725	16,008,033	20,232,354	18,254,260
Total net assets	\$33,428,911	\$31,894,947	\$29,260,885	\$28,198,699	\$62,689,796	\$60,093,646

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**CITY OF NAPOLEON, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2006 and 2005:

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,327,561	\$1,132,945	\$18,218,699	\$19,635,400	\$19,546,260	\$20,768,345
Operating Grants and Contributions	1,045,250	885,954	0	0	1,045,250	885,954
Capital Grants and Contributions	357,291	3,247,772	0	569,826	357,291	3,817,598
General revenues:						
Property Taxes	481,259	403,855	0	0	481,259	403,855
Income Taxes	2,455,843	2,520,569	0	0	2,455,843	2,520,569
Other Local Taxes	586,070	585,033	0	0	586,070	585,033
Shared Revenues	710,157	369,573	0	0	710,157	369,573
Investment Earnings	334,547	239,399	427,411	284,854	761,958	524,253
Miscellaneous	324,313	540,580	0	0	324,313	540,580
Total revenues	7,622,291	9,925,680	18,646,110	20,490,080	26,268,401	30,415,760
Program Expenses						
Security of Persons and Property	2,790,209	3,509,589	0	0	2,790,209	3,509,589
Public Health and Welfare Services	96,450	100,116	0	0	96,450	100,116
Leisure Time Activities	849,041	840,601	0	0	849,041	840,601
Community Environment	446,673	717,906	0	0	446,673	717,906
Transportation	1,031,319	1,292,990	0	0	1,031,319	1,292,990
General Government	1,021,880	779,647	0	0	1,021,880	779,647
Interest and Fiscal Charges	83,755	86,114	0	0	83,755	86,114
Electric	0	0	13,153,590	14,680,376	13,153,590	14,680,376
Water	0	0	1,769,784	1,831,263	1,769,784	1,831,263
Sewer	0	0	1,808,683	1,883,991	1,808,683	1,883,991
Sanitation	0	0	620,867	641,812	620,867	641,812
Total expenses	6,319,327	7,326,963	17,352,924	19,037,442	23,672,251	26,364,405
Change in Net Assets Before Transfers	1,302,964	2,598,717	1,293,186	1,452,638	2,596,150	4,051,355
Transfers	231,000	(31,000)	(231,000)	31,000	0	0
Total Change in Net Assets	1,533,964	2,567,717	1,062,186	1,483,638	2,596,150	4,051,355
Beginning Net Assets	31,894,947	29,327,230	28,198,699	26,715,061	60,093,646	56,042,291
Ending Net Assets	\$33,428,911	\$31,894,947	\$29,260,885	\$28,198,699	\$62,689,796	\$60,093,646

**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

**Governmental Activities**

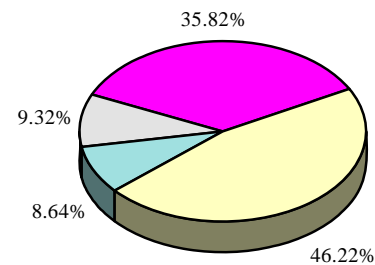
Net assets of the City's *governmental activities* reflect an increase of \$1,533,964 in 2006 over 2005. The City experienced increases in certain general revenue sources in 2006; in property taxes due to enhanced collections, in grants and entitlements primarily from the state grant for the Clean Ohio Program (Also known as the CORF Project), in investment earnings due to higher interest rates, and in one time miscellaneous receipts.

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

The City also receives an income tax, which is based on 1.2% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City. In 2006 the municipal income taxes actually decreased due to a one time income tax windfall from the SR-108 bridge rebuild project booked in 2005, and reduced taxable income from business implementation of various approved tax deferred 125 plans.

Property taxes and income taxes made up 6.3% and 32.2% respectively of revenues for governmental activities for the City in fiscal year 2006. The City's reliance upon tax revenues is demonstrated by the following graph indicating 46.22% of total revenues from general tax revenues:

Revenue Sources	2006	Percent of Total
General Shared Revenues	\$710,157	9.32%
Program Revenues	2,730,102	35.82%
General Tax Revenues	3,523,172	46.22%
General Other	658,860	8.64%
<b>Total Revenue</b>	<b>\$7,622,291</b>	<b>100.00%</b>



**Business-Type Activities**

Net assets of the business-type activities (electric, water, sewer, sanitation and garage rotary) increased by \$1,062,186. All proprietary funds reflected positive incomes versus losses. Operating revenues for water and sewer increased \$375,000 over 2005 primarily due to increased rates to users. Purchased power costs that are passed on to consumers through the billing process were down due to reduced consumption reflecting in the operating revenues from 2006 compared to 2005.

**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

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

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$6,109,345, which is an increase of \$157,856 from last year's balance of \$5,951,489. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2006 and 2005:

	Fund Balance December 31, 2006	Fund Balance December 31, 2005	Increase (Decrease)
General	\$2,113,898	\$2,392,097	(\$278,199)
Special Assessment Bond Retirement	444,011	428,672	15,339
Capital Improvement	444,249	505,371	(61,122)
Clean Ohio	(7,720)	(77,756)	70,036
Other Governmental	3,114,907	2,703,105	411,802
Total	<u>\$6,109,345</u>	<u>\$5,951,489</u>	<u>\$157,856</u>

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

	2006 Revenues	2005 Revenues	Increase (Decrease)
Taxes	\$3,382,438	\$3,355,377	\$27,061
Intergovernmental Revenue	584,288	1,372,259	(787,971)
Charges for Services	238,542	212,111	26,431
Licenses and Permits	70,448	89,952	(19,504)
Fines and Forfeitures	280,513	252,773	27,740
Investment Earnings	180,609	166,161	14,448
Special Assessments	0	1,080	(1,080)
All Other Revenue	197,210	193,365	3,845
Total	<u>\$4,934,048</u>	<u>\$5,643,078</u>	<u>(\$709,030)</u>

General Fund revenues in 2006 decreased approximately 12.6% compared to revenues in fiscal year 2005. The most significant factor contributing to this decrease was in intergovernmental revenues. This source decreased in 2006, when compared to 2005, as a result of payments received from the State of Ohio in 2005 to operate South Side Safety Services during the SR-108 bridge-out replacement over the Maumee River. These were one time payments received in 2005 and not received in 2006.

**CITY OF NAPOLEON, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2006***

***Unaudited***

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	2006	2005	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$2,216,962	\$2,830,498	(\$613,536)
Public Health and Welfare Services	90,918	88,465	2,453
Community Environment	91,432	87,096	4,336
General Government	772,537	639,877	132,660
Total	<u>\$3,171,849</u>	<u>\$3,645,936</u>	<u>(\$474,087)</u>

General Fund expenditures decreased by \$474,067 or 13% when compared to the prior year of 2005. This decrease is a result of one time expenditures made in 2005 to operate South Side Safety Services during the SR-108 bridge-out replacement over the Maumee River; costs were reimbursed by the State of Ohio, no corresponding expenditures required in 2006. The expenditures for the temporary police and fire station on the City's south side of the river are listed with Security of Persons and Property. General government expenditures reflect a net of reimbursements (or off-sets) for shared administrative costs allocated to the business type activities. In addition, reimbursement off-sets are included from the kilowatt hour tax monies directed back to the General Fund pursuant to Ohio law. Individual salary and wages, retirement contributions, and health insurance premiums for the City's employees did increase in 2006.

Net Change in Fund Balances in other major governmental funds included a slight increase in the Special Assessment Bond Retirement Fund by \$15,339, a decrease in the Capital Improvement Fund by \$61,122, and an increase in the Clean Ohio fund by \$70,036. The Capital Improvement Fund is primarily funded by income taxes; expenditures in 2006 included \$244,550 in transfers to other funds. The Clean Ohio Fund is primarily funded through a grant from the State of Ohio.

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 2006 the City amended its General Fund budget several times, none were considered significant.

For the General Fund, the final budget basis revenue of \$6.7 million did not significantly change over the conservative original budget estimates of \$5.5 million. The General Fund had an adequate revenue stream and fund balance to cover its expenditures in 2006.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2006 the City had \$51,675,366 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$25,713,224 was related to governmental activities and \$25,962,142 to the business-type activities. The following table shows fiscal year 2006 and 2005 balances:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Land	\$8,814,463	\$8,421,238	\$393,225
Improvements	859,879	683,257	176,622
Infrastructure	21,713,933	21,091,236	622,697
Buildings	2,405,551	2,405,551	0
Machinery and Equipment	4,522,229	4,931,847	(409,618)
Construction in Progress	1,776,992	1,030,638	746,354
Less: Accumulated Depreciation	(14,379,823)	(14,244,225)	(135,598)
Totals	<u>\$25,713,224</u>	<u>\$24,319,542</u>	<u>\$1,393,682</u>

	Business-Type Activities		Increase (Decrease)
	2006	2005	
Land	\$349,695	\$349,695	\$0
Buildings	7,030,855	7,030,855	0
Improvements	27,882,368	25,928,609	1,953,759
Machinery and Equipment	6,341,383	6,431,088	(89,705)
Construction in Progress	1,390,943	1,780,662	(389,719)
Less: Accumulated Depreciation	(17,033,102)	(16,536,575)	(496,527)
Totals	<u>\$25,962,142</u>	<u>\$24,984,334</u>	<u>\$977,808</u>

Increases were the greatest in major Infrastructure and Improvements. Additional information on the City's capital assets can be found in Note 9.



**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

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**Debt**

At December 31, 2006, the City had \$8.9 million in bonds outstanding, \$601,320 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Governmental Activities:		
Special Assessment Bonds	\$607,561	\$785,568
General Obligation Bonds	655,000	680,000
OPWC Loans Payable	135,862	148,212
Compensated Absences	488,661	481,520
Total Governmental Activities	<u>1,887,084</u>	<u>2,095,300</u>
Business-Type Activities:		
General Obligation Bonds	\$2,240,000	\$2,350,000
Mortgage Revenue Bonds	4,710,000	5,000,000
Special Assessment Bonds	93,439	97,432
OWDA Loans Payable	3,715,575	4,019,916
OPWC Loans Payable	47,898	51,582
OSWRC Deferred Loan Payable	666,070	666,070
Payable to Joint Venture	331,609	331,831
Compensated Absences	244,862	229,675
Total Business-Type Activities	<u>12,049,453</u>	<u>12,746,506</u>
Totals	<u>\$13,936,537</u>	<u>\$14,841,806</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 the other applicable political subdivisions within Henry County, Ohio, where Napoleon is located, is limited to ten mills. At December 31, 2006, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

**ECONOMIC FACTORS AND BUDGET**

The City's original budget for 2006 included built in conservative revenue estimates with limited increases in base operating costs. These estimates projected limited growth, or a potential decline, in certain revenues. Expenditures were *projected to exceed revenues* in most funds, including the General Fund. However, the City Council desiring to maintain current service levels to the residents of the City, decided to utilize some of the projected fund balance reserves and not cut service levels.

The original 2006 General Fund revenues were projected at a level of 9.5% less than final actual receipts for 2006. Some of the reduced revenue estimates included a projected decrease in interest income; projected reductions in state shared revenue including the estate tax; and a lowered projected municipal income tax to buffer any potential down turns in local economic conditions.

General Fund expenditures were originally budgeted at 9.6% more than final actual expenditures for 2006. Additional permanent personnel added in the final approved budget included an Assistant City Engineer, a Police Dispatcher, a re-funded Maintenance Worker II, and a Seasonal Position in Utility Billing. Some departmental requests were reduced from original submissions; certain requested capital projects and capital acquisitions were reduced or eliminated; and only those items that City management and City Council determined necessary were appropriated.

City Council continues to pursue new revenue sources, while reviewing the possibility of increasing existing sources. A close watch of current economic conditions is ongoing to determine if increased revenues, or reductions in expenditures, are necessary in order to maintain fiscal stability. Please see the transmittal letter for a more in depth review of the local economy.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact the Finance Department by one of the following venues:

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

**CITY OF NAPOLEON, OHIO**

**Statement of Net Assets  
December 31, 2006**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 4,999,097	\$ 13,068,161	\$ 18,067,258
Receivables:			
Property Taxes	601,925	0	601,925
Municipal Income Taxes	700,743	0	700,743
Accounts	214,411	2,743,213	2,957,624
Intergovernmental	2,719,457	0	2,719,457
Interest	104,703	139,642	244,345
Special Assessments	861,296	1,266,402	2,127,698
Loans	127,915	0	127,915
Internal Balances	(14,688)	14,688	0
Inventory of Supplies at Cost	88,552	1,322,481	1,411,033
Capital Assets:			
Capital Assets Not Being Depreciated	10,591,455	1,740,638	12,332,093
Capital Assets Being Depreciated, Net	15,121,769	24,221,504	39,343,273
Investment in Joint Venture	0	1,243,061	1,243,061
<b>Total Assets</b>	<b>36,116,635</b>	<b>45,759,790</b>	<b>81,876,425</b>
<b>Liabilities:</b>			
Accounts Payable	87,994	1,068,896	1,156,890
Accrued Wages and Benefits	233,391	86,058	319,449
Unearned Revenue	470,225	0	470,225
Accrued Interest Payable	9,030	69,498	78,528
General Obligation Notes Payable	0	3,225,000	3,225,000
Long-Term Liabilities:			
Due Within One Year	332,089	872,050	1,204,139
Due in More Than One Year	1,554,995	11,177,403	12,732,398
<b>Total Liabilities</b>	<b>2,687,724</b>	<b>16,498,905</b>	<b>19,186,629</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	24,314,801	11,264,160	35,578,961
Restricted For:			
Capital Projects	2,348,553	0	2,348,553
Debt Service	1,327,253	0	1,327,253
Street Construction, Maintenance and Repair	552,958	0	552,958
EMS Transport Service	294,200	0	294,200
Economic Development	560,947	0	560,947
Fire Equipment	375,287	0	375,287
Court Improvement	323,868	0	323,868
Other Purposes	1,095,415	0	1,095,415
Unrestricted	2,235,629	17,996,725	20,232,354
<b>Total Net Assets</b>	<b>\$ 33,428,911</b>	<b>\$ 29,260,885</b>	<b>\$ 62,689,796</b>

See accompanying notes to the basic financial statements

**CITY OF NAPOLEON, OHIO**

**Statement of Activities  
For the Year Ended December 31, 2006**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 2,790,209	\$ 970,374	\$ 58,561	\$ 97,455
Public Health and Welfare Services	96,450	13,385	0	0
Leisure Time Activities	849,041	246,881	0	0
Community Environment	446,673	5,100	412,590	0
Transportation	1,031,319	8,336	574,099	259,836
General Government	1,021,880	83,485	0	0
Interest and Fiscal Charges	83,755	0	0	0
<b>Total Governmental Activities</b>	<b>6,319,327</b>	<b>1,327,561</b>	<b>1,045,250</b>	<b>357,291</b>
<b>Business-Type Activities:</b>				
Electric	13,153,590	13,199,524	0	0
Water	1,769,784	2,090,647	0	0
Sewer	1,808,683	2,298,509	0	0
Sanitation	620,867	630,019	0	0
<b>Total Business-Type Activities</b>	<b>17,352,924</b>	<b>18,218,699</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$ 23,672,251</b>	<b>\$ 19,546,260</b>	<b>\$ 1,045,250</b>	<b>\$ 357,291</b>

**General Revenues:**

Property Taxes  
Municipal Income Taxes  
Other Local Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous  
Transfers  
Total General Revenues and Transfers  
  
Change in Net Assets  
  
Net Assets Beginning of Year  
Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF NAPOLEON, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,663,819)	\$ 0	\$ (1,663,819)
(83,065)	0	(83,065)
(602,160)	0	(602,160)
(28,983)	0	(28,983)
(189,048)	0	(189,048)
(938,395)	0	(938,395)
(83,755)	0	(83,755)
<u>(3,589,225)</u>	<u>0</u>	<u>(3,589,225)</u>
0	45,934	45,934
0	320,863	320,863
0	489,826	489,826
0	9,152	9,152
<u>0</u>	<u>865,775</u>	<u>865,775</u>
<u>(3,589,225)</u>	<u>865,775</u>	<u>(2,723,450)</u>
481,259	0	481,259
2,455,843	0	2,455,843
586,070	0	586,070
710,157	0	710,157
334,547	427,411	761,958
324,313	0	324,313
231,000	(231,000)	0
<u>5,123,189</u>	<u>196,411</u>	<u>5,319,600</u>
1,533,964	1,062,186	2,596,150
<u>31,894,947</u>	<u>28,198,699</u>	<u>60,093,646</u>
<u>\$ 33,428,911</u>	<u>\$ 29,260,885</u>	<u>\$ 62,689,796</u>

**CITY OF NAPOLEON, OHIO**

**Balance Sheet  
Governmental Funds  
December 31, 2006**

	General	Special Assessment Bond Retirement	Capital Improvement
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,416,752	\$ 442,774	\$ 465,728
Receivables:			
Property Taxes	453,126	0	0
Municipal Income Taxes	700,743	0	0
Accounts	38,241	0	0
Intergovernmental	285,171	0	397,167
Interest	72,058	5,986	0
Special Assessments	0	861,296	0
Loans	0	0	0
Inventory of Supplies, at Cost	1,649	0	0
<b>Total Assets</b>	<b>\$ 2,967,740</b>	<b>\$ 1,310,056</b>	<b>\$ 862,895</b>
<b>Liabilities:</b>			
Accounts Payable	30,004	0	21,479
Accrued Wages and Benefits Payable	125,986	0	0
Deferred Revenue	697,852	866,045	397,167
<b>Total Liabilities</b>	<b>853,842</b>	<b>866,045</b>	<b>418,646</b>
<b>Fund Balances:</b>			
Reserved for Encumbrances	52,962	0	45,788
Reserved for Supplies Inventory	1,649	0	0
Reserved for Loans Receivable	0	0	0
Undesignated/Unreserved in:			
General Fund	2,059,287	0	0
Special Revenue Funds	0	0	0
Debt Service Funds	0	444,011	0
Capital Projects Funds	0	0	398,461
<b>Total Fund Balances</b>	<b>2,113,898</b>	<b>444,011</b>	<b>444,249</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,967,740</b>	<b>\$ 1,310,056</b>	<b>\$ 862,895</b>

See accompanying notes to the basic financial statements

**CITY OF NAPOLEON, OHIO**

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<u>Clean Ohio</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1	\$ 2,639,239	\$ 4,964,494
0	148,799	601,925
0	0	700,743
0	176,170	214,411
1,514,857	522,262	2,719,457
0	26,659	104,703
0	0	861,296
0	127,915	127,915
0	70,742	72,391
<u>\$ 1,514,858</u>	<u>\$ 3,711,786</u>	<u>\$ 10,367,335</u>
7,721	25,395	84,599
0	102,680	228,666
<u>1,514,857</u>	<u>468,804</u>	<u>3,944,725</u>
<u>1,522,578</u>	<u>596,879</u>	<u>4,257,990</u>
0	479,800	578,550
0	70,742	72,391
0	127,915	127,915
0	0	2,059,287
0	2,410,223	2,410,223
0	26,227	470,238
<u>(7,720)</u>	<u>0</u>	<u>390,741</u>
<u>(7,720)</u>	<u>3,114,907</u>	<u>6,109,345</u>
<u>\$ 1,514,858</u>	<u>\$ 3,711,786</u>	<u>\$ 10,367,335</u>

***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2006***

---

<b>Total Governmental Fund Balances</b>	\$ 6,109,345
<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.	25,707,733
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	3,474,500
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	26,943
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,889,610)</u>
<b><i>Net Assets of Governmental Funds</i></b>	<b><u><u>\$ 33,428,911</u></u></b>

See accompanying notes to the basic financial statements





**CITY OF NAPOLEON, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006**

	General	Special Assessment Bond Retirement	Capital Improvement
<b>Revenues:</b>			
Property Taxes	\$ 328,704	\$ 0	\$ 0
Municipal Income Tax	2,467,664	0	0
Other Local Taxes	586,070	0	0
Intergovernmental Revenues	584,288	0	65,855
Charges for Services	238,542	0	0
Licenses and Permits	70,448	0	0
Investment Earnings	180,609	20,095	0
Special Assessments	0	223,796	0
Fines and Forfeitures	280,513	0	0
All Other Revenue	197,210	0	300
<b>Total Revenue</b>	<b>4,934,048</b>	<b>243,891</b>	<b>66,155</b>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	2,216,962	0	0
Public Health and Welfare Services	90,918	0	0
Leisure Time Activities	0	0	0
Community Environment	91,432	0	0
Transportation	0	0	0
General Government	772,557	3,881	0
Capital Outlay	0	0	1,117,009
Debt Service:			
Principal Retirement	0	190,357	0
Interest and Fiscal Charges	0	46,674	0
<b>Total Expenditures</b>	<b>3,171,869</b>	<b>240,912</b>	<b>1,117,009</b>
Excess (Deficiency) of Revenues Over Expenditures	1,762,179	2,979	(1,050,854)
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	0	0	0
Transfers In	50,874	12,360	1,234,282
Transfers Out	(2,090,680)	0	(244,550)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,039,806)</b>	<b>12,360</b>	<b>989,732</b>
Net Change in Fund Balances	(277,627)	15,339	(61,122)
<b>Fund Balances (Deficit) at Beginning of Year</b>	<b>2,392,097</b>	<b>428,672</b>	<b>505,371</b>
Increase (Decrease) in Inventory Reserve	(572)	0	0
<b>Fund Balances (Deficit) End of Year</b>	<b>\$ 2,113,898</b>	<b>\$ 444,011</b>	<b>\$ 444,249</b>

See accompanying notes to the basic financial statements

**CITY OF NAPOLEON, OHIO**

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<u>Clean Ohio</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 0	\$ 147,902	\$ 476,606
0	0	2,467,664
0	0	586,070
448,743	1,057,904	2,156,790
0	530,333	768,875
0	0	70,448
0	69,589	270,293
0	0	223,796
0	102,254	382,767
550	114,345	312,405
<u>449,293</u>	<u>2,022,327</u>	<u>7,715,714</u>
0	399,344	2,616,306
0	0	90,918
0	783,864	783,864
0	706,425	797,857
0	526,918	526,918
0	110,590	887,028
709,367	0	1,826,376
0	25,000	215,357
0	39,852	86,526
<u>709,367</u>	<u>2,591,993</u>	<u>7,831,150</u>
(260,074)	(569,666)	(115,436)
0	127,000	127,000
330,110	1,102,895	2,730,521
0	(252,291)	(2,587,521)
<u>330,110</u>	<u>977,604</u>	<u>270,000</u>
70,036	407,938	154,564
(77,756)	2,703,105	5,951,489
0	3,864	3,292
<u>\$ (7,720)</u>	<u>\$ 3,114,907</u>	<u>\$ 6,109,345</u>

**CITY OF NAPOLEON, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For the Year Ended December 31, 2006***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 154,564

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 1,468,950

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (74,796)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (220,423)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 215,357

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,771

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (3,465)

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. (8,994)

***Change in Net Assets of Governmental Activities*** \$ 1,533,964

See accompanying notes to the basic financial statements

**CITY OF NAPOLEON, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 276,420	\$ 328,690	\$ 328,704	\$ 14
Municipal Income Tax	2,420,000	2,884,920	2,884,930	10
Intergovernmental Revenue	422,000	573,230	573,279	49
Charges for Services	183,950	219,240	219,269	29
Licenses and Permits	69,760	70,430	70,448	18
Investment Earnings	158,880	204,690	204,698	8
Special Assessments	30	0	0	0
Fines and Forfeitures	215,000	288,930	288,948	18
All Other Revenues	212,010	209,600	209,562	(38)
Total Revenues	<u>3,958,050</u>	<u>4,779,730</u>	<u>4,779,838</u>	<u>108</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,405,170	2,282,882	2,282,523	359
Public Health and Welfare Services	101,390	91,772	91,655	117
Community Environment	100,510	92,360	92,296	64
General Government	1,283,307	1,202,561	1,201,429	1,132
Total Expenditures	<u>3,890,377</u>	<u>3,669,575</u>	<u>3,667,903</u>	<u>1,672</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	67,673	1,110,155	1,111,935	1,780
<b>Other Financing Sources (Uses):</b>				
Transfers In	462,907	636,935	636,944	9
Transfers Out	(1,731,990)	(2,090,698)	(2,090,680)	18
Total Other Financing Sources (Uses):	<u>(1,269,083)</u>	<u>(1,453,763)</u>	<u>(1,453,736)</u>	<u>27</u>
Net Change In Fund Balance	(1,201,410)	(343,608)	(341,801)	1,807
Fund Balance at Beginning of Year	1,626,273	1,626,273	1,626,273	0
Prior Year Encumbrances	72,285	72,285	72,285	0
Fund Balance at End of Year	<u>\$ 497,148</u>	<u>\$ 1,354,950</u>	<u>\$ 1,356,757</u>	<u>\$ 1,807</u>

See accompanying notes to the basic financial statements

**CITY OF NAPOLEON, OHIO**

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**Statement of Net Assets  
Proprietary Fund  
December 31, 2006**

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	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>
<b>Assets:</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 6,803,503	\$ 2,929,649	\$ 2,856,083
Receivables:			
Accounts	2,104,613	231,234	322,818
Interest	56,175	40,023	37,042
Special Assessments	0	52,796	1,213,606
Inventory of Supplies at Cost	<u>1,178,828</u>	<u>102,370</u>	<u>41,283</u>
<i>Total Current Assets</i>	<u>10,143,119</u>	<u>3,356,072</u>	<u>4,470,832</u>
<i>Non Current Assets:</i>			
Capital Assets, Net	10,418,057	6,229,509	9,111,111
Investment in Joint Venture	<u>1,243,061</u>	<u>0</u>	<u>0</u>
<i>Total Non Current Assets</i>	<u>11,661,118</u>	<u>6,229,509</u>	<u>9,111,111</u>
<b>Total Assets</b>	<u>21,804,237</u>	<u>9,585,581</u>	<u>13,581,943</u>

**CITY OF NAPOLEON, OHIO**

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<u>Other</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 478,926	\$ 13,068,161	\$ 34,603
84,548	2,743,213	0
6,402	139,642	0
0	1,266,402	0
<u>0</u>	<u>1,322,481</u>	<u>16,161</u>
<u>569,876</u>	<u>18,539,899</u>	<u>50,764</u>
203,465	25,962,142	5,491
<u>0</u>	<u>1,243,061</u>	<u>0</u>
<u>203,465</u>	<u>27,205,203</u>	<u>5,491</u>
<u>773,341</u>	<u>45,745,102</u>	<u>56,255</u>

(Continued)

**CITY OF NAPOLEON, OHIO**

**Statement of Net Assets  
Proprietary Fund  
December 31, 2006**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
<b>Liabilities:</b>			
<i>Current Liabilities:</i>			
Accounts Payable	846,656	168,234	38,053
Accrued Wages and Benefits	40,862	24,078	16,086
General Obligation Bonds - Current	0	125,000	0
Special Assessment Bonds - Current	0	0	3,993
Mortgage Revenue Bonds - Current	145,000	0	155,000
Ohio Public Works Commission Loan - Current	0	0	3,684
Ohio Water Development Authority Loans - Current	0	30,797	295,553
<i>Total Current Liabilities</i>	<u>1,032,518</u>	<u>348,109</u>	<u>512,369</u>
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	93,674	75,152	61,299
Accrued Interest Payable	0	69,051	447
General Obligation Notes Payable	0	3,225,000	0
General Obligation Bonds Payable	0	2,115,000	0
Special Assessment Bonds Payable	0	0	89,446
Revenue Bonds Payable	2,125,000	0	2,285,000
OWDA Loans Payable	0	529,046	2,860,179
OPWC Loans Payable	0	0	44,214
Ohio Sewer & Water Rotary Commission Deferred Loan Payable	0	158,166	507,904
Payable to Joint Venture	331,609	0	0
<i>Total Long-Term Liabilities</i>	<u>2,550,283</u>	<u>6,171,415</u>	<u>5,848,489</u>
<b>Total Liabilities</b>	<u>3,582,801</u>	<u>6,519,524</u>	<u>6,360,858</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	8,148,057	46,500	2,866,138
Unrestricted	10,073,379	3,019,557	4,354,947
<b>Total Net Assets</b>	<u>\$ 18,221,436</u>	<u>\$ 3,066,057</u>	<u>\$ 7,221,085</u>

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

See accompanying notes to the basic financial statements



**CITY OF NAPOLEON, OHIO**

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Other	Total	Governmental Activities - Internal Service Funds
15,953	1,068,896	3,395
5,032	86,058	4,725
0	125,000	0
0	3,993	0
0	300,000	0
0	3,684	0
0	326,350	0
20,985	1,913,981	8,120
14,737	244,862	6,504
0	69,498	0
0	3,225,000	0
0	2,115,000	0
0	89,446	0
0	4,410,000	0
0	3,389,225	0
0	44,214	0
0	666,070	0
0	331,609	0
14,737	14,584,924	6,504
35,722	16,498,905	14,624
203,465	11,264,160	5,491
534,154	17,982,037	36,140
\$ 737,619	29,246,197	\$ 41,631
	14,688	
	\$ 29,260,885	

**CITY OF NAPOLEON, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund  
For the Year Ended December 31, 2006**

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Sewer
<b>Operating Revenues:</b>			
Charges for Services	\$ 12,875,145	\$ 1,970,106	\$ 2,171,871
Other Charges for Services	120,858	120,541	126,638
<b>Total Operating Revenues</b>	<b>12,996,003</b>	<b>2,090,647</b>	<b>2,298,509</b>
<b>Operating Expenses:</b>			
Personal Services	1,043,365	586,272	456,670
Contractual Services	1,035,709	662,326	538,717
Purchased Power	10,135,680	0	0
Materials and Supplies	289,089	30,589	27,099
Utilities	40,374	116,420	87,137
Depreciation	402,206	166,910	375,510
<b>Total Operating Expenses</b>	<b>12,946,423</b>	<b>1,562,517</b>	<b>1,485,133</b>
Operating Income (Loss)	49,580	528,130	813,376
<b>Nonoperating Revenue (Expenses):</b>			
Investment Earnings	179,360	106,880	116,276
Interest Expense	(101,137)	(206,812)	(324,048)
Other Local Taxes (kWh Tax)	108,230	0	0
Gain on Investment in Joint Venture	95,291	0	0
Other Nonoperating Expense (kWh Paid to State)	(105,079)	0	0
<b>Total Nonoperating Revenues (Expenses)</b>	<b>176,665</b>	<b>(99,932)</b>	<b>(207,772)</b>
Income (Loss) Before Transfers	226,245	428,198	605,604
Transfers In	0	0	0
Transfers Out	0	0	(31,000)
Change in Net Assets	226,245	428,198	574,604
Net Assets Beginning of Year, as Restated	17,995,191	2,637,859	6,646,481
Net Assets End of Year	<b>\$ 18,221,436</b>	<b>\$ 3,066,057</b>	<b>\$ 7,221,085</b>

Change in Net Assets - Total Enterprise Funds

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

Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements

**CITY OF NAPOLEON, OHIO**

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Other	Total	Governmental Activities - Internal Service Funds
\$ 626,133	\$ 17,643,255	\$ 84,056
3,886	371,923	4,648
<u>630,019</u>	<u>18,015,178</u>	<u>88,704</u>
163,588	2,249,895	117,806
374,788	2,611,540	1,718
0	10,135,680	0
57,691	404,468	63,948
3,217	247,148	348
23,897	968,523	472
<u>623,181</u>	<u>16,617,254</u>	<u>184,292</u>
6,838	1,397,924	(95,588)
24,895	427,411	0
0	(631,997)	0
0	108,230	0
0	95,291	0
0	(105,079)	0
<u>24,895</u>	<u>(106,144)</u>	<u>0</u>
31,733	1,291,780	(95,588)
0	0	88,000
(200,000)	(231,000)	0
(168,267)	1,060,780	(7,588)
905,886	28,185,417	49,219
<u>\$ 737,619</u>	<u>29,246,197</u>	<u>\$ 41,631</u>
	\$ 1,060,780	
	1,406	
	<u>\$ 1,062,186</u>	

**CITY OF NAPOLEON, OHIO**

**Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2006**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$13,425,723	\$2,090,900	\$2,217,744
Cash Payments for Goods and Services	(11,715,646)	(673,438)	(624,241)
Cash Payments to Employees	(1,055,833)	(607,108)	(458,341)
Net Cash Provided (Used) by Operating Activities	<u>654,244</u>	<u>810,354</u>	<u>1,135,162</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	0	0
Transfers Out to Other Funds	0	0	(31,000)
Capital Contributions	0	55,690	99,359
Receipts of Other Local Taxes	108,230	0	0
kWh Tax Paid to State	(105,079)	0	0
Receipts of Special Assessments	0	0	158,620
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,151</u>	<u>55,690</u>	<u>226,979</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(245,426)	(1,072,533)	(832,805)
General Obligation Notes Issued	0	3,225,000	0
Principal Paid on General Obligation Notes	0	(925,000)	0
Principal Paid on Special Assessment Bond	0	0	(3,993)
Principal Paid on General Obligation Bonds	0	(110,000)	0
Principal Paid on Mortgage Revenue Bonds	(140,000)	0	(150,000)
Principal Paid on Ohio Public Works Commission Loan	0	0	(3,684)
Principal Paid on Ohio Water Development Authority Loans	0	(28,869)	(275,472)
Interest Paid on All Debt	(100,712)	(159,125)	(321,349)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(486,138)</u>	<u>929,473</u>	<u>(1,587,303)</u>
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	5,367,046	879,153	2,465,954
Receipts of Interest	137,867	70,477	96,717
Net Cash Provided by Investing Activities	<u>5,504,913</u>	<u>949,630</u>	<u>2,562,671</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,676,170	2,745,147	2,337,509
Cash and Cash Equivalents at Beginning of Year	1,127,333	184,502	518,574
Cash and Cash Equivalents at End of Year	<u>\$6,803,503</u>	<u>\$2,929,649</u>	<u>\$2,856,083</u>

**CITY OF NAPOLEON, OHIO**

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Other	Totals	Governmental Activities Internal Service Funds
\$627,629	\$18,361,996	\$88,704
(425,639)	(13,438,964)	(69,459)
(171,479)	(2,292,761)	(120,053)
30,511	2,630,271	(100,808)
0	0	88,000
(200,000)	(231,000)	0
0	155,049	0
0	108,230	0
0	(105,079)	0
0	158,620	0
(200,000)	85,820	88,000
0	(2,150,764)	0
0	3,225,000	0
0	(925,000)	0
0	(3,993)	0
0	(110,000)	0
0	(290,000)	0
0	(3,684)	0
0	(304,341)	0
0	(581,186)	0
0	(1,143,968)	0
518,667	9,230,820	0
20,898	325,959	0
539,565	9,556,779	0
370,076	11,128,902	(12,808)
108,850	1,939,259	47,411
\$478,926	\$13,068,161	\$34,603

(Continued)

**CITY OF NAPOLEON, OHIO**

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**Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2006**

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	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$49,580	\$528,130	\$813,376
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	402,206	166,910	375,510
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	429,720	(2,400)	(71,188)
Decrease (Increase) in Special Assessments Receival	0	2,653	(9,577)
Increase in Inventory	(129,061)	(30,336)	(3,490)
Increase (Decrease) in Accounts Payable	(85,733)	166,233	32,202
Decrease in Accrued			
Wages and Benefits	(21,037)	(26,149)	(6,024)
Increase (Decrease) in			
Compensated Absences	8,569	5,313	4,353
Total Adjustments	<u>604,664</u>	<u>282,224</u>	<u>321,786</u>
Net Cash Provided (Used) by Operating Activities	<u>\$654,244</u>	<u>\$810,354</u>	<u>\$1,135,162</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2006, the Electric and Sewer Funds had outstanding liabilities of \$18,176 and \$3,347, respectively, for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

**CITY OF NAPOLEON, OHIO**

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<u>Other</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$6,838	\$1,397,924	(\$96,059)
23,897	968,523	943
(2,390)	353,742	0
0	(6,924)	0
0	(162,887)	(5,078)
10,057	122,759	1,633
(4,843)	(58,053)	(2,631)
<u>(3,048)</u>	<u>15,187</u>	<u>384</u>
<u>23,673</u>	<u>1,232,347</u>	<u>(4,749)</u>
<u>\$30,511</u>	<u>\$2,630,271</u>	<u>(\$100,808)</u>

**CITY OF NAPOLEON, OHIO**

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**Statement of Assets and Liabilities  
Fiduciary Funds  
December 31, 2006**

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	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 22,263
<b>Total Assets</b>	<u>22,263</u>
<b>Liabilities:</b>	
Due to Others	<u>22,263</u>
<b>Total Liabilities</b>	<u>\$ 22,263</u>

See accompanying notes to the basic financial statements



***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Napoleon, Ohio (the City) is a home rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter, which provides for a Council/Manager form of government. The Charter was adopted November 7, 1950 and became effective January 1, 1952. The Charter was amended by vote on November 3, 1992, and became effective January 1, 1993; and the current Charter was amended by vote on November 7, 2000 and became effective January 1, 2001.

The financial statements are presented as of December 31, 2006 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

**A. Reporting Entity**

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

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

**1. Joint Ventures with Equity Interest**

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

1. Joint Ventures with Equity Interest (Continued)

*Ohio Municipal Electric Generation Agency Joint Venture 6 (Omega JV-6)* - The City is a participant with ten subdivisions within the State of Ohio in a distributive generation project using wind turbine technology. The Omega JV-6 was created for that purpose. See Note 16 "Joint Ventures and Jointly Governed Organizations."

2. Joint Ventures without Equity Interest

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

3. Jointly Governed Organizations:

*Maumee Valley Planning Organization* - The City is a member of the Maumee Valley Planning Organization (MVPO), which is a jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams Counties and the respective townships and municipalities in each of those counties. The purpose of the MVPO is to act as a joint regional planning commission to write and administer Community Development Block Grants (CDBG) and help with housing rehabilitation in the area. See Note 16 "Joint Ventures and Jointly Governed Organizations."

**B. Basis of Presentation - Fund Accounting**

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units.

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation - Fund Accounting (Continued)**

***Governmental Funds***

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

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

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

Capital Improvement Fund - To account for financial resources, mainly income tax revenue transferred into the fund, used for the major capital projects undertaken by the City.

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

***Proprietary Funds***

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

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation - Fund Accounting** (Continued)

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

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

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

Internal Service Funds (Non-major) - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has one internal service fund, the Garage Fund. This fund is used to account for monies received from city departments to cover the cost of servicing the vehicles of the City departments.

***Fiduciary Funds***

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations or other governments and therefore not available to support the City’s own programs. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation. These funds operate on a full accrual basis of accounting. The City has three agency funds. These funds are used to account for monies received by the City in situations where the City’s role is purely custodial in nature. The three funds are the Municipal Court Fund, which accounts for monies that flow through the municipal court office, the Law Library Fund, which is used to account for monies collected from traffic fines until they are remitted to other entities and the Payroll Withholdings Fund, which is used to account for withholding taxes until they are remitted to other entities.

**C. Basis of Presentation – Financial Statements**

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The internal service fund is eliminated to avoid “doubling up” revenues and expenses; however, the interfund services provided and used are not eliminated in the process of consolidation.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements (Continued)**

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

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

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

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting**

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

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

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

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes, which are measurable at December 31, 2006 but are not intended to finance 2006 operations, and delinquent property taxes whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6 "Taxes".

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting** (Continued)

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

**E. Budgetary Process**

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The only funds required to be reported in the basic financial statements are the general fund and any major special revenue funds. The primary level of budgetary control is at the object level within each department. Budgetary modifications may be made only by ordinance of the City Council.

**1. Tax Budget**

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2006.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level, the legal level of control. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. During 2006, several supplemental appropriations were necessary to budget the use of contingency funds, intergovernmental grant proceeds and capital improvement projects. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--General Fund" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrances

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



***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

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

	Net Change In Fund Balance
	General Fund
GAAP Basis (as reported)	(\$277,627)
Increase (Decrease):	
Accrued Revenues at December 31, 2006 received during 2007	(851,487)
Accrued Revenues at December 31, 2005 received during 2006	870,234
Accrued Expenditures at December 31, 2006 paid during 2007	155,990
Accrued Expenditures at December 31, 2005 paid during 2006	(201,375)
2005 Adjustment to Fair Value	22,459
2006 Adjustment to Fair Value	9,270
Outstanding Encumbrances	(69,265)
Budget Basis	<u>(\$341,801)</u>

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, repurchase agreements, the State Treasury Asset Reserve (STAR Ohio) and certificates of deposit with original maturity dates of three months or less. The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it is reported as a cash equivalent in the basic financial statements because it is a highly liquid instrument which is readily convertible to cash. The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' shares of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 5, "Cash, Cash Equivalents and Investments." Investment earnings of \$165,913 earned by other funds were credited to the general fund as required by local statute.

**G. Investments**

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

The City has invested funds in the STAR Ohio during 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2006.

**H. Inventory**

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Capital Assets and Depreciation**

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

**1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. All infrastructure acquired prior to the implementation of GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”, has been reported.

**2. Property, Plant and Equipment – Business Type Activities**

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

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

**3. Depreciation**

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Long-Term Debt**

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

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

**K. Compensated Absences**

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

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Compensated Absences** (Continued)

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

**L. Net Assets**

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

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

**M. Pensions**

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

**N. Interfund Activity**

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Reservations of Fund Balance**

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

**P. Estimates**

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

**Q. Operating Revenues and Expenses**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

**NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT**

**A. Changes in Accounting Principles**

For fiscal year 2006, the City has implemented GASB Statement No. 44, “*Economic Condition Reporting: the Statistical Section*”, GASB Statement No. 46, “*Net Assets Restricted by Enabling Legislation.*” and GASB Statement No. 47, “*Accounting For Termination Benefits.*”

GASB Statement No. 44 provides guidance on the tables and narrative explanations in the statistical section. The implementation of GASB statement No. 44 did not have an effect on the financial statements of the City.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT**

(Continued)

**A. Changes in Accounting Principles** (Continued)

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statement when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements that amount of net assets restricted by enabling legislation. The implementation of GASB statement No. 46 did not have an effect on the financial statements of the City.

GASB Statement No. 47 provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. The implementation of GASB statement No. 47 did not have an effect on the financial statements of the City.

In 2004, the GASB issued Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*”, which addresses how State and Local governments should account for and report their costs and obligations related to postemployment health care and other non-pension benefits. Collectively, these benefits are commonly referred to as “other postemployment benefits”, or OPEB. Statement No. 45 will not be effective for the City until 2009 and therefore, the City has not determined the impact, if any, that this statement will have on the financial statements.

**B. Prior Period Adjustment**

During the year ended December 31, 2005, it was determined that intergovernmental receivables in the governmental activities, the Water Fund and the Sewer Fund (enterprise funds) were overstated. The adjustments had the following effect on the following fund balances:

	Water Fund	Sewer Fund
Fund Balance at December 31, 2005 as reported	\$2,733,391	\$6,653,358
Accounting Change for accounts receivable	(95,532)	(6,877)
Net Assets at December 31, 2005 as restated	<u>\$2,637,859</u>	<u>\$6,646,481</u>

The changes to the beginning Fund balances had the following effect on the governmental activities and the business-type activities beginning net assets:

	Governmental Activities	Business-Type Activities
Net Assets December 31, 2005 as reported	\$32,008,399	\$28,301,108
Adjustments:		
Accounting Change for accounts receivable	(113,452)	(102,409)
Net Assets December 31, 2005 as restated	<u>\$31,894,947</u>	<u>\$28,198,699</u>

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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

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

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

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

Delinquent Income Tax Revenue	\$84,829
Delinquent Property Tax Revenue	9,239
Shared Revenues	2,436,078
Interest Revenues	83,058
Special Assessment Revenue	861,296
	<hr/>
	\$3,474,500

*Long-Term liabilities not reported in the funds:*

Special Assessment Bonds Payable	(\$607,561)
General Obligation Bonds Payable	(655,000)
OPWC Loans Payable	(135,862)
Accrued Interest on Long-Term Debt	(9,030)
Compensated Absences Payable	(482,157)
	<hr/>
	(\$1,889,610)

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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

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

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

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

Capital Outlay	\$2,656,859
Depreciation Expense	<u>(1,187,909)</u>
	\$1,468,950

*Governmental revenues not reported in the funds:*

Decrease in Delinquent Income Tax Revenue	(\$11,821)
Increase in Delinquent Property Tax	4,653
Decrease in Shared Revenue	(44,092)
Increase in Interest Revenue	64,254
Decrease in Special Assessment Revenue	<u>(233,417)</u>
	(\$220,423)

*Expenses not requiring the use of current financial resources:*

Increase in Compensated Absences Payable	(\$6,757)
Increase in supplies inventory	<u>3,292</u>
	(\$3,465)

**NOTE 4 - COMPLIANCE AND ACCOUNTABILITY**

***Fund Deficits*** - The fund deficits at December 31, 2006 of \$28,987 in the Police Pension Fund, \$20,877 in the Fire Pension Fund (special revenue funds) and \$7,720 in the Clean Ohio Fund (capital projects fund) arise from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis. The deficits do not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

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

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

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

**A. Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks. All deposits, except for deposits held by fiscal and escrow agents or trustees, are collateralized with eligible securities. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Collateral permitted by Chapter 135 of the ORC is limited to obligations of the United States and its agencies, bonds of any state, and bonds and other obligations of any country, municipal corporation or other legally constituted authority of the State of Ohio, or any instrumentality of such county, municipal corporation or other authority. Such collateral, as permitted by Chapter 135 of the ORC is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at a Federal Reserve Bank in the name of the City.

At year end the carrying amount of the City's deposits was \$11,481,224 and \$12,515,065 of the City's bank balance of \$12,094,571 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, not in the City's name.

**B. Investments**

The City's investments at December 31, 2006 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>less than 1</u>	<u>1-3</u>
FFCB	\$997,220	AAA <sup>1</sup> / Aaa <sup>2</sup>	\$0	\$997,220
FNMA	999,970	AAA <sup>1</sup> / Aaa <sup>2</sup>	0	999,970
FHLMC	998,380	AAA <sup>1</sup> / Aaa <sup>2</sup>	0	998,380
FHLB	2,996,610	AAA <sup>1</sup> / Aaa <sup>2</sup>	999,920	1,996,690
STAR Ohio	616,117	AAAm <sup>1</sup>	616,117	0
Total Investments	<u>\$6,608,297</u>		<u>\$1,616,037</u>	<u>\$4,992,260</u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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

**B. Investments** (Continued)

*Credit Risk* – The City’s investments in FFCB, FNMA, FHLMC and FHLB securities were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. While the City has no formal investment policy, the City addresses credit risk by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers, intermediaries and financial advisors and by diversifying the investment portfolio so that potential losses on individual securities do not exceed income generated from the remaining portfolio.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investments in FFCB, FNMA, FHLMC and FHLB securities in the amount of \$997,220, \$999,970, \$998,380 and \$1,996,690, respectively, are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent in the City’s name. The City has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 15% are FFCB, 15% are FNMA, 15% are FHLMC and 45% are FHLB.

**NOTE 6 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2006 were levied after October 1, 2005 on assessed values as of January 1, 2005, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed for tax year 2005. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semi-annually, the first payment is due by February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 6 - TAXES (Continued)**

**A. Property Taxes (Continued)**

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

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

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

The full tax rate for the City's operations for the year ended December 31, 2006 was \$2.90 per \$1,000 of assessed value. The assessed value upon which the 2006 receipts were based was \$162,145,824. This amount constitutes \$138,379,700 in real property assessed value, \$1,685,210 in public utility assessed value and \$22,080,914 in tangible personal property assessed value.

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

**B. Income Tax**

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

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

**CITY OF NAPOLEON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2006 consisted of taxes, interest, accounts receivable, special assessments, loans and intergovernmental receivables arising from shared revenues.

**NOTE 8 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2006:

Transfers In:	Transfers Out:					Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Sewer Fund	Sanitation Fund	
General Fund	\$0	\$0	\$50,874	\$0	\$0	\$50,874
Special Assessment Bond Retirement Fund	0	0	12,360	0	0	12,360
Capital Improvement Fund	1,203,282	0	0	31,000	0	1,234,282
Clean Ohio Fund	0	0	130,110	0	200,000	330,110
Nonmajor Governmental Funds	799,398	244,550	58,947	0	0	1,102,895
Internal Service Fund	88,000	0	0	0	0	88,000
Total	<u>\$2,090,680</u>	<u>\$244,550</u>	<u>\$252,291</u>	<u>\$31,000</u>	<u>\$200,000</u>	<u>\$2,818,521</u>

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2006:

*Historical Cost:*

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$8,421,238	\$424,475	(\$31,250)	\$8,814,463
Construction in Progress	1,030,638	799,666	(53,312)	1,776,992
Subtotal	9,451,876	1,224,141	(84,562)	10,591,455
<i>Capital assets being depreciated:</i>				
Improvements	683,257	176,622	0	859,879
Buildings	2,405,551	0	0	2,405,551
Machinery and Equipment	4,931,847	340,891	(750,509)	4,522,229
Infrastructure	21,091,236	915,205	(292,508)	21,713,933
Subtotal	29,111,891	1,432,718	(1,043,017)	29,501,592
Total Cost	\$38,563,767	\$2,656,859	(\$1,127,579)	\$40,093,047

*Accumulated Depreciation:*

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Improvements	(\$214,554)	(\$26,893)	\$0	(\$241,447)
Buildings	(1,965,290)	(19,362)	0	(1,984,652)
Machinery and Equipment	(2,898,115)	(411,276)	779,301	(2,530,090)
Infrastructure	(9,166,266)	(730,378)	273,010	(9,623,634)
Total Depreciation	(\$14,244,225)	(\$1,187,909) *	\$1,052,311	(\$14,379,823)
<i>Net Value:</i>	\$24,319,542			\$25,713,224

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$202,853
Public Health and Welfare Services	7,864
Leisure Time Activities	80,231
Community Environment	1,165
Transportation	804,049
General Government	91,747
Total Depreciation Expense	\$1,187,909

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 9 - CAPITAL ASSETS (continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2006:

*Historical Cost:*

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$349,695	\$0	\$0	\$349,695
Construction in Progress	1,780,662	1,014,363	(1,404,082)	1,390,943
Subtotal	2,130,357	1,014,363	(1,404,082)	1,740,638
<i>Capital assets being depreciated:</i>				
Buildings	7,030,855	0	0	7,030,855
Improvements	25,928,609	1,971,359	(17,600)	27,882,368
Machinery and Equipment	6,431,088	392,282	(481,987)	6,341,383
Subtotal	39,390,552	2,363,641	(499,587)	41,254,606
Total Cost	\$41,520,909	\$3,378,004	(\$1,903,669)	\$42,995,244

*Accumulated Depreciation:*

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings	(\$3,182,762)	(\$214,639)	\$0	(\$3,397,401)
Improvements	(8,463,049)	(539,417)	0	(9,002,466)
Machinery and Equipment	(4,890,764)	(222,290)	479,819	(4,633,235)
Total Depreciation	(\$16,536,575)	(\$976,346)	\$479,819	(\$17,033,102)
<i>Net Value:</i>	\$24,984,334			\$25,962,142



***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

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

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

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

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan 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, including postemployment health care 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) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.0%. The 2006 employer contribution rate for local government employer units was 13.70%, of covered payroll, 9.20% to fund the pension and 4.5% 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, 2006, 2005, and 2004 were \$573,064, \$375,001 and \$367,278, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year 2006 was 4.5% of covered payroll which amounted to \$188,232.

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, 2005. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5%. 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 .50% to 6% for the next 9 years. In subsequent years (10 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 for the TP and CO Plans was 358,804. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2005 is \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

**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, 2006, 2005, and 2004 were \$154,638, \$92,382 and \$81,549 for police and \$107,462, \$99,657 and \$70,958 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2006 covered payroll that was used to fund postemployment health care benefits was \$61,459 representing 7.75% of covered payroll for police and \$34,701 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, 2005, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,922 for police and 10,537 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, 2005 were \$108,039,449, which was net of member contributions of \$55,271,881.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 11 – COMPENSATED ABSENCES**

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

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

At December 31, 2006, the City's accumulated, unpaid compensated absences amounted to \$733,523, of which \$488,661 is recorded as a liability of the Governmental Activities and \$244,862 is recorded as a liability of the Business-Type Activities.

**NOTE 12 - NOTES PAYABLE**

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

	Issue Date	Balance December 31, 2005	Issued (Retired)	Balance December 31, 2006
Enterprise Funds Notes Payable:				
4.00% Waterline Plant Flow Controls	7/28/05	\$225,000	(\$225,000)	\$0
4.00% Waterline S. Perry	7/28/05	250,000	(250,000)	0
4.00% Waterline S. Perry	7/28/05	100,000	(100,000)	0
4.00% Water Tower Project	7/28/05	350,000	(350,000)	0
4.50% Waterline Plant Flow Controls	7/28/06	0	225,000	225,000
4.50% Water Tower Project	7/28/06	0	1,000,000	1,000,000
4.50% Miex Pretreatment Plant	7/28/06	0	2,000,000	2,000,000
Total Enterprise Funds Notes Payable:		<u>\$925,000</u>	<u>\$2,300,000</u>	<u>\$3,225,000</u>

**CITY OF NAPOLEON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 13 - LONG-TERM DEBT**

Long-term debt of the City at December 31, 2006 was as follows:

Date Purchased	Interest Rate	Description	Maturity Date	Balance December 31, 2005	Additions	(Reductions)	Balance December 31, 2006	Amount Due Within One Year
<b>Business-Type Activities:</b>								
<b>General Obligation Bonds:</b>								
2005	3.00% - 5.00%	Waterworks System Improvements	2019	\$1,375,000	\$0	(\$75,000)	\$1,300,000	\$85,000
2004	2.50% - 5.12%	Capital Facilities Improvement	2024	975,000	0	(35,000)	940,000	40,000
Total General Obligation Bonds				2,350,000	0	(110,000)	2,240,000	125,000
<b>Mortgage Revenue Bonds:</b>								
1998	4.00% - 5.00%	Sewer System Improvement	2018	2,590,000	0	(150,000)	2,440,000	155,000
1998	4.00% - 5.00%	Electric System Improvement	2018	2,410,000	0	(140,000)	2,270,000	145,000
Total Mortgage Revenue Bonds				5,000,000	0	(290,000)	4,710,000	300,000
<b>Special Assessment Bond:</b>								
(with Governmental Commitment)								
2000	5.00%	West Main, Wested and Vine Improvements	2020	97,432	0	(3,993)	93,439	3,993
<b>Ohio Sewer and Water Rotary Commission Deferred Loans:</b>								
1998		OSWRC - Palmer Ditch Project		88,341	0	0	88,341	0
2005		OSWRC - North Pointe Water and SewerProject		577,729	0	0	577,729	0
Total OSWRC Loans				666,070	0	0	666,070	0
<b>Ohio Public Works Commission Loan:</b>								
2000		Railroad Street Sewer Separation	2020	51,582	0	(3,684)	47,898	3,684
<b>Ohio Water Development Authority Loans (OWDA):</b>								
1990	7.840%	OWDA - Project #1089	2013	2,038,017	0	(229,536)	1,808,481	247,532
1992	9.185%	OWDA - Malinta Waterline	2016	293,820	0	(19,146)	274,674	20,633
2005	4.490%	OWDA - Waterline Construction	2025	1,393,187	0	(45,936)	1,347,251	48,021
2005	4.490%	OWDA - Sewer System Improvements	2025	294,892	0	(9,723)	285,169	10,164
Total Ohio Water Development Authority Loans				4,019,916	0	(304,341)	3,715,575	326,350
Payable to Joint Venture				331,831	0	(222)	331,609	0
Compensated Absences				229,675	244,862	(229,675)	244,862	113,023
Total Business-Type Long-Term Debt				\$12,746,506	\$244,862	(\$941,915)	\$12,049,453	\$872,050

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**CITY OF NAPOLEON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 13- LONG-TERM DEBT (Continued)**

Date Purchased	Interest Rate	Description	Maturity Date	Balance December 31, 2005	Additions	(Reductions)	Balance December 31, 2006	Amount Due Within One Year
Governmental Activities:								
Special Assessment Bonds:								
1990	7.250%	Oberhaus Creek Sewer Improvements	2010	\$75,000	\$0	(\$15,000)	\$60,000	\$15,000
1991	5.65-6.55%	Street Improvements	2011	165,000	0	(115,000)	50,000	10,000
1992	5.70-6.10%	Street Improvements	2012	140,000	0	(20,000)	120,000	20,000
1993	5.40%	Street Improvements	2013	71,000	0	(7,000)	64,000	8,000
1996	5.90%	Street Improvements	2016	130,000	0	(10,000)	120,000	10,000
1998	4.50-5.125%	Street Improvements	2018	120,000	0	(6,000)	114,000	6,000
1998	4.50-5.125%	Street Improvements	2018	60,000	0	(4,000)	56,000	4,000
2000	5.875%	West Main, Wested and Vine Improvements	2020	24,568	0	(1,007)	23,561	1,007
Total Special Assessment Bonds (with Governmental Commitment)				785,568	0	(178,007)	607,561	74,007
General Obligation Bonds:								
2005	3.00% - 5.00%	Northcrest Drive	2025	385,000	0	(15,000)	370,000	15,000
2005	3.00% - 5.00%	SR 424 Resurfacing	2025	295,000	0	(10,000)	285,000	10,000
Total General Obligation Bonds				680,000	0	(25,000)	655,000	25,000
Ohio Public Works Commission Loan:								
1998		Unimproved Street Program	2017	148,212	0	(12,350)	135,862	12,350
Compensated Absences				481,520	488,661	(481,520)	488,661	220,732
Total Governmental Activities Long-Term Debt				\$2,095,300	\$488,661	(\$696,877)	\$1,887,084	\$332,089

The principal amount of the City's special assessment debt outstanding at December 31, 2006, \$701,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$444,011 in the Special Assessment Bond Retirement Fund at December 31, 2006 is reserved for the retirement of outstanding special assessment bonds. The Sewer Fund will be collecting special assessments to retire the enterprise funds' special assessment debt.

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

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

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**NOTE 13 - LONG-TERM DEBT (Continued)**

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

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

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

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

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

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

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

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**NOTE 13 - LONG-TERM DEBT (Continued)**

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

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

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

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

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

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

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

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



**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

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**NOTE 13 - LONG-TERM DEBT (Continued)**

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

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

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

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

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 13 - LONG-TERM DEBT (Continued)**

**A. Future Long-Term Financing Requirements**

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2006 follows:

Years	General Obligation Bonds		Mortgage Revenue Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$150,000	\$122,096	\$300,000	\$227,762	\$78,000	\$40,846
2008	145,000	117,596	315,000	214,413	79,000	36,091
2009	150,000	113,146	330,000	200,237	80,000	31,251
2010	155,000	108,272	345,000	184,563	80,000	26,411
2011	155,000	103,136	360,000	168,176	71,000	21,535
2012-2016	905,000	423,146	2,075,000	564,587	230,000	58,157
2017-2021	840,000	209,792	985,000	74,500	83,000	9,467
2022-2024	395,000	45,538	0	0	0	0
Totals	<u>\$2,895,000</u>	<u>\$1,242,722</u>	<u>\$4,710,000</u>	<u>\$1,634,238</u>	<u>\$701,000</u>	<u>\$223,758</u>

Years	OWDA Loans		OPWC Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$326,351	\$235,777	\$16,035	\$0	\$870,386	\$626,481
2008	350,003	212,126	16,035	0	905,038	580,226
2009	375,421	186,708	16,035	0	951,456	531,342
2010	402,737	159,389	16,035	0	998,772	478,635
2011	432,101	130,026	16,035	0	1,034,136	422,873
2012-2016	912,884	319,500	80,174	0	4,203,058	1,365,390
2017-2021	496,653	157,526	23,411	0	2,428,064	451,285
2022-2025	419,425	38,500	0	0	814,425	84,038
Totals	<u>\$3,715,575</u>	<u>\$1,439,552</u>	<u>\$183,760</u>	<u>\$0</u>	<u>\$12,205,335</u>	<u>\$4,540,270</u>

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

The City has received advances to meet the portion of costs of sewer and water improvements to be financed by assessments which collections are deferred or exempt pursuant to division (B) of Section 6103.052 of the Ohio Revised Code. The City is responsible for collecting the assessments for which the deferrals were made when the property no longer meets the exemption criteria.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 14 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters and injuries to employees. To manage this risk the City participates in various jointly funded pools, both risk sharing and group rated, to provide separate and distinct coverage for the risk involved. These pools are: Buckeye Ohio Risk Management Agency-Property and Casualty, Inc., for Property and Casualty Coverage (aka - BORMA Property and Casualty); Buckeye Ohio Risk Management Agency-Health Benefits, Inc., for Health and Group Life Insurance Coverage (aka - BORMA Health Benefits); and Ohio Rural Water Association-Group Rated Pool for Workers Compensation (aka - ORWA Workers Compensation Pool).

**A. BORMA Property and Casualty Pool**

The BORMA Property and Casualty Pool provides comprehensive and general liability for; automobiles, automobile physical damage, general liability, crime and property, and public officials coverage's up to specifics limits. The pool includes the following Ohio Cities as members: Bowling Green, Defiance, Huron, Napoleon, Sandusky and Willard. Member contributions are calculated annually to produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims. As of December 31, 2006 the pool has cash reserves of \$1,142,183, which in the opinion of management is adequate for any claims currently pending against the pool.

For the period 12/01/2005 through 11/30/2006, the amount of risk retained within the pool is \$150,000 per occurrence for Property and Crime, \$150,000 per occurrence for General Liability and Automobile Liability. The City's individual liability is \$1,000 per occurrence for Property and Crime losses. Coverage is provided by various insurance carriers with total Property limits of \$70,463,030, primary General Liability limit of \$2,000,000 per occurrence, primary Automobile Liability limit of \$2,000,000 per occurrence and excess Liability limits of \$8,000,000 per occurrence and aggregate. These limits are inclusive of the above noted retentions.

For the period 12/01/2006 through 11/30/2007, the amount of risk retained within the pool is \$150,000 per occurrence for Property and Crime, \$150,000 per occurrence for General Liability and Automobile Liability. The City's individual liability is \$1,000 per occurrence for Property and Crime losses. Coverage is provided by various insurance carriers with total Property limits of \$71,111,668, primary General Liability limit of \$2,000,000 per occurrence, primary Automobile Liability limit of \$2,000,000 per occurrence and excess Liability limits of \$8,000,000 per occurrence and aggregate. These limits are inclusive of the above noted retentions.

In a move to lower costs to pool members, the BORMA Property and Casualty Pool joined with other risk sharing pools to form a new pool called the Public Entity Risk Corporation (PERC). This pool provides self-insured retentions for each of the member pools as follows: Property up to \$250,000 per occurrence, Liability up to \$500,000 per occurrence and Stop Loss for period 12/01/2005 through 11/30/2006 up to \$1,752,965 maximum per year; and Stop Loss for period 12/01/2006 through 11/30/2007 up to \$1,880,000 maximum per year. As of December 31, 2006 the pool has cash reserves of \$2,458,857, which in the opinion of management is adequate for any claims currently pending against the pool.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 14 - RISK MANAGEMENT (Continued)**

**B. BORMA Health Benefits Pool**

The BORMA Health Benefits Pool is for employee benefits and includes Life Insurance, Accidental Death and Dismemberment Insurance, Health Insurance and Prescription Drug Insurance. Each pool member has its own respective plan and coverage it has elected to provide for its employees. Premiums paid into the pool by each member are based on the level of coverage within each respective plan. The pool includes the following Ohio Cities as members: Archbold, Bowling Green, Carey, Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Sandusky, Upper Sandusky and Willard. Additionally, the pool includes the Ohio County of Wyandot and the Township of Shawnee in Allen County, Ohio. Member contributions are calculated annually to produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims. As of December 31, 2006 the pool has cash reserves of \$2,552,735, which in the opinion of management is adequate for any claims currently pending against the pool.

The City provides to its employees all available options listed in its own developed plan as covered by the pool. The 2006 premiums paid into the employee benefits pool were a monthly cost of \$887.49 for family coverage and \$309.23 for single coverage. The life insurance monthly premium was \$5.10. During 2006 the City paid \$930,138 into the pool for health benefits coverage, and \$6,518 into the pool for insurance coverage. The cost of coverage is paid out of each respective fund that pays the salary of the individuals covered under the plan. The amount of risk retained by the pool was \$100,000 per individual for 2006 with excess coverage provided by the QBE Insurance Corporation.

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

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 14 - RISK MANAGEMENT (Continued)**

**C. ORWA Workers Compensation Pool; and Unemployment Benefits**

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

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

**NOTE 15 - CONTINGENCIES**

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

**NOTE 16 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

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

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 16 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$82,491 at December 31, 2006. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

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

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 16 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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

rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2006 Napoleon has met their debt coverage obligation.

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

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$794,035 at December 31, 2006. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 16 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2006 Napoleon has met their debt coverage obligation.

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

OMEGA JV6 is managed by American Municipal Power-Ohio, Inc., which acts as the joint venture's agent. On July 30, 2004 AMP-Ohio issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project. The City's net obligation for these bonds at December 31, 2006 was \$331,609 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected).

The City's net investment and its share of operating results of OMEGA JV6 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV6 was \$366,536 at December 31, 2006. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).



**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

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**NOTE 16 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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

The ten participating subdivisions and their respective ownership shares at December 31, 2006 are:

<b>Participant</b>	<b>KW Amount</b>	<b>% of Financing</b>
Bowling Green	4,100	56.94%
Cuyahoga Falls	1,800	25.00%
Napoleon	300	4.17%
Oberlin	250	3.47%
Wadsworth	250	3.47%
Edgeton	100	1.39%
Elmore	100	1.39%
Montpelier	100	1.39%
Pioneer	100	1.39%
Monroeville	100	1.39%
Total	<u>7,200</u>	<u>100.00%</u>

The City's liability for the bonds are disclosed below:

<b>Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Service</b>
2007	\$ 28,000	\$ 13,925	\$ 41,925
2008	25,000	16,056	41,056
2009	25,000	16,287	41,287
2010	25,000	16,267	41,267
2011	25,000	15,998	40,998
2012-2019	227,120	58,262	285,382
Total Gross Liability	<u>355,120</u>	<u>136,795</u>	<u>491,915</u>
Less: Amounts Held in Reserve	<u>(23,511)</u>		
Net Obligation	<u>\$ 331,609</u>		

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 16 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**D. Community Improvement Corporation (CIC)**

The City, along with Henry County is a participant in the joint venture to operate the Community Improvement Corporation (CIC). The corporation's duties are to advance, encourage and promote the industrial, economic, commercial and civic development of the City of Napoleon and Henry County. The CIC is governed by a Board of 10 Trustees. Five of these trustees are residents of the City of Napoleon and the remaining five are residents of Henry County. The City's degree of control over the Board is limited to its representation on the Board. The City has no equity interest in the CIC. The City paid \$179,000 to the CIC during 2006. Financial information can be obtained from the CIC, 104 East Washington Street, Napoleon, Ohio 43545.

**E. Maumee Valley Planning Organization (MVPO)**

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

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main source of revenue is fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 2006, the City paid administrative fees of \$37,162 to MVPO.

**NOTE 17 - CONDUIT DEBT OBLIGATIONS**

The City issued mortgage revenue bonds to provide financial assistance to The Lutheran Orphans' and Old Folks' Home Society at Napoleon, Ohio, Inc. The City has no obligation for the debt beyond the resources provided by the mortgage revenue bonds. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2006, there were two mortgage revenue bonds outstanding with an aggregate principal amount payable of \$1,622,706.

*COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES*

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



***Nonmajor Governmental Funds***

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***Special Revenue Funds***

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

**Street Construction, Maintenance and Repair Fund**

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

**State Highway Improvement Fund**

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

**Motor Vehicle License Tax Fund**

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

**EMS Transport Service Fund**

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

**Recreation Fund**

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

**Special Events Fund**

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

**Economic Development Fund**

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

**Hotel/Motel Tax Fund**

To account for the collection of Hotel/Motel Excise Tax, otherwise known as Lodge Tax. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

**Fire Loss Claims Fund**

To account for insurance proceeds held as security against the cost to provide for removing, repairing and securing losses caused by fire. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

(Continued)

***Special Revenue Funds***

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**Community Housing Improvement Program (CHIP) Income Fund**

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

**Community Development Block Grant (CDBG) Income Fund**

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

**Indigent Drivers Alcohol Treatment Fund**

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

**Law Enforcement and Education Fund**

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

**Court Computerization Fund**

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

**Law Enforcement Trust Fund**

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

**Mandatory Drug Fine Fund**

To account for mandatory fines collected for drug related offenses.

**Fire Equipment Fund**

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

**Municipal Probation Service Fund**

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

**Probation Officer Grant Fund**

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

**Court Improvement Fund**

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

(Continued)

***Special Revenue Funds***

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**Handicap Parking Fines Fund**

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

**Police Pension Fund**

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

**Fire Pension Fund**

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

**Cemetery Fund**

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

**FEMA Small Projects Fund**

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

***Debt Service Fund***

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

**General Bond Retirement Fund**

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

***Capital Projects Funds***

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

**Greenfield Open Space Fund**

To account for grant monies and local share monies to purchase land adjacent to park area.

**CITY OF NAPOLEON, OHIO**

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**Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2006**

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	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,613,012	\$ 26,227	\$ 2,639,239
Receivables (net of allowance for doubtful accounts):			
Taxes	148,799	0	148,799
Accounts	176,170	0	176,170
Intergovernmental	522,262	0	522,262
Interest	26,659	0	26,659
Loans	127,915	0	127,915
Inventory of Supplies, at Cost	70,742	0	70,742
<b>Total Assets</b>	<u>\$ 3,685,559</u>	<u>\$ 26,227</u>	<u>\$ 3,711,786</u>
<b>Liabilities:</b>			
Accounts Payable	25,395	0	25,395
Accrued Wages and Benefits Payable	102,680	0	102,680
Deferred Revenue	468,804	0	468,804
<b>Total Liabilities</b>	<u>596,879</u>	<u>0</u>	<u>596,879</u>
<b>Fund Balances:</b>			
Reserved for Encumbrances	479,800	0	479,800
Reserved for Supplies Inventory	70,742	0	70,742
Reserved for Loans Receivable	127,915	0	127,915
Undesignated/Unreserved in:			
Special Revenue Funds	2,410,223	0	2,410,223
Debt Service Funds	0	26,227	26,227
<b>Total Fund Balances</b>	<u>3,088,680</u>	<u>26,227</u>	<u>3,114,907</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,685,559</u>	<u>\$ 26,227</u>	<u>\$ 3,711,786</u>



**CITY OF NAPOLEON, OHIO**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
<b>Revenues:</b>			
Property Taxes	\$ 147,902	\$ 0	\$ 147,902
Intergovernmental Revenues	1,057,904	0	1,057,904
Charges for Services	530,333	0	530,333
Investment Earnings	69,589	0	69,589
Fines and Forfeitures	102,254	0	102,254
All Other Revenue	97,607	16,738	114,345
<b>Total Revenue</b>	<b>2,005,589</b>	<b>16,738</b>	<b>2,022,327</b>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	399,344	0	399,344
Leisure Time Activities	783,864	0	783,864
Community Environment	706,425	0	706,425
Transportation	526,918	0	526,918
General Government	110,590	0	110,590
Debt Service:			
Principal Retirement	0	25,000	25,000
Interest and Fiscal Charges	0	39,852	39,852
<b>Total Expenditures</b>	<b>2,527,141</b>	<b>64,852</b>	<b>2,591,993</b>
Excess (Deficiency) of Revenues Over Expenditures	(521,552)	(48,114)	(569,666)
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	127,000	0	127,000
Transfers In	1,048,345	54,550	1,102,895
Transfers Out	(252,291)	0	(252,291)
<b>Total Other Financing Sources (Uses)</b>	<b>923,054</b>	<b>54,550</b>	<b>977,604</b>
Net Change In Fund Balance	401,502	6,436	407,938
<b>Fund Balances at Beginning of Year</b>	<b>2,683,314</b>	<b>19,791</b>	<b>2,703,105</b>
Increase in Inventory Reserve	3,864	0	3,864
<b>Fund Balances End of Year</b>	<b>\$ 3,088,680</b>	<b>\$ 26,227</b>	<b>\$ 3,114,907</b>

**CITY OF NAPOLEON, OHIO**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2006**

	Street Construction, Maintenance and Repair	State Highway Improvement	Motor Vehicle License Tax	EMS Transport Service
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 319,702	\$ 34,418	\$ 341,358	\$ 122,785
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	0	0
Accounts	4,278	0	0	166,415
Intergovernmental	198,471	16,092	31,512	5,000
Interest	4,080	416	4,203	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	70,742	0	0	0
<b>Total Assets</b>	<b>\$ 597,273</b>	<b>\$ 50,926</b>	<b>\$ 377,073</b>	<b>\$ 294,200</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 2,818	\$ 0	\$ 9,971	\$ 0
Accrued Wages and Benefits Payable	12,234	0	0	0
Deferred Revenue	135,551	11,058	24,342	0
<b>Total Liabilities</b>	<b>150,603</b>	<b>11,058</b>	<b>34,313</b>	<b>0</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	4,600	0	15,515	5,650
Reserved for Supplies Inventory	70,742	0	0	0
Reserved for Loans Receivable	0	0	0	0
Undesignated/Unreserved	371,328	39,868	327,245	288,550
<b>Total Fund Balances</b>	<b>446,670</b>	<b>39,868</b>	<b>342,760</b>	<b>294,200</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 597,273</b>	<b>\$ 50,926</b>	<b>\$ 377,073</b>	<b>\$ 294,200</b>

**CITY OF NAPOLEON, OHIO**

<u>Recreation</u>	<u>Special Events</u>	<u>Economic Development</u>	<u>CHIP Income</u>	<u>CDBG Income</u>	<u>Indigent Drivers Alcohol Treatment</u>	<u>Law Enforcement and Education</u>
\$ 131,077	\$ 24,896	\$ 432,707	\$ 60,550	\$ 82,833	\$ 35,503	\$ 4,859
0	0	0	0	0	0	0
0	0	0	0	0	263	74
0	0	0	240,875	0	0	0
2,248	0	7,575	0	0	464	49
0	0	127,915	0	0	0	0
0	0	0	0	0	0	0
<u>\$ 133,325</u>	<u>\$ 24,896</u>	<u>\$ 568,197</u>	<u>\$ 301,425</u>	<u>\$ 82,833</u>	<u>\$ 36,230</u>	<u>\$ 4,982</u>
\$ 5,356	\$ 0	\$ 7,250	\$ 0	\$ 0	\$ 0	\$ 0
17,773	0	0	0	0	0	0
<u>1,783</u>	<u>0</u>	<u>6,009</u>	<u>104,495</u>	<u>0</u>	<u>368</u>	<u>39</u>
<u>24,912</u>	<u>0</u>	<u>13,259</u>	<u>104,495</u>	<u>0</u>	<u>368</u>	<u>39</u>
140	0	79,312	0	2,252	0	75
0	0	0	0	0	0	0
0	0	127,915	0	0	0	0
<u>108,273</u>	<u>24,896</u>	<u>347,711</u>	<u>196,930</u>	<u>80,581</u>	<u>35,862</u>	<u>4,868</u>
<u>108,413</u>	<u>24,896</u>	<u>554,938</u>	<u>196,930</u>	<u>82,833</u>	<u>35,862</u>	<u>4,943</u>
<u>\$ 133,325</u>	<u>\$ 24,896</u>	<u>\$ 568,197</u>	<u>\$ 301,425</u>	<u>\$ 82,833</u>	<u>\$ 36,230</u>	<u>\$ 4,982</u>

(Continued)

**CITY OF NAPOLEON, OHIO**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2006**

	Court Computerization	Law Enforcement Trust	Mandatory Drug Fine	Fire Equipment
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 165,943	\$ 10,398	\$ 9,889	\$ 370,547
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	0	0
Accounts	1,116	0	173	0
Intergovernmental	0	0	0	0
Interest	2,224	122	122	4,740
Loans	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
<b>Total Assets</b>	<b>\$ 169,283</b>	<b>\$ 10,520</b>	<b>\$ 10,184</b>	<b>\$ 375,287</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0
Deferred Revenue	1,764	97	97	3,760
<b>Total Liabilities</b>	<b>1,764</b>	<b>97</b>	<b>97</b>	<b>3,760</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	4,800	2,177	40	364,706
Reserved for Supplies Inventory	0	0	0	0
Reserved for Loans Receivable	0	0	0	0
Undesignated/Unreserved	162,719	8,246	10,047	6,821
<b>Total Fund Balances</b>	<b>167,519</b>	<b>10,423</b>	<b>10,087</b>	<b>371,527</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 169,283</b>	<b>\$ 10,520</b>	<b>\$ 10,184</b>	<b>\$ 375,287</b>

**CITY OF NAPOLEON, OHIO**

Municipal Probation Service	Probation Officer Grant	Court Improvement	Handicap Parking Fines	Police Pension	Fire Pension	Cemetery	Total Nonmajor Special Revenue Funds
\$ 30,917	\$ 4,763	\$ 320,517	\$ 300	\$ 14,511	\$ 7,765	\$ 86,774	\$ 2,613,012
0	0	0	0	99,199	49,600	0	148,799
500	0	3,351	0	0	0	0	176,170
0	24,281	0	0	4,020	2,011	0	522,262
416	0	0	0	0	0	0	26,659
0	0	0	0	0	0	0	127,915
0	0	0	0	0	0	0	70,742
<u>\$ 31,833</u>	<u>\$ 29,044</u>	<u>\$ 323,868</u>	<u>\$ 300</u>	<u>\$ 117,730</u>	<u>\$ 59,376</u>	<u>\$ 86,774</u>	<u>\$ 3,685,559</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,395
0	533	0	0	43,498	28,642	0	102,680
<u>330</u>	<u>24,281</u>	<u>0</u>	<u>0</u>	<u>103,219</u>	<u>51,611</u>	<u>0</u>	<u>468,804</u>
<u>330</u>	<u>24,814</u>	<u>0</u>	<u>0</u>	<u>146,717</u>	<u>80,253</u>	<u>0</u>	<u>596,879</u>
0	0	0	0	0	0	533	479,800
0	0	0	0	0	0	0	70,742
0	0	0	0	0	0	0	127,915
<u>31,503</u>	<u>4,230</u>	<u>323,868</u>	<u>300</u>	<u>(28,987)</u>	<u>(20,877)</u>	<u>86,241</u>	<u>2,410,223</u>
<u>31,503</u>	<u>4,230</u>	<u>323,868</u>	<u>300</u>	<u>(28,987)</u>	<u>(20,877)</u>	<u>86,774</u>	<u>3,088,680</u>
<u>\$ 31,833</u>	<u>\$ 29,044</u>	<u>\$ 323,868</u>	<u>\$ 300</u>	<u>\$ 117,730</u>	<u>\$ 59,376</u>	<u>\$ 86,774</u>	<u>\$ 3,685,559</u>

**CITY OF NAPOLEON, OHIO**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

	Street Construction, Maintenance and Repair	State Highway Improvement	Motor Vehicle License Tax	EMS Transport Service
<b>Revenues:</b>				
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	433,352	35,137	113,102	10,000
Charges for Services	8,336	0	0	271,186
Investment Earnings	7,965	1,328	11,435	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	8,964	0	0	0
<b>Total Revenue</b>	<b>458,617</b>	<b>36,465</b>	<b>124,537</b>	<b>281,186</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	0	0	0	175,285
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	454,106	35,901	36,911	0
General Government	0	0	0	0
<b>Total Expenditures</b>	<b>454,106</b>	<b>35,901</b>	<b>36,911</b>	<b>175,285</b>
Excess (Deficiency) of Revenues Over Expenditures	4,511	564	87,626	105,901
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	0	0	0
Transfers In	183,000	0	0	0
Transfers Out	0	0	(35,360)	(20,000)
<b>Total Other Financing Sources (Uses)</b>	<b>183,000</b>	<b>0</b>	<b>(35,360)</b>	<b>(20,000)</b>
Net Change In Fund Balance	187,511	564	52,266	85,901
<b>Fund Balances at Beginning of Year</b>	<b>255,295</b>	<b>39,304</b>	<b>290,494</b>	<b>208,299</b>
Increase in Inventory Reserve	3,864	0	0	0
<b>Fund Balances End of Year</b>	<b>\$ 446,670</b>	<b>\$ 39,868</b>	<b>\$ 342,760</b>	<b>\$ 294,200</b>

**CITY OF NAPOLEON, OHIO**

<u>Recreation</u>	<u>Special Events</u>	<u>Economic Development</u>	<u>Hotel/Motel Tax</u>	<u>Fire Loss Claims</u>	<u>CHIP Income</u>	<u>CDBG Income</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	101,748	0	295,565	10,523
232,911	0	0	0	0	0	0
7,490	0	19,734	0	0	0	0
0	0	0	0	0	0	0
32,724	0	0	0	48,000	0	0
<u>273,125</u>	<u>0</u>	<u>19,734</u>	<u>101,748</u>	<u>48,000</u>	<u>295,565</u>	<u>10,523</u>
0	0	0	0	0	0	0
783,864	0	0	0	0	0	0
0	0	602,327	0	0	98,635	32
0	0	0	0	0	0	0
0	11,716	0	50,874	48,000	0	0
<u>783,864</u>	<u>11,716</u>	<u>602,327</u>	<u>50,874</u>	<u>48,000</u>	<u>98,635</u>	<u>32</u>
(510,739)	(11,716)	(582,593)	50,874	0	196,930	10,491
0	0	127,000	0	0	0	0
508,405	0	283,000	0	0	0	0
0	0	(130,110)	(50,874)	0	0	0
<u>508,405</u>	<u>0</u>	<u>279,890</u>	<u>(50,874)</u>	<u>0</u>	<u>0</u>	<u>0</u>
(2,334)	(11,716)	(302,703)	0	0	196,930	10,491
110,747	36,612	857,641	0	0	0	72,342
0	0	0	0	0	0	0
<u>\$ 108,413</u>	<u>\$ 24,896</u>	<u>\$ 554,938</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 196,930</u>	<u>\$ 82,833</u>

(Continued)

**CITY OF NAPOLEON, OHIO**

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006***

	Indigent Drivers Alcohol Treatment	Law Enforcement and Education	Court Computerization	Law Enforcement Trust
<b>Revenues:</b>				
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Investment Earnings	1,231	140	6,105	328
Fines and Forfeitures	9,518	2,039	20,009	0
All Other Revenue	0	0	0	5,719
<b>Total Revenue</b>	<u>10,749</u>	<u>2,179</u>	<u>26,114</u>	<u>6,047</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	5,058	734	16,488	3,169
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
General Government	0	0	0	0
<b>Total Expenditures</b>	<u>5,058</u>	<u>734</u>	<u>16,488</u>	<u>3,169</u>
Excess (Deficiency) of Revenues Over Expenditures	5,691	1,445	9,626	2,878
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	0	0	0
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	5,691	1,445	9,626	2,878
<b>Fund Balances at Beginning of Year</b>	30,171	3,498	157,893	7,545
Increase in Inventory Reserve	0	0	0	0
<b>Fund Balances End of Year</b>	<u>\$ 35,862</u>	<u>\$ 4,943</u>	<u>\$ 167,519</u>	<u>\$ 10,423</u>



**CITY OF NAPOLEON, OHIO**

Mandatory Drug Fine	Fire Equipment	Municipal Probation Service	Probation Officer Grant	Court Improvement	Handicap Parking Fines	Police Pension
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 98,266
0	0	0	44,146	0	0	8,215
0	15,000	0	0	0	0	0
340	12,284	1,209	0	0	0	0
1,346	0	11,110	0	58,232	0	0
0	0	0	0	0	0	0
<u>1,686</u>	<u>27,284</u>	<u>12,319</u>	<u>44,146</u>	<u>58,232</u>	<u>0</u>	<u>106,481</u>
95	0	1,968	47,223	3,699	0	97,322
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>95</u>	<u>0</u>	<u>1,968</u>	<u>47,223</u>	<u>3,699</u>	<u>0</u>	<u>97,322</u>
1,591	27,284	10,351	(3,077)	54,533	0	9,159
0	0	0	0	0	0	0
0	60,000	0	13,940	0	0	0
0	0	(13,940)	0	0	0	0
<u>0</u>	<u>60,000</u>	<u>(13,940)</u>	<u>13,940</u>	<u>0</u>	<u>0</u>	<u>0</u>
1,591	87,284	(3,589)	10,863	54,533	0	9,159
8,496	284,243	35,092	(6,633)	269,335	300	(38,146)
0	0	0	0	0	0	0
<u>\$ 10,087</u>	<u>\$ 371,527</u>	<u>\$ 31,503</u>	<u>\$ 4,230</u>	<u>\$ 323,868</u>	<u>\$ 300</u>	<u>\$ (28,987)</u>

(Continued)

**CITY OF NAPOLEON, OHIO**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

	Fire Pension	Cemetery	FEMA Small Projects	Total Nonmajor Special Revenue Funds
<b>Revenues:</b>				
Property Taxes	\$ 49,636	\$ 0	\$ 0	\$ 147,902
Intergovernmental Revenues	4,109	0	2,007	1,057,904
Charges for Services	0	2,900	0	530,333
Investment Earnings	0	0	0	69,589
Fines and Forfeitures	0	0	0	102,254
All Other Revenue	0	2,200	0	97,607
<b>Total Revenue</b>	<b>53,745</b>	<b>5,100</b>	<b>2,007</b>	<b>2,005,589</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	48,303	0	0	399,344
Leisure Time Activities	0	0	0	783,864
Community Environment	0	5,431	0	706,425
Transportation	0	0	0	526,918
General Government	0	0	0	110,590
<b>Total Expenditures</b>	<b>48,303</b>	<b>5,431</b>	<b>0</b>	<b>2,527,141</b>
Excess (Deficiency) of Revenues Over Expenditures	5,442	(331)	2,007	(521,552)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	0	0	127,000
Transfers In	0	0	0	1,048,345
Transfers Out	0	0	(2,007)	(252,291)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>(2,007)</b>	<b>923,054</b>
Net Change In Fund Balance	5,442	(331)	0	401,502
<b>Fund Balances at Beginning of Year</b>	<b>(26,319)</b>	<b>87,105</b>	<b>0</b>	<b>2,683,314</b>
Increase in Inventory Reserve	0	0	0	3,864
<b>Fund Balances End of Year</b>	<b>\$ (20,877)</b>	<b>\$ 86,774</b>	<b>\$ 0</b>	<b>\$ 3,088,680</b>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – General Fund  
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 276,420	\$ 328,690	\$ 328,704	\$ 14
Municipal Income Taxes	2,420,000	2,884,920	2,884,930	10
Intergovernmental Revenues	422,000	573,230	573,279	49
Charges for Services	183,950	219,240	219,269	29
Licenses and Permits	69,760	70,430	70,448	18
Investment Earnings	158,880	204,690	204,698	8
Special Assessments	30	0	0	0
Fines and Forfeitures	215,000	288,930	288,948	18
All Other Revenues	212,010	209,600	209,562	(38)
Total Revenues	3,958,050	4,779,730	4,779,838	108
<b>Expenditures:</b>				
Security of Persons and Property:				
Police:				
Personal Services	1,355,790	1,270,080	1,270,031	49
Materials and Supplies	58,400	49,870	49,833	37
Contractual Services	105,340	93,565	93,468	97
Other Expenditures	4,600	3,299	3,289	10
Total Police	1,524,130	1,416,814	1,416,621	193
Fire:				
Personal Services	661,220	663,610	663,536	74
Materials and Supplies	59,400	47,190	47,149	41
Contractual Services	160,370	141,165	141,114	51
Other Expenditures	50	0	0	0
Total Fire	881,040	851,965	851,799	166
Police/Fire:				
Personal Services	0	14,103	14,103	0
Total Police/Fire	0	14,103	14,103	0
Total Security of Persons and Property	2,405,170	2,282,882	2,282,523	359
Public Health and Welfare Services:				
Cemetery:				
Personal Services	72,820	67,360	67,310	50
Materials and Supplies	13,000	12,822	12,813	9
Contractual Services	15,570	11,590	11,532	58
Total Cemetery	101,390	91,772	91,655	117
Total Public Health and Welfare Services	101,390	91,772	91,655	117

(Continued)

**CITY OF NAPOLEON, OHIO**

***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – General Fund  
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community Environment:				
Building Inspection:				
Personal Services	92,160	87,820	87,781	39
Materials and Supplies	3,450	2,740	2,726	14
Contractual Services	4,200	1,300	1,298	2
Other Expenditures	700	500	491	9
Total Building Inspection	<u>100,510</u>	<u>92,360</u>	<u>92,296</u>	<u>64</u>
Total Community Environment	<u>100,510</u>	<u>92,360</u>	<u>92,296</u>	<u>64</u>
General Government:				
City Council:				
Personal Services	8,877	9,608	9,608	0
Materials and Supplies	300	50	50	0
Contractual Services	1,211	846	837	9
Other Expenditures	400	370	367	3
Total City Council	<u>10,788</u>	<u>10,874</u>	<u>10,862</u>	<u>12</u>
Mayor:				
Personal Services	3,625	3,917	3,905	12
Materials and Supplies	200	0	0	0
Contractual Services	1,400	690	506	184
Other Expenditures	100	0	0	0
Total Mayor	<u>5,325</u>	<u>4,607</u>	<u>4,411</u>	<u>196</u>
City Manager:				
Personal Services	57,723	63,202	63,148	54
Materials and Supplies	827	617	611	6
Contractual Services	960	649	641	8
Other Expenditures	0	7	7	0
Total City Manager	<u>59,510</u>	<u>64,475</u>	<u>64,407</u>	<u>68</u>
Law Director:				
Personal Services	56,987	57,697	57,646	51
Materials and Supplies	1,654	893	890	3
Contractual Services	7,789	8,018	8,006	12
Other Expenditures	500	0	0	0
Total Law Director	<u>66,930</u>	<u>66,608</u>	<u>66,542</u>	<u>66</u>

(Continued)

**CITY OF NAPOLEON, OHIO**

***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – General Fund  
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Finance - Administration				
Personal Services	84,636	94,586	94,503	83
Materials and Supplies	650	560	554	6
Contractual Services	31,973	32,359	32,317	42
Other Expenditures	1,310	1,220	1,216	4
Total Finance - Administration	<u>118,569</u>	<u>128,725</u>	<u>128,590</u>	<u>135</u>
Finance - Utility Billing:				
Personal Services	40,091	40,418	40,367	51
Materials and Supplies	8,456	9,093	9,085	8
Contractual Services	9,320	8,990	8,976	14
Other Expenditures	100	0	0	0
Total Finance - Utility Billing	<u>57,967</u>	<u>58,501</u>	<u>58,428</u>	<u>73</u>
Finance - Income Tax Collection:				
Personal Services	109,600	103,480	103,450	30
Materials and Supplies	8,720	5,170	5,157	13
Contractual Services	16,950	15,690	15,666	24
Capital Outlay	19,500	3,700	3,694	6
Total Finance - Income Tax Collection	<u>154,770</u>	<u>128,040</u>	<u>127,967</u>	<u>73</u>
Finance - Information Systems:				
Personal Services	70,780	68,960	68,917	43
Materials and Supplies	21,700	20,350	20,334	16
Contractual Services	12,000	12,220	12,204	16
Total Finance - Information Systems	<u>104,480</u>	<u>101,530</u>	<u>101,455</u>	<u>75</u>
City Engineer:				
Personal Services	81,694	66,415	66,357	58
Materials and Supplies	1,681	2,035	2,026	9
Contractual Services	13,127	17,052	17,031	21
Other Expenditures	400	680	680	0
Total City Engineer	<u>96,902</u>	<u>86,182</u>	<u>86,094</u>	<u>88</u>

(Continued)

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – General Fund  
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Municipal Court:				
Personal Services	376,630	350,430	350,401	29
Materials and Supplies	33,000	31,390	31,361	29
Contractual Services	30,390	22,210	22,176	34
Other Expenditures	230	90	89	1
Total Municipal Court	440,250	404,120	404,027	93
Service - Buildings, Property and Equipment:				
Personal Services	31,963	35,976	35,942	34
Materials and Supplies	5,202	4,704	4,697	7
Contractual Services	1,315	849	840	9
Other Expenditures	140	0	0	0
Total Service - Buildings, Property and Equ	38,620	41,529	41,479	50
Miscellaneous:				
Materials and Supplies	10,066	8,485	8,474	11
Contractual Services	93,559	80,878	80,782	96
Other Expenditures	25,571	18,007	17,911	96
Total Miscellaneous	129,196	107,370	107,167	203
Total General Government	1,283,307	1,202,561	1,201,429	1,132
Total Expenditures	3,890,377	3,669,575	3,667,903	1,672
Excess (Deficiency) of Revenues Over (Under) Expenditures	67,673	1,110,155	1,111,935	1,780
<b>Other Financing Sources (Uses):</b>				
Transfers In	462,907	636,935	636,944	9
Transfers Out	(1,731,990)	(2,090,698)	(2,090,680)	18
Total Other Financing Sources (Uses)	(1,269,083)	(1,453,763)	(1,453,736)	27
Net Change In Fund Balance	(1,201,410)	(343,608)	(341,801)	1,807
Fund Balance at Beginning of Year	1,626,273	1,626,273	1,626,273	0
Prior Year Encumbrances	72,285	72,285	72,285	0
Fund Balance at End of Year	\$ 497,148	\$ 1,354,950	\$ 1,356,757	\$ 1,807

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – Debt Service Fund  
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>SPECIAL ASSESSMENT BOND RETIREMENT FUND</b>				
<b>Revenues:</b>				
Investment Earnings	\$ 13,870	\$ 19,420	\$ 19,415	\$ (5)
Special Assessments	234,700	233,370	233,373	3
Total Revenues	<u>248,570</u>	<u>252,790</u>	<u>252,788</u>	<u>(2)</u>
<b>Expenditures:</b>				
General Government:				
Contractual Services	4,300	3,890	3,881	9
Debt Service:				
Principal Retirement	194,360	194,360	194,350	10
Interest and Fiscal Charges	<u>52,260</u>	<u>52,260</u>	<u>52,258</u>	<u>2</u>
Total Expenditures	<u>250,920</u>	<u>250,510</u>	<u>250,489</u>	<u>21</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,350)	2,280	2,299	19
<b>Other Financing Sources (Uses):</b>				
Transfers In	<u>12,360</u>	<u>12,360</u>	<u>12,360</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>12,360</u>	<u>12,360</u>	<u>12,360</u>	<u>0</u>
Net Change In Fund Balance	10,010	14,640	14,659	19
Fund Balance at Beginning of Year	<u>428,115</u>	<u>428,115</u>	<u>428,115</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 438,125</u>	<u>\$ 442,755</u>	<u>\$ 442,774</u>	<u>\$ 19</u>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – Capital Project Funds  
For the Year Ended December 31, 2006**

	CAPITAL IMPROVEMENT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 279,000	\$ 125,660	\$ 125,655	\$ (5)
All Other Revenues	240,000	300	300	0
Total Revenues	<u>519,000</u>	<u>125,960</u>	<u>125,955</u>	<u>(5)</u>
<b>Expenditures:</b>				
Capital Outlay:				
City Manager	1,500	16,218	16,218	0
Law Director	2,000	710	705	5
Finance - Administration	26,640	26,090	26,077	13
Central Information System	37,700	52,782	52,773	9
Engineering	16,000	60,608	60,604	4
Municipal Court	7,000	5,160	5,157	3
Police	112,000	109,640	109,629	11
Fire	23,000	96,186	96,184	2
Building Inspections	4,500	2,020	2,012	8
Parks and Recreation	386,500	148,810	148,789	21
Cemetery	10,100	9,990	9,989	1
Street Maintenance	847,420	677,750	677,720	30
Storm Drainage	25,940	19,890	19,888	2
Total Expenditures	<u>1,500,300</u>	<u>1,225,854</u>	<u>1,225,745</u>	<u>109</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(981,300)	(1,099,894)	(1,099,790)	104
<b>Other Financing Sources (Uses):</b>				
Transfers In	924,240	1,234,280	1,234,282	2
Transfers Out	(244,550)	(244,550)	(244,550)	0
Total Other Financing Sources (Uses)	<u>679,690</u>	<u>989,730</u>	<u>989,732</u>	<u>2</u>
Net Change In Fund Balance	(301,610)	(110,164)	(110,058)	106
Fund Balance at Beginning of Year	330,847	330,847	330,847	0
Prior Year Encumbrances	177,673	177,673	177,673	0
Fund Balance at End of Year	<u>\$ 206,910</u>	<u>\$ 398,356</u>	<u>\$ 398,462</u>	<u>\$ 106</u>



**CITY OF NAPOLEON, OHIO**

***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – Capital Project Funds  
For the Year Ended December 31, 2006***

	CLEAN OHIO FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 1,421,850	\$ 448,740	\$ 448,743	\$ 3
All Other Revenues	0	550	550	0
Total Revenues	<u>1,421,850</u>	<u>449,290</u>	<u>449,293</u>	<u>3</u>
<b>Expenditures:</b>				
Capital Outlay:				
Economic Development	<u>1,421,720</u>	<u>779,800</u>	<u>779,791</u>	<u>9</u>
Total Expenditures	<u>1,421,720</u>	<u>779,800</u>	<u>779,791</u>	<u>9</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	130	(330,510)	(330,498)	12
<b>Other Financing Sources (Uses):</b>				
Transfers In	<u>0</u>	<u>330,100</u>	<u>330,110</u>	<u>10</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>330,100</u>	<u>330,110</u>	<u>10</u>
Net Change In Fund Balance	130	(410)	(388)	22
Fund Balance at Beginning of Year	<u>389</u>	<u>389</u>	<u>389</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 519</u>	<u>\$ (21)</u>	<u>\$ 1</u>	<u>\$ 22</u>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

**STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 365,000	\$ 436,780	\$ 436,793	\$ 13
Charges for Services	5,000	5,750	5,755	5
Investment Earnings	3,460	7,240	7,240	0
All Other Revenues	21,200	8,970	8,964	(6)
Total Revenues	394,660	458,740	458,752	12
<b>Expenditures:</b>				
Transportation:				
Street Maintenance:				
Personal Services	276,820	222,960	222,922	38
Materials and Supplies	100,490	87,270	87,201	69
Contractual Services	159,440	114,170	114,129	41
Other Expenditures	24,000	15,100	15,091	9
Total Street Maintenance	560,750	439,500	439,343	157
Ice and Snow Removal:				
Personal Services	33,000	3,680	3,667	13
Materials and Supplies	10,950	4,350	4,350	0
Contractual Services	7,900	3,207	3,207	0
Other Expenditures	7,500	1,610	1,609	1
Total Ice and Snow Removal	59,350	12,847	12,833	14
Storm Drainage:				
Personal Services	12,000	6,550	6,541	9
Materials and Supplies	12,000	6,980	6,979	1
Contractual Services	4,200	0	0	0
Other Expenditures	2,200	3,130	3,126	4
Total Storm Drainage	30,400	16,660	16,646	14
Total Expenditures	650,500	469,007	468,822	185
Excess (Deficiency) of Revenues Over (Under) Expenditures	(255,840)	(10,267)	(10,070)	197
<b>Other Financing Sources (Uses):</b>				
Transfers In	183,000	183,000	183,000	0
Total Other Financing Sources (Uses)	183,000	183,000	183,000	0
Net Change In Fund Balance	(72,840)	172,733	172,930	197
Fund Balance at Beginning of Year	134,805	134,805	134,805	0
Prior Year Encumbrances	6,000	6,000	6,000	0
Fund Balance at End of Year	\$ 67,965	\$ 313,538	\$ 313,735	\$ 197

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

	STATE HIGHWAY IMPROVEMENT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 31,000	\$ 35,410	\$ 35,416	\$ 6
Investment Earnings	670	1,280	1,281	1
Total Revenues	<u>31,670</u>	<u>36,690</u>	<u>36,697</u>	<u>7</u>
<b>Expenditures:</b>				
Transportation:				
Materials and Supplies	16,200	10,000	10,000	0
Contractual Services	<u>20,000</u>	<u>25,910</u>	<u>25,901</u>	<u>9</u>
Total Expenditures	<u>36,200</u>	<u>35,910</u>	<u>35,901</u>	<u>9</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,530)	780	796	16
Fund Balance at Beginning of Year	<u>33,622</u>	<u>33,622</u>	<u>33,622</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 29,092</u>	<u>\$ 34,402</u>	<u>\$ 34,418</u>	<u>\$ 16</u>

**CITY OF NAPOLEON, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 114,000	\$ 113,130	\$ 113,128	\$ (2)
Investment Earnings	6,670	10,880	10,898	18
Total Revenues	<u>120,670</u>	<u>124,010</u>	<u>124,026</u>	<u>16</u>
<b>Expenditures:</b>				
Transportation:				
Materials and Supplies	80,250	53,653	53,644	9
Capital Outlay	<u>15,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>95,250</u>	<u>53,653</u>	<u>53,644</u>	<u>9</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,420	70,357	70,382	25
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>(35,360)</u>	<u>(35,360)</u>	<u>(35,360)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(35,360)</u>	<u>(35,360)</u>	<u>(35,360)</u>	<u>0</u>
Net Change In Fund Balance	(9,940)	34,997	35,022	25
Fund Balance at Beginning of Year	271,642	271,642	271,642	0
Prior Year Encumbrances	9,694	9,694	9,694	0
Fund Balance at End of Year	<u>\$ 271,396</u>	<u>\$ 316,333</u>	<u>\$ 316,358</u>	<u>\$ 25</u>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

<b>EMS TRANSPORT SERVICE FUND</b>				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 0	\$ 5,000	\$ 5,000	\$ 0
Charges for Services	135,000	223,680	223,693	13
Total Revenues	<u>135,000</u>	<u>228,680</u>	<u>228,693</u>	<u>13</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Materials and Supplies	31,000	23,180	23,176	4
Contractual Services	48,000	67,155	67,136	19
Other Expenditures	30,000	90,000	90,000	0
Capital Outlay	2,500	630	623	7
Total Expenditures	<u>111,500</u>	<u>180,965</u>	<u>180,935</u>	<u>30</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,500	47,715	47,758	43
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
Net Change In Fund Balance	3,500	27,715	27,758	43
Fund Balance at Beginning of Year	76,857	76,857	76,857	0
Prior Year Encumbrances	11,635	11,635	11,635	0
Fund Balance at End of Year	<u>\$ 91,992</u>	<u>\$ 116,207</u>	<u>\$ 116,250</u>	<u>\$ 43</u>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

	RECREATION FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Charges for Services	\$ 246,870	\$ 232,900	\$ 232,911	\$ 11
Investment Earnings	1,730	7,160	7,160	0
All Other Revenues	28,500	32,720	32,724	4
Total Revenues	<u>277,100</u>	<u>272,780</u>	<u>272,795</u>	<u>15</u>
<b>Expenditures:</b>				
Leisure Time Activities:				
Administration:				
Personal Services	65,300	64,820	64,800	20
Materials and Supplies	23,800	13,110	13,097	13
Contractual Services	4,250	2,780	2,762	18
Other Expenditures	3,250	0	0	0
Total Administration	<u>96,600</u>	<u>80,710</u>	<u>80,659</u>	<u>51</u>
Golf Course Operations:				
Personal Services	135,630	132,730	132,700	30
Materials and Supplies	68,700	63,290	63,268	22
Contractual Services	20,800	17,610	17,583	27
Total Golf Course Operations	<u>225,130</u>	<u>213,630</u>	<u>213,551</u>	<u>79</u>
Pool Operations:				
Personal Services	62,630	75,220	75,185	35
Materials and Supplies	23,400	24,140	24,126	14
Contractual Services	27,550	25,520	25,492	28
Total Pool Operations	<u>113,580</u>	<u>124,880</u>	<u>124,803</u>	<u>77</u>
Parks and Programs:				
Personal Services	219,540	224,680	224,649	31
Materials and Supplies	88,600	87,180	87,163	17
Contractual Services	57,600	53,360	53,314	46
Total Parks and Programs	<u>365,740</u>	<u>365,220</u>	<u>365,126</u>	<u>94</u>
Total Expenditures	<u>801,050</u>	<u>784,440</u>	<u>784,139</u>	<u>301</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(523,950)	(511,660)	(511,344)	316
<b>Other Financing Sources (Uses):</b>				
Transfers In	426,750	508,400	508,405	5
Total Other Financing Sources (Uses)	<u>426,750</u>	<u>508,400</u>	<u>508,405</u>	<u>5</u>
Net Change In Fund Balance	(97,200)	(3,260)	(2,939)	321
Fund Balance at Beginning of Year	133,447	133,447	133,447	0
Fund Balance at End of Year	<u>\$ 36,247</u>	<u>\$ 130,187</u>	<u>\$ 130,508</u>	<u>\$ 321</u>

**CITY OF NAPOLEON, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006***

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>SPECIAL EVENTS FUND</b>				
<b>Revenues:</b>				
All Other Revenues	\$ 350	\$ 0	\$ 0	\$ 0
Total Revenues	<u>350</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures:</b>				
General Government:				
Materials and Supplies	4,300	0	0	0
Contractual Services	21,460	11,370	11,366	4
Other Expenditures	<u>6,500</u>	<u>350</u>	<u>350</u>	<u>0</u>
Total Expenditures	<u>32,260</u>	<u>11,720</u>	<u>11,716</u>	<u>4</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,910)	(11,720)	(11,716)	4
Fund Balance at Beginning of Year	<u>36,612</u>	<u>36,612</u>	<u>36,612</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 4,702</u>	<u>\$ 24,892</u>	<u>\$ 24,896</u>	<u>\$ 4</u>

**CITY OF NAPOLEON, OHIO**

***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006***

<b>ECONOMIC DEVELOPMENT FUND</b>				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Investment Earnings	\$ 17,380	\$ 19,100	\$ 19,093	\$ (7)
Total Revenues	<u>17,380</u>	<u>19,100</u>	<u>19,093</u>	<u>(7)</u>
<b>Expenditures:</b>				
Community Environment:				
Contractual Services	383,000	259,000	259,000	0
Capital Outlay	<u>200,000</u>	<u>422,639</u>	<u>422,639</u>	<u>0</u>
Total Expenditures	<u>583,000</u>	<u>681,639</u>	<u>681,639</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(565,620)	(662,539)	(662,546)	(7)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	127,000	127,000	0
Transfers In	483,000	283,000	283,000	0
Transfers Out	<u>0</u>	<u>(130,110)</u>	<u>(130,110)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>483,000</u>	<u>279,890</u>	<u>279,890</u>	<u>0</u>
Net Change In Fund Balance	(82,620)	(382,649)	(382,656)	(7)
Fund Balance at Beginning of Year	310,931	310,931	310,931	0
Prior Year Encumbrances	<u>417,870</u>	<u>417,870</u>	<u>417,870</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 646,181</u>	<u>\$ 346,152</u>	<u>\$ 346,145</u>	<u>\$ (7)</u>



**CITY OF NAPOLEON, OHIO**

***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006***

<b>HOTEL/MOTEL TAX FUND</b>				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 66,000	\$ 101,760	\$ 101,748	\$ (12)
Total Revenues	<u>66,000</u>	<u>101,760</u>	<u>101,748</u>	<u>(12)</u>
<b>Expenditures:</b>				
General Government:				
Contractual Services	33,000	50,874	50,874	0
Total Expenditures	<u>33,000</u>	<u>50,874</u>	<u>50,874</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,000	50,886	50,874	(12)
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(33,000)	(50,874)	(50,874)	0
Total Other Financing Sources (Uses)	<u>(33,000)</u>	<u>(50,874)</u>	<u>(50,874)</u>	<u>0</u>
Net Change In Fund Balance	0	12	0	(12)
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 12</u>	<u>\$ 0</u>	<u>\$ (12)</u>

**CITY OF NAPOLEON, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
All Other Revenues	\$ 0	\$ 48,000	\$ 48,000	\$ 0
Total Revenues	<u>0</u>	<u>48,000</u>	<u>48,000</u>	<u>0</u>
<b>Expenditures:</b>				
General Government:				
Other Expenditures	0	48,000	48,000	0
Total Expenditures	<u>0</u>	<u>48,000</u>	<u>48,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**CITY OF NAPOLEON, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

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	<b>CHIP INCOME FUND</b>			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 400,000	\$ 159,190	\$ 159,185	\$ (5)
Total Revenues	<u>400,000</u>	<u>159,190</u>	<u>159,185</u>	<u>(5)</u>
<b>Expenditures:</b>				
Community Environment:				
Contractual Services	400,000	98,640	98,635	5
Total Expenditures	<u>400,000</u>	<u>98,640</u>	<u>98,635</u>	<u>5</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	60,550	60,550	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 60,550</u>	<u>\$ 60,550</u>	<u>\$ 0</u>

**CITY OF NAPOLEON, OHIO**

***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006***

	<b>CDBG INCOME FUND</b>			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 0	\$ 10,520	\$ 10,523	\$ 3
Total Revenues	<u>0</u>	<u>10,520</u>	<u>10,523</u>	<u>3</u>
<b>Expenditures:</b>				
Community Environment:				
Contractual Services	60,000	2,171	2,163	8
Total Expenditures	<u>60,000</u>	<u>2,171</u>	<u>2,163</u>	<u>8</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(60,000)	8,349	8,360	11
Fund Balance at Beginning of Year	70,090	70,090	70,090	0
Prior Year Encumbrances	4,383	4,383	4,383	0
Fund Balance at End of Year	<u>\$ 14,473</u>	<u>\$ 82,822</u>	<u>\$ 82,833</u>	<u>\$ 11</u>

**CITY OF NAPOLEON, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006***

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment Earnings	\$ 960	\$ 1,180	\$ 1,172	\$ (8)
Fines and Forfeitures	6,000	9,390	9,390	0
Total Revenues	<u>6,960</u>	<u>10,570</u>	<u>10,562</u>	<u>(8)</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Contractual Services	20,000	5,260	5,260	0
Total Expenditures	<u>20,000</u>	<u>5,260</u>	<u>5,260</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,040)	5,310	5,302	(8)
Fund Balance at Beginning of Year	30,201	30,201	30,201	0
Fund Balance at End of Year	<u>\$ 17,161</u>	<u>\$ 35,511</u>	<u>\$ 35,503</u>	<u>\$ (8)</u>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

**LAW ENFORCEMENT AND EDUCATION FUND**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment Earnings	\$ 100	\$ 130	\$ 134	\$ 4
Fines and Forfeitures	3,700	2,030	2,029	(1)
Total Revenues	<u>3,800</u>	<u>2,160</u>	<u>2,163</u>	<u>3</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Personal Services	3,000	0	0	0
Contractual Services	2,000	600	595	5
Capital Outlay	1,000	220	214	6
Total Expenditures	<u>6,000</u>	<u>820</u>	<u>809</u>	<u>11</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,200)	1,340	1,354	14
Fund Balance at Beginning of Year	3,430	3,430	3,430	0
Fund Balance at End of Year	<u>\$ 1,230</u>	<u>\$ 4,770</u>	<u>\$ 4,784</u>	<u>\$ 14</u>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

	COURT COMPUTERIZATION FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Investment Earnings	\$ 5,000	\$ 5,660	\$ 5,660	\$ 0
Fines and Forfeitures	32,000	20,560	20,555	(5)
Total Revenues	<u>37,000</u>	<u>26,220</u>	<u>26,215</u>	<u>(5)</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Contractual Services	3,500	(30)	(34)	4
Other Expenditures	10,000	10,010	10,000	10
Capital Outlay	12,700	7,330	7,322	8
Total Expenditures	<u>26,200</u>	<u>17,310</u>	<u>17,288</u>	<u>22</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,800	8,910	8,927	17
Fund Balance at Beginning of Year	156,216	156,216	156,216	0
Fund Balance at End of Year	<u>\$ 167,016</u>	<u>\$ 165,126</u>	<u>\$ 165,143</u>	<u>\$ 17</u>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

<b>LAW ENFORCEMENT TRUST FUND</b>				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment Earnings	\$ 200	\$ 310	\$ 313	\$ 3
All Other Revenues	0	5,720	5,719	(1)
Total Revenues	<u>200</u>	<u>6,030</u>	<u>6,032</u>	<u>2</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Other Expenditures	1,000	590	586	4
Capital Outlay	2,000	5,200	5,190	10
Total Expenditures	<u>3,000</u>	<u>5,790</u>	<u>5,776</u>	<u>14</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,800)	240	256	16
Fund Balance at Beginning of Year	7,535	7,535	7,535	0
Prior Year Encumbrances	430	430	430	0
Fund Balance at End of Year	<u>\$ 5,165</u>	<u>\$ 8,205</u>	<u>\$ 8,221</u>	<u>\$ 16</u>



**CITY OF NAPOLEON, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment Earnings	\$ 200	\$ 320	\$ 325	\$ 5
Fines and Forfeitures	500	1,180	1,176	(4)
Total Revenues	<u>700</u>	<u>1,500</u>	<u>1,501</u>	<u>1</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Personal Services	3,000	0	0	0
Other Expenditures	<u>2,000</u>	<u>140</u>	<u>135</u>	<u>5</u>
Total Expenditures	<u>5,000</u>	<u>140</u>	<u>135</u>	<u>5</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,300)	1,360	1,366	6
Fund Balance at Beginning of Year	<u>8,483</u>	<u>8,483</u>	<u>8,483</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 4,183</u>	<u>\$ 9,843</u>	<u>\$ 9,849</u>	<u>\$ 6</u>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

	<b>FIRE EQUIPMENT FUND</b>			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Charges for Services	\$ 15,000	\$ 15,000	\$ 15,000	\$ 0
Investment Earnings	6,960	11,680	11,674	(6)
Total Revenues	<u>21,960</u>	<u>26,680</u>	<u>26,674</u>	<u>(6)</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Capital Outlay	365,000	371,090	371,086	4
Total Expenditures	<u>365,000</u>	<u>371,090</u>	<u>371,086</u>	<u>4</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(343,040)	(344,410)	(344,412)	(2)
<b>Other Financing Sources (Uses):</b>				
Transfers In	60,000	60,000	60,000	0
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>0</u>
Net Change In Fund Balance	(283,040)	(284,410)	(284,412)	(2)
Fund Balance at Beginning of Year	283,773	283,773	283,773	0
Prior Year Encumbrances	6,480	6,480	6,480	0
Fund Balance at End of Year	<u>\$ 7,213</u>	<u>\$ 5,843</u>	<u>\$ 5,841</u>	<u>\$ (2)</u>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

<b>MUNICIPAL PROBATION SERVICE FUND</b>				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment Earnings	\$ 500	\$ 1,170	\$ 1,167	\$ (3)
Fines and Forfeitures	8,200	11,330	11,335	5
Total Revenues	<u>8,700</u>	<u>12,500</u>	<u>12,502</u>	<u>2</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Other Expenditures	9,700	1,970	1,968	2
Total Expenditures	<u>9,700</u>	<u>1,970</u>	<u>1,968</u>	<u>2</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000)	10,530	10,534	4
<b>Other Financing Sources (Uses):</b>				
Transfers Out	0	(13,940)	(13,940)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(13,940)</u>	<u>(13,940)</u>	<u>0</u>
Net Change In Fund Balance	(1,000)	(3,410)	(3,406)	4
Fund Balance at Beginning of Year	34,323	34,323	34,323	0
Fund Balance at End of Year	<u>\$ 33,323</u>	<u>\$ 30,913</u>	<u>\$ 30,917</u>	<u>\$ 4</u>

**CITY OF NAPOLEON, OHIO**

***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006***

<b>PROBATION OFFICER GRANT FUND</b>				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 25,539	\$ 44,140	\$ 44,146	\$ 6
Total Revenues	<u>25,539</u>	<u>44,140</u>	<u>44,146</u>	<u>6</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Personal Services	21,390	46,080	46,038	42
Contractual Services	4,130	7,930	7,286	644
Total Expenditures	<u>25,520</u>	<u>54,010</u>	<u>53,324</u>	<u>686</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	19	(9,870)	(9,178)	692
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	13,940	13,940	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>13,940</u>	<u>13,940</u>	<u>0</u>
Net Change In Fund Balance	19	4,070	4,762	692
Fund Balance at Beginning of Year	1	1	1	0
Fund Balance at End of Year	<u>\$ 20</u>	<u>\$ 4,071</u>	<u>\$ 4,763</u>	<u>\$ 692</u>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

	<b>COURT IMPROVEMENT FUND</b>			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Fines and Forfeitures	\$ 29,500	\$ 59,310	\$ 59,304	\$ (6)
Total Revenues	<u>29,500</u>	<u>59,310</u>	<u>59,304</u>	<u>(6)</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Capital Outlay	50,000	3,700	3,699	1
Total Expenditures	<u>50,000</u>	<u>3,700</u>	<u>3,699</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,500)	55,610	55,605	(5)
Fund Balance at Beginning of Year	264,912	264,912	264,912	0
Fund Balance at End of Year	<u>\$ 244,412</u>	<u>\$ 320,522</u>	<u>\$ 320,517</u>	<u>\$ (5)</u>

**CITY OF NAPOLEON, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

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

**CITY OF NAPOLEON, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 82,950	\$ 98,270	\$ 98,266	\$ (4)
Intergovernmental Revenues	9,020	8,220	8,215	(5)
Total Revenues	<u>91,970</u>	<u>106,490</u>	<u>106,481</u>	<u>(9)</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Personal Services	<u>91,970</u>	<u>91,970</u>	<u>91,970</u>	<u>0</u>
Total Expenditures	<u>91,970</u>	<u>91,970</u>	<u>91,970</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	14,520	14,511	(9)
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 14,520</u>	<u>\$ 14,511</u>	<u>\$ (9)</u>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

	<b>FIRE PENSION FUND</b>			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Property Taxes	\$ 41,470	\$ 49,640	\$ 49,636	\$ (4)
Intergovernmental Revenues	4,510	4,100	4,109	9
Total Revenues	<u>45,980</u>	<u>53,740</u>	<u>53,745</u>	<u>5</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Personal Services	45,980	45,980	45,980	0
Total Expenditures	<u>45,980</u>	<u>45,980</u>	<u>45,980</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	7,760	7,765	5
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 7,760</u>	<u>\$ 7,765</u>	<u>\$ 5</u>



**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2006**

	CEMETERY FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Charges for Services	\$ 2,500	\$ 2,900	\$ 2,900	\$ 0
All Other Revenues	0	2,200	2,200	0
Total Revenues	<u>2,500</u>	<u>5,100</u>	<u>5,100</u>	<u>0</u>
<b>Expenditures:</b>				
Community Environment:				
Materials and Supplies	5,000	3,980	3,976	4
Capital Outlay	0	1,990	1,988	2
Total Expenditures	<u>5,000</u>	<u>5,970</u>	<u>5,964</u>	<u>6</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500)	(870)	(864)	6
Fund Balance at Beginning of Year	<u>87,105</u>	<u>87,105</u>	<u>87,105</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 84,605</u>	<u>\$ 86,235</u>	<u>\$ 86,241</u>	<u>\$ 6</u>

**CITY OF NAPOLEON, OHIO**

***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Debt Service Fund  
For the Year Ended December 31, 2006***

<b>FEMA SMALL PROJECTS FUND</b>				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 0	\$ 2,010	\$ 2,007	\$ (3)
Total Revenues	<u>0</u>	<u>2,010</u>	<u>2,007</u>	<u>(3)</u>
<b>Expenditures:</b>				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	2,010	2,007	(3)
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>0</u>	<u>(2,007)</u>	<u>(2,007)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(2,007)</u>	<u>(2,007)</u>	<u>0</u>
Net Change In Fund Balance	0	3	0	(3)
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (3)</u></u>

**CITY OF NAPOLEON, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Debt Service Fund  
For the Year Ended December 31, 2006**

GENERAL BOND RETIREMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
All Other Revenues	\$ 0	\$ 16,730	\$ 16,738	\$ 8
Total Revenues	<u>0</u>	<u>16,730</u>	<u>16,738</u>	<u>8</u>
<b>Expenditures:</b>				
Debt Service:				
Principal Retirement	25,000	25,000	25,000	0
Interest and Fiscal Charges	39,870	39,860	39,852	8
Total Expenditures	<u>64,870</u>	<u>64,860</u>	<u>64,852</u>	<u>8</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,870)	(48,130)	(48,114)	16
<b>Other Financing Sources (Uses):</b>				
Transfers In	54,550	54,550	54,550	0
Total Other Financing Sources (Uses)	<u>54,550</u>	<u>54,550</u>	<u>54,550</u>	<u>0</u>
Net Change In Fund Balance	(10,320)	6,420	6,436	16
Fund Balance at Beginning of Year	19,791	19,791	19,791	0
Fund Balance at End of Year	<u>\$ 9,471</u>	<u>\$ 26,211</u>	<u>\$ 26,227</u>	<u>\$ 16</u>

***Fiduciary Funds***

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

***Agency Funds***

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**Municipal Court Fund**

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

**Law Library Fund**

To account for monies collected from traffic fines until remitted to other entities.

**Payroll Withholding Fund**

To account for withholding taxes until remitted to other entities.

**CITY OF NAPOLEON, OHIO**

***Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended December 31, 2006***

	Balance December 31, 2005	Additions	Deductions	Balance December 31, 2006
<b><u>Municipal Court</u></b>				
Assets:				
Cash and Cash Equivalents	\$8,891	\$1,547,834	(\$1,545,707)	\$11,018
Total Assets	<u>\$8,891</u>	<u>\$1,547,834</u>	<u>(\$1,545,707)</u>	<u>\$11,018</u>
Liabilities:				
Due to Others	\$8,891	\$1,547,834	(\$1,545,707)	\$11,018
Total Liabilities	<u>\$8,891</u>	<u>\$1,547,834</u>	<u>(\$1,545,707)</u>	<u>\$11,018</u>
<b><u>Law Library</u></b>				
Assets:				
Cash and Cash Equivalents	\$0	\$57,313	(\$57,313)	\$0
Total Assets	<u>\$0</u>	<u>\$57,313</u>	<u>(\$57,313)</u>	<u>\$0</u>
Liabilities:				
Due to Others	\$0	\$57,313	(\$57,313)	\$0
Total Liabilities	<u>\$0</u>	<u>\$57,313</u>	<u>(\$57,313)</u>	<u>\$0</u>
<b><u>Payroll Withholding</u></b>				
Assets:				
Cash and Cash Equivalents	\$11,459	\$32,130	(\$32,344)	\$11,245
Total Assets	<u>\$11,459</u>	<u>\$32,130</u>	<u>(\$32,344)</u>	<u>\$11,245</u>
Liabilities:				
Due to Others	\$11,459	\$32,130	(\$32,344)	\$11,245
Total Liabilities	<u>\$11,459</u>	<u>\$32,130</u>	<u>(\$32,344)</u>	<u>\$11,245</u>
<b><u>Totals - Agency Funds</u></b>				
Assets:				
Cash and Cash Equivalents	\$20,350	\$1,637,277	(\$1,635,364)	\$22,263
Total Assets	<u>\$20,350</u>	<u>\$1,637,277</u>	<u>(\$1,635,364)</u>	<u>\$22,263</u>
Liabilities:				
Due to Others	\$20,350	\$1,637,277	(\$1,635,364)	\$22,263
Total Liabilities	<u>\$20,350</u>	<u>\$1,637,277</u>	<u>(\$1,635,364)</u>	<u>\$22,263</u>

*CAPITAL ASSETS USED IN THE  
OPERATION OF GOVERNMENTAL FUNDS*

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***CITY OF NAPOLEON, OHIO***

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***Capital Assets Used in the Operation of Governmental Funds  
Schedule by Source  
December 31, 2006***

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Capital Assets:

Land	\$8,814,463
Construction in Progress	1,776,992
Buildings	2,405,551
Improvements	859,879
Machinery and Equipment	4,522,229
Infrastructure	<u>21,713,933</u>
Total Capital Assets	<u><u>\$40,093,047</u></u>

Investment in Capital Assets:

General Fund	\$1,052,141
Special Revenue Funds	1,264,742
Capital Projects Funds	36,698,098
Enterprise Funds	649,278
Internal Service Fund	69,288
Donated	<u>359,500</u>
Total Investment in Capital Assets	<u><u>\$40,093,047</u></u>

**CITY OF NAPOLEON, OHIO**

***Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity  
December 31, 2006***

Function and Activity	Land	Construction In Progress	Buildings	Improvements
<u>General Government:</u>				
City Manager	\$0	\$0	\$0	\$0
Law Director	0	0	0	0
Finance	0	0	179,304	0
Tax	0	0	0	0
MIS	0	0	0	3,460
Engineering	0	7,939	1,978	0
Municipal Court	0	0	0	0
General Administration	1,016,482	0	0	0
Total	1,016,482	7,939	181,282	3,460
<u>Security of Persons and Property:</u>				
Police	32,729	0	112,500	0
Fire	6,514	0	398,474	86,239
Total	39,243	0	510,974	86,239
<u>Transportation:</u>				
Street	6,044,538	10,504	654,534	343,940
Maintenance	0	0	0	0
Total	6,044,538	10,504	654,534	343,940
<u>Leisure Time Activities:</u>				
Parks and Recreation	1,072,860	55,805	1,052,961	426,240
<u>Community Environment:</u>				
Inspection	0	0	0	0
Economic Development	404,040	1,700,686	0	0
Total	404,040	1,700,686	0	0
<u>Public Health and Welfare:</u>				
Cemetery	237,300	2,058	5,800	0
<u>Governmental IS:</u>				
City Garage	0	0	0	0
Total Capital Assets	\$8,814,463	\$1,776,992	\$2,405,551	\$859,879



**CITY OF NAPOLEON, OHIO**

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Machinery and Equipment	Infrastructure	Total
\$94,801	\$0	\$94,801
8,141	0	8,141
189,186	0	368,490
33,559	0	33,559
47,393	0	50,853
123,943	0	133,860
133,362	0	133,362
18,259	0	1,034,741
<u>648,644</u>	<u>0</u>	<u>1,857,807</u>
529,332	0	674,561
1,646,572	0	2,137,799
<u>2,175,904</u>	<u>0</u>	<u>2,812,360</u>
967,123	21,713,934	29,734,573
8,112	0	8,112
<u>975,235</u>	<u>21,713,934</u>	<u>29,742,685</u>
590,336	0	3,198,202
29,772	0	29,772
0	0	2,104,726
<u>29,772</u>	<u>0</u>	<u>2,134,498</u>
73,881	0	319,039
28,456	0	28,456
<u>\$4,522,228</u>	<u>\$21,713,934</u>	<u>\$40,093,047</u>

**CITY OF NAPOLEON, OHIO**

***Capital Assets Used in the Operation of Governmental Funds  
Schedule Changes by Function and Activity  
For Year Ended December 31, 2006***

<u>Function and Activity</u>	<u>December 31, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2006</u>
<u>General Government:</u>				
City Manager	\$166,176	\$0	(\$71,375)	\$94,801
Law Director	25,030	1,300	(18,189)	8,141
Finance	431,069	1,294	(63,873)	368,490
Tax	36,304	4,882	(7,627)	33,559
MIS	38,294	16,476	(3,917)	50,853
Engineering	90,499	69,183	(25,822)	133,860
Municipal Court	147,651	24,007	(38,296)	133,362
General Administration	1,064,772	1,219	(31,250)	1,034,741
Total	<u>1,999,795</u>	<u>118,361</u>	<u>(260,349)</u>	<u>1,857,807</u>
<u>Security of Persons and Property:</u>				
Police	680,703	86,351	(92,493)	674,561
Fire	2,108,517	100,422	(71,140)	2,137,799
Total	<u>2,789,220</u>	<u>186,773</u>	<u>(163,633)</u>	<u>2,812,360</u>
<u>Transportation:</u>				
Street	29,241,201	1,111,017	(617,645)	29,734,573
Maintenance	22,118	0	(14,006)	8,112
Total	<u>29,263,319</u>	<u>1,111,017</u>	<u>(631,651)</u>	<u>29,742,685</u>
<u>Leisure Time Activities:</u>				
Parks and Recreation	3,128,387	155,062	(85,247)	3,198,202
<u>Community Environment:</u>				
Inspection	36,689	0	(6,917)	29,772
Economic Development	977,326	1,127,400	0	2,104,726
Total	<u>1,014,015</u>	<u>1,127,400</u>	<u>(6,917)</u>	<u>2,134,498</u>
<u>Public Health and Welfare:</u>				
Cemetery	334,873	11,558	(27,392)	319,039
<u>Governmental IS:</u>				
City Garage	34,158	0	(5,702)	28,456
Total Capital Assets	<u>\$38,563,767</u>	<u>\$2,710,171</u>	<u>(\$1,180,891)</u>	<u>\$40,093,047</u>

# *STATISTICAL SECTION*

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**EVERYONE LOVES A PARADE!**



**YOUNG AND YOUNG AT HEART**



**WE ENJOY AND CELEBRATE!**





## *STATISTICAL TABLES*

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This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

### *Contents*

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<b>Financial Trends</b>	S 3 – S 11
These schedules contain trend information to help the reader understand how the city's financial position has changed over time.	
<b>Revenue Capacity</b>	S 12 – S 15
These schedules contain information to help the reader understand and assess the factors affecting the city's ability to generate its most significant local revenue sources, the property tax and the sales tax.	
<b>Debt Capacity</b>	S 16 – S 25
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
<b>Economic and Demographic Information</b>	S 26 – S 29
These schedules offer economic and demographic indicators to help the reader understand the environment within which the city's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
<b>Operating Information</b>	S 30 – S 35
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	
<b>Sources Note:</b>	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.	



## *City of Napoleon, Ohio*

*Net Assets by Component  
Last Four Years  
(accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$21,317,327	\$21,021,667	\$22,705,762	\$24,314,801
Restricted	5,495,123	5,375,253	7,056,410	6,878,481
Unrestricted	1,855,778	2,934,897	2,246,227	2,235,629
Total Governmental Activities Net Assets	<u>\$28,668,228</u>	<u>\$29,331,817</u>	<u>\$32,008,399</u>	<u>\$33,428,911</u>
<b>Business-type Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$9,404,424	\$9,405,924	\$12,190,666	\$11,264,160
Unrestricted	16,854,748	17,309,137	16,110,442	17,996,725
Total Business-type Activities Net Assets	<u>\$26,259,172</u>	<u>\$26,715,061</u>	<u>\$28,301,108</u>	<u>\$29,260,885</u>
<b>Primary Government:</b>				
Invested in Capital Assets, Net of Related Debt	\$30,721,751	\$30,427,591	\$34,896,428	\$35,578,961
Restricted	5,495,123	5,375,253	7,056,410	6,878,481
Unrestricted	18,710,526	20,244,034	18,356,669	20,232,354
Total Primary Government Net Assets	<u>\$54,927,400</u>	<u>\$56,046,878</u>	<u>\$60,309,507</u>	<u>\$62,689,796</u>

Source: Finance Director's Office

## City of Napoleon, Ohio

*Changes in Net Assets  
Last Four Years  
(accrual basis of accounting)*

	2003	2004	2005	2006
<b>Expenses</b>				
Governmental Activities:				
Security of Persons and Property	\$2,680,032	\$3,083,153	\$3,509,589	\$2,790,209
Public Health and Welfare Services	85,401	100,118	100,116	96,450
Leisure Time Activities	818,891	821,192	840,601	849,041
Community Environment	1,080,975	222,063	717,906	446,673
Transportation	1,459,500	1,813,717	1,292,990	1,031,319
General Government	903,636	885,066	779,647	1,021,880
Interest and Fiscal Charges	81,409	81,851	86,114	83,755
<i>Total Governmental Activities Expenses</i>	<u>7,109,844</u>	<u>7,007,160</u>	<u>7,326,963</u>	<u>6,319,327</u>
Business-type Activities:				
Electric	11,387,550	13,137,325	14,680,376	13,153,590
Water	1,536,309	2,066,067	1,831,263	1,769,784
Sewer	1,843,617	2,177,445	1,883,991	1,808,683
Sanitation	519,287	577,992	641,812	620,867
<i>Total Business-type Activities Expenses</i>	<u>15,286,763</u>	<u>17,958,829</u>	<u>19,037,442</u>	<u>17,352,924</u>
<i>Total Primary Government Expenses</i>	<u>\$22,396,607</u>	<u>\$24,965,989</u>	<u>\$26,364,405</u>	<u>\$23,672,251</u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services				
Security of Persons and Property	\$705,157	\$636,713	\$796,718	\$970,374
Public Health and Welfare Services	21,905	22,613	19,733	13,385
Leisure Time Activities	222,335	240,534	258,863	246,881
Community Environment	5,435	4,083	2,808	5,100
Transportation	802	7,657	3,950	8,336
General Government	35,210	73,338	50,873	83,485
Operating Grants and Contributions	668,714	2,198,081	885,954	1,045,250
Capital Grants and Contributions	83,160	94,553	3,361,224	357,291
<i>Total Governmental Activities Program Revenues</i>	<u>1,742,718</u>	<u>3,277,572</u>	<u>5,380,123</u>	<u>2,730,102</u>

(continued)



## City of Napoleon, Ohio

### Changes in Net Assets Last Four Years (accrual basis of accounting)

	2003	2004	2005	2006
<b>Business-type Activities:</b>				
<b>Charges for Services</b>				
Electric	11,318,729	13,307,816	14,548,024	13,199,524
Water	1,721,654	1,826,371	2,124,645	2,090,647
Sewer	1,883,250	1,959,987	2,346,604	2,298,509
Sanitation	523,869	549,848	616,127	630,019
Operating Grants and Contributions	0	0	0	0
Capital Grants and Contributions	75,000	0	672,235	0
<i>Total Business-type Activities Program Revenues</i>	15,522,502	17,644,022	20,307,635	18,218,699
<i>Total Primary Government Program Revenues</i>	17,265,220	20,921,594	25,687,758	20,948,801
<b>Net (Expense)/Revenue</b>				
Governmental Activities	(5,367,126)	(3,729,588)	(1,946,840)	(3,589,225)
Business-type Activities	235,739	(314,807)	1,270,193	865,775
<i>Total Primary Government Net (Expense)/Revenue</i>	(\$5,131,387)	(\$4,044,395)	(\$676,647)	(\$2,723,450)
<b>General Revenues and Other Changes in Net Assets</b>				
<b>Governmental Activities:</b>				
Property Taxes	\$389,763	\$405,565	\$403,855	\$481,259
Municipal Income Taxes	2,134,591	2,308,225	2,520,569	2,455,843
Other Local Taxes	540,096	558,804	585,033	586,070
Grants and Entitlements not Restricted to Specific Programs	1,028,057	602,094	369,573	710,157
Investment Earnings	153,241	195,858	239,399	334,547
Miscellaneous	318,967	322,631	540,580	324,313
Transfers	0	0	(31,000)	231,000
<i>Total Governmental Activities</i>	4,564,715	4,393,177	4,628,009	5,123,189
<b>Business-type Activities:</b>				
Investment Earnings	230,404	214,275	284,854	427,411
Transfers	0	0	31,000	(231,000)
<i>Total Business-type Activities</i>	230,404	214,275	315,854	196,411
<i>Total Primary Government</i>	\$4,795,119	\$4,607,452	\$4,943,863	\$5,319,600
<b>Change in Net Assets</b>				
Governmental Activities	(\$802,411)	\$663,589	\$2,681,169	\$1,533,964
Business-type Activities	466,143	(100,532)	1,586,047	1,062,186
<i>Total Primary Government Change in Net Assets</i>	(\$336,268)	\$563,057	\$4,267,216	\$2,596,150

Source: Finance Director's Office

## *City of Napoleon, Ohio*

*Fund Balances, Governmental Funds  
Last Ten Years  
(modified accrual basis of accounting)*

	1997	1998	1999	2000	2001
General Fund					
Reserved	\$47,565	\$11,795	\$36,808	\$62,531	\$36,611
Unreserved	2,314,787	2,968,634	3,291,676	2,894,632	2,907,754
<i>Total General Fund</i>	<u>2,362,352</u>	<u>2,980,429</u>	<u>3,328,484</u>	<u>2,957,163</u>	<u>2,944,365</u>
All Other Governmental Funds					
Reserved	620,111	556,954	399,943	620,117	1,775,561
Unreserved, Undesignated, Reported in:					
Special Revenue Funds	826,597	964,025	1,695,388	1,550,267	1,377,200
Debt Service Funds	0	0	0	0	0
Capital Projects Funds	93,929	696,505	318,838	565,871	193,624
Total All Other Governmental Funds	<u>1,540,637</u>	<u>2,217,484</u>	<u>2,414,169</u>	<u>2,736,255</u>	<u>3,346,385</u>
<i>Total Governmental Funds</i>	<u><u>\$3,902,989</u></u>	<u><u>\$5,197,913</u></u>	<u><u>\$5,742,653</u></u>	<u><u>\$5,693,418</u></u>	<u><u>\$6,290,750</u></u>

Source: Finance Director's Office

*City of Napoleon, Ohio*

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<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$15,083	\$59,976	\$160,550	\$74,393	\$54,611
<u>2,573,339</u>	<u>2,166,503</u>	<u>1,889,815</u>	<u>2,317,704</u>	<u>2,059,287</u>
<u>2,588,422</u>	<u>2,226,479</u>	<u>2,050,365</u>	<u>2,392,097</u>	<u>2,113,898</u>
1,707,883	900,349	857,300	759,549	724,245
1,460,408	1,730,554	1,678,474	2,038,888	2,410,223
0	423,721	441,272	448,463	470,238
<u>289,238</u>	<u>307,041</u>	<u>773,460</u>	<u>312,492</u>	<u>390,741</u>
<u>3,457,529</u>	<u>3,361,665</u>	<u>3,750,506</u>	<u>3,559,392</u>	<u>3,995,447</u>
<u>\$6,045,951</u>	<u>\$5,588,144</u>	<u>\$5,800,871</u>	<u>\$5,951,489</u>	<u>\$6,109,345</u>

## City of Napoleon, Ohio

*Changes in Fund Balances, Governmental Funds  
Last Ten Years  
(modified accrual basis of accounting)*

	1997	1998	1999	2000
<b>Revenues:</b>				
Taxes	\$2,546,058	\$2,726,758	\$3,018,876	\$2,991,556
Intergovernmental Revenues	1,435,011	1,099,545	1,445,317	1,584,727
Charges for Services	460,915	601,008	536,605	588,945
Licenses and Permits	48,663	49,531	50,966	52,682
Investment Earnings	415,846	399,094	399,448	488,251
Special Assessments	338,538	390,205	297,259	363,206
Fines and Forfeitures	242,252	286,415	271,662	293,545
All Other Revenue	131,393	228,517	392,799	147,795
<b>Total Revenue</b>	<u>5,618,676</u>	<u>5,781,073</u>	<u>6,412,932</u>	<u>6,510,707</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,620,552	1,811,903	1,686,473	2,451,923
Public Health and Welfare Services	66,127	66,231	62,354	66,118
Leisure Time Activities	594,786	637,495	665,529	710,193
Community Environment	322,033	166,716	390,281	653,905
Transportation	369,319	460,040	382,531	519,657
General Government	573,955	526,416	655,126	793,592
Capital Outlay	1,808,317	738,565	1,678,677	1,154,609
Debt Service:				
Principal Retirement	198,000	215,351	225,352	230,350
Interest and Fiscal Charges	168,406	148,285	139,318	125,942
<b>Total Expenditures</b>	<u>5,721,495</u>	<u>4,771,002</u>	<u>5,885,641</u>	<u>6,706,289</u>
Excess (Deficiency) of Revenues Over Expenditures	(102,819)	1,010,071	527,291	(195,582)

*City of Napoleon, Ohio*

2001	2002	2003	2004	2005	2006
\$2,851,943	\$3,337,819	\$3,057,298	\$3,253,269	\$3,481,493	\$3,530,340
1,265,699	1,277,546	1,842,915	1,728,312	3,246,136	2,156,790
618,783	686,624	597,894	627,492	659,064	768,875
52,815	66,533	121,639	114,276	89,952	70,448
480,730	317,932	189,435	188,501	233,988	270,293
339,160	205,720	279,314	246,059	224,108	223,796
410,473	480,217	380,875	299,738	342,082	382,767
183,442	270,778	218,791	247,579	302,543	312,405
<u>6,203,045</u>	<u>6,643,169</u>	<u>6,688,161</u>	<u>6,705,226</u>	<u>8,579,366</u>	<u>7,715,714</u>
2,132,567	2,334,971	2,475,239	2,821,246	3,269,915	2,616,306
79,675	80,577	87,882	89,627	88,465	90,918
786,130	770,783	756,745	755,563	764,355	783,864
180,763	599,187	1,071,531	229,297	716,342	797,857
584,706	645,695	617,653	727,926	585,866	526,918
1,061,697	977,419	833,966	857,184	696,044	887,028
1,316,150	1,003,002	1,107,011	1,386,011	2,175,773	1,826,376
187,156	159,156	169,156	180,357	890,357	215,357
99,019	87,631	83,845	77,153	93,633	86,526
<u>6,427,863</u>	<u>6,658,421</u>	<u>7,203,028</u>	<u>7,124,364</u>	<u>9,280,750</u>	<u>7,831,150</u>
(224,818)	(15,252)	(514,867)	(419,138)	(701,384)	(115,436)

(Continued)

## *City of Napoleon, Ohio*

*Changes in Fund Balances, Governmental Funds  
Last Ten Years  
(modified accrual basis of accounting)*

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	0	0	0
General Obligation Notes Issued	0	0	0	0
General Obligation Bonds Issued	0	0	0	0
Special Assessment Bonds Issued	0	235,000	0	29,000
Ohio Public Works Commission Loan	0	68,222	0	0
Transfers In	1,905,826	1,868,093	2,124,220	2,584,928
Transfers Out	(2,042,076)	(1,888,093)	(2,089,220)	(2,466,006)
<b>Total Other Financing Sources (Uses)</b>	<u>(136,250)</u>	<u>283,222</u>	<u>35,000</u>	<u>147,922</u>
<b>Net Change in Fund Balance</b>	<u>(\$239,069)</u>	<u>\$1,293,293</u>	<u>\$562,291</u>	<u>(\$47,660)</u>
 <b>Debt Service as a Percentage of Noncapital Expenditures</b>	 7.32%	 8.52%	 6.84%	 6.56%

Source: Finance Director's Office

*City of Napoleon, Ohio*

2001	2002	2003	2004	2005	2006
0	80,038	0	28,500	288,567	127,000
0	0	0	690,000	0	0
0	0	0	0	690,000	0
0	0	0	0	0	0
0	0	0	0	0	0
2,410,322	1,906,222	1,948,930	1,791,249	2,184,086	2,730,521
(1,673,019)	(2,214,433)	(1,993,930)	(1,880,199)	(2,310,086)	(2,587,521)
737,303	(228,173)	(45,000)	629,550	852,567	270,000
\$512,485	(\$243,425)	(\$559,867)	\$210,412	\$151,183	\$154,564
5.41%	4.05%	4.31%	4.48%	18.16%	6.14%

## *City of Napoleon, Ohio*

### *Income Tax Revenues by Source, Governmental Funds Last Ten Years*

<b>Tax year</b>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Income Tax Rate	1.20%	1.20%	1.20%	1.20%
Estimated Personal Income	\$211,281,520	\$213,271,960	\$219,621,095	\$227,638,740
Total Tax Collected	\$2,300,710	\$2,361,640	\$2,579,595	\$2,653,856
Income Tax Receipts				
Withholding	1,631,493	1,685,216	1,778,508	1,824,276
Percentage	\$0.71	\$0.71	\$0.69	\$0.69
Corporate	216,394	274,160	388,463	460,934
Percentage	\$0.09	\$0.12	\$0.15	\$0.17
Individuals	452,823	402,264	412,624	368,646
Percentage	\$0.20	\$0.17	\$0.16	\$0.14

Source: City Income Tax Department



*City of Napoleon, Ohio*

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2001	2002	2003	2004	2005	2006
1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
\$236,024,940	\$236,024,940	\$236,146,074	\$236,146,074	\$236,070,045	\$256,906,578
\$2,449,401	\$2,677,590	\$2,475,787	\$2,675,075	\$2,846,956	\$2,977,788
1,824,550	1,933,705	1,930,447	1,982,186	2,119,461	2,140,405
\$0.74	\$0.72	\$0.78	\$0.74	\$0.74	\$0.72
237,499	365,599	185,927	320,101	322,555	409,001
\$0.10	\$0.14	\$0.08	\$0.12	\$0.11	\$0.14
387,352	378,286	359,413	372,788	404,940	428,382
\$0.16	\$0.14	\$0.15	\$0.14	\$0.14	\$0.14



## City of Napoleon, Ohio

### Income Tax Collections Current Year and Nine Years Ago

Calendar Year 2006				
Income Level	Number of Filers	Percent of Total	Local Taxable Income	Percent of Income
\$0 - \$19,999	2,336	47.87%	\$16,630,668	10.14%
20,000 - 49,999	1,451	29.74%	48,226,142	29.41%
50,000 - 74,999	575	11.79%	35,222,520	21.48%
75,000 - 99,999	285	5.84%	24,641,736	15.03%
Over 100,000	232	4.76%	39,270,297	23.94%
Total	4,879	100.00%	\$163,991,363	100.00%

Calendar Year 1997				
Income Level	Number of Filers	Percent of Total	Local Taxable Income	Percent of Income
\$0 - \$19,999	1,963	47.85%	\$13,667,971	11.24%
20,000 - 49,999	1,331	32.44%	45,004,750	37.02%
50,000 - 74,999	531	12.94%	32,021,489	26.34%
75,000 - 99,999	172	4.19%	14,680,356	12.08%
Over 100,000	106	2.58%	16,194,804	13.32%
Total	4,103	100.00%	\$121,569,370	100.00%

Source: Finance Director's Office

## *City of Napoleon, Ohio*

### *Ratio of Outstanding Debt By Type Last Ten Years*

	1997	1998	1999
<b>Governmental Activities</b> <sup>(1)</sup>			
General Obligation Bonds Payable	\$0	\$0	\$0
Special Assessment Bonds Payable	1,980,000	2,012,000	1,799,000
Long-Term Notes Payable	0	0	0
Ohio Public Works Commission Loan Payable	0	234,664	222,312
<b>Business-type Activities</b> <sup>(1)</sup>			
Ohio Water Development Authority Loans Payable	\$4,104,888	\$3,905,832	\$3,689,988
Ohio Public Works Commission Loan Payable	0	0	0
Ohio Water and Sewer Rotary Commission Loan Payable	0	88,341	88,341
General Obligation Bonds Payable	1,825,000	1,770,000	1,715,000
Special Assessment Bond Payable	0	0	0
Mortgage Revenue Bonds Payable	0	6,706,667	6,505,000
Total Primary Government	<u>\$7,909,888</u>	<u>\$14,717,504</u>	<u>\$14,019,641</u>
<b>Population</b> <sup>(2)</sup>			
City of Napoleon	9,215	9,215	9,215
Outstanding Debt Per Capita	\$858	\$1,597	\$1,521
<b>Income</b> <sup>(3)</sup>			
Personal (in thousands)	211,282	213,272	219,621
Percentage of Personal Income	3.74%	6.90%	6.38%

**Sources:**

- (1) City Finance Director's Office
- (2) US Bureau of Census, Population Division
- (3) US Department of Commerce, Bureau of Economic Analysis
  - (a) Per Capita Income is only available by County, Total Personal Income is a calculation

*City of Napoleon, Ohio*

2000	2001	2002	2003	2004	2005	2006
\$0	\$0	\$0	\$0	\$0	\$680,000	\$655,000
1,610,000	1,435,194	1,288,388	1,131,582	963,575	785,568	607,561
0	0	0	0	690,000	0	0
209,962	197,612	185,262	172,912	160,562	148,212	135,862
\$3,455,930	\$3,202,104	\$2,974,633	\$2,776,311	\$2,562,451	\$4,019,916	\$3,715,575
70,002	66,318	62,634	58,950	55,266	51,582	47,898
88,341	88,341	88,341	88,341	88,341	666,070	666,070
1,655,000	1,590,000	1,525,000	1,460,000	2,385,000	2,350,000	2,240,000
115,000	111,806	108,612	105,418	101,425	97,432	93,439
6,280,000	6,045,000	5,800,000	5,550,000	5,280,000	5,000,000	4,710,000
<u>\$13,484,235</u>	<u>\$12,736,375</u>	<u>\$12,032,870</u>	<u>\$11,343,514</u>	<u>\$12,286,620</u>	<u>\$13,798,780</u>	<u>\$12,871,405</u>
9,318	9,318	9,318	9,318	9,318	9,318	9,318
\$1,447	\$1,367	\$1,291	\$1,217	\$1,319	\$1,481	\$1,381
227,639	236,025	236,025	236,146	236,146	236,070	256,907
5.92%	5.40%	5.10%	4.80%	5.20%	5.85%	5.01%

## *City of Napoleon, Ohio*

### *Ratios of General Bonded Debt Outstanding Last Ten Years*

Year	1997	1998	1999	2000
<b>Population</b> <sup>(1)</sup>	9,215	9,215	9,215	9,318
<b>Assessed Value</b> <sup>(2)</sup>	\$119,956,467	\$121,446,077	\$141,833,256	\$138,828,427
<b>General Bonded Debt</b> <sup>(3)</sup>				
General Obligation Bonds	\$1,825,000	\$1,770,000	\$1,715,000	\$1,655,000
<b>Resources Available to Pay Principal</b> <sup>(4)</sup>	\$0	\$0	\$0	\$0
<b>Net General Bonded Debt</b>	\$1,825,000	\$1,770,000	\$1,715,000	\$1,655,000
<b>Ratio of Net Bonded Debt to Estimated Actual Value</b>	1.52%	1.46%	1.21%	1.19%
<b>Net Bonded Debt per Capita</b>	\$198.05	\$192.08	\$186.11	\$177.61

**Source:**

(1) U.S. Bureau of Census of Population

(2) Henry County Auditor

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

(4) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

*City of Napoleon, Ohio*

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2001	2002	2003	2004	2005	2006
9,318	9,318	9,318	9,318	9,318	9,318
\$141,252,773	\$148,399,344	\$150,797,521	\$153,282,264	\$162,145,824	\$157,767,430
\$1,590,000	\$1,525,000	\$1,460,000	\$2,385,000	\$3,030,000	\$2,895,000
\$0	\$0	\$0	\$0	\$19,791	\$26,227
\$1,590,000	\$1,525,000	\$1,460,000	\$2,385,000	\$3,010,209	\$2,868,773
1.13%	1.03%	0.97%	1.56%	1.86%	1.82%
\$170.64	\$163.66	\$156.69	\$255.96	\$323.05	\$307.87





## *City of Napoleon, Ohio*

*Computation of Direct and Overlapping  
Debt Attributable to Governmental Activities  
December 31, 2006*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Napoleon</u>	<u>Amount Applicable to the City of Napoleon</u>
<b>Direct:</b>			
City of Napoleon	\$655,000	100.00%	\$655,000
<b>Overlapping:</b>			
Napoleon City School District	5,306,341	52.15%	2,767,257
Liberty Center School District	2,269,998	7.00%	158,900
Henry County	3,305,000	30.15%	996,458
		Subtotal	<u>3,922,615</u>
		Total	<u><u>\$4,577,615</u></u>

Source: Wood County

## *City of Napoleon, Ohio*

### *Debt Limitations Last Ten Years*

Collection Year	1997	1998	1999	2000
<u>Total Debt</u>				
Net Assessed Valuation	\$119,956,467	\$121,446,077	\$141,833,256	\$138,828,427
Legal Debt Limitation (%) <sup>(1)</sup>	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) <sup>(1)</sup>	12,595,429	12,751,838	14,892,492	14,576,985
City Debt Outstanding <sup>(2)</sup>	0	0	0	0
Less: Applicable Debt Service Fund Amounts	0	0	0	0
Net Indebtedness Subject to Limitation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Overall Legal Debt Margin	<u>\$12,595,429</u>	<u>\$12,751,838</u>	<u>\$14,892,492</u>	<u>\$14,576,985</u>
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$119,956,467	\$121,446,077	\$141,833,256	\$138,828,427
Legal Debt Limitation (%) <sup>(1)</sup>	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) <sup>(1)</sup>	6,597,606	6,679,534	7,800,829	7,635,563
City Debt Outstanding <sup>(2)</sup>	0	0	0	0
Less: Applicable Debt Service Fund Amounts	0	0	0	0
Net Indebtedness Subject to Limitation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Overall Legal Debt Margin	<u>\$6,597,606</u>	<u>\$6,679,534</u>	<u>\$7,800,829</u>	<u>\$7,635,563</u>

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

(2) City Debt Outstanding includes Non Self-Supporting General Obligation Bonds and Notes only.  
Enterprise Debt is not considered in the computation of the Legal Debt Margin.

Source: Finance Director's Office

*City of Napoleon, Ohio*

2001	2002	2003	2004	2005	2006
\$141,252,773	\$148,399,344	\$150,797,521	\$153,282,264	\$162,145,824	\$157,767,430
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
14,831,541	15,581,931	15,833,740	16,094,638	17,025,312	16,565,580
0	0	0	0	680,000	655,000
0	0	0	0	(19,791)	(26,227)
0	0	0	0	660,209	628,773
<u>\$14,831,541</u>	<u>\$15,581,931</u>	<u>\$15,833,740</u>	<u>\$16,094,638</u>	<u>\$16,365,103</u>	<u>\$15,936,807</u>
\$141,252,773	\$148,399,344	\$150,797,521	\$153,282,264	\$162,145,824	\$157,767,430
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
7,768,903	8,161,964	8,293,864	8,430,525	8,918,020	8,677,209
0	0	0	0	680,000	655,000
0	0	0	0	(19,791)	(26,227)
0	0	0	0	660,209	628,773
<u>\$7,768,903</u>	<u>\$8,161,964</u>	<u>\$8,293,864</u>	<u>\$8,430,525</u>	<u>\$8,257,811</u>	<u>\$8,048,436</u>

## *City of Napoleon, Ohio*

### *Pledged Revenue Coverage Last Nine Years*

	1998	1999	2000	2001
<b>Sewer System Bonds (1 a)</b>				
Gross Revenues (2)	\$1,521,674	\$1,498,570	\$1,761,805	\$2,028,949
Direct Operating Expenses (3)	1,258,196	546,998	708,254	802,347
Net Revenue Available for Debt Service	263,478	951,572	1,053,551	1,226,602
Annual Debt Service Requirement (4)	23,072	253,793	272,265	272,608
Coverage	11.42	3.75	3.87	4.50
<b>Electric System Bonds (1 b)</b>				
Gross Revenues (2)	\$9,898,206	\$11,057,218	\$11,208,088	\$11,873,698
Direct Operating Expenses (3)	9,939,969	10,041,853	9,396,161	10,214,482
Net Revenue Available for Debt Service	(41,763)	1,015,365	1,811,927	1,659,216
Annual Debt Service Requirement (4)	21,326	234,586	256,710	257,255
Coverage	(1.96)	4.33	7.06	6.45
<b>Electric System Amp-Ohio (1 b)</b>				
Gross Revenues (5)	N/A	N/A	N/A	\$11,541,607
Direct Operating Expenses (3)	N/A	N/A	N/A	9,458,129
Net Revenue Available for Debt Service	N/A	N/A	N/A	2,083,478
Annual Debt Service Requirement (4)	N/A	N/A	N/A	756,313
Coverage	N/A	N/A	N/A	2.75

(1) The Mortgage Revenue Bonds were issued as follows:

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

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

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

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

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

(5) Gross revenues do not include interest income. This is operating revenue only according to Amp-Ohio debt covenant.

Source: Finance Director's Office

*City of Napoleon, Ohio*

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2002	2003	2004	2005	2006
\$1,905,831	\$1,950,287	\$2,026,358	\$2,436,476	\$2,414,785
1,123,268	921,891	1,459,737	1,153,972	1,109,623
782,563	1,028,396	566,621	1,282,504	1,305,162
272,667	272,437	276,913	275,892	273,244
2.87	3.77	2.05	4.65	4.78
\$11,379,589	\$11,271,553	\$12,842,711	\$14,878,004	\$13,175,363
11,350,288	10,865,183	12,524,754	14,055,686	12,544,217
29,301	406,370	317,957	822,318	631,146
257,120	252,500	257,400	256,810	254,512
0.11	1.61	1.24	3.20	2.48
\$11,244,419	\$11,158,614	\$12,739,632	\$14,744,866	\$12,996,003
10,593,975	10,101,397	11,724,425	13,235,112	11,768,899
650,444	1,057,217	1,015,207	1,509,754	1,227,104
756,313	763,786	800,329	820,574	775,318
0.86	1.38	1.27	1.84	1.58

## *City of Napoleon, Ohio*

### *Demographic and Economic Statistics Last Ten Years*

Calendar Year	1997	1998	1999	2000	2001
<b>Population</b> <sup>(1)</sup>					
City of Napoleon	9,215	9,215	9,215	9,318	9,318
Henry County	29,885	29,880	29,870	29,210	29,310
<b>Income</b> <sup>(2) (a)</sup>					
Total Personal (in thousands)	211,282	213,272	219,621	227,639	236,025
Per Capita	22,928	23,144	23,833	24,430	25,330
<b>Unemployment Rate</b> <sup>(3)</sup>					
Federal	5.4%	4.9%	4.5%	4.2%	3.8%
State	4.8%	4.6%	4.3%	4.3%	3.7%
Henry County	5.4%	5.3%	5.6%	4.8%	5.1%
<b>Civilian Work Force Estimates</b> <sup>(3)</sup>					
State	5,710,000	5,678,000	5,749,000	5,900,400	5,857,000
Henry County	N/A	N/A	N/A	15,200	15,200

**Sources:**

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2005 for the presentation of 2006 statistics, the City is using the latest information available.

(a) Per Capita Income is only available by County, Total Personal Income is a calculation

(3) State Department of Labor Statistics

*City of Napoleon, Ohio*

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2002	2003	2004	2005	2006
9,318	9,318	9,318	9,318	9,318
29,310	29,310	29,310	29,310	29,310
236,025	236,146	236,146	236,146	256,907
25,330	25,343	25,343	25,343	27,571
4.8%	5.8%	6.0%	5.5%	5.0%
4.3%	5.7%	6.1%	6.0%	5.9%
5.3%	5.8%	6.4%	6.2%	5.9%
5,828,000	5,915,000	5,875,300	5,900,400	5,971,500
15,400	15,900	16,100	16,100	16,100





## *City of Napoleon, Ohio*

### *Principal Employers Current Year and Nine Years Ago*

Employer	Nature of Business	2006	
		Number of Employees	Rank
Napoleon City School District	Education	480	1
Tenneco Automotive (Pullman Company)	Automobile Parts Manufacturer	361	2
Plastech Engineered Products	Manufacturing	341	3
Henry County	County Government	338	4
Wal-Mart Stores	Retail	298	5
Henry County Hospital	Health Care	276	6
The Lutheran Home	Long-term Health Care	273	7
City of Napoleon	Local Government	231	8
Golden Living Center - Northcrest	Health Care and Rehabilitation	121	9
Carson Industries	Manufacturing	119	10
Total		<u>2,838</u>	

Employer	Nature of Business	1997	
		Number of Employees	Rank
Tenneco	Automobile Parts Manufacturer	443	1
Henry County	County Government	395	2
Napoleon City School District	Education	245	3
City of Napoleon	Local Government	200	4
Automatic Feed Company	Steel Handling Equipment	165	5
LDM Technologies	Manufacturing	151	6
Napco PLastics	Manufacturing	141	7
Wal-Mart Store	Retail	128	8
The Luthern Home	Long-term Health Care	128	9
Northcrest Nursing Home	Health Care and Rehabilitation	110	10
Total		<u>2,106</u>	

Sources: City of Napoleon Income Tax Department

## *City of Napoleon*

### *Full Time Equivalent Employees by Function Last Ten Years*

	1997	1998	1999	2000	2001
<b>Governmental Activities</b>					
General Government					
Finance	13.00	10.00	12.00	10.00	10.00
Legal/Court	7.00	7.00	8.00	7.00	7.00
Administration	8.00	8.00	7.00	9.00	8.00
Maintenance	4.00	4.00	4.00	4.00	4.00
Security of Persons and Property					
Police	21.00	23.00	23.00	23.00	22.00
Fire	7.00	7.00	7.00	7.00	7.00
Transportation					
Street	6.00	7.00	8.00	8.00	8.00
Leisure Time Activities					
Recreation/Seniors	6.00	7.00	6.00	6.00	6.00
Community Environment					
Service - Cemetery	2.00	1.00	1.00	1.00	1.00
<b>Business-Type Activities</b>					
Utilities - Electric	15.00	14.00	15.00	15.00	15.00
Water	11.00	10.00	10.00	10.00	10.00
Sewer	4.00	4.00	4.00	4.00	4.00
Solid Waste	4.00	3.00	3.00	3.00	3.00
<i>Total Employees</i>	<u>108.00</u>	<u>105.00</u>	<u>108.00</u>	<u>107.00</u>	<u>105.00</u>

**Method: 1.00 for each full-time, 0.50 for each part-time and 0.25 for each seasonal employee**

Source: Finance Director's Office

*City of Napoleon*

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<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
10.00	10.00	10.00	12.00	10.00
8.00	10.00	9.00	9.00	9.00
8.00	8.00	9.00	8.00	8.00
4.00	4.00	4.00	4.00	4.00
21.00	21.00	25.00	24.00	22.00
8.00	8.00	15.00	14.00	8.00
8.00	7.00	7.00	6.00	6.00
6.00	6.00	6.00	5.00	5.00
1.00	1.00	1.00	1.00	1.00
15.00	17.00	16.00	15.00	14.00
10.00	10.00	10.00	10.00	10.00
5.00	6.00	6.00	6.00	6.00
3.00	3.00	3.00	3.00	3.00
<u>107.00</u>	<u>111.00</u>	<u>121.00</u>	<u>117.00</u>	<u>106.00</u>

## *City of Napoleon*

### *Operating Indicators by Function Last Ten Years*

	1997	1998	1999	2000
<b>Governmental Activities</b>				
General Government				
Licenses and Permits				
Number of Building Permits	465	422	441	464
Number of Commercial Permits	126	142	101	106
Security of Persons and Property				
Police				
Number of Traffic Citations Issued	856	833	833	860
Number of Parking Tickets	318	180	180	103
Number of Law Violations: Criminal/Juvenile Citation	2,687	2,357	2,357	2,759
Fire				
Number of Fire Calls Answered	119	119	248	174
Number of EMS Runs	688	744	744	799
Number of Inspections	153	166	50	200
Transportation				
Street				
Facilities and Services: Miles of Streets	72	72	72	72
<b>Business-Type Activities</b>				
Water				
Number of Service Connections	3,500	3,500	3,500	3,500
Daily Average Consumption (gallons)	1.5M	1.5M	1.5M	1.5M
Maximum Daily Capacity of Treatment (gallons)	4.5M	4.5M	4.5M	4.5M
Sewer				
Number of Service Connections	3,500	3,500	3,500	3,500
Daily Average Sewage Treatment (gallons)	1.8M	1.8M	1.8M	1.8M
Maximum Daily Capacity of Treatment (gallons)	2.5M	2.5M	2.5M	2.5M

Source: Finance Director's Office

*City of Napoleon*

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2001	2002	2003	2004	2005	2006
515	509	626	517	540	379
113	134	81	116	93	85
879	863	800	867	1,200	1,122
208	186	104	226	134	108
2,843	2,431	2,359	1,631	1,193	1,225
110	163	125	232	190	131
802	860	769	870	950	898
10	10	10	43	43	28
72	72	72	72	72	72
3,500	3,500	3,500	3,500	3,634	3,634
1.3M	1.3M	1.3M	1.3M	1.3M	1.3M
4.5M	4.5M	4.5M	4.5M	4.5M	4.5M
3,500	3,500	3,500	3,500	3,493	3,493
1.8M	1.8M	1.8M	1.8M	1.8M	1.8M
2.5M	2.5M	2.5M	2.5M	2.5M	2.5M

## *City of Napoleon*

### *Capital Asset Statistics by Function Last Ten Years*

	1997	1998	1999	2000	2001
<b>Governmental Activities</b>					
General Government					
Area (square miles)	6	6	6	6	6
Security of Persons and Property					
Police					
Stations	1	1	1	1	1
Vehicles	6	6	6	6	7
Fire					
Stations	1	1	1	1	1
Vehicles	8	8	8	8	8
Transportation					
Street					
Vehicles	7	7	7	8	8
Leisure Time Activities					
Recreation/Seniors					
Land (acres)	225	225	225	225	225
Parks	9	9	9	9	9
Swimming Pools	1	1	1	1	1
Tennis Courts	2	2	2	2	2
Baseball/Softball Diamonds	5	5	5	5	5
Golf Courses	1	1	1	1	1
<b>Business-Type Activities</b>					
Utilities					
Water					
Waterlines (Miles)	58	58	58	58	58
Number of Purification Plants	1	1	1	1	1
Number of Hydrants	327	327	327	327	327
Number of Water Towers	1	1	1	1	1
Sewer					
Sewerlines (Miles)	45	45	45	45	45
Number of Treatment Plants	1	1	1	1	1
Storm Water Drainage					
Miles of Storm Sewers	30	30	30	30	30

Source: Finance Director's Office

*City of Napoleon*

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<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
7	7	7	7	7
				1
				9
1	1	2	2	
7	7	8	8	
1	1	2	2	1
8	8	9	10	10
8	8	9	9	9
225	225	225	225	225
9	9	9	9	9
1	1	1	1	1
2	2	2	2	2
5	5	7	7	7
1	1	1	1	1
58	58	58	58	58
1	1	1	1	1
327	327	599	599	599
1	1	1	1	2
45	45	45	45	45
1	1	1	1	1
30	30	30	30	30





## ***CEMETERY MEMORIAL CELEBRATION***



***GLENWOOD CEMETERY***





**Mary Taylor, CPA**  
Auditor of State

**CITY OF NAPOLEON**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 6, 2007**