



**Auditor of State
Betty Montgomery**

CITY OF EATON
PREBLE COUNTY

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Eaton
Preble County
328 North Maple Street
Eaton, Ohio 45320

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eaton, Preble County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated June 30, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated June 30, 2005, we reported a matter related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of the audit committee, management, and City Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 30, 2005

**CITY OF EATON
PREBLE COUNTY, OHIO**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2004

**Prepared By:
Department of Finance
Leslie H. Renner, Director**

CITY OF EATON
PREBLE COUNTY, OHIO
Comprehensive Annual Financial Report
For the Year Ended December 31, 2004

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PREBLE COUNTY, OHIO
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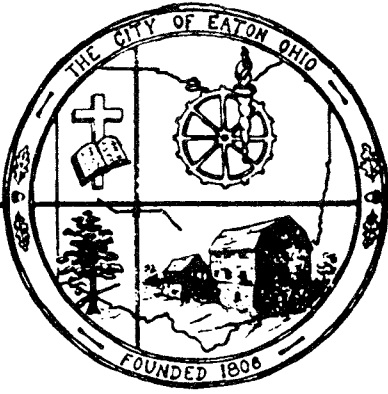
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City of Eaton

328 N. MAPLE STREET
P.O. BOX 27
EATON, OHIO 45320
TELEPHONE (937) 456-4125

June 30, 2005

Honorable Mayor
Members of the City Council, and
Citizens of Eaton, Ohio

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the City of Eaton, Ohio for the fiscal year ended December 31, 2004 is herewith submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the information and data presented in the report is accurate in all material aspects and is illustrated in a manner to fairly reflect the financial position and operating results of the City for the period covered herein. All disclosures necessary to enable the reader to gain an understanding of the local government's financial activities are included.

This Comprehensive Annual Financial Report is issued under the Government Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Statement No. 34 was developed to make annual financial reports of state and local governments easier to understand and more useful to those who make decisions using governmental financial information.

This CAFR includes all funds of the municipal government and general information relating to the City and its operations. The report is organized into three major sections as follows:

I. Introductory

This section includes the table of contents, this transmittal letter, a list of principal officials, organization charts of the City, and a Certificate of Achievement for the 2003 CAFR.

II. Financial

This section presents the Independent Accountants' Report on the financial statements, Management's Discussion and Analysis, the Basic Financial Statements and Notes, required supplementary information and the combining and individual fund financial statements and schedules.

III. Statistical

This section includes selected financial and demographic information generally presented on a multi-year basis.

THE CITY

William Bruce, who emigrated from Kentucky in search of desirable lands and a site for his mill, founded Eaton in 1805. He selected a site along Seven Mile Creek because of its potential for water power and platted the town into 233 lots which were recorded on February 20, 1806. The county seat of agriculturally rich Preble County, Eaton was granted the right to incorporate by the state legislature in 1836.

Following the 1960 census, the town attained a population of 5,034 to gain city status. Shortly thereafter, the citizens elected a Charter Commission that proposed the Council/Manager form of government, which was adopted on May 2, 1961.

Eaton has continued its growth and today has a population of approximately 8,133. Located 7 miles south of I-70 and 25 miles west of I-75, Eaton is located near the crossroads of the industrial mid-west. Although Eaton has a small town/farming heritage, it has developed a strong industrial base and houses operations of a number of nationally and internationally known companies such as Neaton Auto Products, Henny Penny Corporation, Timkin Company, Bullen Ultrasonics, and Parker Hannifin Corporation.

GOVERNMENTAL ORGANIZATION

Operating under the Council/Manager form of government, the legislative authority is vested in a five-member council. Council members are elected at-large on a nonpartisan basis to serve four-year overlapping terms, which provides continuity and stability in policy and legislative matters. Council elects annually from its members a Mayor and Vice-Mayor who serve one-year terms. The Mayor has no special powers but is given certain ceremonial responsibilities and presides at Council meetings.

The City Manager serves as the chief executive and administrative officer of the City. The Manager is responsible for all operational functions of the City and to advise Council on matters of public policy. The Charter establishes four administrative departments responsible for specific operational functions of the City. These are the Department of Public Safety, which includes the divisions of Police, Fire, Emergency Medical Services, and Building Services; the Department of Service, which includes the divisions of Public Works and Public Maintenance; the Department of Finance; and the Department of Law. The Administrative Code provides the detail of the organization of the municipal government, defines the powers and duties of each organizational unit and determines the administrative procedures to be followed.

MUNICIPAL SERVICES

Eaton provides a full range of municipal services to its residents. The following is a summary of the services provided by each of the City's operating units.

DEPARTMENT OF PUBLIC SAFETY

Division of Police: The Division of Police consists of 14 full-time sworn officers, 1 part-time sworn officer, a parking control officer, a data management officer and five radio dispatchers, under the direction of the Chief of Police. The division provides law enforcement related service involving the protection of lives and property within the corporation limits. During 2004 the division responded to 10,767 calls. The five dispatchers received 13,207 public safety calls, of which 2,245 were 911 calls.

Division of Fire: The Division of Fire is directed by a full-time Fire Chief who manages 33 part-time firefighters. The division provides fire protection and related services within the City and by contractual agreement to several surrounding townships. During 2004, the division responded to 42 structure fires, 30 car and grass fires, 59 accidents with injuries, 35 haz-mat incidents and 102 miscellaneous alarm calls. In addition, they performed 212 investigations.

Division of Emergency Medical Services: The Eaton Emergency Squad is directed by a full-time Squad Chief who manages 10 paramedics, 21 emergency medical technicians, and one driver, providing vital emergency medical services to the community and surrounding townships. The Emergency Squad operates two mobile intensive care units and provides basic and advanced life support services. During 2004, the Emergency Squad placed over 59,000 miles on its two ambulances in responding to 2,026 calls. These calls resulted in the treatment of 1,878 patients.

Division of Building Services: The Building Division consists of two full-time employees including a certified building/electrical inspector and a clerk. In addition, the City has contracts for related professional services for back-up inspectors and plan review and examination. The Ohio Board of Building Standards certifies the division, which allows the City to issue permits for commercial and industrial uses and as such has a number of contracts with area jurisdictions. In 2004, the division issued 30 residential new construction permits which required 226 inspections. There were 54 commercial/industrial permits issued with 295 inspections. A total of 444 miscellaneous permits were issued for electrical, HVAC, sprinklers, pools, roofing, fire alarms, signs, and demolitions, which required 1,032 inspections. The division is also responsible for processing zoning certificates and code enforcement.

DEPARTMENT OF SERVICE

Division of Public Works: The Division of Public Works consists of 12 employees who are responsible for the operation and maintenance of the City's wastewater treatment facility, two water treatment plants and over 90 miles of water and sewer distribution mains. The Division provides water and sewer services to approximately 3,300 residential, commercial and industrial users. In 2004 the City pumped 444 million gallons of water from its seven operating wells and treated 494 million gallons of wastewater at its Class IV advanced treatment facility.

Division of Public Maintenance: The Division of Public Maintenance includes 13 full-time employees who are principally responsible for the maintenance of the City's 41 miles of roadways, 185 acres of parks and recreational areas and all municipal owned buildings. Principal functional activities include building and equipment maintenance, snow removal, street sweeping, storm sewer maintenance, mowing, street painting, pavement repair and leaf collection.

DEPARTMENT OF FINANCE

The Department includes the Director and three full-time clerks. Responsibilities include payroll, accounting activities, disbursements and the collection of all City funds, as well as the front service office responsibilities of maintaining the utility billing system, inputting meter readings and processing monthly service bills. The department also provides support to the City Manager in the areas of insurance administration, budget preparation and reporting. Although the City contracts with another municipality for income tax collections, the Director of Finance serves as the Income Tax Administrator and as Clerk of Council.

DEPARTMENT OF LAW

The City has an appointed full-time Law Director who serves as legal counsel to the City Manager, Council, local boards and commissions and other administrative officers of the City. The Law Director represents the City in court proceedings and is the Prosecutor in Eaton Municipal Court.

Eaton Municipal Court operations are under the direction of an elected Municipal Court Judge who appoints a Clerk of Courts who is responsible for the management of operations. In addition to the Judge and Clerk, the court employs one part-time magistrate, one full-time bailiff, three part-time bailiff/security, six full-time deputy clerks and two part-time deputy clerks. The court has jurisdiction in misdemeanor criminal cases, the initial stages of felony proceedings, civil actions under \$10,000, trusteeships and traffic violations. During 2004, the court processed 9,025 cases.

REPORTING ENTITY

Generally accepted accounting principles require that the accompanying basic financial statements present:

- 1) the primary government,
- 2) its component units, and
- 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A component unit is an entity for which the government is considered to be financially liable. The City is not a component unit of any other entity and does not have any component units that require inclusion in the basic financial statements.

More information regarding the reporting entity may be found in the Notes to the Basic Financial Statements, Note 1, page 23.

MAJOR INITIATIVES

The City began an extensive reconstruction project on Aukerman Street, a major north-south service street in the City of Eaton. Improvements include replacement of water and sewer lines, new curb, gutter and sidewalks, and a much needed street milling and asphalt overlay. Construction is expected to be completed by early fall of 2005.

With the construction of a new Wal-Mart and associated stores, the City extended the adjoining access street, Washington-Jackson Road, which will join a new extension of Aukerman Street, and provide easier access to this developing shopping area.

The City joined forces with the local school district and county workforces to help bring the opening of the new High School to fruition. Major issues included the extension of the sewer lines and road widening of the two adjoining streets. In conjunction with this, the City built a new sidewalk, extending from town out to the new High School. An additional benefit of the sidewalk is that there is now walking access to one of the City's recreational parks, Fort St. Clair.

Paving was completed on West Chicago Street, the last phase of a three year program to improve the infrastructure in that neighborhood using Community Development Block Grant funds.

Earth moving and grading continued at the new softball complex. Drainage pipe was installed by City crews and the road and parking lots were laid in. Grass was sown and we hope to be playing on new ball fields in 2006.

The City completed the purchase of our wellfield and is in the planning stages to double our capacity at the existing water treatment plant.

ECONOMIC CONDITIONS AND OUTLOOK

The City is anticipating long term economic growth as a result of the establishment of a Wal-Mart store, which has already brought other businesses and restaurants to the area. These businesses, coupled with the opening of a new High School, will enhance the attractiveness of our City to outsiders and should lure more businesses and new residents.

However, in the short-term, the City is faced with a tightened fiscal situation. Though still financially sound, the City's largest fund, the General Fund, showed a decline in fund balance. Significant decreases were seen for the second year in a row in Municipal Court and Intergovernmental revenues. Declining revenues, coupled with the anticipation of further cuts in the intergovernmental funds from the State House, put the City's largest fund into a position that will require close management.

On a more positive note, our capital project fund is still healthy and funding our major projects as planned. Also, the enterprise funds have been carefully positioned in anticipation of the upgrade to the water treatment plant and new water tower. At the same time we will be escrowing funds in the Sewer Fund for a major upgrade at our wastewater treatment facility. We hope to finance that project internally to avoid debt and interest costs. The City's practice of escrowing for larger projects and avoiding debt issuance to the extent possible has served us well in the past and is a practice we hope to continue.

FINANCIAL INFORMATION

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

Financial Assistance: As a recipient of federal, state and county financial assistance, the government is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by grantors of the government.

Budgeting Controls: In addition, the government maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the government's governing body. Activities of the general fund, special revenue funds, capital project funds and enterprise funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the division (i.e., Police, Fire, Emergency Medical Services, Public Maintenance, and General Government) level within the general fund and at the fund level for all other budgeted funds. The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts do not lapse at year-end and are carried over to the following year.

As demonstrated by the statements and schedules included in the financial section of this report, the government continues meeting its responsibility for sound financial management. The reader is asked to pay close attention to management's discussion and analysis (MD&A) found on pages 3 – 10 for an overview and analysis of the financial position of the city.

Debt administration: At December 31, 2004, the City has three debt issues outstanding: an Ohio Public Works Commission Issue II interest-free loan of \$581,250; a bond indebtedness with USBank in the amount of \$1,276,423; and a bond indebtedness for \$550,000, also with USBank. Under current state statutes, the City's general obligation bonded debt issuances are subject to a legal limitation based on 10 1/2 percent of total assessed value of real and personal property. For further information on debt and long-term obligations, the reader is asked to refer to Note 13 found on page 43.

Cash management: Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and the State Treasury Asset Reserve of Ohio (STAROhio). The City earned interest revenue of \$62,329 on all investments for the year ended December 31, 2004.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City, its agent, a financial institution's trust department in the City's name or by pooled collateral. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 105 percent of the public funds on deposit. Trustees, including the Federal Reserve Bank and designated third party trustees of the financial institutions, hold the collateral. The City regularly reviews the market value of the pool to insure that adequate collateral is being provided.

Risk management: The City employs an active risk management strategy coupled with a carefully balanced insurance protection plan to avoid undue exposure to financial liabilities relating to its operations. Each year a staff member confers with a Loss Prevention Specialist from the City's insurance agent to evaluate potential risks and to develop appropriate programs and policies to mitigate exposures. As a result, the City has an excellent "loss experience" history which has enabled it to place all insurance coverage with companies enjoying at least an "A-" Best rating.

To help maintain a favorable experience record, all claims less than \$500 are reviewed internally with direct payment by the City when deemed appropriate. The City and its agent, to assure validity and to reduce future exposure, monitor all claims. Through aggressive risk management the City has suffered no major losses in recent years while providing itself reasonable protection at affordable rates.

For additional detail on the City's risk management and insurance limitations, the reader is asked to refer to Note 12 found on page 42.

OTHER INFORMATION

Independent audit: Included in this report is an unqualified opinion rendered on the City's operation and financial position as well as its existing assets and liabilities as reported in the basic financial statements for the year ended December 31, 2004, by Auditor of State, Betty Montgomery. The Auditor of State performs an independent audit and, as such, allows the reader a measure of assurance that they may rely upon the information presented in the financial statements.

Award: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Eaton, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2003. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

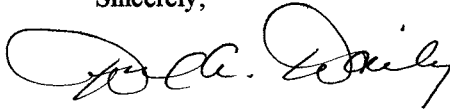
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Eaton, Ohio has received a Certificate of Achievement for the last eighteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

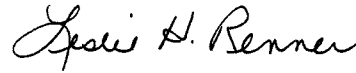
Acknowledgments: The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Department of Finance and other City departments. We express our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the Mayor and members of Council of the City of Eaton, preparation of this report would not have been possible.

Sincerely,



David A. Daily
City Manager



Leslie H. Renner
Director of Finance

***CITY OF EATON
PREBLE COUNTY, OHIO***

**LISTING OF PRINCIPAL CITY OFFICIALS
December 31, 2004**



ELECTED OFFICIALS

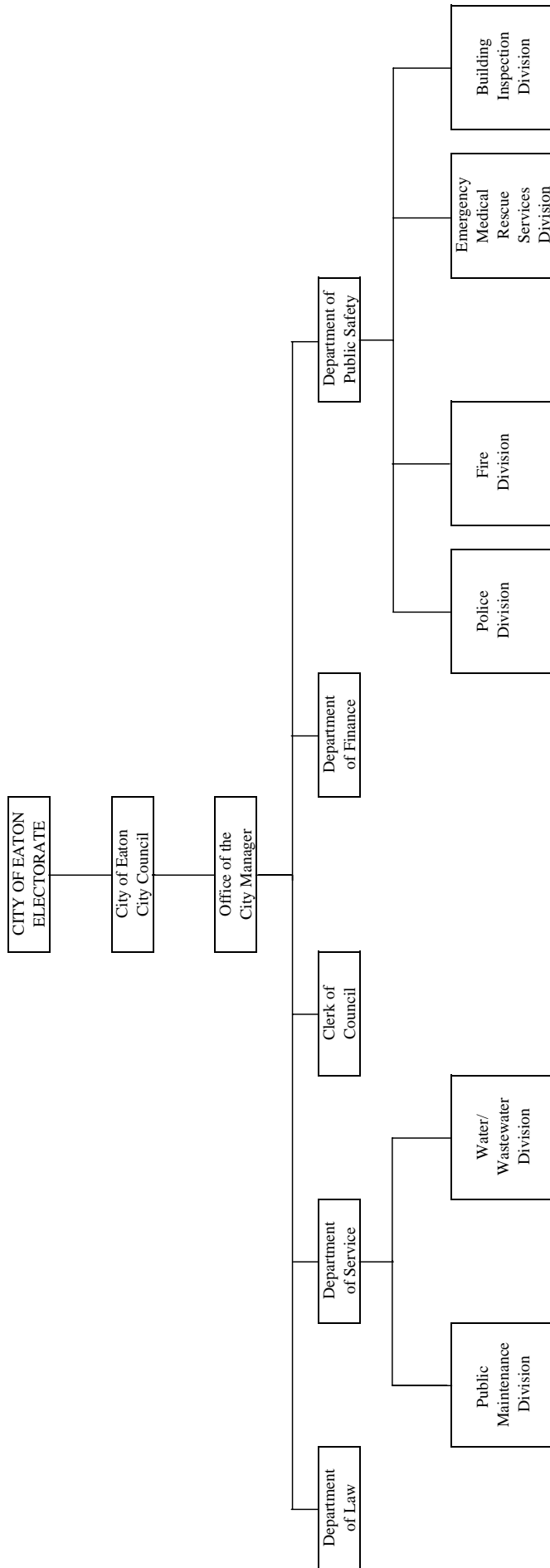
Mayor	Bob Stonecash
Vice-Mayor	Gary Wagner
Council Member	Dave Kirsch
Council Member	Joe Renner
Council Member	Ben Maffett
Municipal Judge	Paul D. Henry

APPOINTED OFFICIALS

City Manager	David A. Daily
Director of Finance	Leslie H. Renner
Director of Law	Donnette Fisher

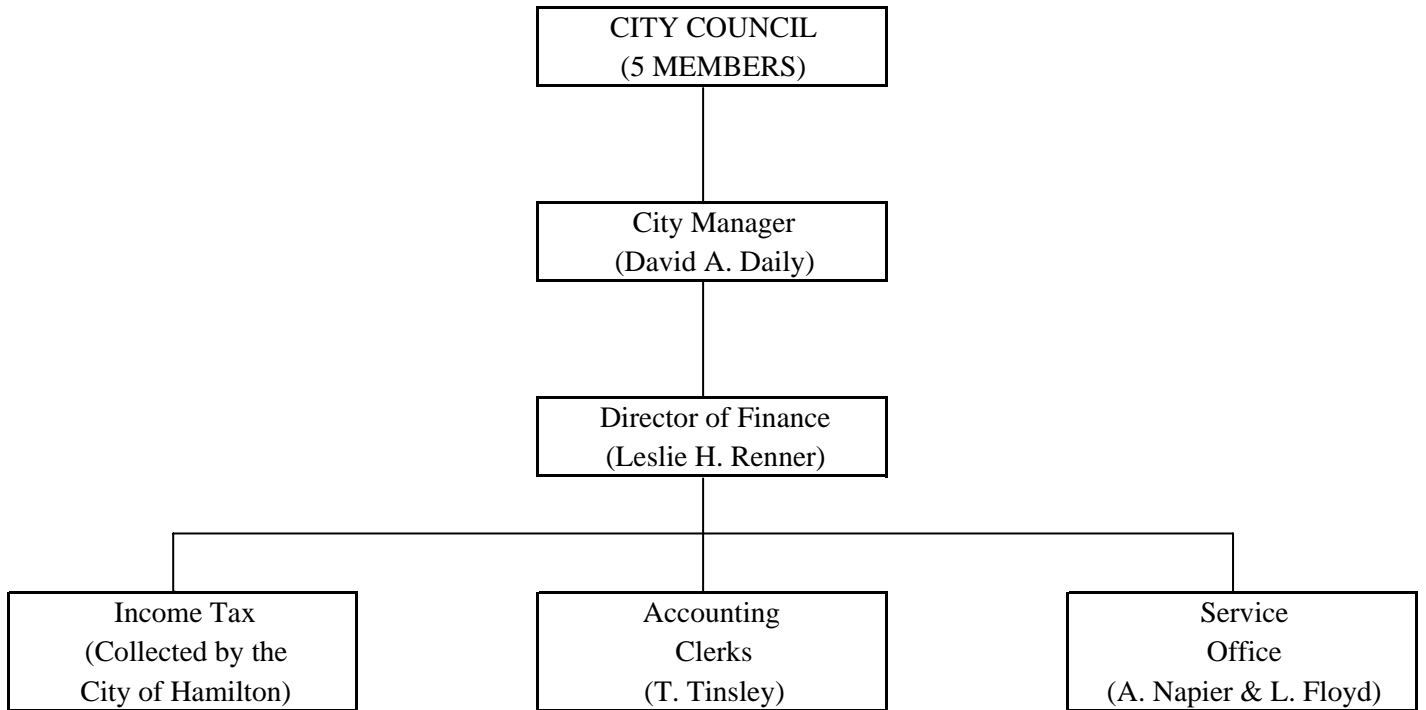
**CITY OF EATON
PREBLE COUNTY, OHIO**

CITY ORGANIZATION
as of December 31, 2004



**CITY OF EATON
PREBLE COUNTY, OHIO**

DEPARTMENT OF FINANCE
as of December 31, 2004



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Eaton,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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



Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of Eaton
Preble County
328 North Maple Street
Eaton, Ohio 45320

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eaton, Preble County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

June 30, 2005

CITY OF EATON
PREBLE COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Eaton's financial performance provides an overview of the City's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2004 are as follows:

- Governmental activities reported a positive net change in net assets of \$319,076, a 3.79% increase.
- Business-type activities reported a positive net change in net assets of \$768,730, a 13.3% increase.
- The General Fund reported a fund balance of \$1,357,879, which represents a decrease of \$479,486, or 26.1%.
- Actual expenditures exceeded actual revenues in the General Fund by \$464,319, which decreases the unencumbered cash balance to \$1,245,434.

Using this Comprehensive Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized to provide the reader with an overview of the City's condition as a whole and then proceed to provide a more detailed view of the City's operations.

The Statement of Net Assets and the Statement of Activities provide the overview of the whole City, with a longer-term outlook of the City's financial condition. Major fund financial statements provide the next level of detail, providing information on short-term activities with a focus on the City's four significant funds. The remaining non-major funds are presented in total in one column.

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

"How did the City of Eaton do financially in 2004?" The broad answer to this question can be obtained with a look at the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting methods used by private-sector businesses. This basis of accounting takes into account all of the current year's revenue and expenditures, regardless of when the actual cash was received or paid.

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These two statements report the City's net assets and the change in those assets from the prior year. Net assets can be defined as the difference between assets and liabilities, and the measurement of this difference can be used to monitor the City's financial health. Other factors must then be considered, such as the City's property tax base, the condition of the streets and other capital assets, and the growth or decline in area businesses and residential neighborhoods.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities.

- **Governmental Activities** – Most of the City's services are reported here and include police, fire, emergency medical, public maintenance, parks and recreation, judicial, legislative, and executive.
- **Business-Type Activities** – These services include water, sewer, refuse and parking meters. Service fees for these operations are charged based upon usage. The intent is that the fees are sufficient to cover the costs of operation.

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 14. Fund financial statements provide the detailed information about the General, Public Safety, and Capital Improvements Funds. The City uses many different funds, some of which are required by law and others are used to help segregate and control revenues intended for specific purposes. The City has two kinds of funds - "governmental" and "proprietary". The proprietary funds support the business-type activities.

Governmental Funds – Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a 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 available in the near future to finance City programs. We detail the relationship between net assets of governmental activities, as reported in the Statement of Net Assets and the Statement of Activities, and governmental fund balances in a reconciliation on pages 15 and 17.

Proprietary Funds – City utility services for water, sewer and refuse are operated as enterprise funds. These are business-type activities that receive a significant portion of their funding from user charges. These funds are listed under the heading of "business-type activities" on the Statement of Net Assets and the Statement of Activities and reported in much the same manner as the governmental funds. The reader should note that these funds are a part of the "government-wide" statements, but not a part of the "governmental funds".

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Fiduciary Funds – The City is the agent for assets that are to be remitted to private organizations or other governments. The City's role is purely custodial, in that we record the receipt and subsequent remittance to the proper entity. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 19. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the basic financial statements begin on page 20.

The City as a Whole

The Statement of Net Assets provides a perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for the year ended December 31, 2004 as compared to December 31, 2003.

TABLE 1
Statement of Net Assets, December 31

	2004			2003		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other						
Assets	\$ 6,827,594	1,907,644	8,735,238	7,077,138	1,475,246	8,552,384
Capital Assets	5,957,709	4,797,377	10,755,086	4,978,599	4,487,336	9,465,935
Total Assets	<u>12,785,303</u>	<u>6,705,021</u>	<u>19,490,324</u>	<u>12,055,737</u>	<u>5,962,582</u>	<u>18,018,319</u>
Liabilities:						
Current and Other						
Liabilities	1,190,164	75,259	1,265,423	1,293,829	107,899	1,401,728
Long-term Liabilities	2,864,647	99,799	2,964,446	2,350,492	93,450	2,443,942
Total Liabilities	<u>4,054,811</u>	<u>175,058</u>	<u>4,229,869</u>	<u>3,644,321</u>	<u>201,349</u>	<u>3,845,670</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	3,550,036	4,797,377	8,347,413	3,016,949	4,487,336	7,504,285
Restricted	3,351,267	-	3,351,267	3,473,928	-	3,473,928
Unrestricted	1,829,189	1,732,586	3,561,775	1,920,539	1,273,897	3,194,436
Total Net Assets	<u>\$ 8,730,492</u>	<u>6,529,963</u>	<u>15,260,455</u>	<u>8,411,416</u>	<u>5,761,233</u>	<u>14,172,649</u>

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2004 the City's net assets were \$15.3 million. Of this amount, \$8.3 million was invested in capital assets and \$3.4 million was subject to external restrictions for its use. The remaining amount, \$3.6 million, was unrestricted and available for future use as directed by City Council and the City administration.

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The following table identifies the origin of the increase in net assets by displaying condensed data from the Statement of Activities.

TABLE 2
Change in Net Assets, December 31

	2004			2003		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,182,772	2,568,313	3,751,085	1,218,048	2,370,498	3,588,546
Operating Grants and Contributions	14,931	-	14,931	28,453	-	28,453
Capital Grants and Contributions	324,024	149,989	474,013	196,164	51,462	247,626
General Revenues:						
Property Taxes	677,090	-	677,090	635,637	-	635,637
Municipal Income Taxes	3,053,495	-	3,053,495	2,809,463	-	2,809,463
Grants and Contributions not Restricted	846,990	-	846,990	918,067	-	918,067
Investment Income	62,328	-	62,328	59,086	-	59,086
Other Revenue	12,837	-	12,837	31,600	-	31,600
Total Revenue	6,174,467	2,718,302	8,892,769	5,896,518	2,421,960	8,318,478
EXPENSES:						
General Government	2,109,868	-	2,109,868	1,847,486	-	1,847,486
Public Safety	2,171,369	-	2,171,369	2,180,635	-	2,180,635
Public Health	171,062	-	171,062	148,194	-	148,194
Transportation	450,405	-	450,405	967,800	-	967,800
Community Development	683,209	-	683,209	208,519	-	208,519
Culture and Recreation	196,266	-	196,266	268,863	-	268,863
Water	-	674,554	674,554	-	749,140	749,140
Sewer	-	797,216	797,216	-	759,188	759,188
Refuse	-	462,213	462,213	-	506,051	506,051
Other Business-Type Activities	-	15,589	15,589	-	27,636	27,636
Interest Expense	73,212	-	73,212	52,923	-	52,923
Total Expenses	5,855,391	1,949,572	7,804,963	5,674,420	2,042,015	7,716,435
Change in Net Assets	319,076	768,730	1,087,806	222,098	379,945	602,043
Net Assets, Beginning of Year	8,411,416	5,761,233	14,172,649	8,189,318	5,381,288	13,570,606
Net Assets, End of Year	\$ 8,730,492	6,529,963	15,260,455	8,411,416	5,761,233	14,172,649

The City's net assets increased by \$1,087,806, of which \$319,076 is from governmental activities and \$768,730 is from business-type activities. The increase in governmental activities is largely due to a significant increase in income tax revenue in the amount of \$244,032. Also, the City received an Issue II grant for a road widening project, which is seen in the growth of capital grants and contributions. Business-type activity has seen an increase in charges for service as the City is positioning itself to launch a major construction project for water distribution.

Governmental Activities

The two functions with the largest expenditures are Public Safety and General Government. Public Safety includes the Divisions of Police, Fire, and Emergency Medical Services. In addition to the revenue

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received for charges for services, which are those fees paid by the neighboring townships for fire and ambulance service, the Public Safety Division receives a .5% income tax that is voted on by the taxpayers triennially. Allowing for one-third of the municipal income tax dollars, or \$1,005,625, to be credited to the Public Safety program, we see that nearly 50% of the net expense of \$2,011,048 is paid by this tax levy. General Government, the next highest function, includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers \$1,341,687.

Business-Type Activities

Overall, the City's business-type activities generated \$2.6 million in operating revenues, which more than covered the cost of doing business of \$1.9 million. In addition, these activities show capital grants and contributions of \$149,989 for the acquisition of capital assets. Fees for usage are increased as necessary to cover the costs of these essential services.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

TABLE 3
Total and Cost of Program Services
For the Year Ended December 31

	<u>2004</u>		<u>2003</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 2,109,868	(1,341,687)	1,847,486	(1,001,078)
Public Safety	2,171,369	(2,011,048)	2,180,635	(2,014,828)
Public Health	171,062	(162,043)	148,194	(120,448)
Transportation	450,405	(192,863)	967,800	(957,337)
Community Development	683,209	(415,764)	208,519	127,655
Culture and Recreation	196,266	(137,047)	268,863	(212,796)
Interest Expense	73,212	(73,212)	52,923	(52,923)
Total Expenses	<u>\$ 5,855,391</u>	<u>(4,333,664)</u>	<u>5,674,420</u>	<u>(4,231,755)</u>
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 674,554	427,478	749,140	354,332
Sewer	797,216	309,572	759,188	44,772
Refuse	462,213	29,642	506,051	(13,928)
Other Business-Type Activities	15,589	2,038	27,636	(5,231)
Total Expenses	<u>\$ 1,949,572</u>	<u>768,730</u>	<u>2,042,015</u>	<u>379,945</u>

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As of the date of this report, there are no known facts or conditions that are expected to have a significant effect on the City's financial position or results of operations for either governmental activities or proprietary activities.

THE CITY'S FUNDS

The balance sheet for the City's major governmental funds is reflected on pages 12 – 13. These funds are reported using a modified accrual basis of accounting, allowing for a reasonable comparison to last year balances. Total governmental fund balances are \$4.97 million, of which \$4.65 million is unreserved. Revenues and expenditures are reflected on pages 14 – 15. The net change in fund balances is \$(145,960).

The General Fund balance declined by \$479,486, caused by a modest increase in expenditures in each program.

Fund balance in the Public Safety increased by \$94,274 to \$580,835; largely in part to a reduction in expenditures from 2003 in the amount of \$103,002.

The Capital Improvement Fund reported a fund balance decrease of \$121,593, as the City has completed construction projects and the beginning of the major reconstruction of Aukerman Street.

Governmental fund expenditures showed an increase over 2003 of \$233,644, or 3.5%. This slight increase was due to increases in personnel and other operating costs.

The proprietary funds showed a net operating income of \$618,741. The water and sewer funds will be looking at major expansion projects in the near future and we have begun to set aside funds toward these projects. The sewer fund paid the final payment on the original construction of the existing wastewater facility in 2003. This freed up \$227,000 per year for system upgrades and expansion. User fees were increased in both the water and sewer funds to pay for the debt service that will be needed for the expansion of these facilities. This is in keeping with the philosophy that a proprietary fund be treated as a business-type activity.

General Fund Budgeting Highlights

There were no unexpected variances within the general fund budget or budget to actual statements. The General Fund's actual revenues were enhanced due to increased receipts from intergovernmental revenue in the amount of \$206,127. The only other unfavorable variance was seen in Municipal Court fees and fines, which has seen a decline due to the relocation of the State Highway Patrol office from our County.

Expenditure variances were related to the "holding" amounts and equipment accrual line items. These amounts, by their nature, were not spent nor were they intended to be. Therefore, the favorable variances for the expenditures were expected.

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CAPITAL ASSETS AND INFRASTRUCTURE

At December 31, 2004, the City has invested in land, construction in progress, buildings and equipment with amounts totaling \$9.8 million and \$11.4 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2004 balances compared to December 31, 2003 amounts. Additional information regarding the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 8.

TABLE 4
Capital Assets, December 31

	2004			2003		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 820,439	579,892	1,400,331	820,439	79,892	900,331
Construction in Progress	1,829,452	195,850	2,025,302	1,067,973	455,993	1,523,966
Infrastructure	376,812	-	376,812	-	-	-
Buildings	2,559,084	5,427,971	7,987,055	2,534,963	5,427,971	7,962,934
Equipment	4,249,259	5,251,612	9,500,871	4,061,542	4,902,658	8,964,200
Less: Accumulated						
Depreciation	<u>(3,877,337)</u>	<u>(6,657,948)</u>	<u>(10,535,285)</u>	<u>(3,506,318)</u>	<u>(6,379,178)</u>	<u>(9,885,496)</u>
Totals	\$ <u>5,957,709</u>	<u>4,797,377</u>	<u>10,755,086</u>	<u>4,978,599</u>	<u>4,487,336</u>	<u>9,465,935</u>

Overall, capital assets increased approximately \$1.3 million from December 31, 2003. The increase in capital assets related primarily to the addition of infrastructure and the construction in progress on the new Municipal Court building.

During this second year for reporting under the new GASB 34 guidelines, the City recorded additions to infrastructure in the amount of \$376,812. This infrastructure relates primarily to the widening of Hillcrest Road and the West Main Street/Camden Road sidewalk project.

DEBT ADMINISTRATION

At December 31, 2004, the City's debt consisted of the following loan obligations:

<u>Issue</u>	<u>Rate %</u>	<u>Issued</u>	<u>Maturity</u>	<u>Outstanding</u>
Issue II	0.0%	7-1-1997	1-1-2020	\$ <u>581,250</u>
TIF Loan	3.56%	5-1-2004	4-20-2014	\$ <u>550,000</u>
Eaton Municipal Court Facility Bond	4.69%	3-5-2003	3-1-2018	\$ <u>1,276,423</u>

Under current state statutes, the City's general obligation bonded debt issuances are subject to a legal limitation based on 10 1/2 percent of total assessed value of real and personal property. As of December 31, 2004, the City has no general obligation bonded debt.

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On April 20, 2004, the City borrowed \$550,000 under the State of Ohio Tax Increment Financing (TIF) program for the purpose of paying costs for the extension of Washington, Jackson and Aukerman Streets. The loan carries an interest rate of 3.56% per annum and will mature on April 20, 2014. Annual debt payments, which include interest, are \$78,618 and will be paid out of the Debt Service Fund.

The City's overall legal debt margin at December 31, 2004 was \$18,005,743. See Note 13 of the Notes to the Basic Financial Statements for more detailed information on long-term debt of the City.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the revenues it receives. If you have any questions regarding this report or need additional information, contact Leslie Renner, Finance Director, City of Eaton, 328 North Maple Street, P.O. Box 27, Eaton, Ohio 45320.

BASIC FINANCIAL STATEMENTS

CITY OF EATON
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Statement of Net Assets
December 31, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 4,511,020	1,496,884	6,007,904
Investments	310,000	-	310,000
Receivables (net of allowances for uncollectibles):			
Taxes	1,362,750	-	1,362,750
Accounts	4,150	409,870	414,020
Special Assessments	70,193	-	70,193
Accrued Interest	2,535	-	2,535
Due from Other Governments	563,946	890	564,836
Materials and Supplies Inventory	3,000	-	3,000
Capital Assets:			
Capital assets not subject to depreciation:			
Land	820,439	579,892	1,400,331
Construction in Progress	1,829,452	195,850	2,025,302
Capital assets, net of accumulated depreciation	<u>3,307,818</u>	<u>4,021,635</u>	<u>7,329,453</u>
 Total Assets	 <u>12,785,303</u>	 <u>6,705,021</u>	 <u>19,490,324</u>
LIABILITIES:			
Accounts Payable	346,535	67,055	413,590
Accrued Wages and Benefits	63,284	8,204	71,488
Due to Other Governments	51,476	-	51,476
Accrued Interest Payable	23,218	-	23,218
Unearned Revenue	705,651	-	705,651
Noncurrent Liabilities:			
Due Within One Year	152,829	9,980	162,809
Due In More Than One Year	<u>2,711,818</u>	<u>89,819</u>	<u>2,801,637</u>
 Total Liabilities	 <u>4,054,811</u>	 <u>175,058</u>	 <u>4,229,869</u>
NET ASSETS:			
Invested in capital assets, net of related debt	3,550,036	4,797,377	8,347,413
Restricted for:			
Public Safety	551,492	-	551,492
Indigent Driver	69,815	-	69,815
Computerization Upgrade	7,707	-	7,707
Special Project	156,379	-	156,379
Streets and Highways	258,886	-	258,886
Debt Service	29,968	-	29,968
Capital Improvement	2,267,020	-	2,267,020
Perpetual Care:			
Nonexpendable	10,000	-	10,000
Unrestricted	<u>1,829,189</u>	<u>1,732,586</u>	<u>3,561,775</u>
 Total Net Assets	 <u>\$ 8,730,492</u>	 <u>6,529,963</u>	 <u>15,260,455</u>

See accompanying notes to the basic financial statements.

CITY OF EATON
PREBLE COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2004

	General Fund	Public Safety Fund	Capital Improvement Fund
ASSETS:			
Cash and Cash Equivalents	\$ 1,137,760	430,917	2,096,974
Investments	300,000	-	-
Receivables (net of allowance for uncollectibles):			
Taxes	815,397	219,033	262,840
Accounts	3,798	-	-
Special Assessments	-	-	70,193
Accrued Interest	2,510	-	-
Due from Other Governments	344,412	1,642	-
Due from Other Funds	-	-	-
Materials and Supplies Inventory	3,000	-	-
	<u>2,606,877</u>	<u>651,592</u>	<u>2,430,007</u>
Total Assets	\$ 2,606,877	651,592	2,430,007
LIABILITIES:			
Accounts Payable	\$ 170,086	6,860	154,602
Accrued Wages and Benefits	45,386	12,834	1,834
Due to Other Governments	49,834	1,642	-
Due to Other Funds	20,270	-	-
Unearned Revenue	963,422	49,421	129,498
	<u>1,248,998</u>	<u>70,757</u>	<u>285,934</u>
Total Liabilities	1,248,998	70,757	285,934
FUND BALANCES:			
Reserved for:			
Encumbrances	2,105	-	216,681
Materials and Supplies Inventory	3,000	-	-
Permanent Fund	-	-	-
Unreserved, Undesignated:			
General Fund	1,352,774	-	-
Special Revenue Funds	-	580,835	-
Debt Service Fund	-	-	-
Capital Projects Funds	-	-	1,927,392
	<u>1,357,879</u>	<u>580,835</u>	<u>2,144,073</u>
Total Fund Balances	1,357,879	580,835	2,144,073
Total Liabilities and Fund Balances	\$ 2,606,877	651,592	2,430,007

See accompanying notes to the basic financial statements.

**CITY OF EATON
PREBLE COUNTY, OHIO**

Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2004

Nonmajor Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$ 4,974,195
845,369	4,511,020	Amounts reported for governmental	
10,000	310,000	activities in the Statement of Net Assets	
		are different because:	
65,480	1,362,750	Capital assets used in governmental	
352	4,150	activities are not financial resources and	
-	70,193	therefore are not reported in the funds.	5,957,709
25	2,535		
217,892	563,946	Other long-term assets are not available to	
20,270	20,270	pay for current period expenditures and	
-	3,000	therefore are deferred in the funds.	686,453
<u>1,159,388</u>	<u>6,847,864</u>		
		Long-term liabilities, including Issue II loans	
14,987	346,535	payable, are not due and payable in the current	
3,230	63,284	period and therefore are not reported in the funds:	
-	51,476	Issue II Loans Payable	(581,250)
-	20,270	General Obligation Bonds Payable	(1,276,423)
<u>249,763</u>	<u>1,392,104</u>	TIF Loans Payable	(550,000)
		Accrued Interest on Long-Term Debt	(23,218)
267,980	1,873,669	Compensated Absences	(456,974)
		Net Assets of Governmental Activities	\$ <u>8,730,492</u>
88,896	307,682		
-	3,000		
10,000	10,000		
-	1,352,774		
259,360	840,195		
29,968	29,968		
<u>503,184</u>	<u>2,430,576</u>		
<u>891,408</u>	<u>4,974,195</u>		
<u>1,159,388</u>	<u>6,847,864</u>		

CITY OF EATON
PREBLE COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General Fund	Public Safety Fund	Capital Improvement Fund
REVENUES:			
Property Taxes	\$ 608,928	-	-
Municipal Income Taxes	846,610	1,005,625	1,164,641
Intergovernmental Revenue	636,935	-	-
Charges for Services	37,333	-	-
Licenses and Permits	158,651	-	-
Fees, Fines and Forfeitures	468,386	-	-
Special Assessments	-	-	69,380
Investment Income	61,548	-	-
Other Revenue	26,015	1,300	-
	<u>2,844,406</u>	<u>1,006,925</u>	<u>1,234,021</u>
Total Revenues			
EXPENDITURES:			
Current:			
General Government	1,633,498	35,092	5,303
Public Safety	1,186,418	769,330	-
Public Health	27,129	-	-
Transportation	214,122	-	203,774
Community Development	171,062	-	2,343
Culture and Recreation	-	-	7,069
Capital Outlay	17,527	108,229	599,625
Debt Service:			
Principal	-	-	37,500
Interest	-	-	-
	<u>3,249,756</u>	<u>912,651</u>	<u>855,614</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(405,350)</u>	<u>94,274</u>	<u>378,407</u>
OTHER FINANCING SOURCES (USES):			
Sale of Capital Assets	10,501	-	-
Issuance of Tax Increment Financing Debt	-	-	-
Transfers In	-	-	-
Transfers Out	(84,637)	-	(500,000)
	<u>(74,136)</u>	<u>-</u>	<u>(500,000)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	(479,486)	94,274	(121,593)
Fund Balance, Beginning of Year	1,837,365	486,561	2,265,666
Fund Balance, End of Year	\$ <u>1,357,879</u>	<u>580,835</u>	<u>2,144,073</u>

See accompanying notes to the basic financial statements.

CITY OF EATON
PREBLE COUNTY, OHIO

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

Nonmajor Governmental Funds	Total Governmental Funds		
66,244	675,172	Total Net Change in Fund Balances - Governmental Funds	\$ (145,960)
-	3,016,876	Amounts reported for governmental activities in the statement of activities are different because:	
639,687	1,276,622		
47,106	84,439		
1,505	160,156	Governmental funds report capital outlays as expenditures.	
256,379	724,765	However, in the statement of activities, the cost of those	
-	69,380	assets is allocated over their estimated useful lives as	
781	62,329	depreciation expense. This is the amount by which depreciation	
70,201	97,516	exceeded capital outlay in the current period.	
<u>1,081,903</u>	<u>6,167,255</u>	Capital Asset Additions	1,500,907
		Current Year Depreciation	(449,638)
100,730	1,774,623	Bond proceeds provide current financial resources to	
-	1,955,748	governmental funds, but issuing debt increases long-term	
-	27,129	liabilities in the statement of net assets.	(550,000)
98,655	516,551		
446,065	619,470	Governmental funds only report the disposal of assets to the	
138,784	145,853	extent proceeds are received from the sale. In the statement	
934,311	1,659,692	of activities, a gain or loss is reported for each disposal. This	
		is the amount of the loss on the disposal of capital assets.	
66,477	103,977	Loss on the disposal of capital assets	(72,159)
70,673	70,673		
<u>1,855,695</u>	<u>6,873,716</u>	Revenues in the statement of activities that do not provide current	
		financial resources are not reported as revenues in the funds.	7,212
(773,792)	(706,461)		
		Repayment of long-term debt principal is an expenditure in the	
-	10,501	governmental funds, but the repayment reduces long-term	
550,000	550,000	liabilities in the statement of net assets.	103,977
584,637	584,637		
-	(584,637)	Some expenses reported in the statement of activities do not	
		require the use of current financial resources and therefore are	
1,134,637	560,501	not reported as expenditures in governmental funds:	
		Compensated Absences	(72,724)
360,845	(145,960)	Accrued Interest Payable	<u>(2,539)</u>
<u>530,563</u>	<u>5,120,155</u>	Change in Net Assets of Governmental Activities	\$ <u>319,076</u>
<u>891,408</u>	<u>4,974,195</u>		

CITY OF EATON
PREBLE COUNTY, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2004

	Water	Sewer & Sewer Disposal	Refuse	Non-Major Enterprise Fund	Total
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 774,858	621,544	97,262	3,220	1,496,884
Receivables (net of allowance for uncollectibles):					
Accounts	165,686	160,977	83,207	-	409,870
Due from Other Governments	890	-	-	-	890
Total Current Assets	<u>941,434</u>	<u>782,521</u>	<u>180,469</u>	<u>3,220</u>	<u>1,907,644</u>
Capital Assets:					
Land	532,271	30,500	17,121	-	579,892
Construction in Progress	195,850	-	-	-	195,850
Capital Assets, net of accumulated depreciation	821,183	3,200,452	-	-	4,021,635
Total Capital Assets	<u>1,549,304</u>	<u>3,230,952</u>	<u>17,121</u>	<u>-</u>	<u>4,797,377</u>
Total Assets	<u>\$ 2,490,738</u>	<u>4,013,473</u>	<u>197,590</u>	<u>3,220</u>	<u>6,705,021</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 18,092	17,641	31,317	5	67,055
Accrued Wages and Benefits	4,056	3,373	775	-	8,204
Compensated Absences Payable	4,010	4,556	1,267	147	9,980
Total Current Liabilities	<u>26,158</u>	<u>25,570</u>	<u>33,359</u>	<u>152</u>	<u>85,239</u>
Noncurrent Liabilities:					
Compensated Absences Payable	36,090	41,009	11,398	1,322	89,819
Total Liabilities	<u>62,248</u>	<u>66,579</u>	<u>44,757</u>	<u>1,474</u>	<u>175,058</u>
NET ASSETS:					
Invested in Capital Assets, net of related of debt	1,549,304	3,230,952	17,121	-	4,797,377
Unrestricted	879,186	715,942	135,712	1,746	1,732,586
Total Net Assets	<u>2,428,490</u>	<u>3,946,894</u>	<u>152,833</u>	<u>1,746</u>	<u>6,529,963</u>
Total Liabilities and Net Assets	<u>\$ 2,490,738</u>	<u>4,013,473</u>	<u>197,590</u>	<u>3,220</u>	<u>6,705,021</u>

See accompanying notes to the basic financial statements.

CITY OF EATON
PREBLE COUNTY, OHIO
Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	<u>Water</u>	<u>Sewer & Sewer Disposal</u>	<u>Refuse</u>	<u>Non-Major Enterprise Fund</u>	<u>Total</u>
OPERATING REVENUES:					
Charges for Services	\$ 1,099,204	959,627	491,855	17,627	2,568,313
Total Operating Revenues	<u>1,099,204</u>	<u>959,627</u>	<u>491,855</u>	<u>17,627</u>	<u>2,568,313</u>
OPERATING EXPENSES:					
Personnel Services	267,948	217,441	56,242	8,044	549,675
Fringe Benefits	102,005	75,490	24,545	6,218	208,258
Contractual Services	46,709	48,500	373,761	-	468,970
Materials and Supplies	120,633	90,314	5,687	1,054	217,688
Utilities	52,825	124,343	1,463	-	178,631
Other Operating Expenses	10,351	18,083	515	273	29,222
Depreciation	74,083	223,045	-	-	297,128
Total Operating Expenses	<u>674,554</u>	<u>797,216</u>	<u>462,213</u>	<u>15,589</u>	<u>1,949,572</u>
Operating Income	424,650	162,411	29,642	2,038	618,741
Capital Contributions	<u>2,828</u>	<u>147,161</u>	<u>-</u>	<u>-</u>	<u>149,989</u>
Change in Net Assets	427,478	309,572	29,642	2,038	768,730
Net Assets, Beginning of Year	<u>2,001,012</u>	<u>3,637,322</u>	<u>123,191</u>	<u>(292)</u>	<u>5,761,233</u>
Net Assets, End of Year	\$ <u>2,428,490</u>	<u>3,946,894</u>	<u>152,833</u>	<u>1,746</u>	<u>6,529,963</u>

See accompanying notes to the basic financial statements.

CITY OF EATON
PREBLE COUNTY, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Water	Sewer & Sewer Disposal	Refuse	Non-Major Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 1,066,227	926,642	490,401	17,632	2,500,902
Cash Payments for Personnel and Benefits	(377,083)	(276,401)	(80,326)	(15,759)	(749,569)
Cash Payments for Goods and Services	(217,605)	(266,734)	(383,706)	(1,327)	(869,372)
Other Operating Revenues	1,160	-	-	-	1,160
Other Operating Expenses	(10,462)	(18,083)	-	-	(28,545)
	<u>462,237</u>	<u>365,424</u>	<u>26,369</u>	<u>546</u>	<u>854,576</u>
Net Cash Provided by Operating Activities					
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Capital Assets	(412,386)	(44,794)	-	-	(457,180)
Increase in Cash and Cash Equivalents	49,851	320,630	26,369	546	397,396
Cash and Cash Equivalents, Beginning of Year	<u>725,007</u>	<u>300,914</u>	<u>70,893</u>	<u>2,674</u>	<u>1,099,488</u>
Cash and Cash Equivalents, End of Year	\$ <u>774,858</u>	<u>621,544</u>	<u>97,262</u>	<u>3,220</u>	<u>1,496,884</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	\$ 424,650	162,411	29,642	2,038	618,741
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	74,083	223,045	-	-	297,128
Changes in Assets and Liabilities:					
Accounts Receivable	3,000	(36,988)	(1,454)	-	(35,442)
Due from Other Governments	(60)	-	-	-	(60)
Due From Other Funds	-	4,000	-	-	4,000
Accounts Payable	(28,809)	(3,575)	(2,280)	5	(34,659)
Accrued Wages & Benefits	945	1,103	130	(159)	2,019
Accrued Compensated Absences	(8,072)	15,428	331	(1,338)	6,349
Due to Other Funds	(3,500)	-	-	-	(3,500)
	<u>462,237</u>	<u>365,424</u>	<u>26,369</u>	<u>546</u>	<u>854,576</u>
Net Cash Provided by Operating Activities					

See accompanying notes to the basic financial statements.

CITY OF EATON
PREBLE COUNTY, OHIO
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2004

	Agency Fund
ASSETS:	
Cash and Cash Equivalents	\$ 11,417
Due from Other Governments	<u>3,950</u>
Total Assets	\$ <u>15,367</u>
LIABILITIES:	
Accounts Payable	\$ <u>15,367</u>
Total Liabilities	<u>15,367</u>
NET ASSETS	\$ <u>-</u>

See accompanying notes to the basic financial statements.

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CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Eaton (the City) is a municipal corporation established under the laws of the State of Ohio, which operates under its own charter. The City was incorporated on July 1, 1961 and operates under a Council/Manager form of government. The council members are elected by separate ballot from the municipality at large for four-year terms. Council elects one of their members to serve as Mayor annually. As a council member, the Mayor has the right to vote on all issues before council. Council appoints the City Manager, Director of Finance and Director of Law. The City Manager appoints all department managers of the City.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Eaton, this includes public safety (police, fire and emergency rescue), highway and streets, sanitation, water distribution, parks and recreation, public improvements, community development, building and zoning, public health and welfare, and general administrative services. Council and the City Manager have direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no blended or discretely presented component units at December 31, 2004.

Mound Hill Union Cemetery is a jointly governed organization established in accordance with Ohio Revised Code Section 759.27 through 759.48 to unite in the establishment and management of the cemetery. The Board of Cemetery Trustees consists of three members; one member from the City of Eaton Council, one member from the Washington Township Board of Trustees, and the third member appointed by the other two members. The City has no significant influence on operations. This organization does not meet the reporting entity criteria of generally accepted governmental accounting principles and, accordingly, is not included in the accompanying basic financial statements. Additional information is located in Note 15.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Eaton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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. Eliminations have been made to minimize the "doubling up" of revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that 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

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation that contains a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources 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 total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Agency funds report only assets and liabilities; therefore, do not have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred in accordance with the Charter and legislation of the City of Eaton and/or the general laws of the State of Ohio.

Public Safety Fund – The public safety fund accounts for 1/2% income tax revenues that is approved by the voters of the City every three years.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

Capital Improvement Fund – The capital improvement fund accounts for that portion of municipal income tax designated by Council for the purpose of improving, constructing, maintaining, and purchasing those items necessary to enhance the operation of the City.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund – To account for the provision of water treatment and distribution to the residents and commercial users of the City and some residents of the County.

Sewer Fund – To account for sanitary services provided to the residents and commercial users of the City.

Refuse Fund – To account for the collection and disposal of refuse by the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund 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 are therefore not available to support the City's own programs. The City has no trust funds. The agency fund accounts for receipts to be transferred to the County Law Library. The City's agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. 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 specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees and rentals.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as unearned revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

E. Cash and Cash Equivalents and Investments

Cash balances of the City's funds are pooled in order to provide improved cash management. For presentation on the combined statement of cash flows the enterprise and permanent fund portions of pooled cash and investments is considered a cash equivalent because the City is able to withdraw revenues from these funds without prior notice or penalty. All invested funds are pooled so they are available for withdrawal at any time.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposits are reported at cost.

During fiscal year 2004, investments of the City were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and certificates of deposits. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does not operate in a manner consistent with Rule 2a7 on the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2004. The fair value of the City's investment in the STAR Ohio pool is equal to its position in the pool.

For purposes of the statement of cash flows and for presentation on the statement of net assets/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

F. Materials and Supplies Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as expenditures in the governmental fund types when purchased. There was no change in the supplies inventory from 2003 to 2004.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	15 – 45 years
Equipment	3 – 15 years

H. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 are eliminated from the statement activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

I. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences (Continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the City's termination policy. The City records a liability for all accumulated unused vacation time when earned for all employees. The City records a liability for accumulated unused sick leave for all employees after three years of accumulated service.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, expenditures are recognized for compensated absences when the liability for the employee has matured or is due. These amounts are recorded in the account "accrued compensated absences" in the fund from which the employees who have accumulated leave are paid. At December 31, 2004, there were no accrued compensated absences that were recognized in the fund financial statements. The noncurrent portion of the liability is not reported in the fund financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund expenditures are recorded when the liability is incurred. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the fund financial statements when due.

K. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances and materials and supplies inventories are recorded as a reservation of fund balance.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Assets

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

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

M. Operating Revenues and Expenses

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 wastewater treatment, water and sewer services, and collection and disposal of refuse. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

O. 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 Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

P. Estimates

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

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

At December 31, 2004, carrying values of the City's deposits with financial institutions and investments were as follows:

	<u>Carrying Amount</u>
Deposits:	
Interest bearing 0.00% to 2.02%	\$ 3,584,559
Certificates of deposit, 2.10% to 2.25% maturing August 22, 2005 to December 17, 2005, respectively	<u>310,000</u>
	<u>3,894,559</u>
Investments:	
STAR Ohio	<u>2,434,762</u>
Total Cash and Cash Equivalents and Investments	<u>\$ 6,329,321</u>

Deposits

The year-end bank balance of all City deposits was \$4,094,833. Based on criteria described in GASB Statement No. 3 deposits with *Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, the bank balance is categorized as follows:

FDIC insured deposits	\$ 721,496
Amount collateralized with securities held by pledging financial institution's agent in the City's name	283,461
Uninsured and uncollateralized	<u>3,089,876</u>
	<u>\$ 4,094,833</u>

By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 105 percent of the public funds on deposit. The collateral is held by trustees, including the Federal Reserve Bank and designated third party trustees of the financial institutions, but not in the City's name. Funds in such collateral pools are listed as uninsured and uncollateralized above.

Investments

Pursuant to the City Charter, the City is authorized to invest funds, in compliance with the Ohio Revised Code, in bonds or notes guaranteed by the United States, bonds or obligations of the State of Ohio, the State Treasurer's investment pool or deposits in eligible institutions. Maturities must be less than two years.

Based on criteria described in GASB Statement No. 3, the City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the city or its agent in the City's name. Category 2 includes investments that are uninsured or unregistered, with securities held by the counterparty's Trust Department or Agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the City's name.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

	<u>Carrying Amount/ Fair Value</u>
<u>Unclassified:</u>	
STAR Ohio	\$ <u>2,434,762</u>

The City's investment in STAR Ohio is not classified because it is not evidenced by securities that exist in physical or book entry form.

A reconciliation between the classifications of cash and investments on the financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and investments	\$ 6,019,321	310,000	6,329,321
Investments:			
Certificates of Deposit	310,000	(310,000)	-
Star Ohio	<u>(2,434,762)</u>	<u>2,434,762</u>	<u>-</u>
GASB Statement 3	\$ <u>3,894,559</u>	<u>2,434,762</u>	<u>6,329,321</u>

A summary of interest earned by the various fund categories is as follows:

	<u>Amount</u>	<u>% of Total</u>
General Fund	\$ 60,694	98.61%
Employee Health Care Fund	<u>854</u>	<u>1.39%</u>
Total	\$ <u>61,548</u>	<u>100.00%</u>

NOTE 4 – PROPERTY TAXES

Property taxes are levied against all real, public utility and tangible (used in business) property located in the City.

Revenues from property taxes are used by the City pursuant to state statutes for General Fund operations and as a partial provision for payment of accrued police and fire pension costs.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% (10 mills) of assessed value without a vote of the people. Under current procedures, the City's Share is .460% (4.6 mills) of assessed value.

Real property and public utility taxes collected during 2004 were levied in October, 2003 on assessed values listed as of January 1, 2003, the lien date. One-half of these taxes were due on February 23, 2004, with the remaining balance due on July 20, 2004.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 4 – PROPERTY TAXES (Continued)

Tangible personal property taxes collected during 2004 had a lien and levy date of December 31, 2003. One-half of these taxes were due by April 30, 2004, with the remaining balance due on September 21, 2004. Personal property revenue recognized represents those taxes levied for and due within the fiscal year, and collected within 60 days after fiscal year end.

Assessed values on real property are established by state law at 35% of appraised market value. A revaluation of all property is required to be completed no less than every six years with equalization adjustments in the third year following reappraisal. The last revaluation was completed in 2002. Public utility property taxes are assessed on tangible personal property as well as land and improvements at taxable value (approximately 88% of cost). Tangible personal property assessments are 25% of true value. The assessed value for 2003 upon which the 2004 levy was based was approximately \$168,595,250. The assessed value for 2004 upon which the 2005 levy was based was approximately \$171,483,270.

The Preble County Treasurer collects property taxes on behalf of all taxing districts including the City of Eaton. The County Auditor periodically remits to the City its portion of taxes collected. Property taxes may be paid on either an annual or semi-annual basis.

NOTE 5 – INCOME TAXES

Municipalities within the State of Ohio are permitted by state statute to levy an income tax up to a maximum rate of 1% subject to the approval of the local legislative body. Any rate in excess of 1% requires the approval of a majority of the eligible voters residing within the municipal corporation. The city income tax of 1.5% is levied, by ordinance. One percent (1%) of the tax is levied indefinitely and .5% expired on December 31, 2004. The voters of the City renewed the .5% tax in November 2004. The .5% tax will expire December 31, 2007. This tax is applicable to substantially all income earned within the City. Employers within the City are required to withhold income tax on employee compensation and remit this withholding quarterly. Corporations, partnerships, and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. Residents of the City are required to pay City income taxes on income they earn outside the City; however, credit is allowed for all income taxes paid to other municipalities.

The City has a contract with the City of Hamilton, Ohio which collects income taxes for the City of Eaton for a fee equal to three and one-half percent (3 1/2%) of the gross income tax proceeds in any one year, with a \$2,500 minimum charge.

NOTE 6 – RECEIVABLES

Receivables at December 31, 2004 consisted of current and delinquent property taxes, special assessments, accounts, intergovernmental grants, accrued interest on investments and interfund transactions. All receivables are considered collectible in full due to the ability to foreclose for nonpayment of taxes and the stable condition of State programs. A summary of intergovernmental receivables follows:

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 6 – RECEIVABLES (Continued)

	Amount
Governmental Activities:	
Local Government and Local Government Revenue Assistance	\$ 270,090
Reimbursements	24,046
Homestead and Rollback	31,823
Gasoline and Excise Tax	178,768
Motor Vehicle License Fees	34,963
Public Safety	13,114
Liquor License	1,112
Other	10,030
Total Governmental Activities	563,946
 Business-Type Activities:	
Local Government and Local Government Revenue Assistance	890
Total	\$ 564,836

NOTE 7 - INTERFUND TRANSFERS AND BALANCES

Interfund transfers for the year ended December 31, 2004, consisted of the following:

	Transfer From		
Transfer To	General Fund	Capital Improvement Fund	Total
Cemetery	\$ 26,102	-	26,102
Recreation	12,210	-	12,210
Swimming Pool	35,550	-	35,550
Fort St. Clair	10,775	-	10,775
Issue 2, Aukerman St.	-	500,000	500,000
Total	\$ 84,637	500,000	584,637

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 7 - INTERFUND TRANSFERS AND BALANCES (Continued)

The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

Interfund balances at December 31, 2004, consisted of the following amounts and represent charges for services or reimbursable expenses except approved and authorized in 2004 but not made until 2005. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting, and (3) payments between funds are made. All are expected to be paid within one year.

<u>Due From</u>	Due To		
	<u>Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund	\$ <u>11,956</u>	<u>8,314</u>	<u>20,270</u>

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance 12/31/2003	Additions	Deductions	Balance 12/31/2004
<u>GOVERNMENTAL ACTIVITIES:</u>				
<u>Capital Assets, not being depreciated</u>				
Land	\$ 820,439	-	-	820,439
Construction in Progress	<u>1,067,973</u>	<u>770,172</u>	<u>(8,693)</u>	<u>1,829,452</u>
	<u>1,888,412</u>	<u>770,172</u>	<u>(8,693)</u>	<u>2,649,891</u>
<u>Capital Assets, being depreciated</u>				
Buildings	2,534,963	24,121	-	2,559,084
Infrastructure	-	376,812	-	376,812
Furniture and Equipment	<u>4,061,542</u>	<u>338,495</u>	<u>(150,778)</u>	<u>4,249,259</u>
	<u>6,596,505</u>	<u>739,428</u>	<u>(150,778)</u>	<u>7,185,155</u>
<u>Less: Accumulated Depreciation</u>				
Buildings	(657,085)	(80,000)	-	(737,085)
Furniture and Equipment	<u>(2,849,233)</u>	<u>(369,638)</u>	<u>78,619</u>	<u>(3,140,252)</u>
	<u>(3,506,318)</u>	<u>(449,638) *</u>	<u>78,619</u>	<u>(3,877,337)</u>
Capital Assets, being depreciated, net	<u>3,090,187</u>	<u>289,790</u>	<u>(72,159)</u>	<u>3,307,818</u>
Capital Assets, net	\$ <u>4,978,599</u>	<u>1,059,962</u>	<u>(80,852)</u>	<u>5,957,709</u>

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 8 - CAPITAL ASSETS (Continued)

	Balance 12/31/2003	Additions	Deductions	Balance 12/31/2004
<u>BUSINESS-TYPE ACTIVITIES:</u>				
<u>Capital Assets, not being depreciated</u>				
Land	\$ 79,892	500,000	-	579,892
Construction in Progress	455,993	195,850	(455,993)	195,850
	535,885	695,850	(455,993)	775,742
<u>Capital Assets, being depreciated</u>				
Buildings	5,427,971	-	-	5,427,971
Furniture and Equipment	4,902,658	367,313	(18,359)	5,251,612
	10,330,629	367,313	(18,359)	10,679,583
<u>Less: Accumulated Depreciation</u>				
Buildings	(3,290,281)	(152,169)	-	(3,442,450)
Furniture and Equipment	(3,088,897)	(144,960)	18,359	(3,215,498)
	(6,379,178)	(297,129)	18,359	(6,657,948)
Capital Assets, being depreciated, net	3,951,451	70,184	-	4,021,635
Capital Assets, net	\$ 4,487,336	766,034	(455,993)	4,797,377

* Depreciation expense was charged to governmental functions as follows:

General Government	\$ 100,038
Public Safety	183,162
Transportation	116,025
Culture and Recreation	50,413
Total Depreciation Expense	\$ 449,638

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Both the Ohio Police and Fire Pension Fund and the Ohio Public Employees Retirement System are reported using GASB Statement No. 27 “Accounting for Pensions by State and Local Governmental Employers”. Substantially all City employees are covered by one of the two cost-sharing multiple-employer defined benefit pension plans, namely, the Ohio Police and Fire Pension Fund or the Ohio Public Employees Retirement System. Both funds provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

A. Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan — a cost sharing, multiple-employer defined benefit pension plan.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (Continued)

2. The Member-Directed Plan — 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 Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan — a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-6701 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Member and employer contribution rates were consistent across all three plans. The member contribution rates were 8.5% of their annual covered salary to fund pension's obligations. The employer contribution rate was 13.55% of covered payroll. The City's contributions, representing 100% of employer contributions for the periods ended December 31, 2004, 2003, and 2002 were \$327,125, \$303,913, and \$295,400, respectively.

B. Ohio Police and Fire Pension Fund

The City of Eaton contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined pension plan. OP&F provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan member and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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 OP&F for the years ending December 31, 2004, 2003, and 2002 were \$136,567, \$136,793, and \$125,008, respectively, equal to the required contribution for each year.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2004 employer contribution rate for local government employer units the rate was 13.31 of covered payroll; 4.00% was the portion used to fund health care for the year. For both the public safety and law enforcement divisions, the 2004 employer rate was 16.70%, and 4.00% was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Actuarial Review: The following assumptions and calculations were based on the System's latest Actuarial Review as of December 31, 2003.

Funding Method: An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

Assets Valuation Method: 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.

Investment Return: The investment assumption rate for 2003 was 8.00%.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (Continued)

Active Employee Total Payroll: An annual increase of 4.00% 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 4.00% base increase, were assumed to range from 0.50% to 6.30%.

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

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants was 369,885. The portion of City's contributions that were used to fund postemployment benefits was \$96,567. \$10.5 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

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

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

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement 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 persons. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty-two if attending full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2003 and 2004. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2003, the date of the last actuarial valuation available, are 13,662 for Police and 10,474 for Firefighters. The City's annual contribution for 2004 that were used to fund postemployment benefits was \$49,048 for Police and \$4,205 for Firefighters. OP&F's total health care expenses for the year ending December 31, 2003, the date of the last actuarial valuation available, was \$150,853,148, which was net of members contributions of \$17,207,506.

NOTE 11 – COMPENSATED ABSENCES

In accordance with GASB 16, the City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment becomes probable.

Vacation is accumulated based upon length of service as follows:

<u>Employee Service</u>	<u>35-40 Hr/Wk Employee Hours Earned/Month</u>
0 thru 5	8.0
5 thru 10	10.7
10 thru 15	12.0
15 thru 30	13.3
Over 30 years	16.0

Appointed employees, which includes all department heads and division heads, shall receive 20 days vacation per year.

No more than the amount of vacation accrued in the previous twenty-four month period can be carried forward into the next calendar year without written consent of the City Manager. Without this approval, any excess is eliminated from the employee's leave balance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation up to a maximum of the two-year accrual. Amounts in excess of the two-year accrual are paid currently. Therefore, the entire liability as determined by the above policy is recognized for each fund.

All employees earn sick leave at the rate of 10 hours for each month of work completed and appointed employees receive 15 days sick leave per year.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 11 – COMPENSATED ABSENCES (Continued)

It is the policy of the City that an employee with at least three years' service who terminates employment or whose employment is terminated with the City (for other than disciplinary reasons) is entitled to receive payment on the basis of one day's pay for each two days of accrued sick leave not to exceed 120 days for a maximum of 60 days paid. Sick leave is recorded as a long-term obligation, unless there is an indication that the obligation will be liquidated with expendable available financial resources within one year (e.g. announced retirement date).

As of December 31, 2004, the accrued liability for unpaid compensated absences was \$556,773 for all funds.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2004, the City contracted with the Alliance Insurance Company to provide conventional insurance protection.

The type of coverage and deductible for each is as follows:

<u>Type of Coverage</u>	<u>Per Occurrence</u>	<u>Deductible</u>
Property insurance	\$ 12,424,300	1,000
General liability	1,000,000/3,000,000	1,000
Police liability	1,000,000/3,000,000	1,000
Wrongful acts	5,000,000	2,500
Employee dishonesty	100,000	250
Crime	25,000	250
Inland marine	1,222,178	500
Automobile	2,616,728	1,000*

* \$500 for comprehensive, \$1,000 on collision

The City also purchases an umbrella policy, which covers an additional liability of \$5,000,000. There have been no significant reductions in coverage as compared to the prior year. Settled claims have not exceeded this commercial coverage in any of the past five years.

The City joined a workers' compensation group rating plan, which allows local governments to group the experience of employers for workers' compensation rating purposes. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

City employees are covered under a self-funded insurance plan carried by the City and administered through Great West Life Insurance. This plan includes medical, dental and life insurance. Vision insurance is provided by Vision Service Plan. Payments are made to the carrier by the City on behalf of the employees. The City is protected from the risk of loss in excess of specific amounts by a stop-loss insurance policy

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 13 – LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation activity by fund type for the year ended December 31, 2004:

	Balance 12/31/2003	Additions	Retirements	Balance 12/31/2004	Due within One Year
<u>Governmental Activities:</u>					
Compensated Absences	\$ 388,842	188,175	120,043	456,974	45,698
Issue II Loan Payable	618,750	-	37,500	581,250	37,500
Eaton Municipal Court Facility Bond	1,342,900	-	66,477	1,276,423	69,631
TIF - WJ/ Auk	-	550,000	-	550,000	-
	<u>2,350,492</u>	<u>738,175</u>	<u>224,020</u>	<u>2,864,647</u>	<u>152,829</u>
<u>Business-Type Activities:</u>					
Compensated Absences	93,450	29,205	22,856	99,799	9,980
	<u>\$ 2,443,942</u>	<u>767,380</u>	<u>246,876</u>	<u>2,964,446</u>	<u>162,809</u>

Long-term obligations of the City at December 31, 2004 are as follows:

<u>Issue</u>	<u>Rate %</u>	<u>Issued</u>	<u>Final Maturity</u>	<u>Balance Outstanding</u>
Issue II	0.0%	7-1-1997	1-1-2020	\$ <u>581,250</u>
TIF Loan	3.56%	5-1-2004	4-20-2014	\$ <u>550,000</u>
Eaton Municipal Court Facility Bond	4.69%	3-5-2003	3-1-2018	\$ <u>1,276,423</u>

Compensated absences are liquidated from the fund in which the employee is paid.

On July 1, 1997, the City entered into a loan agreement with the Ohio Public Works Commission (Issue II) for renovation of the City's downtown area. This loan was approved for a total of \$750,000 with a 0% interest rate. Proceeds were drawn down as funds were expended. As of December 31, 2001, the City had drawn down the entire \$750,000 of this loan. The repayment of this debt began in 2001. Annual required payments are \$37,500 and are paid out of the Capital Improvement Fund.

On March 5, 2003, the City issued bonds in the amount of \$1,375,000 for the purpose of paying costs of constructing the new Eaton Municipal Court Facility, including landscaping, utility and other site improvements, and furniture and equipment. The bonds carry an interest rate of 4.69% per annum and mature on March 1, 2018. The 2004 debt service payment, which includes interest, was \$64,344 and was paid out of the Municipal Court Special Projects Fund.

On April 20, 2004, the City borrowed \$550,000 under the State of Ohio Tax Increment Financing (TIF) program for the purpose of paying costs for the extension of Washington, Jackson and Aukerman Streets. The loan carries an interest rate of 3.56% per annum and will mature on April 20, 2014. Annual debt payments, which include interest, are \$79,610 and will be paid out of the Debt Service Fund.

CITY OF EATON
PREBLE COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

As of December 31, 2004, the City's legal debt margin (the ability to issue additional principal amounts of general obligation bonded debt) was approximately \$18.01 million. Principal and interest requirements to retire long-term governmental activities obligations outstanding at December 31, 2004 are as follows:

	Issue II		Eaton Municipal Court		TIF Loan	
	Loan		Facility Bond			
	Principal		Principal	Interest	Principal	Interest
2005	\$	37,500	69,631	59,057	-	19,580
2006		37,500	72,935	55,753	30,015	19,580
2007		37,500	76,396	52,293	61,642	17,968
2008		37,500	80,021	48,668	63,856	15,754
2009		37,500	83,818	44,871	66,150	13,460
2010-2014		187,500	482,655	160,784	328,337	29,909
2015-2019		187,500	410,967	39,442	-	-
2020	\$	18,750	-	-	-	-
		<u>\$ 581,250</u>	<u>\$ 1,276,423</u>	<u>\$ 460,868</u>	<u>\$ 550,000</u>	<u>\$ 116,251</u>

NOTE 14 – CONTINGENT LIABILITIES

Under the terms of federal grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. It is the opinion of management that any questioned costs will be resolved in favor of the City and that reimbursement, if any, will not have a material effect on the City's financial position.

The City was a defendant in a number of lawsuits pertaining to matters, which are incidental to performing routine governmental and other functions. Legal counsel cannot estimate exposure, if any, in these suits. All cases are being defended vigorously by the City. It is the opinion of management and City's legal counsel that sufficient resources will be available for the payment of such claims, if any, upon ultimate settlement.

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

Mound Hill Union Cemetery

One or more municipal corporations and the boards of township trustees of one or more townships established the Mound Hill Union Cemetery in accordance with Ohio Revised Code Section 759.27 to 759.48 to unite in the establishment and management of a cemetery. The Board of Cemetery Trustees consists of three members; one member from the City of Eaton Council, one member from the Washington Township Board of Trustees, and the third member appointed by the other two members. The Preble County Budget Commission adopts appropriations and the cemetery serves as its own fiscal agent. For the year ended December 31, 2004, the City of Eaton contributed \$98,655 towards the general operation of the cemetery. The cemetery issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained from Mound Union Hill Cemetery at 533 West Main Street, Eaton, Ohio 45320.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EATON
PREBLE COUNTY, OHIO

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property Taxes	\$ 575,000	575,000	608,928	33,928
Municipal Income Taxes	770,000	770,000	835,787	65,787
Intergovernmental Revenue	449,900	449,900	656,027	206,127
Charges for Services	33,000	33,000	33,462	462
Licenses and Permits	120,000	120,000	158,829	38,829
Investment Income	51,200	51,200	61,041	9,841
Fees, Fines and Forfeitures	525,000	525,000	469,397	(55,603)
Other Revenue	125,000	125,000	146,976	21,976
Total Revenues	2,649,100	2,649,100	2,970,447	321,347
EXPENDITURES:				
Current:				
General Government	2,219,264	1,999,864	1,565,002	434,862
Public Safety	1,285,700	1,296,750	1,192,947	103,803
Public Health	759,134	959,134	691,407	267,727
Transportation	227,750	236,100	217,881	18,219
Community Development	182,200	182,200	173,392	8,808
Total Expenditures	4,674,048	4,674,048	3,840,629	833,419
Excess (Deficit) of Revenues Over/ (Under) Expenditures	(2,024,948)	(2,024,948)	(870,182)	1,154,766
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	-	-	10,501	10,501
Transfers In	480,000	480,000	480,000	-
Transfers Out	(100,455)	(100,455)	(84,638)	15,817
Advances Out	(64,350)	(64,350)	-	64,350
Total Other Financing Sources (Uses)	315,195	315,195	405,863	90,668
Net Change in Fund Balance	(1,709,753)	(1,709,753)	(464,319)	1,245,434
Fund Balance, Beginning of Year	1,698,060	1,698,060	1,698,060	-
Prior Year Encumbrances Appropriated	11,693	11,693	11,693	-
Fund Balance, End of Year	\$ -	-	1,245,434	1,245,434

See accompanying notes to the required supplemental information.

CITY OF EATON
PREBLE COUNTY, OHIO

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Municipal Income Taxes	\$ 915,000	915,000	990,762	75,762
Total Revenues	<u>915,000</u>	<u>915,000</u>	<u>990,762</u>	<u>75,762</u>
EXPENDITURES:				
Current:				
General Government	311,402	311,402	35,982	275,420
Public Safety	<u>952,700</u>	<u>952,700</u>	<u>879,811</u>	<u>72,889</u>
Total Expenditures	<u>1,264,102</u>	<u>1,264,102</u>	<u>915,793</u>	<u>348,309</u>
Net Change in Fund Balance	(349,102)	(349,102)	74,969	424,071
Fund Balance, Beginning of Year	348,456	348,456	348,456	-
Prior Year Encumbrances Appropriated	<u>646</u>	<u>646</u>	<u>646</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>424,071</u>	<u>424,071</u>

See accompanying notes to the required supplemental information.

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CITY OF EATON
PREBLE COUNTY, OHIO

Notes to the Required Supplementary Information
For the Year Ended December 31, 2004

Basis of Budgeting

Basis of budgeting refers to when revenues and expenditures or expenses are recognized in the accounts. The City of Eaton's (the City) budget for all legislated funds are prepared on a cash-encumbrance basis wherein transactions are recorded when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. All annual appropriations lapse at year-end to the extent they have not been expended or lawfully encumbered. Fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the City's year-end financial statements contained in the Comprehensive Annual Financial Report (CAFR). Under that basis of accounting, revenues are generally recognized when the obligation to the City arises; the budget basis however, recognizes revenue only when cash has been received. In the CAFR, expenditures are generally recognized in the period in which they are incurred. Under the budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

General Budget Policies

By July 15, the City Manager submits an annual operating budget for all funds of the City, except for the Municipal Court agency fund, for the following fiscal year to the City Council for consideration and passage. No later than July 20, the adopted budget is submitted to the County Auditor for presentation to the County Budget Commission.

The County Budget Commission certifies its actions relative to the annual budget to the City by September 1. As part of this certification, the City receives an Official Certificate of Estimated Resources that states projected revenues by fund. On or about January 1, this certificate is amended to include any unencumbered fund balances from the preceding year. Prior to December 31, the City must revise its budget so that the total estimated expenditures from any fund during the ensuing fiscal year would not exceed the amount as stated on the Amended Official Certificate of Resources. The revised budget then serves as the basis of the annual appropriation ordinance.

An appropriation ordinance to control the level of expenditures must be legally enacted on or about January 1. The ordinance may be temporary in nature in that its effectiveness applies from the date on which it is enacted to the date on which a permanent appropriation ordinance must be passed. Ohio law requires the permanent appropriation ordinance to be passed no later than April 1, of the fiscal year for which it applies.

Expenditures may not exceed appropriations at the department (i.e., Administration, Council, Municipal Court, Public Maintenance, Police, Headquarters, Fire, EMS, Public Safety, etc.) level within the General Fund and at the fund level for all other budgeted funds.

Unencumbered appropriation balances lapse at year-end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation. Encumbered appropriations are carried forward to the next year.

CITY OF EATON
PREBLE COUNTY, OHIO

Notes to the Required Supplementary Information
For the Year Ended December 31, 2004

General Budget Policies (Continued)

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – All Governmental Fund Types is presented on the budgetary basis to provide a relevant comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

- ❖ Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- ❖ Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- ❖ Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to reservation of fund balance (GAAP).

Reconciliation of GAAP Basis to Budgetary Basis

The adjustments necessary to convert results of operations at the end of the year on the GAAP basis to the budget basis are as follows:

	<u>General Fund</u>	<u>Public Safety Fund</u>
Net Change in Fund		
Balance - GAAP Basis	\$ (479,486)	94,274
Increase/(Decrease):		
Due to Revenues	126,041	(16,163)
Due to Expenditures	(590,873)	(3,142)
Other Financing Sources (Uses)	<u>479,999</u>	<u>-</u>
Net Change in Fund		
Balance - Budgetary Basis	\$ <u><u>(464,319)</u></u>	<u><u>74,969</u></u>

SUPPLEMENTARY INFORMATION

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***CITY OF EATON
PREBLE COUNTY, OHIO***

Major Governmental Funds

General Fund – the General Fund accounts for all financial resources except those required to be accounted for in a separate fund.

Public Safety Fund – To account for 1/2% income tax revenues that is approved by the voters of the City every three years.

Capital Improvements Fund – To account for various capital projects financed by governmental funds.

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property Taxes:				
General	\$ 435,000	435,000	450,245	15,245
Tangible Personal	140,000	140,000	158,683	18,683
Total Property Taxes	<u>575,000</u>	<u>575,000</u>	<u>608,928</u>	<u>33,928</u>
Municipal Income Taxes	<u>770,000</u>	<u>770,000</u>	<u>835,787</u>	<u>65,787</u>
Intergovernmental Revenue:				
Local Government Fund, County	315,100	315,100	334,857	19,757
Inheritance	25,000	25,000	168,627	143,627
Cigarette Licenses	300	300	309	9
Liquor and Beer Permits	6,000	6,000	6,673	673
Fire Contracts	60,000	60,000	83,642	23,642
Ambulance Contracts	40,000	40,000	56,480	16,480
Police Firing Range	3,500	3,500	3,660	160
Other Grants	-	-	1,779	1,779
Total Intergovernmental Revenue	<u>449,900</u>	<u>449,900</u>	<u>656,027</u>	<u>206,127</u>
Charges for Services:				
General Government-Cable Franchise	33,000	33,000	33,353	353
Miscellaneous	-	-	109	109
Total Charges for Services	<u>33,000</u>	<u>33,000</u>	<u>33,462</u>	<u>462</u>
Licenses and Permits:				
Zoning Fees	-	-	178	178
Building Permits	120,000	120,000	158,651	38,651
Total Licenses and Permits	<u>120,000</u>	<u>120,000</u>	<u>158,829</u>	<u>38,829</u>
Investment Income	<u>51,200</u>	<u>51,200</u>	<u>61,041</u>	<u>9,841</u>
Fees, Fines and Forfeitures	<u>525,000</u>	<u>525,000</u>	<u>469,397</u>	<u>(55,603)</u>
Other Revenue	<u>125,000</u>	<u>125,000</u>	<u>146,976</u>	<u>21,976</u>
Total Revenues	<u>2,649,100</u>	<u>2,649,100</u>	<u>2,970,447</u>	<u>321,347</u>

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current:				
General Government:				
Administration	1,445,564	1,226,164	876,509	349,655
Council	13,900	13,900	10,211	3,689
Municipal Court	<u>759,800</u>	<u>759,800</u>	<u>678,282</u>	<u>81,518</u>
Total General Government	<u>2,219,264</u>	<u>1,999,864</u>	<u>1,565,002</u>	<u>434,862</u>
Public Safety:				
Police Division	1,065,750	1,065,750	977,039	88,711
Headquarters	73,500	78,500	74,047	4,453
Fire Division	78,750	84,800	83,516	1,284
EMS Division	<u>67,700</u>	<u>67,700</u>	<u>58,345</u>	<u>9,355</u>
Total Public Safety	<u>1,285,700</u>	<u>1,296,750</u>	<u>1,192,947</u>	<u>103,803</u>
Public Health:				
Employee Health Care Fund	<u>759,134</u>	<u>959,134</u>	<u>691,407</u>	<u>267,727</u>
Transportation:				
Traffic Lights	28,750	28,750	16,903	11,847
Public Maintenance	<u>199,000</u>	<u>207,350</u>	<u>200,978</u>	<u>6,372</u>
Total Transportation	<u>227,750</u>	<u>236,100</u>	<u>217,881</u>	<u>18,219</u>
Community Development:				
Building and Zoning	<u>182,200</u>	<u>182,200</u>	<u>173,392</u>	<u>8,808</u>
Total Expenditures	<u>4,674,048</u>	<u>4,674,048</u>	<u>3,840,629</u>	<u>833,419</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(2,024,948)</u>	<u>(2,024,948)</u>	<u>(870,182)</u>	<u>1,154,766</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	-	-	10,501	10,501
Transfers In	480,000	480,000	480,000	-
Transfers Out	(100,455)	(100,455)	(84,638)	15,817
Advances Out	<u>(64,350)</u>	<u>(64,350)</u>	<u>-</u>	<u>64,350</u>
Total Other Financing Sources (Uses)	<u>315,195</u>	<u>315,195</u>	<u>405,863</u>	<u>90,668</u>
Net Change in Fund Balance	(1,709,753)	(1,709,753)	(464,319)	1,245,434
Fund Balance, Beginning of Year	1,698,060	1,698,060	1,698,060	-
Prior Year Encumbrances Appropriated	<u>11,693</u>	<u>11,693</u>	<u>11,693</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>1,245,434</u>	<u>1,245,434</u>

CITY OF EATON, OHIO
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
Public Safety Special Revenue Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Municipal Income Taxes	\$ 915,000	915,000	990,762	75,762
Total Revenues	<u>915,000</u>	<u>915,000</u>	<u>990,762</u>	<u>75,762</u>
EXPENDITURES:				
Current:				
General Government	311,402	311,402	35,982	275,420
Public Safety	<u>952,700</u>	<u>952,700</u>	<u>879,811</u>	<u>72,889</u>
Total Expenditures	<u>1,264,102</u>	<u>1,264,102</u>	<u>915,793</u>	<u>348,309</u>
Net Change in Fund Balance	(349,102)	(349,102)	74,969	424,071
Fund Balance, Beginning of Year	348,456	348,456	348,456	-
Prior Year Encumbrances Appropriated	<u>646</u>	<u>646</u>	<u>646</u>	<u>-</u>
Fund Balance, End of Year	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>424,071</u></u>	<u><u>424,071</u></u>

CITY OF EATON, OHIO
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
Capital Improvements Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Municipal Income Taxes	\$ 1,060,000	1,060,000	1,145,736	85,736
Special Assessments	65,000	65,000	69,380	4,380
Oter Revenue	-	-	23,331	23,331
Total Revenues	<u>1,125,000</u>	<u>1,125,000</u>	<u>1,238,447</u>	<u>113,447</u>
EXPENDITURES:				
Capital Outlay	2,294,349	2,294,349	1,247,351	1,046,998
Debt Service:				
Principal Payments	<u>37,500</u>	<u>37,500</u>	<u>18,750</u>	<u>18,750</u>
Total Expenditures	<u>2,331,849</u>	<u>2,331,849</u>	<u>1,266,101</u>	<u>1,065,748</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(1,206,849)</u>	<u>(1,206,849)</u>	<u>(27,654)</u>	<u>1,179,195</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>(900,000)</u>	<u>(900,000)</u>	<u>(500,000)</u>	<u>400,000</u>
Total Other Financing Sources (Uses)	<u>(900,000)</u>	<u>(900,000)</u>	<u>(500,000)</u>	<u>400,000</u>
Net Change in Fund Balance	(2,106,849)	(2,106,849)	(527,654)	1,579,195
Fund Balance, Beginning of Year	1,935,675	1,935,675	1,935,675	-
Prior Year Encumbrances Appropriated	<u>171,174</u>	<u>171,174</u>	<u>171,174</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>1,579,195</u>	<u>1,579,195</u>

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Combining Statements – Nonmajor Governmental Funds

NONMAJOR SPECIAL REVENUE FUNDS

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

Indigent Driver Education and Training Fund – Required by the Ohio Revised Code to account for DUI fines designated for education and training of indigent DUI offenders.

Enforcement & Education Fund – Required by the Ohio Revised Code to account for DUI fines designated for use by law enforcement agencies for officer drug and alcohol education and/or enforcement.

Law Enforcement Fund – To account for fines designated by a court of law for use by law enforcement agencies.

Computerization Upgrade Fund – To account for fees collected by the municipal court to fund computer related expenditures.

Municipal Court Special Projects Fund – To account for additional court costs which are to be used for construction and maintenance of a new Court building and other related Court services.

Street Construction, Maintenance & Repair Fund – Required by the Ohio Revised Code to account for that portion of the state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

State Highway Improvement Fund – Required by the Ohio Revised Code to account for that portion of the state gasoline and motor vehicle registration fees designated for maintenance of state highways within the City.

Cemetery Fund – To account for the joint operations with a Township of the Mound Hill Union Cemetery.

Recreation Fund – To account for monies received through charges for services for cultural and recreational events provided for public enjoyment.

Swimming Pool Fund – To account for the operations of the City owned swimming pool.

Robert’s Bridge Fund – To account for funds set aside to maintain a local landmark.

Fort St. Clair Fund – To account for the operation of Fort St. Clair Park, which is owned by the Ohio Historical Society.

Small Cities Fund – To account for small cities block grant funds received from the State of Ohio.

Combining Statements – Nonmajor Governmental Funds
(Continued)

NONMAJOR DEBT SERVICE FUND

General Bond Retirement Fund – To maintain and account for payment of principal and interest on debt for certain bonds of the City.

Since there is only one Debt Service Fund, no individual fund information is presented.

NONMAJOR CAPITAL PROJECTS FUNDS

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

Issue II Funds – To maintain and account for Issue II proceeds for the renovation of the downtown area of the City.

TIF Fund – To maintain and account for revenues received through the State of Ohio Tax Increment Financing Program for the costs associated with the extension of roadways in the City.

NONMAJOR PERMANENT FUND

Permanent Fund (Francis Trust) – To account for the donation received from Richard E. Francis. The principal amount donated is to remain intact with the interest revenue to be used for the general care and maintenance of the Mound Hill Union Cemetery.

Since there is only one Permanent Fund, no individual fund information is presented.

CITY OF EATON
PREBLE COUNTY, OHIO
 Combined Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2004

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 283,083	29,968	532,318	-	845,369
Investments	-	-	-	10,000	10,000
Receivables (net of allowance for uncollectibles):					
Taxes	65,480	-	-	-	65,480
Accounts	352	-	-	-	352
Accrued Interest	-	-	-	25	25
Due from Other Governments	217,892	-	-	-	217,892
Due from Other Funds	20,270	-	-	-	20,270
	<u>587,077</u>	<u>29,968</u>	<u>532,318</u>	<u>10,025</u>	<u>1,159,388</u>
Total Assets	\$ 587,077	29,968	532,318	10,025	1,159,388
LIABILITIES:					
Accounts Payable	\$ 13,787	-	1,175	25	14,987
Accrued Wages and Benefits	3,230	-	-	-	3,230
Unearned Revenue	249,763	-	-	-	249,763
	<u>266,780</u>	<u>-</u>	<u>1,175</u>	<u>25</u>	<u>267,980</u>
Total Liabilities	266,780	-	1,175	25	267,980
FUND BALANCE:					
Reserved for:					
Encumbrances	60,937	-	27,959	-	88,896
Permanent Funds	-	-	-	10,000	10,000
Unreserved	259,360	29,968	503,184	-	792,512
	<u>320,297</u>	<u>29,968</u>	<u>531,143</u>	<u>10,000</u>	<u>891,408</u>
Total Fund Balance	320,297	29,968	531,143	10,000	891,408
	<u>587,077</u>	<u>29,968</u>	<u>532,318</u>	<u>10,025</u>	<u>1,159,388</u>
Total Liabilities and Fund Balance	\$ 587,077	29,968	532,318	10,025	1,159,388

CITY OF EATON
PREBLE COUNTY, OHIO
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004

	Indigent Driver	Enforcement & Education
ASSETS:		
Cash and Cash Equivalents	\$ 68,204	7,754
Receivables (net of allowance for uncollectibles):		
Taxes	-	-
Accounts	-	-
Due from Other Governments	1,968	-
Due from Other Funds	223	85
 Total Assets	\$ 70,395	7,839
LIABILITIES:		
Accounts Payable	\$ 357	-
Accrued Wages and Benefits	-	-
Unearned Revenue	-	-
 Total Liabilities	357	-
FUND BALANCE:		
Reserved for:		
Encumbrances	-	-
Unreserved	70,038	7,839
 Total Fund Balance	70,038	7,839
 Total Liabilities and Fund Balance	\$ 70,395	7,839

<u>Law Enforcement</u>	<u>Computerization Upgrade</u>	<u>Municipal Court Special Projects Fund</u>	<u>Street Construction, Maintenance & Repair</u>	<u>State Highway Improvement</u>
2,536	8,912	89,902	80,049	6,270
-	-	-	-	-
-	-	-	-	-
-	-	-	197,701	16,030
<u>-</u>	<u>8,006</u>	<u>11,956</u>	<u>-</u>	<u>-</u>
<u>2,536</u>	<u>16,918</u>	<u>101,858</u>	<u>277,750</u>	<u>22,300</u>
-	132	-	9,230	-
-	375	-	2,559	296
<u>-</u>	<u>-</u>	<u>-</u>	<u>168,433</u>	<u>13,657</u>
<u>-</u>	<u>507</u>	<u>-</u>	<u>180,222</u>	<u>13,953</u>
-	-	60,937	-	-
<u>2,536</u>	<u>16,411</u>	<u>40,921</u>	<u>97,528</u>	<u>8,347</u>
<u>2,536</u>	<u>16,411</u>	<u>101,858</u>	<u>97,528</u>	<u>8,347</u>
<u>2,536</u>	<u>16,918</u>	<u>101,858</u>	<u>277,750</u>	<u>22,300</u>

(Continued)

CITY OF EATON
PREBLE COUNTY, OHIO
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004
(Continued)

	Cemetery	Recreation
ASSETS:		
Cash and Cash Equivalents	\$ -	5,629
Receivables (net of allowance for uncollectibles):		
Taxes	65,480	-
Accounts	-	-
Due from Other Governments	2,193	-
Due from Other Funds	-	-
Total Assets	\$ 67,673	5,629
LIABILITIES:		
Accounts Payable	\$ -	573
Accrued Wages and Benefits	-	-
Unearned Revenue	67,673	-
Total Liabilities	67,673	573
FUND BALANCE:		
Reserved for:		
Encumbrances	-	-
Unreserved	-	5,056
Total Fund Balance	-	5,056
Total Liabilities and Fund Balance	\$ 67,673	5,629

<u>Swimming Pool</u>	<u>Robert's Bridge</u>	<u>Fort St. Clair</u>	<u>Small Cities</u>	<u>Total Special Revenue Funds</u>
2,657	1,043	10,127	-	283,083
-	-	-	-	65,480
-	-	352	-	352
-	-	-	-	217,892
-	-	-	-	20,270
<u>2,657</u>	<u>1,043</u>	<u>10,479</u>	<u>-</u>	<u>587,077</u>
299	-	3,196	-	13,787
-	-	-	-	3,230
-	-	-	-	249,763
<u>299</u>	<u>-</u>	<u>3,196</u>	<u>-</u>	<u>266,780</u>
-	-	-	-	60,937
<u>2,358</u>	<u>1,043</u>	<u>7,283</u>	<u>-</u>	<u>259,360</u>
<u>2,358</u>	<u>1,043</u>	<u>7,283</u>	<u>-</u>	<u>320,297</u>
<u>2,657</u>	<u>1,043</u>	<u>10,479</u>	<u>-</u>	<u>587,077</u>

CITY OF EATON
PREBLE COUNTY, OHIO
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004

	<u>Issue II</u>	<u>TIF</u>	<u>Total Capital Projects Funds</u>
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>496,355</u>	<u>35,963</u>	<u>532,318</u>
Total Assets	\$ <u><u>496,355</u></u>	<u><u>35,963</u></u>	<u><u>532,318</u></u>
LIABILITIES:			
Accounts Payable	\$ <u>1,175</u>	<u>-</u>	<u>1,175</u>
Total Liabilities	<u>1,175</u>	<u>-</u>	<u>1,175</u>
FUND BALANCE:			
Reserved for:			
Encumbrances	1,175	26,784	27,959
Unreserved	<u>494,005</u>	<u>9,179</u>	<u>503,184</u>
Total Fund Balance	<u>495,180</u>	<u>35,963</u>	<u>531,143</u>
Total Liabilities and Fund Balance	\$ <u><u>496,355</u></u>	<u><u>35,963</u></u>	<u><u>532,318</u></u>

CITY OF EATON
PREBLE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
December 31, 2004

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:					
Property Taxes	\$ 66,244	-	-	-	66,244
Intergovernmental	433,920	-	205,767	-	639,687
Charges for Services	47,106	-	-	-	47,106
Licenses and Permits	1,505	-	-	-	1,505
Fees, Fines and Forfeitures	256,379	-	-	-	256,379
Investment Income	115	-	666	-	781
Other Revenue	18,426	-	51,775	-	70,201
	<u>823,695</u>	<u>-</u>	<u>258,208</u>	<u>-</u>	<u>1,081,903</u>
EXPENDITURES:					
Current:					
General Government	100,730	-	-	-	100,730
Public Health	98,655	-	-	-	98,655
Transportation	363,360	-	82,705	-	446,065
Culture and Recreation	138,784	-	-	-	138,784
Capital Outlay	279,111	-	655,200	-	934,311
Debt Service:					
Principal	66,477	-	-	-	66,477
Interest	61,481	9,192	-	-	70,673
	<u>1,108,598</u>	<u>9,192</u>	<u>737,905</u>	<u>-</u>	<u>1,855,695</u>
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>(284,903)</u>	<u>(9,192)</u>	<u>(479,697)</u>	<u>-</u>	<u>(773,792)</u>
OTHER FINANCING SOURCES/(USES):					
Issuance of Tax Increment Financing Debt	-	39,160	510,840	-	550,000
Transfers In	84,637	-	500,000	-	584,637
	<u>84,637</u>	<u>39,160</u>	<u>1,010,840</u>	<u>-</u>	<u>1,134,637</u>
Net Change in Fund Balance	(200,266)	29,968	531,143	-	360,845
Fund Balance, Beginning of Year	520,563	-	-	10,000	530,563
Fund Balance, End of Year	<u>\$ 320,297</u>	<u>29,968</u>	<u>531,143</u>	<u>10,000</u>	<u>891,408</u>

CITY OF EATON
PREBLE COUNTY, OHIO
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Special Revenue Funds
December 31, 2004

	Indigent Driver	Enforcement & Education
REVENUES:		
Property Taxes	\$ -	-
Intergovernmental	-	-
Charges for Services	-	-
Licenses and Permits	-	-
Fees, Fines and Forfeitures	7,836	1,183
Investment Income	-	-
Other Revenue	-	-
Total Revenues	7,836	1,183
EXPENDITURES:		
Current:		
General Government	8,962	-
Public Health	-	-
Transportation	-	-
Culture and Recreation	-	-
Capital Outlay	-	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	8,962	-
Excess (Deficit) of Revenues Over/ (Under) Expenditures	(1,126)	1,183
OTHER FINANCING SOURCES/(USES):		
Transfers In	-	-
Total Other Financing Sources/(Uses)	-	-
Net Change in Fund Balance	(1,126)	1,183
Fund Balance, Beginning of Year	71,164	6,656
Fund Balance, End of Year	\$ 70,038	7,839

Law Enforcement	Computerization Upgrade	Municipal Court Special Projects Fund	Street Construction, Maintenance & Repair	State Highway Improvement
-	-	-	-	-
-	-	29,654	334,044	27,085
-	-	-	2,817	-
-	-	-	1,505	-
-	98,303	149,057	-	-
-	-	115	-	-
-	-	-	-	-
-	98,303	178,826	338,366	27,085
-	90,244	1,524	-	-
-	-	-	-	-
-	-	-	336,557	26,803
-	-	-	-	-
-	821	236,919	-	-
-	-	66,477	-	-
-	-	61,481	-	-
-	91,065	366,401	336,557	26,803
-	7,238	(187,575)	1,809	282
-	-	-	-	-
-	-	-	-	-
-	7,238	(187,575)	1,809	282
2,536	9,173	289,433	95,719	8,065
2,536	16,411	101,858	97,528	8,347

(Continued)

CITY OF EATON
PREBLE COUNTY, OHIO
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Special Revenue Funds
December 31, 2004
(Continued)

	Cemetery	Recreation
REVENUES:		
Property Taxes	\$ 66,244	-
Intergovernmental	6,309	-
Charges for Services	-	9,618
Licenses and Permits	-	-
Fees, Fines and Forfeitures	-	-
Investment Income	-	-
Other Revenue	-	-
Total Revenues	72,553	9,618
EXPENDITURES:		
Current:		
General Government	-	-
Public Health	98,655	-
Transportation	-	-
Culture and Recreation	-	27,708
Capital Outlay	-	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	98,655	27,708
Excess (Deficit) of Revenues Over/ (Under) Expenditures	(26,102)	(18,090)
OTHER FINANCING SOURCES/(USES):		
Transfers In	26,102	12,210
Total Other Financing Sources/(Uses)	26,102	12,210
Net Change in Fund Balance	-	(5,880)
Fund Balance, Beginning of Year	-	10,936
Fund Balance, End of Year	\$ -	5,056

Swimming Pool	Robert's Bridge	Fort St. Clair	Small Cities	Total Special Revenue Funds
-	-	-	-	66,244
-	-	-	36,828	433,920
34,671	-	-	-	47,106
-	-	-	-	1,505
-	-	-	-	256,379
-	-	-	-	115
-	-	18,426	-	18,426
<u>34,671</u>	<u>-</u>	<u>18,426</u>	<u>36,828</u>	<u>823,695</u>
-	-	-	-	100,730
-	-	-	-	98,655
-	-	-	-	363,360
72,456	-	38,620	-	138,784
2,543	-	-	38,828	279,111
-	-	-	-	66,477
-	-	-	-	61,481
<u>74,999</u>	<u>-</u>	<u>38,620</u>	<u>38,828</u>	<u>1,108,598</u>
<u>(40,328)</u>	<u>-</u>	<u>(20,194)</u>	<u>(2,000)</u>	<u>(284,903)</u>
<u>35,550</u>	<u>-</u>	<u>10,775</u>	<u>-</u>	<u>84,637</u>
<u>35,550</u>	<u>-</u>	<u>10,775</u>	<u>-</u>	<u>84,637</u>
(4,778)	-	(9,419)	(2,000)	(200,266)
<u>7,136</u>	<u>1,043</u>	<u>16,702</u>	<u>2,000</u>	<u>520,563</u>
<u>2,358</u>	<u>1,043</u>	<u>7,283</u>	<u>-</u>	<u>320,297</u>

CITY OF EATON
PREBLE COUNTY, OHIO
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Capital Projects Funds
December 31, 2004

	Issue II	TIF	Total Capital Projects Funds
REVENUES:			
Intergovernmental	\$ 205,767	-	205,767
Investment Income	-	666	666
Other Revenue	<u>51,775</u>	-	<u>51,775</u>
Total Revenues	<u>257,542</u>	<u>666</u>	<u>258,208</u>
EXPENDITURES:			
Current:			
Transportation	4,820	77,885	82,705
Capital Outlay	<u>257,542</u>	<u>397,658</u>	<u>655,200</u>
Total Expenditures	<u>262,362</u>	<u>475,543</u>	<u>737,905</u>
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>(4,820)</u>	<u>(474,877)</u>	<u>(479,697)</u>
OTHER FINANCING SOURCES/(USES):			
Issuance of Tax Increment Financing Debt	-	510,840	510,840
Transfers In	<u>500,000</u>	-	<u>500,000</u>
Total Other Financing Sources/(Uses)	<u>500,000</u>	<u>510,840</u>	<u>1,010,840</u>
Net Change in Fund Balance	495,180	35,963	531,143
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 495,180</u>	<u>35,963</u>	<u>531,143</u>

CITY OF EATON
PREBLE COUNTY, OHIO
Combining Statement of Changes in Assets
and Liabilities - Agency Fund
For the Year Ended December 31, 2004

	<u>Balance</u> <u>12/31/2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2004</u>
<u>State Patrol Transfer Fund</u>				
Assets:				
Cash and Cash Equivalents	\$ 14,875	55,967	59,425	11,417
Due from Other Governments	<u>4,998</u>	<u>3,950</u>	<u>4,998</u>	<u>3,950</u>
Total Assets	\$ <u>19,873</u>	<u>59,917</u>	<u>64,423</u>	<u>15,367</u>
Liabilities:				
Accounts Payable	\$ <u>19,873</u>	<u>59,917</u>	<u>64,423</u>	<u>15,367</u>
Total Liabilities	\$ <u>19,873</u>	<u>59,917</u>	<u>64,423</u>	<u>15,367</u>

**CITY OF EATON
PREBLE COUNTY, OHIO**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fees, Fines and Forfeitures	\$ 10,000	5,000	5,843	843
EXPENDITURES:				
Public Health	82,011	77,011	9,650	67,361
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(72,011)	(72,011)	(3,807)	68,204
Fund Balance, Beginning of Year	72,011	72,011	72,011	-
Fund Balance, End of Year	\$ -	-	68,204	68,204

**CITY OF EATON
PREBLE COUNTY, OHIO**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fees, Fines and Forfeitures	\$ 1,000	1,000	1,148	148
EXPENDITURES:				
Public Health	7,605	7,605	-	7,605
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(6,605)	(6,605)	1,148	7,753
Fund Balance, Beginning of Year	6,606	6,606	6,606	-
Fund Balance, End of Year	\$ 1	1	7,754	7,753

**CITY OF EATON
PREBLE COUNTY, OHIO**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fees, Fines and Forfeitures	\$ -	-	-	-
EXPENDITURES:				
Public Safety	2,535	2,535	-	2,535
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(2,535)	(2,535)	-	2,535
Fund Balance, Beginning of Year	2,536	2,536	2,536	-
Fund Balance, End of Year	\$ 1	1	2,536	2,535

**CITY OF EATON
PREBLE COUNTY, OHIO**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fees, Fines and Forfeitures	\$ 90,000	97,270	98,023	753
EXPENDITURES:				
General Government	94,134	101,404	93,246	8,158
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(4,134)	(4,134)	4,777	8,911
Fund Balance, Beginning of Year	1,858	1,858	1,858	-
Prior Year Encumbrances Appropriated	2,277	2,277	2,277	-
Fund Balance, End of Year	\$ 1	1	8,912	8,911

**CITY OF EATON
PREBLE COUNTY, OHIO**

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
Municipal Court Special Projects Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fees, Fines and Forfeitures	\$ 170,000	147,770	149,518	1,748
Investment Earnings	-	-	115	115
Total Revenues	<u>170,000</u>	<u>147,770</u>	<u>149,633</u>	<u>1,863</u>
EXPENDITURES:				
Capital Outlay	524,742	502,512	476,147	26,365
Debt Service:				
Principal Payments	66,480	66,480	66,477	3
Interest	<u>62,215</u>	<u>62,215</u>	<u>61,483</u>	<u>732</u>
Total Expenditures	<u>653,437</u>	<u>631,207</u>	<u>604,107</u>	<u>27,100</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(483,437)</u>	<u>(483,437)</u>	<u>(454,474)</u>	<u>28,963</u>
OTHER FINANCING SOURCES (USES):				
Advances In	64,350	64,350	63,615	(735)
Advances Out	<u>(64,350)</u>	<u>(64,350)</u>	<u>(63,615)</u>	<u>735</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(483,437)	(483,437)	(454,474)	28,963
Fund Balance, Beginning of Year	34,396	34,396	34,396	-
Prior Year Encumbrances Appropriated	<u>449,041</u>	<u>449,041</u>	<u>449,041</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>28,963</u>	<u>28,963</u>

**CITY OF EATON
PREBLE COUNTY, OHIO**

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 300,000	300,000	327,922	27,922
Charges for Services	-	-	2,817	2,817
Licenses and Permits	-	-	1,505	1,505
Total Revenues	300,000	300,000	332,244	32,244
EXPENDITURES:				
Transportation	384,306	384,306	342,874	41,432
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(84,306)	(84,306)	(10,630)	73,676
Fund Balance, Beginning of Year	84,306	84,306	84,306	-
Prior Year Encumbrances Appropriated	-	-	-	-
Fund Balance, End of Year	\$ -	-	73,676	73,676

**CITY OF EATON
PREBLE COUNTY, OHIO**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 24,300	24,300	26,588	2,288
EXPENDITURES:				
Transportation	30,758	30,758	26,776	3,982
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(6,458)	(6,458)	(188)	6,270
Fund Balance, Beginning of Year	6,458	6,458	6,458	-
Fund Balance, End of Year	\$ -	-	6,270	6,270

**CITY OF EATON
PREBLE COUNTY, OHIO**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property Taxes	\$ 62,300	62,300	66,244	3,944
Intergovernmental	4,100	4,100	6,309	2,209
Total Revenues	66,400	66,400	72,553	6,153
EXPENDITURES:				
Public Health	98,655	98,655	98,655	-
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(32,255)	(32,255)	(26,102)	6,153
OTHER FINANCING SOURCES (USES):				
Transfers In	32,255	32,255	26,102	(6,153)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	-	-	-

**CITY OF EATON
PREBLE COUNTY, OHIO**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for Services	\$ 10,500	9,390	9,618	228
EXPENDITURES:				
Culture and Recreation	33,198	33,198	27,798	5,400
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(22,698)	(23,808)	(18,180)	5,628
OTHER FINANCING SOURCES (USES):				
Transfers In	11,100	12,210	12,210	-
Net Change in Fund Balance	(11,598)	(11,598)	(5,970)	5,628
Fund Balance, Beginning of Year	11,599	11,599	11,599	-
Fund Balance, End of Year	\$ 1	1	5,629	5,628

**CITY OF EATON
PREBLE COUNTY, OHIO**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for Services	\$ 33,000	34,665	34,671	6
EXPENDITURES:				
Culture and Recreation	85,385	77,600	74,950	2,650
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(52,385)	(42,935)	(40,279)	2,656
OTHER FINANCING SOURCES (USES):				
Transfers In	45,000	35,550	35,550	-
Net Change in Fund Balance	(7,385)	(7,385)	(4,729)	2,656
Fund Balance, Beginning of Year	7,386	7,386	7,386	-
Fund Balance, End of Year	\$ <u>1</u>	<u>1</u>	<u>2,657</u>	<u>2,656</u>

**CITY OF EATON
PREBLE COUNTY, OHIO**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Other Revenue	\$ -	-	-	-
EXPENDITURES:				
Culture and Recreation	1,043	1,043	-	1,043
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(1,043)	(1,043)	-	1,043
Fund Balance, Beginning of Year	1,043	1,043	1,043	-
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>1,043</u>	<u>1,043</u>

**CITY OF EATON
PREBLE COUNTY, OHIO**

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
Fort St. Clair Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Other Revenue	\$ 19,500	14,500	18,438	3,938
EXPENDITURES:				
Culture and Recreation	49,509	43,509	37,495	6,014
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(30,009)	(29,009)	(19,057)	9,952
OTHER FINANCING SOURCES (USES):				
Transfers In	12,100	11,100	10,775	(325)
Net Change in Fund Balance	(17,909)	(17,909)	(8,282)	9,627
Fund Balance, Beginning of Year	17,910	17,910	17,910	-
Fund Balance, End of Year	\$ <u>1</u>	<u>1</u>	<u>9,628</u>	<u>9,627</u>

**CITY OF EATON
PREBLE COUNTY, OHIO**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental Revenue	\$ 35,828	36,828	36,828	-
EXPENDITURES:				
Capital Outlay	37,828	38,828	38,828	-
Net Change in Fund Balance	(2,000)	(2,000)	(2,000)	-
Fund Balance, Beginning of Year	2,000	2,000	2,000	-
Prior Year Encumbrances Appropriated	-	-	-	-
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF EATON
PREBLE COUNTY, OHIO

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Total Revenues	\$ -	-	-	-
EXPENDITURES:				
Debt Service:				
Interest	\$ -	39,160	9,192	29,968
Total Expenditures	-	39,160	9,192	29,968
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	-	(39,160)	(9,192)	29,968
OTHER FINANCING SOURCES (USES):				
Issuance of Tax Increment Financing Debt	-	39,160	39,160	-
Total Other Financing Sources (Uses)	-	39,160	39,160	-
Net Change in Fund Balance	-	-	29,968	29,968
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	-	29,968	29,968

**CITY OF EATON
PREBLE COUNTY, OHIO**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental Revenue	\$ 250,000	205,767	205,767	-
Other Revenue	-	51,775	51,775	-
Total Revenues	250,000	257,542	257,542	-
EXPENDITURES:				
Capital Outlay	1,150,000	757,542	263,537	494,005
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(900,000)	(500,000)	(5,995)	494,005
OTHER FINANCING SOURCES (USES):				
Transfers In	900,000	500,000	500,000	-
Net Change in Fund Balance	-	-	494,005	494,005
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	-	494,005	494,005

**CITY OF EATON
PREBLE COUNTY, OHIO**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Investment Earnings	\$ -	-	666	666
EXPENDITURES:				
Capital Outlay	643,585	511,450	502,327	9,123
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(643,585)	(511,450)	(501,661)	9,789
OTHER FINANCING SOURCES (USES):				
Issuance of Tax Increment Financing Debt	643,585	511,450	510,840	(610)
Net Change in Fund Balance	-	-	9,179	9,179
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	-	9,179	9,179

CITY OF EATON, OHIO

General Fund Revenue by Source
Last Ten Fiscal Years

Year	Taxes (A)	Intergovernmental Revenues	Charges for Services	Licenses and Permits	Investment Income	Fees, Fines and Forfeitures	Other Revenue	Total
1995	\$ 2,023,386	\$ 124,051	\$ 23,096	\$ 119,799	\$ 82,713	\$ 497,186	\$ 87,617	\$ 2,957,848
1996	2,255,916	126,882	27,531	109,267	125,102	471,601	67,524	3,183,823
1997	2,424,493	139,763	45,413	126,743	179,938	483,229	106,939	3,506,518
1998	2,633,406	145,578	31,208	113,770	215,827	512,071	59,954	3,711,814
1999	2,839,679	153,018	30,262	127,092	166,098	555,404	13,577	3,885,130
2000	2,993,588	159,067	2,845	113,911	214,542	574,463	17,830	4,076,246
2001	2,879,400	187,458	37,648	137,987	153,446	617,928	39,796	4,053,663
2002	2,657,133	200,725	38,296	137,191	77,463	586,477	15,589	3,712,874
2003*	2,027,574	162,047	36,986	159,612	53,948	528,149	5,921	2,974,237
2004*	1,455,538	636,935	37,333	158,651	61,548	468,386	26,015	2,844,406

Source: City of Eaton, Finance Department

(A) Includes property, income, state-levied and shared and other local taxes. Beginning with 2004, state levied and shared taxes are reported as intergovernmental revenue.

* - For these years, the Public Safety is being reported separately, whereas in prior years it was reported as part of the General Fund.

CITY OF EATON, OHIO
General Fund Expenditures By Function
Last Ten Fiscal Years

Year	General Government		Public Safety		Public Health		Transportation		Community Development		Capital Outlay		Total	
		\$		\$		\$		\$		\$		\$		
1995	\$	748,575	\$	1,269,095	\$	18,113	\$	123,964	\$	98,901	\$	-	\$	2,258,648
1996		861,931		1,380,869		18,113		128,477		100,740		-		2,490,130
1997		819,741		1,441,443		18,113		134,383		100,229		-		2,513,909
1998		916,950		1,522,883		18,113		154,099		108,105		-		2,720,150
1999		1,202,281		1,581,410		18,113		152,040		112,582		-		3,066,426
2000		1,266,508		1,748,473		29,202		177,100		134,127		202,196		3,557,606
2001		1,387,441		1,767,387		29,202		231,132		144,542		251,868		3,811,572
2002		1,397,208		1,848,555		31,195		234,119		147,938		190,810		3,849,825
2003*		1,408,293		1,156,818		31,195		253,202		157,179		17,865		3,024,552
2004*		1,633,498		1,186,418		27,129		214,122		171,062		17,527		3,249,756

Source: City of Eaton, Finance Department

* - For these years, the Public Safety is being reported separately, whereas in prior years it was reported as part of the General Fund.

TABLE 3

CITY OF EATON, OHIO
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Tax Year/ Collection Year	Real Property		Personal Property Assessed Value	Public Utilities Assessed Value	Total Assessed Value
	Assessed Value	Estimated Actual Value (A)			
1994/1995	\$ 72,523,590	\$ 207,210,257	\$ 34,051,380	\$ 5,873,980	\$ 112,448,950
1995/1996	82,337,270	235,249,342	37,300,100	5,855,660	125,493,030
1996/1997	84,294,240	240,840,690	37,365,190	6,670,130	128,329,560
1997/1998	87,644,520	250,412,914	34,260,320	7,357,480	129,262,320
1998/1999	105,034,610	300,098,886	33,574,060	7,383,280	145,991,950
1999/2000	109,053,270	311,580,771	38,612,260	7,446,000	155,111,530
2000/2001	110,980,570	317,087,343	41,584,980	5,215,340	157,780,890
2001/2002	123,174,090	351,925,971	38,263,490	5,431,310	166,868,890
2002/2003	126,090,110	360,257,457	37,179,340	5,325,800	168,595,250
2003/2004	128,601,780	367,433,657	37,808,150	5,073,340	171,483,270

Source: Preble County Auditor
(A) Estimated actual value based on assessment level of 35 percent.

TABLE 4

CITY OF EATON, OHIO
 Property Tax Rates - Direct and Overlapping Governments
 Per \$1,000 of Assessed Valuation
 Last Ten Fiscal Years

Tax Year/ Collection Year	General Fund (A)	Pension		Eaton School District	Preble County	Total
		Trust Funds	Total			
1994/1995	4.00	0.60	4.60	36.98	7.97	49.55
1995/1996	4.00	0.60	4.60	36.48	7.97	49.05
1996/1997	4.00	0.60	4.60	35.98	7.67	48.25
1997/1998	4.00	0.60	4.60	35.78	8.67	49.05
1998/1999	4.00	0.60	4.60	35.78	8.67	49.05
1999/2000	4.00	0.60	4.60	35.78	8.07	48.45
2000/2001	4.00	0.60	4.60	33.10	8.07	45.77
2001/2002	4.00	0.60	4.60	38.60	7.88	51.08
2002/2003	4.00	0.60	4.60	38.60	7.78	50.98
2003/2004	4.00	0.60	4.60	38.30	7.78	50.68

Source: Preble County Auditor

(A) Includes general voted monies used for maintenance on cemetery.

TABLE 5

CITY OF EATON, OHIO
Property Tax Levies and Collection
Real and Public Utility
Last Ten Fiscal Years

Tax Year/ Collection Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Total Tax Collections Including Delinquencies	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes
1994/1995	\$ 261,600	\$ 254,025	97.10%	\$ 263,691	100.80%	\$ 16,642
1995/1996	235,399	228,099	96.90%	237,489	100.89%	16,117
1996/1997	366,406	336,553	91.85%	349,218	95.31%	33,305
1997/1998	301,640	294,261	97.55%	302,481	100.28%	32,504
1998/1999	316,110	304,830	96.43%	313,810	99.27%	34,804
1999/2000	360,950	352,140	97.56%	364,755	101.05%	30,988
2000/2001	375,462	365,291	97.29%	374,930	99.86%	31,520
2001/2002	414,749	388,281	93.62%	399,908	96.42%	31,004
2002/2003	441,177	423,711	96.04%	444,055	100.65%	28,126
2003/2004	474,130	453,492	95.65%	483,106	101.89%	19,150

Source: Preble County Auditor

CITY OF EATON, OHIO
Special Assessment Collections
Last Ten Fiscal Years

TABLE 6

Fiscal Year	Current Assessments Due	Total Collections Including Delinquencies	Total Collections As Percent of Current Assessments	Cumulative Delinquency
1994/1995	\$ 25,005	\$ 26,947	107.77%	\$ 42,316
1995/1996	22,244	24,071	108.21%	45,753
1996/1997	23,304	24,609	105.60%	44,448
1997/1998	23,386	29,017	124.08%	38,817
1998/1999	20,490	26,525	129.45%	32,782
1999/2000	2,470	5,248	212.47%	30,004
2000/2001	50,367	48,878	97.04%	31,493
2001/2002	68,646	69,087	100.64%	2,062 *
2002/2003	73,578	73,392	99.75%	2,248 *
2003/2004	71,887	73,224	101.86%	1,725 *

Source: Preble County Auditor

* - Prior to fiscal year 2001/2002, delinquency may have included real/public tax.

CITY OF EATON
 Computation of Legal Debt Margin
 December 31, 2004

TABLE 7

Total assessed valuation		<u>\$ 171,483,270</u>
Overall debt limitation 10 1/2% of assessed valuation		18,005,743
Gross indebtedness	\$ 2,407,673	
Less: Debt outside limitations	<u>2,407,673</u>	
Debt within 10 1/2% limitation	-	
Less: Debt Service Fund balance	<u>29,968</u>	
Net debt within 10 1/2% limitation		<u>(29,968)</u>
Legal debt margin within 10 1/2% limitation		<u>\$ 18,035,711</u>
Unvoted debt limitation 5 1/2% of assessed valuation		\$ 9,431,580
Gross indebtedness authorized by Council	2,407,673	
Less: Debt outside limitations	<u>2,407,673</u>	
Debt within 5 1/2% limitation	-	
Less: Bond Retirement Fund balance	<u>29,968</u>	
Net debt within 5 1/2% limitation		<u>(29,968)</u>
Legal debt margin within 5 1/2% limitation		<u>\$ 9,461,548</u>

Source: City of Eaton, Finance Department

CITY OF EATON
 Computation of Direct and Overlapping Debt
 December 31, 2004

TABLE 8

	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Eaton</u>	<u>Amount Applicable to City of Eaton</u>
City of Eaton	\$ 2,407,673	100.0%	\$2,407,673
Preble County	\$ 8,149,460	0.0%	\$ -

Source: City of Eaton, Finance Department and Preble County Auditor

CITY OF EATON, OHIO

TABLE 9

Ratio of Net General Bonded Debt to Assessed
Valuation and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Year	Population (A)	Assessed Value (B)	General Bonded Debt	Less Balance In Debt Service Fund	Net General Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995	7,396	\$ 112,448,950	\$ -	\$ -	\$ -	-	-
1996	7,396	125,493,030	-	-	-	-	-
1997	7,396	128,329,560	-	-	-	-	-
1998	7,396	129,262,320	-	-	-	-	-
1999	7,396	145,991,950	-	-	-	-	-
2000	8,133	155,111,530	-	-	-	-	-
2001	8,133	157,780,890	-	-	-	-	-
2002	8,133	166,868,890	-	-	-	-	-
2003	8,133	168,595,250	1,342,900	-	1,342,900	0.80	165
2004	8,133	171,483,270	1,276,423	-	1,276,423	0.74	157

(A) Source: 2000 Federal Census
(B) Source: Preble County Auditor

TABLE 10

CITY OF EATON, OHIO
 Ratio of Annual Debt Service Expenditures for
 General Bonded Debt to Total General Fund Expenditures
 Last Ten Fiscal Years

Year	Principal	Interest (A)	Total		General Fund Expenditures (B)	Ratio of Debt Service to General Fund Expenditures
			Debt Service	Debt Service		
1995	\$ 45,000	2,981	\$ 47,981	\$	2,593,051	1.85%
1996	-	-	-	-	2,907,679	0.00%
1997	-	-	-	-	2,977,448	0.00%
1998	-	-	-	-	3,659,286	0.00%
1999	-	-	-	-	3,680,800	0.00%
2000	-	-	-	-	3,557,606	0.00%
2001	-	-	-	-	3,811,572	0.00%
2002	-	-	-	-	3,849,825	0.00%
2003	32,100	32,244	64,344		3,024,552	2.13%
2004	66,477	70,673	137,150		3,249,756	4.22%

Source: City of Eaton, Finance Department

(A) Excludes bond issuance and other costs.

(B) General Fund Expenditures include both current and capital outlay expenditures.

CITY OF EATON
Demographic Statistics
December 31, 2004

TABLE 11

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
Population	6,070	6,839	7,396	8,133
Per capita income	\$ 3,340	\$ 6,843	\$ 11,112	\$ 16,771
Number of dwelling units	2,193	2,840	2,920	3,274
Persons per household	2.76	2.48	2.45	2.37
Median age	34.80	32.40	33.40	38.10
Percentage owner-occupied dwelling units	67%	64%	69%	67.3%
Median family income	8,246	17,905	28,773	42,241
Family income distribution:				
\$0 - 9,999	816	876	174	91
\$10,000 - 14,999	555	482	177	122
\$15,000 - 24,999	268	723	453	204
\$25,000 and over	<u>51</u>	<u>612</u>	<u>1,228</u>	<u>1,729</u>
Total families	<u><u>1,690</u></u>	<u><u>2,693</u></u>	<u><u>2,032</u></u>	<u><u>2,146</u></u>
Education distribution/grades years completed:				
0 - 8	1,001	699	465	335
9 - 11	609	690	781	775
12	1,340	1,979	2,432	2,533
13 - 15	319	484	859	1,211
16 or more	291	385	323	559
High school graduates	1,950	2,848	3,614	4,303

Source: 2000 Federal Census

CITY OF EATON, OHIO
Employment Distribution by Industry
December 31, 2004

TABLE 12

Resident's Employment Distribution by Industry	(a) Number Employed	Percent of Total
Agriculture, forestry, fishing and hunting, and mining	30	0.81
Construction	196	5.30
Manufacturing	1,295	35.03
Wholesale trade	149	4.03
Retail trade	398	10.77
Transportation and warehousing, and utilities	144	3.90
Information	49	1.33
Finance, insurance, real estate, and rental and leasing	111	3.00
Professional, scientific, management, administration, and waster management services	207	5.60
Educational, health and social services	586	15.85
Arts, entertainment, recreation, accommodation and food services	273	7.38
Other services	75	2.03
Public administration	<u>184</u>	<u>4.98</u>
Total employment	<u><u>3,697</u></u>	<u><u>100.00</u></u>

Source: 2000 Federal Census

CITY OF EATON, OHIO
 Property Value, New Construction and Bank Deposits
 Last Ten Fiscal Years

Year	Commercial/ Industrial Construction (A)	Residential Construction (A)	Preble County Bank Deposits (In Thousands) (B)	Total Assessed Value (A)	
				Commercial	Residential
1995	\$ 1,065,150	\$ 891,980	\$ 286,901	\$ 16,263,300	\$ 48,172,660
1996	1,002,930	1,006,630	127,809	16,546,090	56,997,850
1997	1,002,720	1,201,730	138,869	25,687,170	58,249,620
1998	1,215,440	1,491,010	144,073	27,144,510	60,134,440
1999	346,110	1,392,690	(C)	33,153,990	71,431,850
2000	1,677,520	1,678,510	166,193	34,845,800	73,792,310
2001	564,000	1,134,950	171,949	35,508,050	75,101,760
2002	698,660	1,100,870	178,262	35,913,690	86,792,770
2003	1,513,100	1,395,860	(C)	36,922,270	89,167,840
2004	900,640	1,215,410	(C)	38,084,370	90,517,410

(A) Source: Preble County Auditor

(B) Federal Reserve Bank of Cleveland (total demand, time, and savings deposits) for Preble County, Ohio Banks

(C) Information not available

CITY OF EATON, OHIO
Principal Taxpayers
December 31, 2004

TABLE 14

Taxpayer	Type of Business	Total 2004 Assessed Valuation (A)	Percentage of Total Assessed Valuation
Neaton Auto Products	Auto Products	\$ 14,719,910	8.58%
Henny Penny Corporation	Food Service	8,293,890	4.84%
Bullen Ultrasonics	Manufacturing	5,318,200	3.10%
Timken Company	Manufacturing	4,348,040	2.54%
Dayton Power and Light	Utility	3,768,910	2.20%
Weyerhaeuser Company	Manufacturing	3,694,990	2.15%
Parker Hannifin Corp.	Manufacturing	3,525,660	2.06%
Durbin-Eaton Properties, LLC./Kroger's	Retail	2,239,140	1.31%
Continental 51 Fund	Retail	2,053,820	1.20%
Preble County Youth	YMCA	1,281,570	<u>0.75%</u>
Total		\$ <u>49,244,130</u>	<u>28.72%</u>
Total assessed valuation of the City		\$ <u>171,483,270</u>	

Source: Preble County Auditor's Office.
(A) Property assessed at 35 percent of fair market value.

CITY OF EATON, OHIO

TABLE 15

Other Statistics
December 31, 2004

Date of incorporation	January 31, 1836
Form of government	Council/Manager
Area	3,884 square acres
Miles of streets	43
Number of street lights	568
Fire protection and emergency rescue:	
Number of stations	2
Number of firemen and EMS personnel (volunteer)	65
Police protection:	
Number of stations	1
Number of policemen and officers	14
Municipal water department:	
Number of consumers	3,418
Average daily production	1,217,244 gallons
Miles of water mains	55
Sewers:	
Miles of storm sewers	18
Miles of sanitary sewers	41
Buildings:	
2004 permits issued	118
2004 valuation of construction	\$15,118,269
Parks and recreation:	
Number of parks	9
Number of tennis courts	3
Number of baseball diamonds	10
Number of swimming pools	1
Employees:	
Classified service	61
Exempt	11

Source: City of Eaton, Ohio

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**Auditor of State
Betty Montgomery**

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CITY OF EATON

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 04, 2005**