



**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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our 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 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

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

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 27, 2006

**CITY OF EATON  
PREBLE COUNTY, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended December 31, 2005**

**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, 2005**

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**PREBLE COUNTY, OHIO**  
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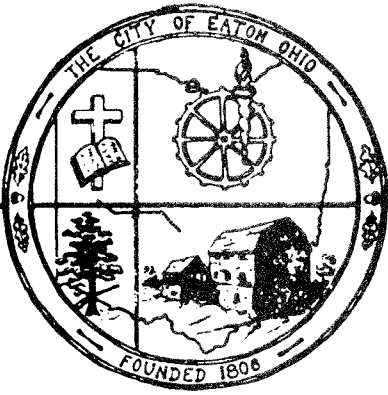
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# City of Eaton

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

June 30, 2006

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, 2005 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 2004 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 at the last official census in 2000, had a population of 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 13 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 2005 the division responded to 9,723 calls. The five dispatchers received 12,157 public safety calls, of which 2,265 were 911 calls.

**Division of Fire:** The Division of Fire is directed by a full-time Fire Chief who manages 34 part-time firefighters. The division provides fire protection and related services within the City and by contractual agreement to three surrounding townships. During 2005, the division responded to 26 structure fires, 37 car, grass or trash fires, 50 motor vehicle accidents, 49 haz-mat incidents and 92 miscellaneous alarm calls. In addition, they performed 173 investigations.

**Division of Emergency Medical Services:** The Eaton Emergency Squad is directed by a full-time Squad Chief who manages 8 paramedics, 2 EMT-Intermediates, 19 emergency medical technicians, and two drivers, 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 2005, the Emergency Squad responded to 1,965 calls. These calls resulted in the treatment of 2,000 patients, of which 1,344 were removed to a facility of higher medical care.

**Division of Building Services:** The Building Division consists of two full-time employees including a certified building/electrical inspector and a clerk, and an employee working half time between the Building Department and the Public Works Division. 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 2005, the division issued 26 residential new construction permits which required 182 inspections. Residential additions, garages and sheds accounted for another 83 permits and 154 inspections. There were 28 commercial/industrial permits issued for both new construction and additions which required 97 inspections. A total of 307 miscellaneous permits were issued for electrical, HVAC, sprinklers, pools, roofing, fire alarms, signs, and demolitions, which required 612 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 distribution and sewer collection mains. The Division provides water and sewer services to approximately 3,450 residential, commercial and industrial users. In 2005 the City pumped 466 million gallons of water from its seven operating wells and treated 549 million gallons of wastewater at its Class IV advanced treatment facility.

**Division of Public Maintenance:** The Division of Public Maintenance includes 12 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, and six full-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 2005, the court processed 9,114 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 25.

### **MAJOR INITIATIVES**

The City spent much of 2005 finishing projects begun in 2004 and engineering the next major project, the construction of a water tower and the upgrade of the water treatment plant, which will occur in 2006 and 2007.

The City completed an extensive reconstruction project on Aukerman Street, a major north-south service street in the City of Eaton. Improvements included replacement of water, storm and sanitary sewer lines, new curb, gutter and sidewalks, and a much needed street milling and asphalt overlay.

As the City prepares to erect a new water tower and upgrade and enlarge our water treatment plant, we sought to bring older lines within the City up to current standards. The City upgraded waterlines on McCabe Street and High Street. We also relined and upgraded sewer lines on West Lexington and West Spring Street.

The Public Maintenance Department undertook a major project with the dredging of Crystal Lake, a longtime focal point of our community. The lake had filled with silt which was removed by bulldozers after the lake was drained. The City completed the beautification of this park area with the addition of gazebos, benches and new picnic tables. Also in the recreation sector, the City added two new tennis courts and refurbished our three existing courts through the generous donation of a local trust.

In December, Council adopted the long-awaited rewrite of the City's Zoning Code and Subdivision Regulations.

### **ECONOMIC CONDITIONS AND OUTLOOK**

The City is anticipating long term economic growth as a result of the establishment of a Wal-Mart store and the corresponding development which follows the Wal-Mart initiative. These businesses, coupled with the opening of a new High School, will enhance the attractiveness of our City to outsiders and should entice more businesses and new residents.



Revenues showed an improvement in 2005, with income tax collections posting the largest year ever. Also, after three years of steadily declining figures, Municipal Court revenue showed a significant increase in 2005 and we expect that trend to continue into 2006. The City also established a new fee in 2005 for ambulance removals. This new fee will enable the City to maintain our delivery of advanced life-support services, imperative to a county without a hospital. The City has and is continuing to address a tightened fiscal situation. Some capital expenditures have been pushed back to allow the fund balances to stabilize. We are continuing to accrue funds as we prepare for the upgrade of the water treatment plant and for the erection of a new water tower. Our focus is on essential governmental services and our continued excellent delivery of services to our residents.

## **FINANCIAL INFORMATION**

Management 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 to meet 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 – 11 for an overview and analysis of the financial position of the City.

**Debt administration:** At December 31, 2005, the City had three debt issues outstanding: an Ohio Public Works Commission Issue II interest-free loan of \$543,750; a bond indebtedness with U.S. Bank in the amount of \$1,206,792; and a bond indebtedness for \$550,000, also with U.S. Bank. 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 14 found on page 46.

**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 \$172,853 on all investments for the year ended December 31, 2005.

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 \$1,000 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 13 found on page 45.

## **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, 2005, 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, 2004. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

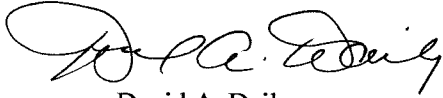
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal 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 nineteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

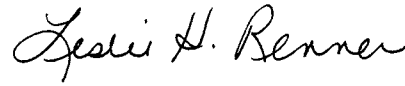
**Acknowledgments:** The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Department of Finance and other City departments. We express our sincere appreciation for the contributions made in the preparation 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, 2005**



**ELECTED OFFICIALS**

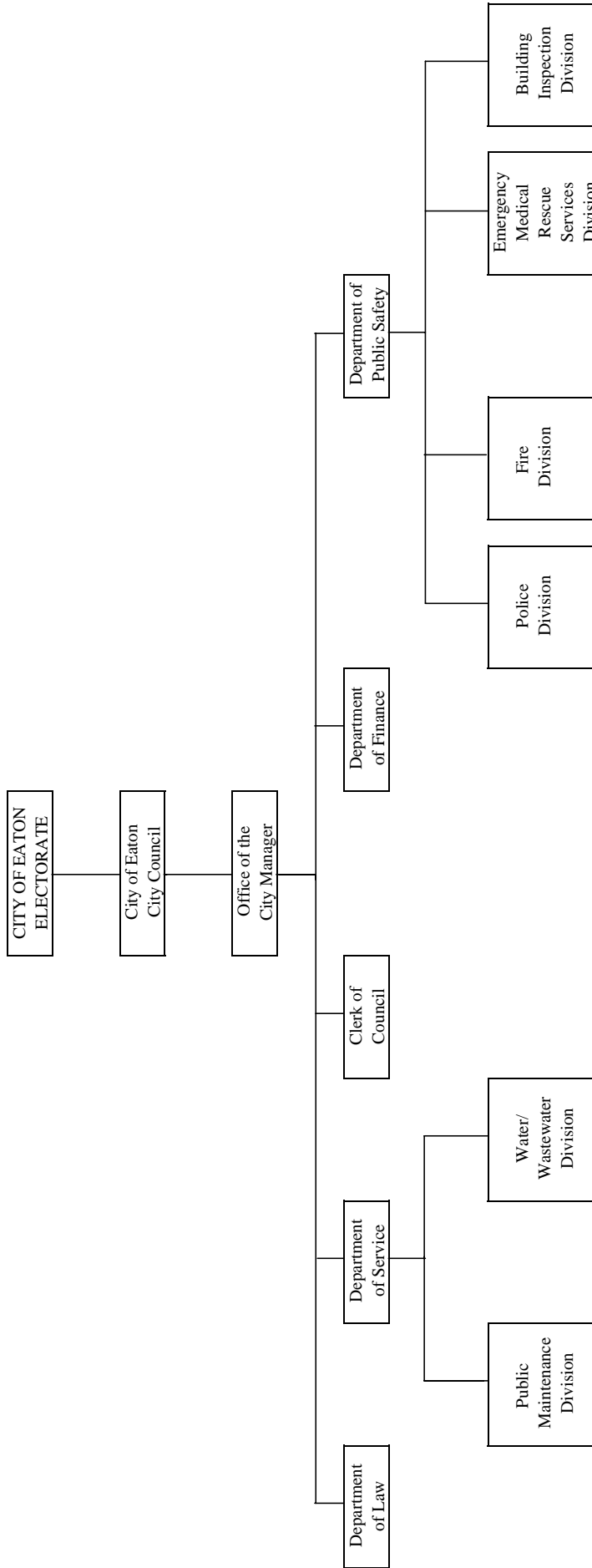
Mayor	Bob Stonecash
Vice-Mayor	Gary Wagner
Council Member	Dave Kirsch
Council Member	Joe Renner
Council Member	Ben Maffett
Municipal Judge	Paul D. Henry

**APPOINTED OFFICIALS**

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

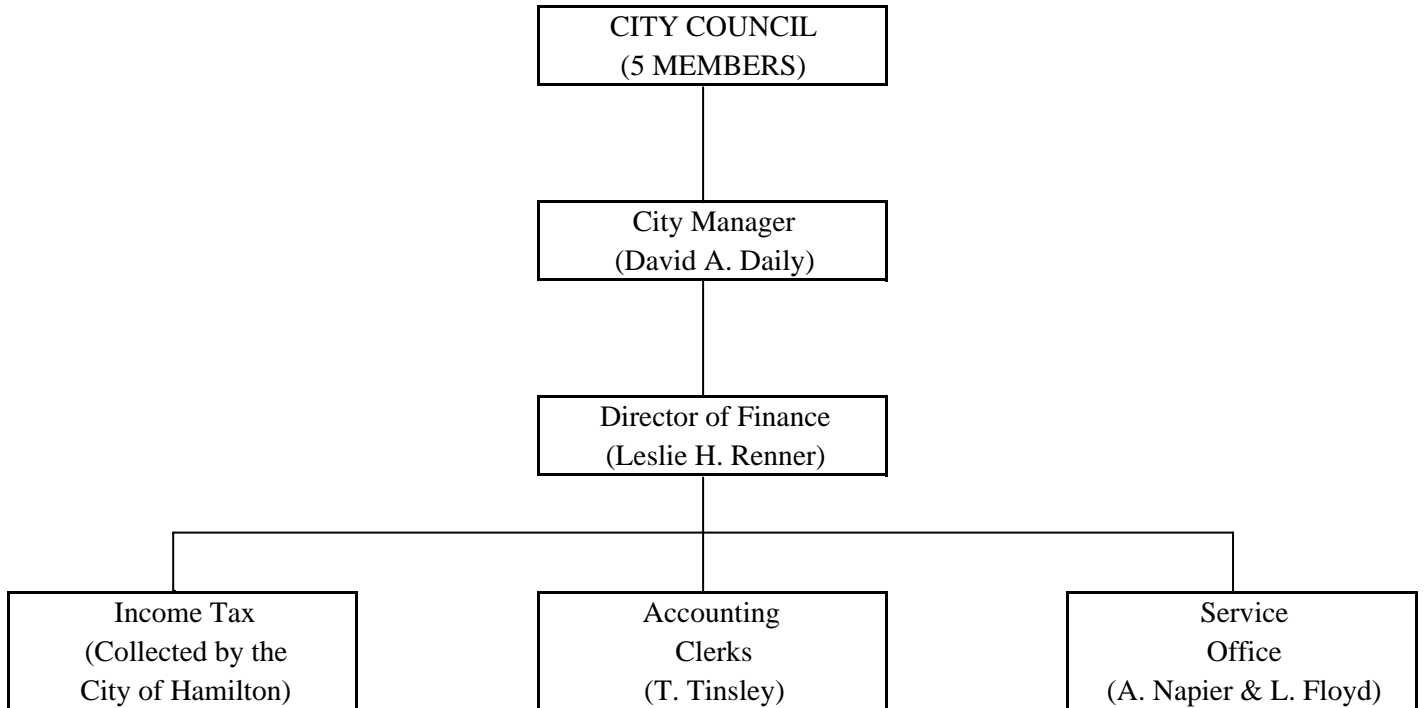
**CITY OF EATON, OHIO**

CITY ORGANIZATION  
as of December 31, 2005



***CITY OF EATON, OHIO***

DEPARTMENT OF FINANCE  
as of December 31, 2005



# 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, 2004

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



*Carla E. Perry*

President

*Jeffrey R. Emmer*

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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eaton, Preble County, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, 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 27, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis and the respective budgetary comparisons for the General, Public Safety, and Street Construction, Maintenance, & Repair 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.

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 27, 2006

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
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(Unaudited)

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**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, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2005 are as follows:

- Governmental activities reported a positive net change in net assets of \$731,606, a 8.38% increase.
- Business-type activities reported a positive net change in net assets of \$673,648, a 10.32% increase.
- The General Fund reported a fund balance of \$1,253,067, which represents a decrease of \$104,812, or 7.72%.
- Actual expenditures exceeded actual revenues in the General Fund by \$274,647, which decreases the unencumbered cash balance to \$977,918.

**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 2005?" 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 8. Fund financial statements provide the detailed information about the General, Public Safety, Street Construction, Maintenance & Repair, Capital Improvements and Issue II 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 13 and 15.

*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, 2005 as compared to December 31, 2004.

**TABLE 1**  
**Statement of Net Assets, December 31**

	2005			2004		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>Assets:</b>						
Current and Other Assets	\$ 6,117,373	2,457,390	8,574,763	6,827,594	1,907,644	8,735,238
Capital Assets	7,302,858	4,982,708	12,285,566	5,957,709	4,797,377	10,755,086
Total Assets	<u>13,420,231</u>	<u>7,440,098</u>	<u>20,860,329</u>	<u>12,785,303</u>	<u>6,705,021</u>	<u>19,490,324</u>
<b>Liabilities:</b>						
Current and Other Liabilities	1,188,420	126,751	1,315,171	1,190,164	75,259	1,265,423
Long-term Liabilities	<u>2,769,713</u>	<u>109,736</u>	<u>2,879,449</u>	<u>2,864,647</u>	<u>99,799</u>	<u>2,964,446</u>
Total Liabilities	<u>3,958,133</u>	<u>236,487</u>	<u>4,194,620</u>	<u>4,054,811</u>	<u>175,058</u>	<u>4,229,869</u>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	5,002,316	4,982,708	9,985,024	3,550,036	4,797,377	8,347,413
Restricted	3,405,571	-	3,405,571	3,333,768	-	3,333,768
Unrestricted	<u>1,054,211</u>	<u>2,220,903</u>	<u>3,275,114</u>	<u>1,846,688</u>	<u>1,732,586</u>	<u>3,579,274</u>
Total Net Assets	<u>\$ 9,462,098</u>	<u>7,203,611</u>	<u>16,665,709</u>	<u>8,730,492</u>	<u>6,529,963</u>	<u>15,260,455</u>

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2005 the City's net assets were \$16.67 million. Of this amount, \$9.99 million was invested in capital assets, net of related debt as compared to \$8.35 in 2004. This increase is due to \$1.9 million of infrastructure placed in service in the governmental activities and the \$646,700 water and sewer distribution system that was placed in service for the business-type activities during 2005. Restricted net assets, those that are subject to external restrictions, remained consistent with a slight increase to \$3.41

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million from the \$3.33 million reported in 2004. Unrestricted net assets, the amount that may be used to meet the City's ongoing obligations to citizens and creditors decreased from \$3.58 million in 2004 to \$3.27 in 2005. The business-type activities unrestricted net assets increased from \$1.73 million in 2004 to \$2.22 million in 2005. This increase is a reflection of user charges being collected in order to cover the costs associated with operating the water and sewer systems. The governmental activities unrestricted net assets decreased to \$1.06 million from \$1.85 million in 2004 due to the additional outlay of capital for infrastructure and capital assets placed in service during 2005.

**TABLE 2**  
**Change in Net Assets, December 31**

	2005			2004		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>REVENUES:</b>						
Program Revenues:						
Charges for Services	\$ 1,156,457	3,014,611	4,171,068	1,182,772	2,568,313	3,751,085
Operating Grants and Contributions	17,602	-	17,602	14,931	-	14,931
Capital Grants and Contributions	421,148	37,000	458,148	324,024	149,989	474,013
General Revenues:						
Property Taxes	657,972	-	657,972	677,090	-	677,090
Municipal Income Taxes	3,343,517	-	3,343,517	3,053,495	-	3,053,495
Grants and Contributions not Restricted	788,963	-	788,963	846,990	-	846,990
Investment Income	181,468	-	181,468	62,328	-	62,328
Other Revenue	33,647	-	33,647	12,837	-	12,837
Total Revenue	6,600,774	3,051,611	9,652,385	6,174,467	2,718,302	8,892,769
<b>EXPENSES:</b>						
General Government	1,841,644	-	1,841,644	2,109,868	-	2,109,868
Public Safety	2,391,588	-	2,391,588	2,171,369	-	2,171,369
Public Health	137,836	-	137,836	171,062	-	171,062
Transportation	954,615	-	954,615	450,405	-	450,405
Community Development	338,883	-	338,883	683,209	-	683,209
Culture and Recreation	127,088	-	127,088	196,266	-	196,266
Water	-	962,433	962,433	-	674,554	674,554
Sewer	-	927,580	927,580	-	797,216	797,216
Refuse	-	475,803	475,803	-	462,213	462,213
Other Business-Type Activities	-	12,147	12,147	-	15,589	15,589
Interest Expense	77,514	-	77,514	73,212	-	73,212
Total Expenses	5,869,168	2,377,963	8,247,131	5,855,391	1,949,572	7,804,963
Change in Net Assets	731,606	673,648	1,405,254	319,076	768,730	1,087,806
Net Assets, Beginning of Year	8,730,492	6,529,963	15,260,455	8,411,416	5,761,233	14,172,649
Net Assets, End of Year	\$ 9,462,098	7,203,611	16,665,709	8,730,492	6,529,963	15,260,455

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The City's net assets increased by \$1,405,254, of which \$731,606 is from governmental activities and \$673,648 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 \$290,022. The City's total expenses for governmental activities shows a minimal increase of \$13,777 from 2004. Though certain activities may show a substantial increase or decrease, this is simply a reflection of changing priorities from year to year while working within our limited resources. 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. Total expenses in the business-type activities increased in both the water and sewer funds. The water fund expenses included engineering and related activities for the new water tower and treatment plant expansion. The sewer fund absorbed a reallocation of departmental employees as their functions shifted from water to sewer projects.

***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 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 \$1,110,356, to be credited to the Public Safety program, we see that more than 50% of the net expense of \$2,142,374 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 \$1,043,631.

***Business-Type Activities***

Overall, the City's business-type activities generated \$3.01 million in operating revenues, which more than covered the cost of doing business of \$2.38 million. In addition, these activities show capital grants and contributions of \$37,000 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.

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

	<u>2005</u>		<u>2004</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>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 1,841,644	(1,043,631)	2,109,868	(1,341,687)
Public Safety	2,391,588	(2,142,374)	2,171,369	(2,011,048)
Public Health	137,836	(126,168)	171,062	(162,043)
Transportation	954,615	(825,551)	450,405	(192,863)
Community Development	338,883	(94,761)	683,209	(415,764)
Culture and Recreation	127,088	36,038	196,266	(137,047)
Interest Expense	<u>77,514</u>	<u>(77,514)</u>	<u>73,212</u>	<u>(73,212)</u>
Total Expenses	<u>\$ 5,869,168</u>	<u>(4,273,961)</u>	<u>5,855,391</u>	<u>(4,333,664)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water	\$ 962,433	282,651	674,554	427,478
Sewer	927,580	340,940	797,216	309,572
Refuse	475,803	51,456	462,213	29,642
Other Business-Type Activities	<u>12,147</u>	<u>(1,399)</u>	<u>15,589</u>	<u>2,038</u>
Total Expenses	<u>\$ 2,377,963</u>	<u>673,648</u>	<u>1,949,572</u>	<u>768,730</u>

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 16 – 17. 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 \$4.36 million, of which \$4.30 million is unreserved. Revenues and expenditures are reflected on pages 18 – 19. The net change in fund balances is \$(609,318).

The General Fund balance declined by \$104,812, caused by a modest increase in expenditures in each program.

Fund balance in the Public Safety increased by \$150,370 to \$731,205; largely in part to the increases amount of income tax revenue from 2004 in the amount of \$104,731.



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The Street Construction, Maintenance and Repair Fund is reported as a major fund this year due to the increase in the accrual of the gas tax. This tax, based on gasoline sales, is up due to the increase in gas prices.

The Capital Improvement Fund reported a fund balance decrease of \$114,631, as the City has completed the major reconstruction of Aukerman Street, as well as the rehabilitation of Crystal Lake and other ongoing projects.

The Issue II Fund allowed for the segregated reporting of the Aukerman Street reconstruction project, as the City booked well over a million dollars in expenditures for this much needed rehabilitation.

Governmental fund expenditures showed an increase over 2004 of \$436,623, or 6.35%. This slight increase was due to increases in personnel and other operating costs.

The proprietary funds showed a net operating income of \$636,648. 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. User fees have been 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 earnings on investments in the amount of \$137,736 and increased receipts of municipal income tax and intergovernmental revenue in the amount of \$126,160 and \$126,649, respectively.

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.

**CAPITAL ASSETS AND INFRASTRUCTURE**

At December 31, 2005, the City has invested in land, construction in progress, infrastructure, buildings and equipment with amounts totaling \$7.30 million and \$4.98 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2005 balances compared to December 31, 2004 amounts. Additional information regarding the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 9.

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**TABLE 4**  
Capital Assets, December 31

	2005			2004		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 820,439	579,892	1,400,331	820,439	579,892	1,400,331
Construction in Progress	134,111	-	134,111	1,829,452	195,850	2,025,302
Infrastructure	2,280,858	-	2,280,858	376,812	-	376,812
Buildings	3,951,937	5,427,971	9,379,908	2,559,084	5,427,971	7,987,055
Equipment	4,451,225	5,946,502	10,397,727	4,249,259	5,254,765	9,504,024
Less: Accumulated						
Depreciation	(4,335,712)	(6,971,657)	(11,307,369)	(3,877,337)	(6,657,952)	(10,535,289)
Totals	<u>\$ 7,302,858</u>	<u>4,982,708</u>	<u>12,285,566</u>	<u>5,957,709</u>	<u>4,800,526</u>	<u>10,758,235</u>

Overall, capital assets increased approximately \$1.53 million from December 31, 2004. The increase in capital assets related primarily to the addition of infrastructure.

During this third year of reporting under the new GASB 34 guidelines, the City recorded additions to infrastructure in the amount of \$1,904,046. This infrastructure relates primarily to the widening of Aukerman Street reconstruction and the West Main Street/Camden Road sidewalk project.

**DEBT ADMINISTRATION**

At December 31, 2005, the City's debt consisted of the following loan obligations:

Issue	Rate %	Issued	Maturity	Outstanding
Issue II	0.0%	7-1-1997	1-1-2020	\$ <u>543,750</u>
TIF Loan	3.56%	5-1-2005	4-20-2014	\$ <u>550,000</u>
Eaton Municipal Court Facility Bond	4.69%	3-5-2004	3-1-2018	\$ <u>1,206,792</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, 2005, the City has no general obligation bonded debt.

On April 20, 2005, 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, 2005 was \$18,537,321. See Note 14 of the Notes to the Basic Financial Statements for more detailed information on long-term debt of the City.

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**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.

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## **BASIC FINANCIAL STATEMENTS**

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

Statement of Net Assets  
December 31, 2005

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,718,882	2,041,905	5,760,787
Investments	310,000	-	310,000
Receivables (net of allowances for uncollectibles):			
Taxes	1,413,874	-	1,413,874
Accounts	105,799	452,629	558,428
Special Assessments	40,869	-	40,869
Accrued Interest	4,686	-	4,686
Internal Balances	37,969	(37,969)	-
Due from Other Governments	482,294	825	483,119
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	134,111	-	134,111
Capital assets, net of accumulated depreciation	<u>6,348,308</u>	<u>4,402,816</u>	<u>10,751,124</u>
 Total Assets	 <u>13,420,231</u>	 <u>7,440,098</u>	 <u>20,860,329</u>
<b>LIABILITIES:</b>			
Accounts Payable	257,307	119,005	376,312
Accrued Wages and Benefits	65,014	7,746	72,760
Due to Other Governments	125,008	-	125,008
Accrued Interest Payable	22,130	-	22,130
Unearned Revenue	718,961	-	718,961
Noncurrent Liabilities:			
Due Within One Year	187,367	10,974	198,341
Due In More Than One Year	<u>2,582,346</u>	<u>98,762</u>	<u>2,681,108</u>
 Total Liabilities	 <u>3,958,133</u>	 <u>236,487</u>	 <u>4,194,620</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	5,002,316	4,982,708	9,985,024
Restricted for:			
Public Safety	714,372	-	714,372
Indigent Driver	67,292	-	67,292
Computerization Upgrade	14,366	-	14,366
Special Project	127,129	-	127,129
Streets and Highways	314,214	-	314,214
Debt Service	10,388	-	10,388
Capital Improvement	2,147,810	-	2,147,810
Perpetual Care:			
Nonexpendable	10,000	-	10,000
Unrestricted	<u>1,054,211</u>	<u>2,220,903</u>	<u>3,275,114</u>
 Total Net Assets	 <u>\$ 9,462,098</u>	 <u>7,203,611</u>	 <u>16,665,709</u>

See accompanying notes to the basic financial statements.

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

<b>Functions/Programs:</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 1,841,644	798,013	-	-	(1,043,631)		(1,043,631)
Public Safety	2,391,588	130,849	1,000	117,365	(2,142,374)		(2,142,374)
Public Health	137,836	11,668	-	-	(126,168)		(126,168)
Transportation	954,615	-	-	129,064	(825,551)		(825,551)
Community Development	338,883	207,122	-	37,000	(94,761)		(94,761)
Culture and Recreation	127,088	8,805	16,602	137,719	36,038		36,038
Interest Expense	77,514	-	-	-	(77,514)		(77,514)
Total Governmental Activities	<u>5,869,168</u>	<u>1,156,457</u>	<u>17,602</u>	<u>421,148</u>	<u>(4,273,961)</u>		<u>(4,273,961)</u>
<b>Business-Type Activities:</b>							
Water	962,433	1,245,084	-	-		282,651	282,651
Sewer	927,580	1,231,520	-	37,000		340,940	340,940
Refuse	475,803	527,259	-	-		51,456	51,456
Other Business-Type Activities	12,147	10,748	-	-		(1,399)	(1,399)
Total Business-Type Activities	<u>2,377,963</u>	<u>3,014,611</u>	<u>-</u>	<u>37,000</u>		<u>673,648</u>	<u>673,648</u>
Total	\$ <u>8,247,131</u>	<u>4,171,068</u>	<u>17,602</u>	<u>458,148</u>	<u>(4,273,961)</u>	<u>673,648</u>	<u>(3,600,313)</u>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes Levied for:							
General Purposes					593,900	-	593,900
Cemetery					64,072	-	64,072
Municipal Income					3,343,517	-	3,343,517
Grants and Contributions not Restricted to Specific Programs					788,963	-	788,963
Investment Income					181,468	-	181,468
Other Revenue					33,647	-	33,647
Total General Revenues					<u>5,005,567</u>	<u>-</u>	<u>5,005,567</u>
Change in Net Assets					731,606	673,648	1,405,254
Net Assets, Beginning of Year					8,730,492	6,529,963	15,260,455
Net Assets, End of Year					\$ <u>9,462,098</u>	<u>7,203,611</u>	<u>16,665,709</u>

See accompanying notes to the basic financial statements.

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

Balance Sheet  
Governmental Funds  
December 31, 2005

	General Fund	Public Safety Fund	Street Construction, Maintenance & Repair	Capital Improvement Fund	Issue II Fund
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 916,321	603,667	103,811	1,842,930	830
Investments	300,000	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Taxes	839,930	231,638	-	275,626	-
Accounts	104,306	-	-	-	-
Special Assessments	-	-	-	40,869	-
Accrued Interest	4,670	-	-	-	-
Due from Other Governments	226,678	-	233,105	-	-
Due from Other Funds	93,638	-	-	-	-
Materials and Supplies Inventory	3,000	-	-	-	-
Total Assets	<u>\$ 2,488,543</u>	<u>835,305</u>	<u>336,916</u>	<u>2,159,425</u>	<u>830</u>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 190,136	6,138	10,046	4,034	-
Accrued Wages and Benefits	46,236	13,137	2,275	2,811	-
Due to Other Governments	116,021	8,987	-	-	-
Due to Other Funds	19,653	22,268	11,990	17,985	-
Unearned Revenue	863,430	53,570	198,918	105,153	-
Total Liabilities	<u>1,235,476</u>	<u>104,100</u>	<u>223,229</u>	<u>129,983</u>	<u>-</u>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances	2,493	51,026	-	1,500	-
Materials and Supplies Inventory	3,000	-	-	-	-
Permanent Fund	-	-	-	-	-
Unreserved, Undesignated:					
General Fund	1,247,574	-	-	-	-
Special Revenue Funds	-	680,179	113,687	-	-
Debt Service Fund	-	-	-	-	-
Capital Projects Funds	-	-	-	2,027,942	830
Total Fund Balances	<u>1,253,067</u>	<u>731,205</u>	<u>113,687</u>	<u>2,029,442</u>	<u>830</u>
Total Liabilities and Fund Balances	<u>\$ 2,488,543</u>	<u>835,305</u>	<u>336,916</u>	<u>2,159,425</u>	<u>830</u>

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, 2005

Nonmajor Governmental Funds	Total Governmental Funds			
		Total Governmental Fund Balances	\$ 4,364,877	
251,323	3,718,882	Amounts reported for governmental activities in the Statement of Net Assets are different because:		
10,000	310,000			
66,680	1,413,874	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
1,493	105,799			
-	40,869		7,302,858	
16	4,686			
22,511	482,294			
19,653	113,291			
-	3,000			
<u>371,676</u>	<u>6,192,695</u>	Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	586,206	
46,953	257,307	Long-term liabilities, including Issue II loans payable, are not due and payable in the current period and therefore are not reported in the funds:		
555	65,014			
-	125,008		General Obligation Bonds Payable	(1,206,792)
3,426	75,322		TIF Loans Payable	(550,000)
84,096	1,305,167		Issue II Loans Payable	(543,750)
<u>135,030</u>	<u>1,827,818</u>		Accrued Interest on Long-Term Debt	(22,130)
		Compensated Absences	(469,171)	
-	55,019	Net Assets of Governmental Activities	\$ <u>9,462,098</u>	
-	3,000	See accompanying notes to the basic financial statements.		
10,000	10,000			
-	1,247,574			
204,234	998,100			
10,388	10,388			
12,024	2,040,796			
<u>236,646</u>	<u>4,364,877</u>			
<u>371,676</u>	<u>6,192,695</u>			

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005

	General Fund	Public Safety Fund	Street Construction, Maintenance & Repair	Capital Improvement Fund	Issue II Fund
<b>REVENUES:</b>					
Property Taxes	\$ 593,900	-	-	-	-
Municipal Income Taxes	935,282	1,110,356	-	1,285,431	-
Intergovernmental Revenue	627,983	-	363,969	137,719	118,558
Charges for Services	153,546	-	12,478	-	-
Licenses and Permits	157,333	-	-	-	-
Fees, Fines and Forfeitures	469,203	-	-	-	-
Special Assessments	-	-	-	71,679	-
Investment Income	181,096	-	-	-	-
Other Revenue	46,956	-	-	7,432	-
	<u>3,165,299</u>	<u>1,110,356</u>	<u>376,447</u>	<u>1,502,261</u>	<u>118,558</u>
<b>EXPENDITURES:</b>					
Current:					
General Government	1,447,204	46,201	-	33,213	-
Public Safety	1,324,283	905,720	-	-	-
Public Health	27,129	-	-	-	-
Transportation	116,266	-	360,288	391,157	-
Community Development	232,899	-	-	-	6,725
Culture and Recreation	-	-	-	75	-
Capital Outlay	603	31,506	-	714,947	1,046,183
Debt Service:					
Principal	-	-	-	37,500	-
Interest	-	-	-	-	-
	<u>3,148,384</u>	<u>983,427</u>	<u>360,288</u>	<u>1,176,892</u>	<u>1,052,908</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>16,915</u>	<u>126,929</u>	<u>16,159</u>	<u>325,369</u>	<u>(934,350)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	-	23,441	-	-	440,000
Transfers Out	(121,727)	-	-	(440,000)	-
	<u>(121,727)</u>	<u>23,441</u>	<u>-</u>	<u>(440,000)</u>	<u>440,000</u>
Net Change in Fund Balances	(104,812)	150,370	16,159	(114,631)	(494,350)
Fund Balance, Beginning of Year	<u>1,357,879</u>	<u>580,835</u>	<u>97,528</u>	<u>2,144,073</u>	<u>495,180</u>
Fund Balance, End of Year	\$ <u>1,253,067</u>	<u>731,205</u>	<u>113,687</u>	<u>2,029,442</u>	<u>830</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, 2005

Nonmajor Governmental Funds	Total Governmental Funds		
64,072	657,972	Total Net Change in Fund Balances - Governmental Funds	\$ (609,318)
-	3,331,069	Amounts reported for governmental activities in the statement of activities are different because:	
83,178	1,331,407		
8,805	174,829		
-	157,333	Governmental funds report capital outlays as expenditures.	
249,631	718,834	However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
-	71,679		
372	181,468	Capital Asset Additions	1,857,952
<u>22,042</u>	<u>76,430</u>	Current Year Depreciation	<u>(512,602)</u>
<u>428,100</u>	<u>6,701,021</u>		
80,014	1,606,632	Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.	
1,875	2,231,878	Loss on the disposal of capital assets	(201)
110,707	137,836		
42,649	910,360	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(100,247)
-	239,624		
91,711	91,786		
113,251	1,906,490	Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	107,131
69,631	107,131		
<u>78,602</u>	<u>78,602</u>	Some expenses in reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
588,440	7,310,339	Compensated Absences	(12,197)
(160,340)	(609,318)	Accrued Interest Payable	<u>1,088</u>
98,286	561,727	Change in Net Assets of Governmental Activities	\$ <u>731,606</u>
-	(561,727)	See accompanying notes to the basic financial statements.	
<u>98,286</u>	<u>-</u>		
(62,054)	(609,318)		
<u>298,700</u>	<u>4,974,195</u>		
<u>236,646</u>	<u>4,364,877</u>		

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

Statement of Net Assets  
Proprietary Funds  
December 31, 2005

	Water	Sewer & Sewer Disposal	Refuse	Non-Major Enterprise Fund	Total
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 986,376	904,129	151,053	347	2,041,905
Receivables (net of allowance for uncollectibles):					
Accounts	181,940	187,342	83,347	-	452,629
Due from Other Governments	825	-	-	-	825
Total Current Assets	<u>1,169,141</u>	<u>1,091,471</u>	<u>234,400</u>	<u>347</u>	<u>2,495,359</u>
Capital Assets:					
Land	532,271	30,500	17,121	-	579,892
Capital Assets, net of accumulated depreciation	<u>1,141,913</u>	<u>3,260,903</u>	<u>-</u>	<u>-</u>	<u>4,402,816</u>
Total Capital Assets	<u>1,674,184</u>	<u>3,291,403</u>	<u>17,121</u>	<u>-</u>	<u>4,982,708</u>
Total Assets	<u>\$ 2,843,325</u>	<u>4,382,874</u>	<u>251,521</u>	<u>347</u>	<u>7,478,067</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts Payable	\$ 65,075	20,752	33,178	-	119,005
Accrued Wages and Benefits	3,379	3,860	507	-	7,746
Due to Other Funds	<u>16,244</u>	<u>17,728</u>	<u>3,997</u>	<u>-</u>	<u>37,969</u>
Total Current Liabilities	<u>84,698</u>	<u>42,340</u>	<u>37,682</u>	<u>-</u>	<u>164,720</u>
Noncurrent Liabilities:					
Compensated Absences Payable	<u>47,486</u>	<u>52,700</u>	<u>9,550</u>	<u>-</u>	<u>109,736</u>
Total Liabilities	<u>132,184</u>	<u>95,040</u>	<u>47,232</u>	<u>-</u>	<u>274,456</u>
<b>NET ASSETS:</b>					
Invested in Capital Assets, net of related of debt	1,674,184	3,291,403	17,121	-	4,982,708
Unrestricted	<u>1,036,957</u>	<u>996,431</u>	<u>187,168</u>	<u>347</u>	<u>2,220,903</u>
Total Net Assets	<u>2,711,141</u>	<u>4,287,834</u>	<u>204,289</u>	<u>347</u>	<u>7,203,611</u>
Total Liabilities and Net Assets	<u>\$ 2,843,325</u>	<u>4,382,874</u>	<u>251,521</u>	<u>347</u>	<u>7,478,067</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, 2005

	Water	Sewer & Sewer Disposal	Refuse	Non-Major Enterprise Fund	Total
<b>OPERATING REVENUES:</b>					
Charges for Services	\$ 1,245,084	1,231,520	527,259	10,748	3,014,611
Total Operating Revenues	<u>1,245,084</u>	<u>1,231,520</u>	<u>527,259</u>	<u>10,748</u>	<u>3,014,611</u>
<b>OPERATING EXPENSES:</b>					
Personnel Services	233,861	271,838	52,139	7,073	564,911
Fringe Benefits	118,204	130,067	31,058	4,541	283,870
Contractual Services	293,690	45,015	381,381	-	720,086
Materials and Supplies	150,503	84,052	4,419	259	239,233
Utilities	58,826	133,990	1,470	-	194,286
Other Operating Expenses	28,886	27,372	5,336	274	61,868
Depreciation	78,463	235,246	-	-	313,709
Total Operating Expenses	<u>962,433</u>	<u>927,580</u>	<u>475,803</u>	<u>12,147</u>	<u>2,377,963</u>
Operating Income (Loss)	<u>282,651</u>	<u>303,940</u>	<u>51,456</u>	<u>(1,399)</u>	<u>636,648</u>
<b>NON-OPERATING REVENUES/(EXPENSES):</b>					
Capital Contributions	-	37,000	-	-	37,000
Total Non-Operating Revenues/(Expenses)	<u>-</u>	<u>37,000</u>	<u>-</u>	<u>-</u>	<u>37,000</u>
Change in Net Assets	282,651	340,940	51,456	(1,399)	673,648
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 2,711,141</u>	<u>4,287,834</u>	<u>204,289</u>	<u>347</u>	<u>7,203,611</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, 2005

	Water	Sewer & Sewer Disposal	Refuse	Non-Major Enterprise Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received from Customers	\$ 1,228,895	1,205,155	527,119	10,742	2,971,911
Cash Payments for Personnel and Benefits	(329,114)	(376,556)	(82,583)	(13,082)	(801,335)
Cash Payments for Goods and Services	(456,074)	(260,316)	(385,409)	(259)	(1,102,058)
Other Operating Expenses	(28,846)	(27,001)	(5,336)	(274)	(61,457)
Net Cash Provided (Used) by Operating Activities	<u>414,861</u>	<u>541,282</u>	<u>53,791</u>	<u>(2,873)</u>	<u>1,007,061</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Capital Grant Received	-	37,000	-	-	37,000
Acquisition of Capital Assets	(203,343)	(295,697)	-	-	(499,040)
Net Cash Used by Capital and Related Financing Activities	<u>(203,343)</u>	<u>(258,697)</u>	<u>-</u>	<u>-</u>	<u>(462,040)</u>
Increase (Decrease) in Cash and Cash Equivalents	211,518	282,585	53,791	(2,873)	545,021
Cash and Cash Equivalents, Beginning of Year	<u>774,858</u>	<u>621,544</u>	<u>97,262</u>	<u>3,220</u>	<u>1,496,884</u>
Cash and Cash Equivalents, End of Year	<u>\$ 986,376</u>	<u>904,129</u>	<u>151,053</u>	<u>347</u>	<u>2,041,905</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 282,651	303,940	51,456	(1,399)	636,648
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	78,463	235,246	-	-	313,709
Changes in Assets and Liabilities:					
Accounts Receivable	(16,254)	(26,365)	(140)	-	(42,759)
Due from Other Governments	65	-	-	-	65
Accounts Payable	46,983	3,111	1,861	(5)	51,950
Accrued Wages & Benefits	(677)	487	(268)	-	(458)
Accrued Compensated Absences	7,386	7,135	(3,115)	(1,469)	9,937
Due to Other Funds	16,244	17,728	3,997	-	37,969
Net Cash Provided (Used) by Operating Activities	<u>\$ 414,861</u>	<u>541,282</u>	<u>53,791</u>	<u>(2,873)</u>	<u>1,007,061</u>

See accompanying notes to the basic financial statements.

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
December 31, 2005

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	Agency Fund
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 21,652
Due from Other Governments	<u>4,084</u>
Total Assets	\$ <u>25,736</u>
<b>LIABILITIES:</b>	
Accounts Payable	\$ <u>25,736</u>
Total Liabilities	<u>25,736</u>
<b>NET ASSETS</b>	\$ <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, 2005

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**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, 2005.

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 16.

**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, 2005

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**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, 2005

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**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, 2005

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**C. Fund Accounting** (Continued)

Street Construction, Maintenance & Repair Fund – The street construction, maintenance & repair funds is required by the Ohio Revised Code and accounts for the portion of the state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

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.

Issue II Fund – The Issue II fund accounts for Issue II proceeds for the renovation of the downtown area 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, 2005

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**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, 2005, but which were levied to finance year 2006 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, 2005

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**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.

During fiscal year 2005, investments of the City were limited to the State Treasury Asset Reserve of Ohio (STAROhio). 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, 2005. 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 2004 to 2005.

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**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
Infrastructure	20 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, 2005

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**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, 2005, 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, and compensated absences, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they mature or 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, 2005

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**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 2005.

**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, 2005

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**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE**

In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which revised the necessary disclosures that address risk related to deposits and investments and amended Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*. Statement No. 40 involves required disclosures about:

- Custodial Credit Risk
- Credit Risk
- Concentration of Credit Risk
- Interest Rate Risk, and
- Foreign Currency Risk

Additional disclosures are required regarding investment policies related to disclosed risks, and for investments with fair values that are highly sensitive to interest rate changes. The requirements of Statement No. 40 are effective for financial statements for periods beginning after June 15, 2004. Implementation of this new accounting principle had no effect on these financial statements.

**NOTE 4 – CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Protection of the City's deposits is provided by the Federal Deposit Insurance Company (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

State statutes require the classification of monies held by the City into three categories.

Active Monies – Those monies required to be kept in “cash” or “near-cash” statuses for the immediate use of the City. Such monies must be maintained either as cash in the treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – Those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificate of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested in legal securities.

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 4 – CASH AND CASH EQUIVALENTS AND INVESTMENTS** (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. At December 31, 2005, the carrying amount of the City's deposits was \$3,581,902 and the bank balance was \$3,791,807. Of the bank balance, \$623,065 was covered by federal depository insurance, \$130,745 was collateralized with securities held by the pledging institution's agent in the City's name and \$3,037,997 was uninsured and uncollateralized.

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.

Interest rate risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the City manages its exposure to declines in fair values by limiting the maximum maturity of its investment portfolio to approximately two years.

Credit Risk – It is City's practice to limit its investments to those explicitly guaranteed by the U.S. government, to STAR Ohio (rated AAAM by Standard & Poor's), or to high yield cash investments with authorized banks which pledge pooled securities as collateral.

Concentration of credit risk – The City places no limit on the amount that it may invest with any one issuer.

At December 31, 2005, the City's only investment was amounts on deposit with STAR Ohio, with a fair value of \$2,510,537, which is included in the "Equity in Pooled Cash and Cash Equivalents" amount on the Statement of Net Assets.

**NOTE 5 – PROPERTY TAXES**

Property taxes are levied against all real, public utilities 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.

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 5 – PROPERTY TAXES** (Continued)

Real property and public utility taxes collected during 2005 were levied in October, 2004 on assessed values listed as of January 1, 2004, the lien date. One-half of these taxes were due in February 2005, with the remaining balance due in July 2005.

Tangible personal property taxes collected during 2005 had a lien and levy date of December 31, 2004. One-half of these taxes were due by April 30, 2005, with the remaining balance due in September 2005. 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 2005. 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 2004 upon which the 2005 levy was based was approximately \$171,483,270. The assessed value for 2005 upon which the 2006 levy was based was approximately \$176,540,297.

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 6 – 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% was renewed the voters of the City in November 2005. 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 7 – RECEIVABLES**

Receivables at December 31, 2005 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, 2005

**NOTE 7 – RECEIVABLES** (Continued)

	<u>Amount</u>
<b>Governmental Activities:</b>	
Local Government and Local Government Revenue Assistance	\$ 161,317
Reimbursements	25,770
Homestead and Rollback	27,351
Gasoline and Excise Tax	188,615
Motor Vehicle License Fees	63,390
Public Safety	12,628
Other	3,223
Total Governmental Activities	482,294
 <b>Business-Type Activities:</b>	
Local Government and Local Government Revenue Assistance	825
Total	\$ 483,119

**NOTE 8 - INTERFUND TRANSFERS AND BALANCES**

Interfund transfers for the year ended December 31, 2005, consisted of the following:

		Transfer From		
<u>Transfer To</u>	<u>General Fund</u>	Capital Improvement Fund		<u>Total</u>
Public Safety	\$ 23,441			23,441
Cemetery	28,286	-		28,286
Recreation	20,000	-		20,000
Swimming Pool	35,000	-		35,000
Fort St. Clair	15,000	-		15,000
Issue 2, Aukerman St.	-	440,000		440,000
Total	\$ 121,727	440,000		561,727

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, 2005

**NOTE 8 - 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, 2005, consisted of the following amounts and represent charges for services or reimbursable expenses except approved and authorized in 2005 but not made until 2006. 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.

Due To	Due From		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	-	19,653	19,653
Public Safety	\$ 22,268	-	22,268
Street Construction, Maintenance & Repair	11,990	-	11,990
Capital Improvement	17,985	-	17,985
Nonmajor Governmental	3,426	-	3,426
Water	16,244	-	16,244
Sewer & Sewer Disposal	17,728	-	17,728
Nonmajor Enterprise	3,997	-	3,997
	\$ 93,638	19,653	113,291

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance 12/31/2004	Additions	Deductions	Balance 12/31/2005
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>				
<b><u>Capital Assets, not being depreciated</u></b>				
Land	\$ 820,439	-	-	820,439
Construction in Progress	1,829,452	37,339	(1,732,680)	134,111
	<u>2,649,891</u>	<u>37,339</u>	<u>(1,732,680)</u>	<u>954,550</u>
<b><u>Capital Assets, being depreciated</u></b>				
Buildings	2,559,084	1,392,853	-	3,951,937
Infrastructure	376,812	1,904,046	-	2,280,858
Furniture and Equipment	4,249,259	256,394	(54,428)	4,451,225
	<u>7,185,155</u>	<u>3,553,293</u>	<u>(54,428)</u>	<u>10,684,020</u>
<b><u>Less: Accumulated Depreciation</u></b>				
Buildings	(737,085)	(111,095)	-	(848,180)
Infrastructure	-	(85,449)	-	(85,449)
Furniture and Equipment	(3,140,252)	(316,058)	54,227	(3,402,083)
	<u>(3,877,337)</u>	<u>(512,602) *</u>	<u>54,227</u>	<u>(4,335,712)</u>
Capital Assets, being depreciated, net	<u>3,307,818</u>	<u>3,040,691</u>	<u>(201)</u>	<u>6,348,308</u>
Capital Assets, net	<u>\$ 5,957,709</u>	<u>3,078,030</u>	<u>(1,732,881)</u>	<u>7,302,858</u>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>				
<b><u>Capital Assets, not being depreciated</u></b>				
Land	\$ 579,892	-	-	579,892
Construction in Progress	195,850	-	(195,850)	-
	<u>775,742</u>	<u>-</u>	<u>(195,850)</u>	<u>579,892</u>
<b><u>Capital Assets, being depreciated</u></b>				
Buildings	5,427,971	-	-	5,427,971
Furniture and Equipment	5,251,612	694,890	-	5,946,502
	<u>10,679,583</u>	<u>694,890</u>	<u>-</u>	<u>11,374,473</u>
<b><u>Less: Accumulated Depreciation</u></b>				
Buildings	(3,442,450)	(150,804)	-	(3,593,254)
Furniture and Equipment	(3,215,498)	(162,905)	-	(3,378,403)
	<u>(6,657,948)</u>	<u>(313,709)</u>	<u>-</u>	<u>(6,971,657)</u>
Capital Assets, being depreciated, net	<u>4,021,635</u>	<u>381,181</u>	<u>-</u>	<u>4,402,816</u>
Capital Assets, net	<u>\$ 4,797,377</u>	<u>381,181</u>	<u>(195,850)</u>	<u>4,982,708</u>

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

\* Depreciation expense was charged to governmental functions as follows:

\*Depreciation Expense was charged to governmental functions as follows:

General Government	\$	188,733
Public Safety		144,326
Transportation		4,957
Community Development		139,284
Culture and Recreation		<u>35,302</u>
Total Depreciation Expense	\$	<u>512,602</u>

**NOTE 10 – 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.
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, OPERS invests employer contributions 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.



**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

**A. Ohio Public Employees Retirement System** (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans. The 2005 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, 2005, 2004, and 2003 were \$329,949, \$327,125, and \$303,913, 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, annual cost-of-living adjustments, and death benefits to plan members 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, 2005, 2004, and 2003 were \$149,495, \$136,567, and \$136,793, respectively, equal to the required contribution for each year.

**NOTE 11 – 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 post-retirement 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 post-employment health care coverage.

In order to qualify for post-retirement 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 Post-employment Benefit (OPEB) as described in GASB Statement 12.

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 11 – POSTEMPLOYMENT BENEFITS** (Continued)

**A. Ohio Public Employees Retirement System** (Continued)

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. In 2005, local government employer units contributed at 13.55% of covered payroll. The portion of employer contributions for all employers allocated to health care was 4.00%.

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

**Actuarial Review:** The following assumptions and calculations were based on OPERS' latest actuarial review, performed as of December 31, 2004.

**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 to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

**Investment Return:** The investment assumption rate for 2004 was 8.00%.

**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 Traditional Pension and Combined Plans had 376,109 active contributing participants as of December 31, 2005. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287. The portion of City's contributions that were used to fund post-employment benefits was \$97,401. The amount of \$10.8 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2004. The Actuarial Valuation as of December 31, 2004, reported the actuarially accrued liability and the unfunded actuarial accrued liability for OPEB, based on the actuarial cost method used, at \$29.5 billion and \$18.7 billion, respectively.

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 11 – POSTEMPLOYMENT BENEFITS** (Continued)

**A. Ohio Public Employees Retirement System** (Continued)

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

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 access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-employment 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.

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 2004 and in 2005. 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. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2004, the date of the last actuarial valuation available, are 13,812 for Police and 10,528 for Firefighters. The City's annual contribution for 2005 that were used to fund postemployment benefits was \$53,894 for Police and \$4,439 for Firefighters. OP&F's total health care expenses for the year ending December 31, 2004, the date of the last actuarial valuation available, was \$102,173,796, which was net of members contributions of \$55,665,341.

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 12 – 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.

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, 2005, the accrued liability for unpaid compensated absences was \$578,907 for all funds.

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 13 - 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 2005, the City contracted with the Arch 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	\$ 18,067,700	1,000
General liability	1,000,000/3,000,000	1,000
Police liability	1,000,000/1,000,000	2,500
Umbrella	5,000,000	2,500
Employee dishonesty	100,000	250
Crime	25,000	250
Inland marine	1,253,311	1,000
Automobile	2,763,279	1,000*

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

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, 2005

**NOTE 14 – LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligation activity by fund type for the year ended December 31, 2005:

	Balance 12/31/2004	Additions	Retirements	Balance 12/31/2005	Due within One Year
<u>Governmental Activities:</u>					
Compensated Absences	\$ 456,974	272,747	260,550	469,171	46,917
Issue II Loan Payable	581,250	-	37,500	543,750	37,500
Eaton Municipal Court Facility Bond	1,276,423	-	69,631	1,206,792	72,935
TIF - WJ/ Auk	550,000	-	-	550,000	30,015
	<u>2,864,647</u>	<u>272,747</u>	<u>367,681</u>	<u>2,769,713</u>	<u>187,367</u>
<u>Business-Type Activities:</u>					
Compensated Absences	99,799	61,272	51,335	109,736	10,974
	<u>\$ 2,964,446</u>	<u>334,019</u>	<u>419,016</u>	<u>2,879,449</u>	<u>198,341</u>

Long-term obligations of the City at December 31, 2005 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>543,750</u>
TIF Loan	3.56%	5-1-2005	4-20-2014	\$ <u>550,000</u>
Eaton Municipal Court Facility Bond	4.69%	3-5-2004	3-1-2018	\$ <u>1,206,792</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, 2004, 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 2005 debt service payment, which includes interest, was \$128,653 and was paid out of the Municipal Court Special Projects Fund.

On April 20, 2005, 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, 2005

**NOTE 14 – LONG-TERM OBLIGATIONS** (Continued)

As of December 31, 2005, the City's legal debt margin (the ability to issue additional principal amounts of general obligation bonded debt) was approximately \$18.54 million. Principal and interest requirements to retire long-term governmental activities obligations outstanding at December 31, 2005 are as follows:

	Issue II		Eaton Municipal Court		TIF Loan	
	Loan		Facility Bond			
	Principal		Principal	Interest	Principal	Interest
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	37,500		87,795	40,893	68,526	11,084
2011-2015	187,500		505,558	137,883	259,811	18,825
2016-2020	168,750		300,269	21,450	-	-
	<u>\$ 543,750</u>		<u>\$ 1,206,792</u>	<u>\$ 401,811</u>	<u>\$ 550,000</u>	<u>\$ 96,671</u>

**NOTE 15 – 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 16 – 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, 2005, 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.

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**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Property Taxes	\$ 595,000	595,000	593,900	(1,100)
Municipal Income Taxes	803,300	803,300	929,460	126,160
Intergovernmental Revenue	475,410	475,410	602,059	126,649
Charges for Services	33,000	33,000	49,339	16,339
Licenses and Permits	130,000	130,000	160,370	30,370
Investment Income	41,200	41,200	178,936	137,736
Fees, Fines and Forfeitures	452,000	452,000	504,588	52,588
Other Revenue	<u>145,000</u>	<u>145,000</u>	<u>177,591</u>	<u>32,591</u>
Total Revenues	<u>2,674,910</u>	<u>2,674,910</u>	<u>3,196,243</u>	<u>521,333</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,841,220	1,812,620	1,581,370	231,250
Public Safety	1,326,050	1,343,400	1,285,337	58,063
Public Health	1,021,555	1,021,555	882,888	138,667
Transportation	109,250	120,500	117,119	3,381
Community Development	<u>209,400</u>	<u>209,400</u>	<u>202,449</u>	<u>6,951</u>
Total Expenditures	<u>4,507,475</u>	<u>4,507,475</u>	<u>4,069,163</u>	<u>438,312</u>
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>(1,832,565)</u>	<u>(1,832,565)</u>	<u>(872,920)</u>	<u>959,645</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	720,000	720,000	720,000	-
Transfers Out	(110,000)	(110,000)	(121,727)	(11,727)
Advances Out	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
Total Other Financing Sources (Uses)	<u>580,000</u>	<u>580,000</u>	<u>598,273</u>	<u>18,273</u>
Net Change in Fund Balance	(1,252,565)	(1,252,565)	(274,647)	977,918
Fund Balance, Beginning of Year	1,245,434	1,245,434	1,245,434	-
Prior Year Encumbrances Appropriated	<u>7,131</u>	<u>7,131</u>	<u>7,131</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>977,918</u>	<u>977,918</u>

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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Municipal Income Taxes	\$ 951,600	951,600	1,103,542	151,942
Total Revenues	<u>951,600</u>	<u>951,600</u>	<u>1,103,542</u>	<u>151,942</u>
<b>EXPENDITURES:</b>				
Current:				
Public Safety	<u>1,382,517</u>	<u>1,382,517</u>	1,011,093	371,424
Total Expenditures	<u>1,382,517</u>	<u>1,382,517</u>	<u>1,011,093</u>	<u>371,424</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(430,917)</u>	<u>(430,917)</u>	92,449	523,366
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	<u>-</u>	<u>-</u>	23,441	23,441
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	23,441	23,441
Net Change in Fund Balance	(430,917)	(430,917)	115,890	546,807
Fund Balance, Beginning of Year	424,071	424,071	424,071	-
Prior Year Encumbrances Appropriated	<u>6,846</u>	<u>6,846</u>	<u>6,846</u>	<u>-</u>
Fund Balance, End of Year	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>546,807</u></u>	<u><u>546,807</u></u>

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  
Street Construction, Maintenance and Repair Fund  
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 315,000	315,000	359,050	44,050
Charges for Services	-	-	12,479	12,479
Total Revenues	<u>315,000</u>	<u>315,000</u>	<u>371,529</u>	<u>56,529</u>
<b>EXPENDITURES:</b>				
Transportation	<u>395,049</u>	<u>395,049</u>	<u>352,461</u>	<u>42,588</u>
Net Change in Fund Balance	(80,049)	(80,049)	19,068	99,117
Fund Balance, Beginning of Year	73,676	73,676	73,676	-
Prior Year Encumbrances Appropriated	<u>6,373</u>	<u>6,373</u>	<u>6,373</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>99,117</u>	<u>99,117</u>

See accompanying notes to the required supplemental information.

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

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2005

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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, 2005

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>	<u>Street Construction, Maintenance &amp; Repair Fund</u>
Net Change in Fund Balance - GAAP Basis	\$ (104,812)	150,370	16,159
Increase/(Decrease):			
Due to Revenues	30,944	(6,814)	(4,918)
Due to Expenditures	(920,779)	(27,666)	7,827
Other Financing Sources (Uses)	<u>720,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance - Budgetary Basis	\$ <u>(274,647)</u>	<u>115,890</u>	<u>19,068</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.

**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.

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

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

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Property Taxes:				
General	\$ 445,000	445,000	439,678	(5,322)
Tangible Personal	150,000	150,000	154,222	4,222
Total Property Taxes	<u>595,000</u>	<u>595,000</u>	<u>593,900</u>	<u>(1,100)</u>
Municipal Income Taxes	<u>803,300</u>	<u>803,300</u>	<u>929,460</u>	<u>126,160</u>
Intergovernmental Revenue:				
Local Government Fund, County	315,000	315,000	362,522	47,522
Inheritance	25,000	25,000	85,150	60,150
Cigarette Licenses	250	250	364	114
Liquor and Beer Permits	6,500	6,500	11,263	4,763
Fire Contracts	75,000	75,000	82,671	7,671
Ambulance Contracts	50,000	50,000	44,665	(5,335)
Police Firing Range	3,660	3,660	4,000	340
Other Grants	-	-	11,424	11,424
Total Intergovernmental Revenue	<u>475,410</u>	<u>475,410</u>	<u>602,059</u>	<u>126,649</u>
Charges for Services:				
General Government-Cable Franchise	33,000	33,000	31,161	(1,839)
Ambulance Removal Fees	-	-	17,804	17,804
Miscellaneous	-	-	374	374
Total Charges for Services	<u>33,000</u>	<u>33,000</u>	<u>49,339</u>	<u>16,339</u>
Licenses and Permits:				
Zoning Fees	-	-	175	175
Inspection Fees	-	-	9,054	9,054
Building Permits	130,000	130,000	151,141	21,141
Total Licenses and Permits	<u>130,000</u>	<u>130,000</u>	<u>160,370</u>	<u>30,370</u>
Investment Income	<u>41,200</u>	<u>41,200</u>	<u>178,936</u>	<u>137,736</u>
Fees, Fines and Forfeitures	<u>452,000</u>	<u>452,000</u>	<u>504,588</u>	<u>52,588</u>
Other Revenue	<u>145,000</u>	<u>145,000</u>	<u>177,591</u>	<u>32,591</u>
Total Revenues	<u>2,674,910</u>	<u>2,674,910</u>	<u>3,196,243</u>	<u>521,333</u>

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Administration	1,066,015	1,037,415	848,130	189,285
Council	9,605	9,605	8,042	1,563
Municipal Court	<u>765,600</u>	<u>765,600</u>	<u>725,198</u>	<u>40,402</u>
Total General Government	<u>1,841,220</u>	<u>1,812,620</u>	<u>1,581,370</u>	<u>231,250</u>
Public Safety:				
Police Division	1,116,050	1,116,050	1,071,613	44,437
Headquarters	86,550	94,850	88,257	6,593
Fire Division	53,500	56,500	53,085	3,415
EMS Division	<u>69,950</u>	<u>76,000</u>	<u>72,382</u>	<u>3,618</u>
Total Public Safety	<u>1,326,050</u>	<u>1,343,400</u>	<u>1,285,337</u>	<u>58,063</u>
Public Health:				
Employee Health Care Fund	<u>1,021,555</u>	<u>1,021,555</u>	<u>882,888</u>	<u>138,667</u>
Transportation:				
Traffic Lights	23,750	35,000	32,286	2,714
Public Maintenance	<u>85,500</u>	<u>85,500</u>	<u>84,833</u>	<u>667</u>
Total Transportation	<u>109,250</u>	<u>120,500</u>	<u>117,119</u>	<u>3,381</u>
Community Development:				
Building and Zoning	<u>209,400</u>	<u>209,400</u>	<u>202,449</u>	<u>6,951</u>
Total Expenditures	<u>4,507,475</u>	<u>4,507,475</u>	<u>4,069,163</u>	<u>438,312</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(1,832,565)</u>	<u>(1,832,565)</u>	<u>(872,920)</u>	<u>959,645</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	720,000	720,000	720,000	-
Transfers Out	(110,000)	(110,000)	(121,727)	(11,727)
Advances Out	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
Total Other Financing Sources (Uses)	<u>580,000</u>	<u>580,000</u>	<u>598,273</u>	<u>18,273</u>
Net Change in Fund Balance	(1,252,565)	(1,252,565)	(274,647)	977,918
Fund Balance, Beginning of Year	1,245,434	1,245,434	1,245,434	-
Prior Year Encumbrances Appropriated	<u>7,131</u>	<u>7,131</u>	<u>7,131</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>977,918</u>	<u>977,918</u>

**CITY OF EATON**  
**PREBLE COUNTY, 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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Municipal Income Taxes	\$ 951,600	951,600	1,103,542	151,942
Total Revenues	<u>951,600</u>	<u>951,600</u>	<u>1,103,542</u>	<u>151,942</u>
<b>EXPENDITURES:</b>				
Current:				
Public Safety	<u>1,382,517</u>	<u>1,382,517</u>	<u>1,011,093</u>	<u>371,424</u>
Total Expenditures	<u>1,382,517</u>	<u>1,382,517</u>	<u>1,011,093</u>	<u>371,424</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(430,917)</u>	<u>(430,917)</u>	<u>92,449</u>	<u>523,366</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	<u>-</u>	<u>-</u>	<u>23,441</u>	<u>23,441</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>23,441</u>	<u>23,441</u>
Net Change in Fund Balance	(430,917)	(430,917)	115,890	546,807
Fund Balance, Beginning of Year	424,071	424,071	424,071	-
Prior Year Encumbrances Appropriated	<u>6,846</u>	<u>6,846</u>	<u>6,846</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>546,807</u>	<u>546,807</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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 315,000	315,000	359,050	44,050
Charges for Services	-	-	12,479	12,479
Total Revenues	<u>315,000</u>	<u>315,000</u>	<u>371,529</u>	<u>56,529</u>
<b>EXPENDITURES:</b>				
Transportation	<u>395,049</u>	<u>395,049</u>	<u>352,461</u>	<u>42,588</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(80,049)</u>	<u>(80,049)</u>	<u>19,068</u>	<u>99,117</u>
Fund Balance, Beginning of Year	73,676	73,676	73,676	-
Prior Year Encumbrances Appropriated	<u>6,373</u>	<u>6,373</u>	<u>6,373</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>99,117</u>	<u>99,117</u>

**CITY OF EATON  
PREBLE COUNTY, 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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Municipal Income Taxes	\$ 1,099,950	1,099,950	1,277,624	177,674
Special Assessments	30,000	30,000	71,679	41,679
Other Revenue	120,000	120,000	145,151	25,151
Total Revenues	<u>1,249,950</u>	<u>1,249,950</u>	<u>1,494,454</u>	<u>244,504</u>
<b>EXPENDITURES:</b>				
Capital Outlay	2,869,424	2,869,424	1,275,955	1,593,469
Debt Service:				
Principal Payments	37,500	37,500	37,500	-
Total Expenditures	<u>2,906,924</u>	<u>2,906,924</u>	<u>1,313,455</u>	<u>1,593,469</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(1,656,974)</u>	<u>(1,656,974)</u>	<u>180,999</u>	<u>1,837,973</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out	(440,000)	(440,000)	(440,000)	-
Total Other Financing Sources (Uses)	<u>(440,000)</u>	<u>(440,000)</u>	<u>(440,000)</u>	<u>-</u>
Net Change in Fund Balance	(2,096,974)	(2,096,974)	(259,001)	1,837,973
Fund Balance, Beginning of Year	1,579,195	1,579,195	1,579,195	-
Prior Year Encumbrances Appropriated	517,779	517,779	517,779	-
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>1,837,973</u>	<u>1,837,973</u>

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue	\$ 250,000	118,558	118,558	-
<b>EXPENDITURES:</b>				
Capital Outlay	<u>1,186,355</u>	<u>1,054,913</u>	<u>1,054,083</u>	<u>830</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(936,355)	(936,355)	(935,525)	830
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	<u>440,000</u>	<u>440,000</u>	<u>440,000</u>	<u>-</u>
Net Change in Fund Balance	(496,355)	(496,355)	(495,525)	830
Fund Balance, Beginning of Year	494,005	494,005	494,005	-
Prior Year Encumbrances Appropriated	<u>2,350</u>	<u>2,350</u>	<u>2,350</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>830</u>	<u>830</u>

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Combining Statements – Nonmajor Governmental Funds

***NONMAJOR SPECIAL REVENUE FUNDS***

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Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than amounts relating to 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.

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.

FEMA Grant Fund – To account for revenues received from a one-time disaster relief grant.

Combining Statements – Nonmajor Governmental Funds  
(Continued)

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***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 nonmajor Debt Service Fund, no individual fund information is presented.

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***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.

Since there is only one nonmajor Capital Projects Fund, no individual fund information is presented.

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***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 nonmajor Permanent Fund, no individual fund information is presented.

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2005

	Special Revenue Funds	Debt Service Fund	TIF Fund	Permanent Fund	Total Nonmajor Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 228,911	10,388	12,024	-	251,323
Investments	-	-	-	10,000	10,000
Receivables (net of allowance for uncollectibles):					
Taxes	66,680	-	-	-	66,680
Accounts	1,493	-	-	-	1,493
Accrued Interest	-	-	-	16	16
Due from Other Governments	22,511	-	-	-	22,511
Due from Other Funds	19,653	-	-	-	19,653
	<u>339,248</u>	<u>10,388</u>	<u>12,024</u>	<u>10,016</u>	<u>371,676</u>
Total Assets	\$ 339,248	10,388	12,024	10,016	371,676
<b>LIABILITIES:</b>					
Accounts Payable	\$ 46,937	-	-	16	46,953
Accrued Wages and Benefits	555	-	-	-	555
Due to Other Funds	3,426	-	-	-	3,426
Unearned Revenue	84,096	-	-	-	84,096
	<u>135,014</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>135,030</u>
Total Liabilities	135,014	-	-	16	135,030
<b>FUND BALANCE:</b>					
Reserved for:					
Permanent Funds	-	-	-	10,000	10,000
Unreserved	204,234	10,388	12,024	-	226,646
	<u>204,234</u>	<u>10,388</u>	<u>12,024</u>	<u>10,000</u>	<u>236,646</u>
Total Fund Balance	204,234	10,388	12,024	10,000	236,646
Total Liabilities and Fund Balance	\$ 339,248	10,388	12,024	10,016	371,676

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2005

	Indigent Driver	Enforcement & Education
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 65,891	9,755
Receivables (net of allowance for uncollectibles):		
Taxes	-	-
Accounts	-	-
Due from Other Governments	2,323	-
Due from Other Funds	286	-
Total Assets	\$ 68,500	9,755
<b>LIABILITIES:</b>		
Accounts Payable	\$ 922	40
Accrued Wages and Benefits	-	-
Due to Other Funds	-	-
Unearned Revenue	-	-
Total Liabilities	922	40
<b>FUND BALANCE:</b>		
Unreserved	67,578	9,715
Total Fund Balance	67,578	9,715
Total Liabilities and Fund Balance	\$ 68,500	9,755

Law Enforcement	Computerization Upgrade	Municipal Court Special Projects Fund	State Highway Improvement	Cemetery
861	21,364	98,003	4,812	-
-	-	-	-	66,680
-	-	1,052	-	-
-	-	-	18,900	1,288
-	7,781	11,586	-	-
<u>861</u>	<u>29,145</u>	<u>110,641</u>	<u>23,712</u>	<u>67,968</u>
-	628	41,557	-	-
-	308	-	247	-
-	1,713	-	1,713	-
-	-	-	16,128	67,968
-	2,649	41,557	18,088	67,968
<u>861</u>	<u>26,496</u>	<u>69,084</u>	<u>5,624</u>	<u>-</u>
<u>861</u>	<u>26,496</u>	<u>69,084</u>	<u>5,624</u>	<u>-</u>
<u>861</u>	<u>29,145</u>	<u>110,641</u>	<u>23,712</u>	<u>67,968</u>

(Continued)

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2005  
(Continued)

	Recreation	Swimming Pool
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 6,413	5,300
Receivables (net of allowance for uncollectibles):		
Taxes	-	-
Accounts	-	-
Due from Other Governments	-	-
Due from Other Funds	-	-
 Total Assets	\$ 6,413	5,300
<b>LIABILITIES:</b>		
Accounts Payable	\$ 864	190
Accrued Wages and Benefits	-	-
Due to Other Funds	-	-
Unearned Revenue	-	-
 Total Liabilities	864	190
<b>FUND BALANCE:</b>		
Unreserved	5,549	5,110
 Total Fund Balance	5,549	5,110
 Total Liabilities and Fund Balance	\$ 6,413	5,300

<u>Robert's Bridge</u>	<u>Fort St. Clair</u>	<u>Small Cities</u>	<u>FEMA Grant</u>	<u>Total Special Revenue Funds</u>
1,043	15,469	-	-	228,911
-	-	-	-	66,680
-	441	-	-	1,493
-	-	-	-	22,511
-	-	-	-	19,653
<u>1,043</u>	<u>15,910</u>	<u>-</u>	<u>-</u>	<u>339,248</u>
-	2,736	-	-	46,937
-	-	-	-	555
-	-	-	-	3,426
-	-	-	-	84,096
-	<u>2,736</u>	<u>-</u>	<u>-</u>	<u>135,014</u>
<u>1,043</u>	<u>13,174</u>	<u>-</u>	<u>-</u>	<u>204,234</u>
<u>1,043</u>	<u>13,174</u>	<u>-</u>	<u>-</u>	<u>204,234</u>
<u>1,043</u>	<u>15,910</u>	<u>-</u>	<u>-</u>	<u>339,248</u>

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2005

	Special Revenue Funds	Debt Service Fund	TIF Fund	Permanent Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>					
Property Taxes	\$ 64,072	-	-	-	64,072
Intergovernmental	83,178	-	-	-	83,178
Charges for Services	8,805	-	-	-	8,805
Fees, Fines and Forfeitures	249,631	-	-	-	249,631
Investment Income	-	-	372	-	372
Other Revenue	22,042	-	-	-	22,042
	<u>427,728</u>	<u>-</u>	<u>372</u>	<u>-</u>	<u>428,100</u>
Total Revenues					
<b>EXPENDITURES:</b>					
Current:					
General Government	80,014	-	-	-	80,014
Public Safety	1,875	-	-	-	1,875
Public Health	110,707	-	-	-	110,707
Transportation	42,604	-	45	-	42,649
Culture and Recreation	91,711	-	-	-	91,711
Capital Outlay	88,985	-	24,266	-	113,251
Debt Service:					
Principal	69,631	-	-	-	69,631
Interest	59,022	19,580	-	-	78,602
	<u>544,549</u>	<u>19,580</u>	<u>24,311</u>	<u>-</u>	<u>588,440</u>
Total Expenditures					
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>(116,821)</u>	<u>(19,580)</u>	<u>(23,939)</u>	<u>-</u>	<u>(160,340)</u>
<b>OTHER FINANCING SOURCES/(USES):</b>					
Transfers In	98,286	-	-	-	98,286
Net Change in Fund Balance	(18,535)	(19,580)	(23,939)	-	(62,054)
Fund Balance, Beginning of Year	222,769	29,968	35,963	10,000	298,700
Fund Balance, End of Year	<u>\$ 204,234</u>	<u>10,388</u>	<u>12,024</u>	<u>10,000</u>	<u>236,646</u>



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**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005

	Indigent Driver	Enforcement & Education
<b>REVENUES:</b>		
Property Taxes	\$ -	-
Intergovernmental	-	-
Charges for Services	-	-
Fees, Fines and Forfeitures	9,592	2,076
Other Revenue	-	-
Total Revenues	9,592	2,076
<b>EXPENDITURES:</b>		
Current:		
General Government	-	-
Public Safety	-	200
Public Health	12,052	-
Transportation	-	-
Culture and Recreation	-	-
Capital Outlay	-	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	12,052	200
Excess (Deficit) of Revenues Over/ (Under) Expenditures	(2,460)	1,876
<b>OTHER FINANCING SOURCES/(USES):</b>		
Transfers In	-	-
Total Other Financing Sources/(Uses)	-	-
Net Change in Fund Balance	(2,460)	1,876
Fund Balance, Beginning of Year	70,038	7,839
Fund Balance, End of Year	\$ 67,578	9,715

<u>Law Enforcement</u>	<u>Computerization Upgrade</u>	<u>Municipal Court Special Projects Fund</u>	<u>State Highway Improvement</u>	<u>Cemetery</u>
-	-	-	-	64,072
-	-	-	29,375	6,297
-	-	-	-	-
-	95,449	142,514	-	-
-	-	-	-	-
<u>-</u>	<u>95,449</u>	<u>142,514</u>	<u>29,375</u>	<u>70,369</u>
-	80,014	-	-	-
1,675	-	-	-	-
-	-	-	-	98,655
-	-	-	32,098	-
-	-	-	-	-
-	5,350	46,635	-	-
-	-	69,631	-	-
-	-	<u>59,022</u>	-	-
<u>1,675</u>	<u>85,364</u>	<u>175,288</u>	<u>32,098</u>	<u>98,655</u>
<u>(1,675)</u>	<u>10,085</u>	<u>(32,774)</u>	<u>(2,723)</u>	<u>(28,286)</u>
-	-	-	-	28,286
-	-	-	-	28,286
(1,675)	10,085	(32,774)	(2,723)	-
<u>2,536</u>	<u>16,411</u>	<u>101,858</u>	<u>8,347</u>	<u>-</u>
<u>861</u>	<u>26,496</u>	<u>69,084</u>	<u>5,624</u>	<u>-</u>

(Continued)

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

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005  
(Continued)

	Recreation	Swimming Pool
<b>REVENUES:</b>		
Property Taxes	\$ -	-
Intergovernmental	-	-
Charges for Services	8,805	-
Fees, Fines and Forfeitures	-	-
Other Revenue	-	-
Total Revenues	8,805	-
<b>EXPENDITURES:</b>		
Current:		
General Government	-	-
Public Safety	-	-
Public Health	-	-
Transportation	-	-
Culture and Recreation	28,312	32,248
Capital Outlay	-	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	28,312	32,248
Excess (Deficit) of Revenues Over/ (Under) Expenditures	(19,507)	(32,248)
<b>OTHER FINANCING SOURCES/(USES):</b>		
Transfers In	20,000	35,000
Total Other Financing Sources/(Uses)	20,000	35,000
Net Change in Fund Balance	493	2,752
Fund Balance, Beginning of Year	5,056	2,358
Fund Balance, End of Year	\$ 5,549	5,110

<u>Robert's Bridge</u>	<u>Fort St. Clair</u>	<u>Small Cities</u>	<u>FEMA Grant</u>	<u>Total Special Revenue Funds</u>
-	-	-	-	64,072
-	-	37,000	10,506	83,178
-	-	-	-	8,805
-	-	-	-	249,631
<u>-</u>	<u>22,042</u>	<u>-</u>	<u>-</u>	<u>22,042</u>
<u>-</u>	<u>22,042</u>	<u>37,000</u>	<u>10,506</u>	<u>427,728</u>
-	-	-	-	80,014
-	-	-	-	1,875
-	-	-	-	110,707
-	-	-	10,506	42,604
-	31,151	-	-	91,711
-	-	37,000	-	88,985
-	-	-	-	69,631
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,022</u>
<u>-</u>	<u>31,151</u>	<u>37,000</u>	<u>10,506</u>	<u>544,549</u>
<u>-</u>	<u>(9,109)</u>	<u>-</u>	<u>-</u>	<u>(116,821)</u>
<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>98,286</u>
<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>98,286</u>
-	5,891	-	-	(18,535)
<u>1,043</u>	<u>7,283</u>	<u>-</u>	<u>-</u>	<u>222,769</u>
<u><u>1,043</u></u>	<u><u>13,174</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>204,234</u></u>

**CITY OF EATON**  
**PREBLE COUNTY, OHIO**  
Combining Statement of Changes in Assets  
and Liabilities - Agency Fund  
For the Year Ended December 31, 2005

<u>State Patrol Transfer Fund</u>	<u>Balance</u> <u>12/31/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2005</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 11,417	50,235	40,000	21,652
Due from Other Governments	<u>3,950</u>	<u>4,084</u>	<u>3,950</u>	<u>4,084</u>
Total Assets	\$ <u>15,367</u>	<u>54,319</u>	<u>43,950</u>	<u>25,736</u>
<b>Liabilities:</b>				
Accounts Payable	\$ <u>15,367</u>	<u>54,319</u>	<u>43,950</u>	<u>25,736</u>
Total Liabilities	\$ <u>15,367</u>	<u>54,319</u>	<u>43,950</u>	<u>25,736</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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Fees, Fines and Forfeitures	\$ 5,000	5,000	9,175	4,175
<b>EXPENDITURES:</b>				
Public Health	73,204	73,204	11,488	61,716
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(68,204)	(68,204)	(2,313)	65,891
Fund Balance, Beginning of Year	68,204	68,204	68,204	-
Fund Balance, End of Year	\$ -	-	65,891	65,891

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Fees, Fines and Forfeitures	\$ 1,000	1,000	2,161	1,161
<b>EXPENDITURES:</b>				
Public Safety	8,753	8,753	200	8,553
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(7,753)	(7,753)	1,961	9,714
Fund Balance, Beginning of Year	7,754	7,754	7,754	-
Fund Balance, End of Year	\$ 1	1	9,715	9,714

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Total Revenues	\$ -	-	-	-
<b>EXPENDITURES:</b>				
Public Safety	<u>2,535</u>	<u>2,535</u>	<u>1,675</u>	<u>860</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(2,535)	(2,535)	(1,675)	860
Fund Balance, Beginning of Year	<u>2,536</u>	<u>2,536</u>	<u>2,536</u>	-
Fund Balance, End of Year	\$ <u><u>1</u></u>	<u><u>1</u></u>	<u><u>861</u></u>	<u><u>860</u></u>

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Fees, Fines and Forfeitures	\$ 92,000	92,000	95,673	3,673
<b>EXPENDITURES:</b>				
General Government	<u>100,911</u>	<u>100,911</u>	<u>83,221</u>	<u>17,690</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(8,911)	(8,911)	12,452	21,363
Fund Balance, Beginning of Year	<u>8,912</u>	<u>8,912</u>	<u>8,912</u>	-
Fund Balance, End of Year	\$ <u><u>1</u></u>	<u><u>1</u></u>	<u><u>21,364</u></u>	<u><u>21,363</u></u>



**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Fees, Fines and Forfeitures	\$ 135,000	141,000	142,883	1,883
Total Revenues	<u>135,000</u>	<u>141,000</u>	<u>142,883</u>	<u>1,883</u>
<b>EXPENDITURES:</b>				
Capital Outlay	96,211	96,211	67,064	29,147
Debt Service:				
Principal Payments	69,631	69,631	69,631	-
Interest	<u>59,058</u>	<u>59,058</u>	<u>59,022</u>	<u>36</u>
Total Expenditures	<u>224,900</u>	<u>224,900</u>	<u>195,717</u>	<u>29,183</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(89,900)</u>	<u>(83,900)</u>	<u>(52,834)</u>	<u>31,066</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Advances In	30,000	-	-	-
Advances Out	<u>(30,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>
Net Change in Fund Balance	(89,900)	(89,900)	(52,834)	37,066
Fund Balance, Beginning of Year	28,963	28,963	28,963	-
Prior Year Encumbrances Appropriated	<u>60,937</u>	<u>60,937</u>	<u>60,937</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>37,066</u>	<u>37,066</u>

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 25,500	25,500	28,976	3,476
<b>EXPENDITURES:</b>				
Transportation	31,770	31,770	30,434	1,336
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(6,270)	(6,270)	(1,458)	4,812
Fund Balance, Beginning of Year	6,270	6,270	6,270	-
Fund Balance, End of Year	\$ -	-	4,812	4,812

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Property Taxes	\$ 64,800	64,800	64,073	(727)
Intergovernmental	4,000	4,000	6,296	2,296
Total Revenues	68,800	68,800	70,369	1,569
<b>EXPENDITURES:</b>				
Public Health	98,655	98,655	98,655	-
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(29,855)	(29,855)	(28,286)	1,569
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	29,855	29,855	28,286	(1,569)
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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Charges for Services	\$ 10,000	8,805	8,805	-
<b>EXPENDITURES:</b>				
Culture and Recreation	43,129	34,434	28,021	6,413
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(33,129)	(25,629)	(19,216)	6,413
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	27,500	20,000	20,000	-
Net Change in Fund Balance	(5,629)	(5,629)	784	6,413
Fund Balance, Beginning of Year	5,629	5,629	5,629	-
Fund Balance, End of Year	\$ -	-	6,413	6,413

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Total Revenues	\$ -	-	-	-
<b>EXPENDITURES:</b>				
Culture and Recreation	47,657	37,657	32,357	5,300
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(47,657)	(37,657)	(32,357)	5,300
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	45,000	35,000	35,000	-
Net Change in Fund Balance	(2,657)	(2,657)	2,643	5,300
Fund Balance, Beginning of Year	2,657	2,657	2,657	-
Fund Balance, End of Year	\$ -	-	5,300	5,300

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Total Revenues	\$ -	-	-	-
<b>EXPENDITURES:</b>				
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	\$ -	-	1,043	1,043

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Other Revenue	\$ 18,500	12,700	21,953	9,253
<b>EXPENDITURES:</b>				
Culture and Recreation	46,126	40,326	31,611	8,715
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(27,626)	(27,626)	(9,658)	17,968
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	17,500	17,500	15,000	(2,500)
Net Change in Fund Balance	(10,126)	(10,126)	5,342	15,468
Fund Balance, Beginning of Year	9,628	9,628	9,628	-
Prior Year Encumbrances Appropriated	499	499	499	-
Fund Balance, End of Year	\$ 1	1	15,469	15,468

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue	\$ 36,000	37,000	37,000	-
<b>EXPENDITURES:</b>				
Capital Outlay	36,000	37,000	37,000	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	-	-	-

**CITY OF EATON, OHIO**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
FEMA Grant  
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue	\$ -	10,506	10,506	-
<b>EXPENDITURES:</b>				
Transportation	-	10,506	10,506	-
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  
Bond Retirement Fund  
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Total Revenues	\$ -	-	-	-
<b>EXPENDITURES:</b>				
General Government	10,388	10,388	-	10,388
Debt Service:				
Interest	\$ 19,580	19,580	19,580	-
Total Expenditures	29,968	29,968	19,580	10,388
Net Change in Fund Balance	(29,968)	(29,968)	(19,580)	10,388
Fund Balance, Beginning of Year	29,968	29,968	29,968	-
Fund Balance, End of Year	\$ -	-	10,388	10,388

**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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Investment Earnings	\$ -	-	372	372
<b>EXPENDITURES:</b>				
Capital Outlay	135,963	35,963	24,311	11,652
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(135,963)	(35,963)	(23,939)	12,024
<b>OTHER FINANCING SOURCES (USES):</b>				
Advance In	100,000	-	-	-
Net Change in Fund Balance	(35,963)	(35,963)	(23,939)	12,024
Fund Balance, Beginning of Year	9,179	9,179	9,179	-
Prior Year Encumbrances Appropriated	26,784	26,784	26,784	-
Fund Balance, End of Year	\$ -	-	12,024	12,024

**CITY OF EATON, OHIO**

General Fund Revenue by Source  
Last Ten Fiscal Years

TABLE 1

Year	Taxes (A)	Intergovernmental Revenues	Charges for Services	Licenses and Permits	Investment Income	Fees, Fines and Forfeitures	Other Revenue	Total
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
2005*	1,529,182	627,983	153,546	157,333	181,096	469,203	46,956	3,165,299

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	
		\$		\$		\$		\$		\$		\$		
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
2005*		1,447,204		1,324,283		27,129		116,266		232,899		603		3,148,384

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)		Assessed Value	Assessed Value	
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	
2004/2005	143,000,620	408,573,200	28,483,467	5,061,830	176,545,917	

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			
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
2004/2005	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		Total Tax Collections Including Delinquencies	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes
			Current Taxes Collected	Current Taxes Collected			
1995/1996	\$ 235,399	\$ 228,099	96.90%	96.90%	\$ 237,489	100.89%	\$ 16,117
1996/1997	366,406	336,553	91.85%	91.85%	349,218	95.31%	33,305
1997/1998	301,640	294,261	97.55%	97.55%	302,481	100.28%	32,504
1998/1999	316,110	304,830	96.43%	96.43%	313,810	99.27%	34,804
1999/2000	360,950	352,140	97.56%	97.56%	364,755	101.05%	30,988
2000/2001	375,462	365,291	97.29%	97.29%	374,930	99.86%	31,520
2001/2002	414,749	388,281	93.62%	93.62%	399,908	96.42%	31,004
2002/2003	441,177	423,711	96.04%	96.04%	444,055	100.65%	28,126
2003/2004	474,130	453,492	95.65%	95.65%	483,106	101.89%	19,150
2004/2005	452,213	436,027	96.42%	96.42%	449,664	99.44%	24,032

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
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 *
2004/2005	81,153	78,135	96.28%	4,743 *

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, 2005

TABLE 7

Total assessed valuation		<u>\$ 176,545,917</u>
Overall debt limitation 10 1/2% of assessed valuation		18,537,321
Gross indebtedness	\$ 2,300,542	
Less: Debt outside limitations	<u>2,300,542</u>	
Debt within 10 1/2% limitation	-	
Less: Debt Service Fund balance	<u>10,388</u>	
Net debt within 10 1/2% limitation		<u>(10,388)</u>
Legal debt margin within 10 1/2% limitation		<u>\$ 18,547,709</u>
Unvoted debt limitation 5 1/2% of assessed valuation		\$ 9,710,025
Gross indebtedness authorized by Council	2,300,542	
Less: Debt outside limitations	<u>2,300,542</u>	
Debt within 5 1/2% limitation	-	
Less: Bond Retirement Fund balance	<u>10,388</u>	
Net debt within 5 1/2% limitation		<u>(10,388)</u>
Legal debt margin within 5 1/2% limitation		<u>\$ 9,720,413</u>

Source: City of Eaton, Finance Department

**CITY OF EATON**

TABLE 8

Computation of Direct and Overlapping Debt  
December 31, 2005

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	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Eaton</u>	<u>Amount Applicable to City of Eaton</u>
City of Eaton	\$ 2,300,542	100.0%	\$2,300,542
Preble County	\$ 7,406,329	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
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
2005	8,133	176,545,917	1,206,792	-	1,206,792	0.68	148

(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		
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	64,344	3,024,552	2.13%
2004	66,477	70,673	137,150	137,150	3,249,756	4.22%
2005	107,131	78,602	185,733	185,733	3,148,384	5.90%

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, 2005

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, 2005

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
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
2005	1,090,910	1,672,880	(C)	40,485,260	102,509,470

(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, 2005

TABLE 14

Taxpayer	Type of Business	Total 2005 Assessed Valuation (A)	Percentage of Total Assessed Valuation
Neaton Auto Products	Auto Products	\$ 13,658,930	7.74%
Bullen Ultrasonics	Manufacturing	7,491,970	4.24%
Henny Penny Corporation	Food Service	4,721,560	2.67%
Dayton Power and Light	Utility	4,326,220	2.45%
Weyerhaeuser Company	Manufacturing	3,734,300	2.12%
Timken Company	Manufacturing	3,621,290	2.05%
Parker Hannifin Corp.	Manufacturing	3,423,730	1.94%
Durbin-Eaton Properties, LLC./Kroger's	Retail	2,179,900	1.23%
Continental 51 Fund	Retail	1,989,690	1.13%
Preble County Youth Foundation	YMCA	<u>1,281,560</u>	<u>0.73%</u>
Total		\$ <u>46,429,150</u>	<u>26.30%</u>
Total assessed valuation of the City		\$ <u>176,545,917</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, 2005

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Date of incorporation	January 31, 1836
Form of government	Council/Manager
Area	3,938 square acres
Miles of streets	43
Number of street lights	590
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 sworn police officers	14
Municipal water department:	
Number of consumers	3,461
Average daily production	1,277,794 gallons
Miles of water mains	55
Sewers:	
Miles of storm sewers	18
Miles of sanitary sewers	41
Buildings:	
2005 permits issued	137
2005 valuation of construction	\$8,594,911
Parks and recreation:	
Number of parks	9
Number of tennis courts	5
Number of baseball diamonds	10
Number of swimming pools	1
Employees:	
Classified service	59
Exempt	11

Source: City of Eaton, Ohio





**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  
JULY 13, 2006**