



**CITY OF EATON
PREBLE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

CITY OF EATON
PREBLE COUNTY

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
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 City of Eaton, Preble County, Ohio (the City), as of and for the year ended December 31, 2002, and have issued our report thereon dated August 22, 2003, in which we noted the City adopted Governmental Accounting Standards Board Statements No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated August 22, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 22, 2003.

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

This report is intended for the information and use of the audit committee, management, and City Council, and is not intended to be and should not be used by 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

August 22, 2003

COMPREHENSIVE ANNUAL FINANCIAL REPORT



for the fiscal year ended
December 31, 2002

City of Eaton

Council/Manager Government Since 1961

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

Progress With Heritage

*INTRODUCTORY
SECTION*

CITY OF EATON, OHIO
Comprehensive Annual Financial Report
For the Year Ended December 31, 2002

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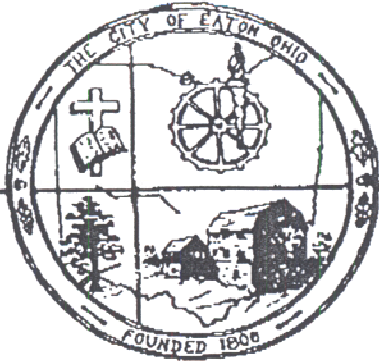
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City of Eaton

628 N. MAPLE STREET
P.O. BOX 77
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August 22, 2003

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, 2002 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 significant as it is our first report to be issued under the new 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 report reflects implementation of Statement No. 34 one year earlier than the required date for implementation.

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 2001 CAFR.

II. Financial

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

III. Statistical

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

THE CITY

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

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

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

GOVERNMENTAL ORGANIZATION

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

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

MUNICIPAL SERVICES

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

DEPARTMENT OF PUBLIC SAFETY

Division of Police: The Division of Police consists of 13 full-time sworn officers, 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 2002 the division responded to 11,298 calls. The five dispatchers received 13,963 public safety calls, of which 2,255, or 16.1%, were received as 911 calls.

Division of Fire: The Division of Fire is directed by a full-time Fire Chief who manages 35 part-time firefighters. The division provides fire protection and related services within the City and by contractual agreement to several surrounding townships. During 2002, the division responded to 66 fire calls, 71 accidents with injuries, 19 haz-mat incidents and 116 miscellaneous alarm calls. In addition, they performed 246 investigations.

Division of Emergency Medical Services: The Eaton Emergency Squad is directed by a full-time Squad Chief who manages 10 paramedics, 20 emergency medical technicians, and three 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 2002, the Emergency Squad placed over 63,000 miles on its two ambulances in responding to 2,093 calls. These calls resulted in the treatment of 2,136 patients.

Division of Building Services: The Building Division consists of two full-time employees including a certified building/electrical inspector and a clerk. In addition, the City has contracts for related professional services for back-up inspectors and plan review and examination. The Ohio Board of Building Standards certifies the division, which allows the City to issue permits for commercial and industrial uses and as such has a number of contracts with area jurisdictions. In 2002, the division issued 28 residential new-construction permits and 39 residential additions permits, which required 239 inspections. There were 18 commercial/industrial permits issued with 101 inspections. A total of 417 miscellaneous permits were issued for garages, sheds, electrical, HVAC, sprinklers, pools, roofing, signs, and demolitions, which required 658 inspections. The division is also responsible for processing zoning certificates and code enforcement.

DEPARTMENT OF SERVICE

Division of Public Works: The Division of Public Works consists of 12 employees who are responsible for the operation and maintenance of the City's wastewater treatment facility, two water treatment plants and over 90 miles of water and sewer distribution mains. The Division provides water and sewer services to approximately 3,300 residential, commercial and industrial users. In 2002 the City pumped over 511 million gallons of water from its seven operating wells and treated over 503 million gallons of wastewater at its Class IV advanced treatment facility.

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

DEPARTMENT OF FINANCE

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

DEPARTMENT OF LAW

The City has an appointed full-time Law Director who serves as legal counsel to the City Manager, Council, local boards and commissions and other administrative officers of the City. The Law Director represents the City in court proceedings and oversees the part-time 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 full-time bailiff, five full-time deputy clerks and five part-time deputy clerks. The court has jurisdiction in misdemeanor criminal cases, the initial stages of felony proceedings, civil actions under \$10,000, trusteeships and traffic violations. During 2002, the court processed 12,961 cases.

REPORTING ENTITY

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

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

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

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

MAJOR INITIATIVES

After many years of planning and with the cooperative effort of many local groups, the new YMCA has announced their grand opening. The City is also working with the local school district in their efforts to construct a new high school. This will be a new area of the City to be substantially developed, not only by the school, but also with a new Preble County Educational Service Center, and a new Bretheren Church. This will cause the need for the extension of sanitary sewer lines, road widening, and sidewalks.

Other project activities concluded in 2002 included an upgrade to the City's east-side sanitary sewer lift station, upgrading the sewer line on West Chicago Street, installing restroom facilities at Fort St. Clair, and repainting the water tower. The City purchased four acres at the corner of Preble Drive and Washington-Jackson Road for the construction of a new Municipal Court facility. We anticipate the issuance of debt for this project in the approximate amount of \$1.4 million.

Major vehicle and equipment purchases during the year included new pick-up trucks for the Public Maintenance Division and Recreation Department, two new Police cruisers, and a remount of the existing ambulance.

ECONOMIC CONDITIONS AND OUTLOOK

2002 was faced with declining revenues in a time of economic downturn, as the State froze revenue sharing programs and income tax receipts dropped by 11.1%. Fortunately, this decline was anticipated and actual 2002 revenues for all City funds exceeded budgeted revenue figures by approximately 9.1%. The ending balance in the General Fund declined by \$297,402, but still indicated a reserve of approximately 50%, well above a more common reserve of 20%. The balance in the Capital Improvement Fund increased by \$219,172 as we reserved funds for the reconstruction of Aukerman Street. The City is continuing our practice of debt avoidance by internally financing major projects to the extent possible. We have developed a strong capital improvement program and prioritize items, as management and Council deem necessary. The Water Fund ending balance increased by \$81,119 in anticipation of a major plant expansion, and will be helped by an increase in rates in 2003.

Residential growth was up slightly this year, with 28 new home permits issued, compared to 25 in 2001. There are currently five subdivisions at different stages of active development, offering several options of housing for residents.

FINANCIAL INFORMATION

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

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

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

As demonstrated by the statements and schedules included in the financial section of this report, the government continues meeting its responsibility for sound financial management. The reader is asked to pay close attention to management's discussion and analysis (MD&A) found on pages 3 – 9 for an overview and analysis of the financial position of the city.

Debt administration: At December 31, 2002, the City has two debt issues outstanding, an Ohio Water Development Authority Loan of \$207,105 and an Ohio Public Works Commission Issue II interest-free loan of \$656,250. 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, 2002, the City has no general obligation bonded debt.

Cash management: Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, the State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements. The City earned interest revenue of \$78,132 on all investments for the year ended December 31, 2002.

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

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

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

For additional detail on the City's risk management and insurance limitations, the reader is asked to refer to Note 13 found on page 42.

OTHER INFORMATION

Independent audit: Included in this report is an unqualified opinion rendered on the City's operation and financial position as well as its existing assets and liabilities as reported in the basic financial statements for the year ended December 31, 2002, 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.

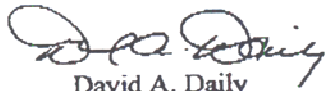
Award: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Eaton, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2001. This was the sixteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

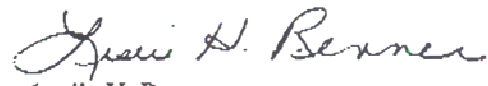
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA for review to determine its eligibility for another certificate.

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, OHIO

LISTING OF PRINCIPAL CITY OFFICIALS

December 31, 2002

ELECTED OFFICIALS

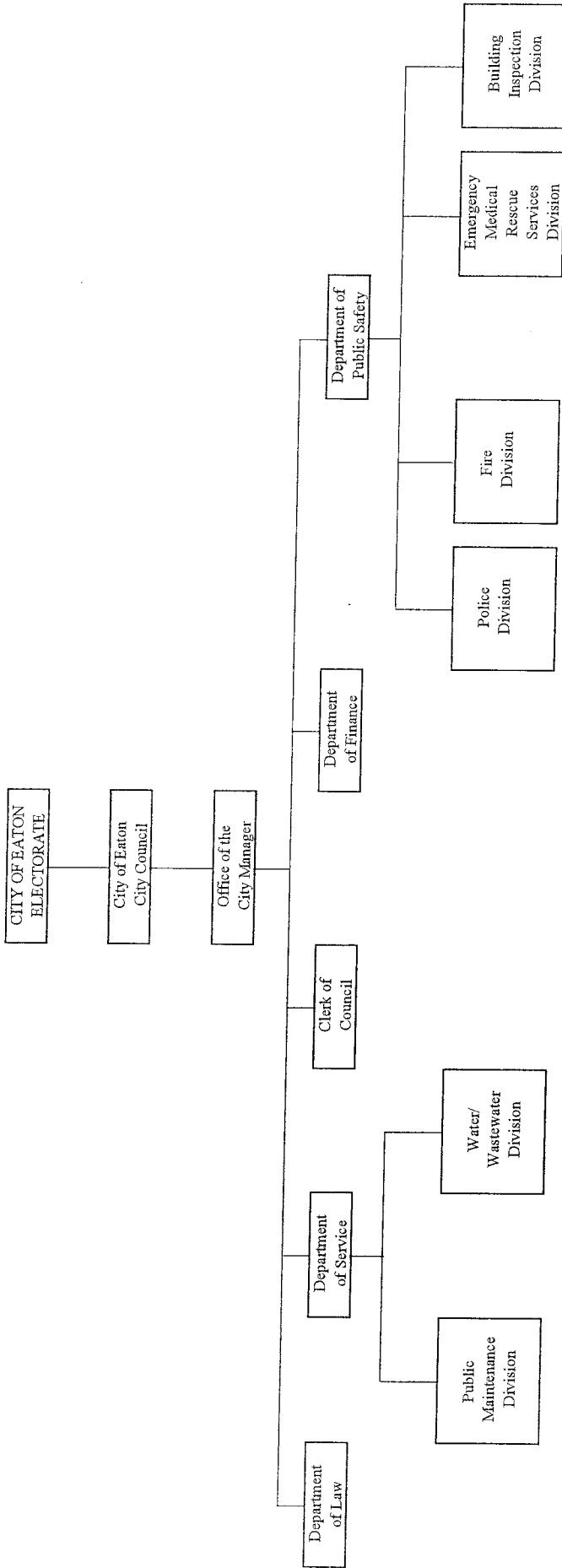
Mayor	Bob Stonecash
Vice-Mayor	Robert Ball
Council Member	Dave Kirsch
Council Member	Joe Renner
Council Member	Lawrence Petry
Municipal Judge	Paul D. Henry

APPOINTED OFFICIALS

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

CITY OF EATON, OHIO

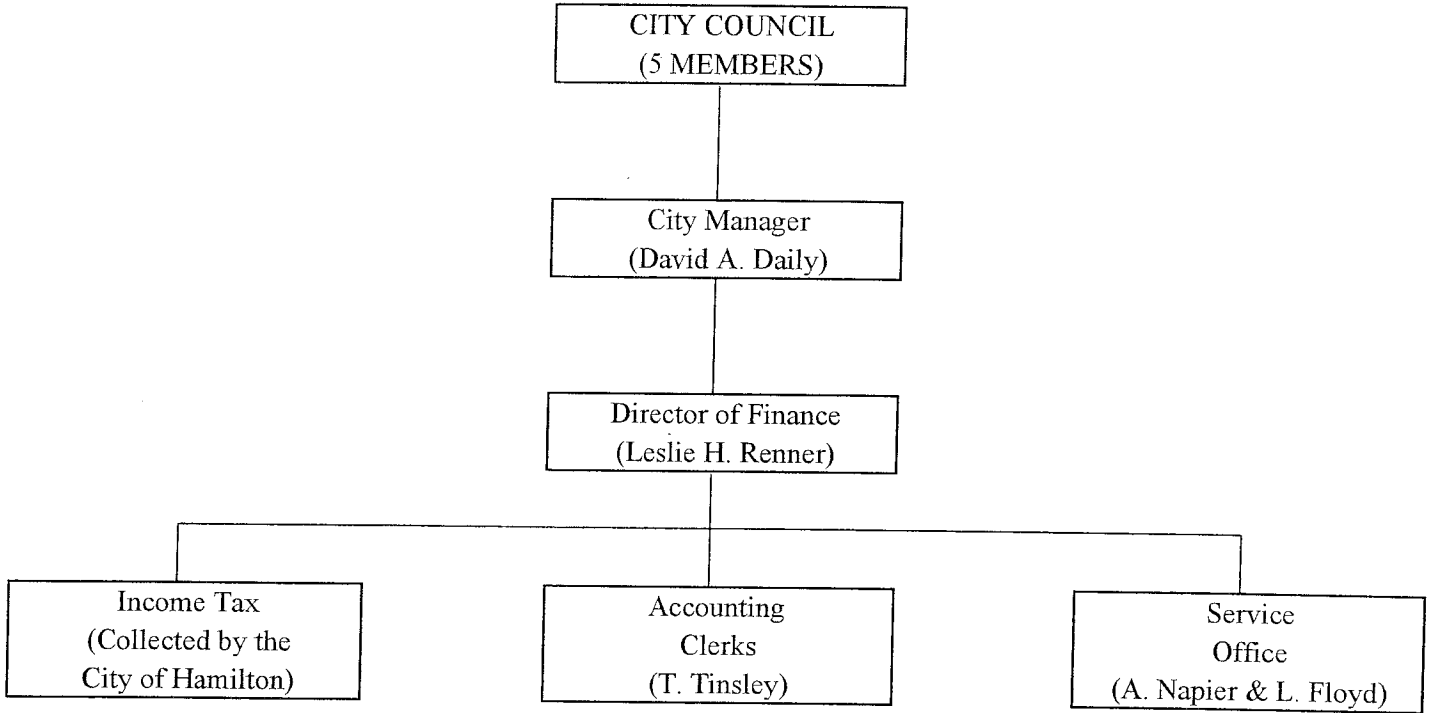
CITY ORGANIZATION
as of December 31, 2002



CITY OF EATON, OHIO

DEPARTMENT OF FINANCE

as of December 31, 2002



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, 2001

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



President

Executive Director

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*FINANCIAL
SECTION*



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

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

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, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2002, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary (Non-GAAP) Basis for the General Fund are not a required part of the basic financial statements, but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to form opinions 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 are presented for additional analysis 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.



Betty Montgomery
Auditor of State

August 22, 2003

CITY OF EATON, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Eaton's financial performance provides an overview of the City's financial activities for the year ended December 31, 2002. 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 2002 are as follows:

- The Capital Improvement Fund showed a positive net change in fund balance of \$453,784, a 39.5% increase.
- Proprietary fund operations posted operating income of \$146,708, leading to an increase in net assets of \$231,484.
- Actual revenues exceeded budgeted figures in the General Fund by \$324,654. This increased the ending cash balance to \$2.2 million.

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 two 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 2002?" 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.

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.

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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 11. Fund financial statements, beginning on 14, provide the detailed information about those major funds. The City uses many different funds, some of which are required by law and others are used to help segregate and control revenues intended for specific purposes. The City has two kinds of funds - "governmental" and "proprietary". The proprietary funds support the business-type activities.

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

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

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 21. 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 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 23.

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Other Information – In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules which begin on page 53 of this report.

The City as a Whole

This is the first year the City has produced government-wide financial statements using the full accrual basis of accounting and economic resources measurement focus. Therefore, a comprehensive comparison to prior years is not possible. When information is available in future years, comparisons will be presented.

However, it should be noted that the change in net assets, as indicated on the Statement of Activities, shows an increase for the year of \$203,010. The following table presents a condensed presentation of net assets.

Net Assets, December 31, 2002

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current and Other Assets	\$ 6,300,228	\$ 1,481,901	\$ 7,782,129
Capital Assets	4,003,628	4,296,460	8,300,088
Total Assets	10,303,856	5,778,361	16,082,217
Liabilities:			
Current and Other Liabilities	1,114,275	92,231	1,206,506
Long-Term Liabilities:			
Due Within One Year	37,500	207,105	244,605
Due In More Than One Year	962,763	97,737	1,060,500
Total Liabilities	2,114,538	397,073	2,511,611
Net Assets:			
Invested in Capital Assets, Net of Related Debt	4,003,628	4,089,355	8,092,983
Restricted	1,898,910	-	1,898,910
Unrestricted	2,286,780	1,291,933	3,578,713
Total Net Assets	\$ 8,189,318	\$ 5,381,288	\$ 13,570,606

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2002, the City's net assets were \$13.6 million. Of this amount, \$8.1 million was invested in capital assets and \$1.9 million was subject to external restrictions for its use. The remaining amount, \$3.6 million, was unrestricted and available for future use as directed by City Council and the City administration.

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

Change in Net Assets, December 31, 2002

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,246,212	2,133,187	3,379,399
Operating Grants and Contributions	25,100	-	25,100
Capital Grants and Contributions	111,073	113,581	224,654
General Revenues:			
Property Taxes	581,914	-	581,914
Municipal Income Taxes	2,498,138	-	2,498,138
Grants and Contributions not Restricted	814,859	-	814,859
Investment Income	78,132	-	78,132
Gain (Loss) on Sale of Fixed Assets	(41,144)	500	(40,644)
Other Revenue	19,672	-	19,672
Total Revenue	<u>5,333,956</u>	<u>2,247,268</u>	<u>7,581,224</u>
Expenses:			
General Government	1,787,812	-	1,787,812
Public Safety	2,069,768	-	2,069,768
Public Health	155,547	-	155,547
Transportation	986,280	-	986,280
Community Development	193,767	-	193,767
Culture and Recreation	169,256	-	169,256
Water	-	751,735	751,735
Sewer	-	743,713	743,713
Refuse	-	489,692	489,692
Other Business-Type Activities	-	30,644	30,644
Total Expenses	<u>5,362,430</u>	<u>2,015,784</u>	<u>7,378,214</u>
Increase (Decrease) in Net Assets	(28,474)	231,484	203,010
Net Assets, January 1, 2002	<u>8,217,792</u>	<u>5,149,804</u>	<u>13,367,596</u>
Net Assets, December 31, 2002	<u>\$ 8,189,318</u>	<u>5,381,288</u>	<u>13,570,606</u>

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Governmental Activities

The three functions with the largest expenditures are Public Safety, General Government, and Transportation. 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 \$832,713, to be credited to the Public Safety program, we see that nearly 45% of the net expense of \$1,863,463 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 \$973,007. The third function, Transportation, covers pavement maintenance and street reconstruction, snow removal, curb, gutters, and sidewalk. This function, supported by gas tax and auto license fees, has a total cost to taxpayers of \$986,280.

Business-Type Activities

Overall, the City's business-type activities generated \$2.1 million in operating revenues, which more than covered the cost of doing business of \$2.0 million. In addition, these activities show capital grants and contributions of \$113,581. This amount includes \$35,000 from the Small Cities Fund for the upgrade of sewer lines on West Chicago Street, and \$73,477 from the City's Capital Improvement Fund for the extension of water and sewer lines to the new Youth Foundation YMCA building. Fees for usage are increased as necessary to cover the costs of these essential services.

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 14 – 15. 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 \$4.5 million, of which \$4.3 million is unreserved. Revenues and expenditures are reflected on pages 16 – 17. The net change in fund balances is \$159,791.

The General Fund balance declined by \$73,671, caused by a decrease in revenue of \$340,789. The majority of this decrease was due to a decline in the municipal income tax of \$236,035. A significant portion of this decline was due to a one-time refund to a major local business due to an accounting change.

The Capital Improvement Fund showed a balance increase of \$453,784, as we accrue funds for the major reconstruction of Aukerman Street.

Governmental fund expenditures showed an increase over 2001 of \$215,206, or 4.1%. Of this figure, \$70,160, or 1.3%, was related to operations and \$145,046, or 2.8% was related to capital expenditures. The increase for operation expenditures was fairly uniform for all programs.

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The proprietary funds showed a net operating income of \$146,708. The water and sewer funds will be looking at some major expansion projects in the near future. In 2003, the sewer fund is scheduled to pay off the remaining debt from the original construction of the existing wastewater facility. This will free up \$227,000 per year for system upgrades and expansion. User fees will be increased to pay for the debt service that will be needed for the expansion of the water 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 significant variances within the general fund budget or budget to actual statements. The General Fund's budgeted revenues were decreased by \$47,145 to allow for a possible shortfall in the income tax. However, the actual amount received exceeded the original budget by \$22,240, making the adjustment unnecessary. The inheritance tax showed a positive variance of \$148,069. This line item is intentionally budgeted low, as there is no guarantee of an amount for this tax.

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 DEBT ADMINISTRATION

Capital Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Land	\$ 820,439	79,892	900,331
Buildings	2,534,963	5,427,971	7,962,934
Equipment	<u>3,834,281</u>	<u>4,855,653</u>	<u>8,689,934</u>
	<u>7,189,683</u>	<u>10,363,516</u>	<u>17,553,199</u>
Accumulated Depreciation:			
Buildings	522,436	3,138,112	3,660,548
Equipment	<u>2,663,619</u>	<u>2,928,944</u>	<u>5,592,563</u>
	<u>3,186,055</u>	<u>6,067,056</u>	<u>9,253,111</u>
Total Capital Assets	<u>\$ 4,003,628</u>	<u>4,296,460</u>	<u>8,300,088</u>

Additional information on the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 9 on page 38.

CITY OF EATON, OHIO
Management's Discussion and Analysis
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Infrastructure

During this first year for reporting under the new GASB 34 guidelines, the City has not yet added amounts for infrastructure as it relates to streets under governmental funds and pipelines for water and sewer funds. This will be added as figures are made available in the next reporting year.

Debt Administration

At December 31, 2002, the City's debt consisted of the following loan obligations:

<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>656,250</u>
Ohio Water Development Authority Loan (OWDA)	9.72%	12-30-1980	7-1-2003	\$ <u>207,105</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, 2002, the City has no general obligation bonded debt.

The City's overall legal debt margin at December 31, 2002 was \$17,521,233. See Note 14 on page 43 of the Notes to the Basic Financial Statements for more detailed information on long-term debt of the City.

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF EATON, OHIO

Statement of Net Assets

December 31, 2002

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 3,804,392	1,108,804	4,913,196
Investments	310,000	-	310,000
Receivables (net of allowances for uncollectibles):			
Taxes	1,324,061	-	1,324,061
Accounts	4,299	372,192	376,491
Special Assessments	70,717	-	70,717
Accrued Interest	3,612	-	3,612
Due from Other Governments	751,357	405	751,762
Internal Balances:			
Loans Receivable	(500)	500	-
Materials and Supplies Inventory	10,540	-	10,540
Prepaid Items	3,000	-	3,000
Capital Assets:	18,750	-	18,750
Capital assets not subject to depreciation:			
Land	820,439	79,892	900,331
Capital assets, net of accumulated depreciation	<u>3,183,189</u>	<u>4,216,568</u>	<u>7,399,757</u>
 Total Assets	 <u>\$ 10,303,856</u>	 <u>5,778,361</u>	 <u>16,082,217</u>
LIABILITIES:			
Accounts Payable	\$ 174,284	61,579	235,863
Accrued Wages and Benefits	105,709	20,587	126,296
Due to Other Governments	63,965	-	63,965
Deferred Revenue	770,317	-	770,317
Accrued Interest Payable	-	10,065	10,065
Noncurrent Liabilities:			
Due Within One Year	37,500	207,105	244,605
Due In More Than One Year	<u>962,763</u>	<u>97,737</u>	<u>1,060,500</u>
 Total Liabilities	 <u>2,114,538</u>	 <u>397,073</u>	 <u>2,511,611</u>
NET ASSETS:			
Invested in capital assets, net of related debt	4,003,628	4,089,355	8,092,983
Restricted for:			
Indigent Driver	81,561	-	81,561
Computerization Upgrade	(1,748)	-	(1,748)
Special Project	122,427	-	122,427
Streets and Highways	180,261	-	180,261
Capital Improvement	1,694,187	-	1,694,187
Perpetual Care:			
Nonexpendable	10,000	-	10,000
Unrestricted	<u>2,099,002</u>	<u>1,291,933</u>	<u>3,390,935</u>
 Total Net Assets	 <u>8,189,318</u>	 <u>5,381,288</u>	 <u>13,570,606</u>
 Total Liabilities and Net Assets	 <u>\$ 10,303,856</u>	 <u>5,778,361</u>	 <u>16,082,217</u>

See accompanying notes to the basic financial statements.

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CITY OF EATON, OHIO
Statement of Activities
For the Year Ended December 31, 2002

Functions/Programs:	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
Governmental Activities:							
General Government	\$ 1,787,812	814,805	-	-	(973,007)		(973,007)
Public Safety	2,069,768	206,305	-	-	(1,863,463)		(1,863,463)
Public Health	155,547	18,195	-	-	(137,352)		(137,352)
Transportation	986,280	-	-	-	(986,280)		(986,280)
Community Development	193,767	137,191	-	111,073	54,497		54,497
Culture and Recreation	169,256	69,716	25,100	-	(74,440)		(74,440)
Total Governmental Activities	<u>5,362,430</u>	<u>1,246,212</u>	<u>25,100</u>	<u>111,073</u>	<u>(3,980,045)</u>		<u>(3,980,045)</u>
Business-Type Activities:							
Water	751,735	812,272	-	17,131		77,668	77,668
Sewer	743,713	813,870	-	96,450		166,607	166,607
Refuse	489,692	479,400	-	-		(10,292)	(10,292)
Other Business-Type Activities	30,644	27,645	-	-		(2,999)	(2,999)
Total Business-Type Activities	<u>2,015,784</u>	<u>2,133,187</u>	<u>-</u>	<u>113,581</u>		<u>230,984</u>	<u>230,984</u>
Total	\$ <u>7,378,214</u>	<u>3,379,399</u>	<u>25,100</u>	<u>224,654</u>	<u>(3,980,045)</u>	<u>230,984</u>	<u>(3,749,061)</u>
General Revenues:							
Taxes:							
Property					581,914	-	581,914
Municipal Income					2,498,138	-	2,498,138
Grants and Contributions not Restricted to Specific Programs					814,859	-	814,859
Investment Income					78,132	-	78,132
Gain (Loss) on Sale of Capital Assets					(41,144)	500	(40,644)
Other Revenue					19,672	-	19,672
Total General Revenues and Transfers					<u>3,951,571</u>	<u>500</u>	<u>3,952,071</u>
Change in Net Assets					(28,474)	231,484	203,010
Net Assets, Beginning of Year, as restated					<u>8,217,792</u>	<u>5,149,804</u>	<u>13,367,596</u>
Net Assets, End of Year					\$ <u>8,189,318</u>	<u>5,381,288</u>	<u>13,570,606</u>

See accompanying notes to the basic financial statements.

CITY OF EATON, OHIO

Balance Sheet
Governmental Funds
December 31, 2002

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 2,134,196	1,332,900	337,296
Investments	300,000	-	10,000
Receivables (net of allowance for uncollectibles):			
Taxes	1,011,354	247,207	65,500
Accounts	4,184	-	115
Special Assessments	-	70,717	-
Accrued Interest	3,565	-	47
Due from Other Governments	490,709	77,928	182,720
Due from Other Funds	35,000	-	18,949
Loans Receivable	-	-	10,540
Materials and Supplies Inventory	3,000	-	-
Prepaid Items	-	18,750	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>3,982,008</u>	<u>1,747,502</u>	<u>625,167</u>
LIABILITIES:			
Accounts Payable	\$ 125,214	3,756	45,314
Accrued Wages and Benefits	95,029	3,883	6,797
Due to Other Governments	63,965	-	-
Due to Other Funds	18,949	500	35,000
Deferred Revenue	<u>1,128,371</u>	<u>135,455</u>	<u>188,866</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,431,528</u>	<u>143,594</u>	<u>275,977</u>
FUND BALANCES:			
Reserved for:			
Encumbrances	12,882	83,090	22,900
Loans Receivable	-	-	10,540
Materials and Supplies Inventory	3,000	-	-
Prepaid Items	-	18,750	-
Permanent Fund	-	-	10,000
Unreserved, Undesignated:			
General Fund	2,534,598	-	-
Capital Projects Fund	-	1,502,068	-
Special Revenue Funds	<u> </u>	<u> </u>	<u>305,750</u>
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>2,550,480</u>	<u>1,603,908</u>	<u>349,190</u>
Total Liabilities and Fund Balances	\$ <u>3,982,008</u>	<u>1,747,502</u>	<u>625,167</u>

See accompanying notes to the basic financial statements.

CITY OF EATON, OHIO
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 December 31, 2002

Total Governmental Funds		
	Total Governmental Fund Balances	\$ 4,503,578
3,804,392	Amounts reported for governmental	
310,000	activities in the Statement of Net Assets	
	are different because:	
1,324,061	Capital assets used in governmental	
4,299	activities are not financial resources and	
70,717	therefore are not reported in the funds.	4,003,628
3,612		
751,357	Other long-term assets are not available to	
53,949	pay for current period expenditures and	
10,540	therefore are deferred in the funds.	682,375
3,000		
18,750		
6,354,677	Long-term liabilities, including Issue II loans	
	payable, are not due and payable in the current	
174,284	period and therefore are not reported in the funds:	
105,709	Issue II Loans Payable	(656,250)
63,965	Compensated Absences	(344,013)
54,449		
1,452,692	Net Assets of Governmental Activities	\$ <u>8,189,318</u>
1,851,099		
118,872		
10,540		
3,000		
18,750		
10,000		
2,534,598		
1,502,068		
305,750		
4,503,578		
6,354,677		

CITY OF EATON, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2002

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds
REVENUES:			
Property Taxes	\$ 520,937	-	60,977
Municipal Income Taxes	1,637,836	1,026,079	-
State Levied Shared Taxes	498,360	-	286,654
Intergovernmental Revenue	200,725	-	35,000
Charges for Services	38,296	-	70,332
Licenses and Permits	137,191	-	1,280
Investment Income	77,463	-	669
Special Assessments	-	69,087	-
Fees, Fines and Forfeitures	586,477	-	244,252
Other Revenue	15,589	77,928	29,185
	<u>3,712,874</u>	<u>1,173,094</u>	<u>728,349</u>
Total Revenues			
EXPENDITURES:			
Current:			
General Government	1,348,019	-	159,676
Public Safety	1,796,840	-	-
Public Health	31,195	-	124,352
Transportation	210,323	-	270,090
Community Development	138,655	-	-
Culture and Recreation	-	-	156,221
Capital Outlay	190,810	681,810	344,967
Debt Service:			
Principal	-	37,500	-
	<u>3,715,842</u>	<u>719,310</u>	<u>1,055,306</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(2,968)</u>	<u>453,784</u>	<u>(326,957)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Fixed Assets	35,932	-	-
Operating Transfers In	-	-	106,635
Operating Transfers Out	(106,635)	-	-
	<u>(70,703)</u>	<u>-</u>	<u>106,635</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	(73,671)	453,784	(220,322)
Fund Balance, Beginning of Year	<u>2,624,151</u>	<u>1,150,124</u>	<u>569,512</u>
Fund Balance, End of Year	\$ <u>2,550,480</u>	<u>1,603,908</u>	<u>349,190</u>

See accompanying notes to the basic financial statements.

CITY OF EATON, 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, 2002

Total Governmental Funds	
581,914	Total Net Change in Fund Balances - Governmental Funds
2,663,915	\$ 159,791
785,014	Amounts reported for governmental activities in the
235,725	statement of activities are different because:
108,628	Governmental funds report capital outlays as expenditures.
138,471	However, in the statement of activities, the cost of those
78,132	assets is allocated over their estimated useful lives as
69,087	depreciation expense. This is the amount by which depreciation
830,729	exceeded capital outlay in the current period.
122,702	Fixed Asset Additions
	Current Year Depreciation
5,614,317	731,623
	(451,870)
	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 fixed assets.
1,507,695	Proceeds from the sale of capital assets
1,796,840	Loss on the disposal of capital assets
155,547	(35,932)
480,413	(41,144)
138,655	Revenues in the statement of activities that do not provide current
156,221	financial resources are not reported as revenues on the funds.
1,217,587	(239,217)
37,500	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.
5,490,458	37,500
123,859	Compensated absences do not require the use of current financial
	resources and are therefore not reported as expenditures in
	governmental funds.
	(189,225)
	Change in Net Assets of Governmental Activities
	\$ (28,474)
35,932	
106,635	
(106,635)	
35,932	
159,791	
4,343,787	
4,503,578	

CITY OF EATON, OHIO

Statement of Net Assets

Proprietary Funds

December 31, 2002

	<u>Water</u>	<u>Sewer & Sewer Disposal</u>	<u>Refuse</u>	<u>Non-Major Enterprise Fund</u>	<u>Total</u>
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 772,294	257,745	70,030	8,735	1,108,804
Receivables (net of allowance for uncollectibles):					
Accounts	148,434	136,440	87,318	-	372,192
Due from Other Governments	405	-	-	-	405
Due from Other Funds	-	4,000	-	-	4,000
Total Current Assets	<u>921,133</u>	<u>398,185</u>	<u>157,348</u>	<u>8,735</u>	<u>1,485,401</u>
Capital Assets:					
Land	32,271	30,500	17,121	-	79,892
Capital Assets, net of accumulated depreciation	<u>768,862</u>	<u>3,438,583</u>	<u>9,123</u>	<u>-</u>	<u>4,216,568</u>
Total Capital Assets	<u>801,133</u>	<u>3,469,083</u>	<u>26,244</u>	<u>-</u>	<u>4,296,460</u>
Total Assets	\$ <u>1,722,266</u>	\$ <u>3,867,268</u>	\$ <u>183,592</u>	\$ <u>8,735</u>	\$ <u>5,781,861</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 16,451	12,939	32,189	-	61,579
Accrued Wages and Benefits	9,762	7,580	2,452	793	20,587
Due to Other Funds	3,500	-	-	-	3,500
Accrued Interest Payable	-	10,065	-	-	10,065
OWDA Loan Payable - Current	-	207,105	-	-	207,105
Total Current Liabilities	<u>29,713</u>	<u>237,689</u>	<u>34,641</u>	<u>793</u>	<u>302,836</u>
Noncurrent Liabilities:					
Accrued Compensated Absences	<u>45,873</u>	<u>37,029</u>	<u>11,832</u>	<u>3,003</u>	<u>97,737</u>
Total Noncurrent Liabilities	<u>45,873</u>	<u>37,029</u>	<u>11,832</u>	<u>3,003</u>	<u>97,737</u>
Total Liabilities	<u>75,586</u>	<u>274,718</u>	<u>46,473</u>	<u>3,796</u>	<u>400,573</u>
NET ASSETS:					
Invested in capital assets, net of related debt	801,133	3,469,083	26,244	-	4,296,460
Unrestricted	<u>845,547</u>	<u>123,467</u>	<u>110,875</u>	<u>4,939</u>	<u>1,084,828</u>
Total Net Assets	<u>1,646,680</u>	<u>3,592,550</u>	<u>137,119</u>	<u>4,939</u>	<u>5,381,288</u>
Total Liabilities and Net Assets	\$ <u>1,722,266</u>	\$ <u>3,867,268</u>	\$ <u>183,592</u>	\$ <u>8,735</u>	\$ <u>5,781,861</u>

See accompanying notes to the basic financial statements.

CITY OF EATON, OHIO
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2002

	Water	Sewer & Sewer Disposal	Refuse	Non-Major Enterprise Fund	Total
OPERATING REVENUES:					
Charges for Services	\$ 812,272	813,870	479,400	27,645	2,133,187
Total Operating Revenues	<u>812,272</u>	<u>813,870</u>	<u>479,400</u>	<u>27,645</u>	<u>2,133,187</u>
OPERATING EXPENSES:					
Personnel Services	247,025	188,811	64,524	20,200	520,560
Fringe Benefits	82,796	61,164	24,126	9,391	177,477
Contractual Services	14,708	17,522	285,297	-	317,527
Materials and Supplies	219,278	38,929	54,116	725	313,048
Utilities	70,273	114,820	34,679	-	219,772
Other Operating Expenses	38,425	54,133	17,826	328	110,712
Depreciation	79,230	239,029	9,124	-	327,383
Total Operating Expenses	<u>751,735</u>	<u>714,408</u>	<u>489,692</u>	<u>30,644</u>	<u>1,986,479</u>
Operating Income (Loss)	<u>60,537</u>	<u>99,462</u>	<u>(10,292)</u>	<u>(2,999)</u>	<u>146,708</u>
NON-OPERATING REVENUES (EXPENSES):					
Capital Grants	17,131	96,450	-	-	113,581
Gain on Sale of Capital Assets	-	500	-	-	500
Interest Expense	-	(29,305)	-	-	(29,305)
Total Non-Operating Revenues (Expenses)	<u>17,131</u>	<u>67,645</u>	<u>-</u>	<u>-</u>	<u>84,776</u>
Change in Net Assets	77,668	167,107	(10,292)	(2,999)	231,484
Net Assets, Beginning of Year	<u>1,569,012</u>	<u>3,425,443</u>	<u>147,411</u>	<u>7,938</u>	<u>5,149,804</u>
Net Assets, End of Year	\$ <u>1,646,680</u>	<u>3,592,550</u>	<u>137,119</u>	<u>4,939</u>	<u>5,381,288</u>

See accompanying notes to the basic financial statements.

CITY OF EATON, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2002

	Water	Sewer & Sewer Disposal	Refuse	Non-Major Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 784,342	810,058	475,496	27,645	2,097,541
Cash Paid for Employees Salaries and Benefits	(325,277)	(247,419)	(90,200)	(29,179)	(692,075)
Cash Paid to Suppliers	(248,815)	(101,856)	(382,622)	(56)	(733,349)
Cash Paid for Claims and Charges	(76,688)	(118,193)	(5,968)	(998)	(201,847)
Other Operating Revenues	-	-	851	-	851
Other Operating Expenses	(4,839)	(5,777)	-	-	(10,616)
Net Cash Provided (Used) by Operating Activities	<u>128,723</u>	<u>336,813</u>	<u>(2,443)</u>	<u>(2,588)</u>	<u>460,505</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Grant Received	17,131	96,450	-	-	113,581
Principal Paid on Long-Term Liabilities	-	(188,776)	-	-	(188,776)
Interest Paid	-	(38,480)	-	-	(38,480)
Acquisition of Fixed Assets	(64,735)	(243,917)	-	-	(308,652)
Net Cash Used by Capital and Related Financing Activities	<u>(47,604)</u>	<u>(374,723)</u>	<u>-</u>	<u>-</u>	<u>(422,327)</u>
Increase (Decrease) in Cash and Cash Equivalents	81,119	(37,910)	(2,443)	(2,588)	38,178
Cash and Cash Equivalents, Beginning of Year	<u>691,175</u>	<u>295,655</u>	<u>72,473</u>	<u>11,323</u>	<u>1,070,626</u>
Cash and Cash Equivalents, End of Year	<u>\$ 772,294</u>	<u>257,745</u>	<u>70,030</u>	<u>8,735</u>	<u>1,108,804</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 60,537	99,462	(10,292)	(2,999)	146,708
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	79,230	239,029	9,124	-	327,383
Gain on Sale of Fixed Assets	-	500	-	-	500
Changes in Assets and Liabilities:					
Accounts Receivable	(28,245)	(3,819)	(3,053)	-	(35,117)
Due from Other Governments	312	-	-	-	312
Due From Other Funds	-	(500)	-	-	(500)
Accounts Payable	12,345	(417)	3,325	-	15,253
Accrued Wages & Benefits	1,288	1,155	55	309	2,807
Accrued Compensated Absences	<u>3,256</u>	<u>1,403</u>	<u>(1,602)</u>	<u>102</u>	<u>3,159</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 128,723</u>	<u>336,813</u>	<u>(2,443)</u>	<u>(2,588)</u>	<u>460,505</u>

See accompanying notes to the basic financial statements.

CITY OF EATON, OHIO
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2002

	Agency Fund
ASSETS:	
Cash and Cash Equivalents	\$ 11,391
Due from Other Governments	<u>5,549</u>
Total Assets	\$ <u>16,940</u>
LIABILITIES:	
Accounts Payable	\$ <u>16,940</u>
Total Liabilities	<u>16,940</u>
NET ASSETS	\$ <u><u>-</u></u>

See accompanying notes to the basic financial statements.

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CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 Mayor and the Council are elected by separate ballot from the municipality at large for four-year terms. As a council member, the Mayor has the right to vote on all issues before council. Council appoints the City Manager. 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, 2002.

Mound Hill Union Cemetery is a jointly governed organization established in accordance with Ohio Revised Code Section 759.27 thru 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.

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, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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. 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.

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

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.

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

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

Proprietary Funds

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

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

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

Sewer and Sewer Disposal 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.

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

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.

C. 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.

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.

Fiduciary funds are reported using the economic measurement focus.

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 deferred 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.

Deferred Revenue

Deferred 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, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents and Investments

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

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

During fiscal year 2002, investments of the City were limited to the State Treasury Asset Reserve of Ohio (STAROhio), certificates of deposits, and repurchase agreements. 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, 2002. 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 while inventories of proprietary funds are stated at the lower of cost or market. 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 is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when purchased.

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

H. Capital Assets

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

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

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

Buildings	15 – 45 years
Equipment	3 – 15 years

I. 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 after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

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 two 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, 2002, 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.

K. 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 payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the fund financial statements when due.

L. 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, loans receivable, materials and supplies inventories, and prepaid items are recorded as a reservation of fund balance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

N. 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.

O. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

P. 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 2002.

Q. 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, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

A. Changes in Accounting Principles

For 2002, the City has implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City’s programs between business-type and governmental activities. The beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2001, caused by the creation of the Permanent Fund, reclassifying the Municipal Court Agency fund to the General Fund and the conversion to the accrual basis of accounting.

B. Restatement of Fund Balance

The implementation of these statements had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Capital Improvement
Fund Balances, December 31, 2001	\$2,624,151	1,150,124
Reclassification of Funds	-	-
Adjusted Fund Balance, December 31, 2001	\$2,624,151	1,150,124
GASB 34 Adjustments:		
Capital Assets, net		
Long-Term Compensated Absences		
Long-Term (Deferred) Assets		
Long-Term Liabilities		
Governmental Activities Net Assets, December 31, 2001		

(continued)

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (Continued)

	Nonmajor	Total
Fund Balances, December 31, 2001	559,512	4,333,787
Reclassification of Funds	10,000	10,000
Adjusted Fund Balance, December 31, 2001	569,512	4,343,787
GASB 34 Adjustments:		
Capital Assets, net		3,800,951
Long-Term Compensated Absences		(154,788)
Long-Term (Deferred) Assets		921,592
Long-Term Liabilities		(693,750)
Governmental Activities Net Assets, December 31, 2001		8,217,792

NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

At December 31, 2002, carrying values of the City's deposits with financial institutions and investments were as follows:

	<u>Carrying Amount</u>
Deposits:	
Interest bearing 0.00% to 1.42%	\$2,270,502
Certificates of deposit, 2.15% to 3.00% maturing August 22, 2003 to October 12, 2003, respectively	310,000
	2,580,502
Investments:	
Repurchase Agreements	276,526
STAR Ohio	2,377,559
	2,654,085
Total Cash and Cash Equivalents and Investments	\$5,234,587

Deposits

The year-end bank balance of all City deposits was \$3,147,773. Based on criteria described in GASB Statement No. 3 deposits with *Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, the bank balance is categorized as follows:

FDIC insured deposits	\$395,988
Amount collateralized with securities held by pledging financial institution's agent in the City's name	425,617
Uninsured and uncollateralized	2,326,168
	\$3,147,773

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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

Deposits (Continued)

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

Investments

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

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

	<u>Carrying Amount/ Fair Value</u>
<u>Category 2:</u>	
Repurchase Agreements	\$276,526
<u>Unclassified:</u>	
STAR Ohio	<u>2,377,559</u>
Total investments	<u>\$2,654,085</u>

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

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

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and investments	\$4,924,587	310,000	5,234,587
Investments:			
Certificates of Deposit	310,000	(310,000)	-
Repurchase agreements	(276,526)	276,526	-
Star Ohio	(2,377,559)	<u>2,377,559</u>	-
GASB Statement 3	<u>\$2,580,502</u>	<u>2,654,085</u>	<u>5,234,587</u>

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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

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

	<u>Amount</u>	<u>% of Total</u>
General Fund	\$77,463	99.14%
Special Revenue Funds	363	.47%
Non-Expendable Trust Fund	<u>306</u>	<u>.39%</u>
Total	<u>\$78,132</u>	<u>100.00%</u>

NOTE 5 – PROPERTY TAXES

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

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

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

Real property and public utility taxes collected during 2002 were levied in October, 2001 on assessed values listed as of January 1, 2001, the lien date. One-half of these taxes were due on February 23, 2002, with the remaining balance due on July 20, 2002.

Tangible personal property taxes collected during 2002 had a lien and levy date of December 31, 2001. One-half of these taxes were due by April 30, 2002, with the remaining balance due on September 21, 2002. Personal property revenue recognized represents those taxes levied for and due within the fiscal year, and collected within 60 days after fiscal year end.

Assessed values on real property are established by state law at 35% of appraised market value. A revaluation of all property is required to be completed no less than every six years with equalization adjustments in the third year following reappraisal. The last revaluation was completed in 2002. Public utility property taxes are assessed on tangible personal property as well as land and improvements at taxable value (approximately 88% of cost). Tangible personal property assessments are 25% of true value. The assessed value for 2001 upon which the 2002 levy was based was approximately \$157,780,890. The assessed value for 2002 upon which the 2003 levy was based was approximately \$166,868,890.

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.

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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% expires December 31, 2004. 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, 2002 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 the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Local Government and Local Government Revenue Assistance	\$273,127
CDBG Grant	35,000
ODOT Grant	77,928
State Grants	3,643
Reimbursements	46,694
Estate Tax	114,515
Homestead and Rollback	30,677
Gasoline and Excise Tax	112,664
Motor Vehicle License Fees	29,870
Police Firing Range	3,720
EMS and Fire	23,238
Liquor Licenses	81
Immobilization Fees	200
Total Governmental Activities	751,357
 Business-Type Activities:	
Local Government and Local Government Revenue Assistance	405
Total Business-Type Activities	405
Total	\$751,762

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

NOTE 8 - INTERFUND TRANSFERS AND BALANCES

Interfund transfers for the year ended December 31, 2002, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>	
	<u>General Fund</u>	<u>Total</u>
Cemetery	\$31,435	31,435
Recreation	20,000	20,000
Swimming Pool	22,600	22,600
Fort St. Clair	32,600	32,600
Total	<u>\$106,635</u>	<u>106,635</u>

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.

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, 2002, consisted of the following amounts and represent charges for services or reimbursable expenses except approved and authorized in 2002 but not made until 2003. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting, and (3) payments between funds are made. All are expected to be paid within one year.

<u>Due to</u>	<u>Due From</u>			<u>Total</u>
	<u>General Fund</u>	<u>Sewer & Sewer Disposal Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$-	-	18,949	18,949
Capital Improvement Fund	-	500	-	500
Water Fund	-	3,500	-	3,500
Nonmajor Governmental Funds	35,000	-	-	35,000
Total	<u>\$35,000</u>	<u>4,000</u>	<u>18,949</u>	<u>57,949</u>

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2002, was as follows:

	Balance 12/31/01	Additions	Deductions	Balance 12/31/02
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$616,086	280,000	(75,647)	820,439
Total Capital Assets, not being Depreciated	616,086	280,000	(75,647)	820,439
Capital Assets, being Depreciated:				
Buildings	2,424,375	114,505	(3,917)	2,534,963
Equipment	3,723,404	337,118	(226,241)	3,834,281
Total Capital Assets, being Depreciated	6,147,779	451,623	(230,158)	6,369,244
Less Accumulated Depreciation:				
Buildings and Improvements	(466,723)	(59,630)	3,917	(522,436)
Equipment	(2,496,191)	(392,240)	224,812	(2,663,619)
Total Accumulated Depreciation	(2,962,914)	(451,870) *	228,729	(3,186,055)
Total Capital Assets, being Depreciated, net	3,184,865	(247)	(1,429)	3,183,189
Governmental Activities Capital Assets, Net	\$3,800,951	279,753	(77,076)	4,003,628
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	\$79,892	\$0	\$0	\$79,892
Capital Assets, being Depreciated:				
Buildings	5,427,971	0	0	5,427,971
Equipment	4,561,930	308,652	(14,929)	4,855,653
Total Capital Assets, being Depreciated	9,989,901	308,652	(14,929)	10,283,624
Less Accumulated Depreciation:				
Buildings	(2,984,143)	(153,969)	0	(3,138,112)
Equipment	(2,770,459)	(173,414)	14,929	(2,928,944)
Total Accumulated Depreciation	(5,754,602)	(327,383)	14,929	(6,067,056)
Total Capital Assets, being Depreciated, net	4,235,299	(18,731)	0	4,216,568
Business-Type Activities Capital Assets, Net	\$4,315,191	(\$18,731)	\$0	\$4,296,460

* Depreciation expense was charged to governmental functions as follows:

General Government	\$ 89,587
Public Safety	196,086
Transportation	113,987
Recreation	52,210
Total Depreciation Expense	<u>\$451,870</u>

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Both the Police and Firemen’s Disability and Pension Fund and the 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 Police and Firemen’s Disability and Pension Fund or the Public Employees Retirement System of Ohio (PERS). Both funds provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

A. Public Employees Retirement System

The City of Eaton participates in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. For local government employer units the 2002 contribution rate was 13.55% of covered payroll. The City’s contributions, representing 100% of employer contribution’s for the periods ended December 31, 2002, 2001, and 2000 were \$295,400, \$271,727, and \$215,292, respectively.

B. Police and Firemen’s Disability and Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City’s contributions to OP&F for the years ending December 31, 2002, 2001, and 2000 were \$125,008, \$123,644, and \$110,745, respectively, equal to the required contribution for each year.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System (PERS) of Ohio provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employer units the rate was 13.55% of covered payroll; 5.00% was the portion used to fund health care for the year.

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

Actuarial Review: The following assumptions and calculations were based on the System's latest Actuarial Review as of December 31, 2001.

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

Assets Valuation Method: All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return: The investment assumption rate for 2001 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 4.00% annually.

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The portion of City's contributions that were used to fund postemployment benefits was \$109,003. \$11.6 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2001. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

A. Public Employees Retirement System (Continued)

In December 2001, the Board adopted the Health Care “Choices” Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under PERS after January 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present Plan.

The benefit will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

B. Police and Firemen’s Disability and Pension Fund

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

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

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 7.50% and 7.75% of covered payroll in 2001 and 2002, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2001, the date of the last actuarial valuation available, are 13,174 for Police and 10,239 for Firefighters. The City’s annual contribution for 2002 that were used to fund postemployment benefits was \$45,010 for Police and \$3,757 for Firefighters. OP&F’s total health care expenses for the year ending December 31, 2001, the date of the last actuarial valuation available, was \$122,298,771, which was net of members contributions of \$6,874,699.

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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, 2002, the accrued liability for unpaid compensated absences was \$441,392 for all funds and account groups

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 2002, the City contracted with the Alliance Insurance Company to provide conventional insurance protection.

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

NOTE 13 - RISK MANAGEMENT (Continued)

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

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

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

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

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

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

NOTE 14 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation activity by fund type for the year ended December 31, 2002:

	<u>Balance</u> <u>1/1/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/02</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Compensated Absences	\$154,788	189,225	-	344,013	-
Issue II Loan Payable	<u>693,750</u>	<u>-</u>	<u>37,500</u>	<u>656,250</u>	<u>37,500</u>
Total Governmental Activities	<u>848,538</u>	<u>189,225</u>	<u>37,500</u>	<u>1,000,263</u>	<u>37,500</u>
<u>Business-Type Activities:</u>					
Compensated Absences	94,578	3,159	-	97,737	-
OWDA Loan Payable	<u>395,881</u>	<u>-</u>	<u>188,776</u>	<u>207,105</u>	<u>207,105</u>
Total Business-Type Activities	<u>490,459</u>	<u>3,159</u>	<u>188,776</u>	<u>304,842</u>	<u>207,105</u>
	<u>\$1,338,997</u>	<u>192,384</u>	<u>226,276</u>	<u>1,305,105</u>	<u>244,605</u>

CITY OF EATON, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Long-term obligations of the City at December 31, 2002 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>\$656,250</u>
Ohio Water Development Authority Loan (OWDA)	9.72%	12-30-1980	7-1-2003	<u>\$207,105</u>

On December 31, 1980 the City entered into a loan agreement with The Ohio Water Development Authority (OWDA) for construction of a new wastewater facility in the amount of \$1,897,766. Under the terms of the agreement, eligible project costs were disbursed out of the funds of the OWDA. Subsequently, 75 percent of the eligible project costs were reimbursed by grant monies from the United States of America under Title II of the Federal Water Pollution Control Act Amendments of 1972. The loan balance at December 31, 2002 is based on total actual OWDA project costs (including capitalized interest) less total grant monies received and cumulative payments on the loan. This loan is being repaid from the Sewer & Sewer Disposal Fund.

The federal grants are only for eligible project costs that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of agreement. City management believes such disallowance's, if any, will be minor.

On July 1, 1997, the City entered into a loan agreement with the Ohio Public Works Commission 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.

As of December 31, 2002, the City's legal debt margin (the ability to issue additional principal amounts of general obligation bonded debt) was approximately \$17.52 million. Principal and interest requirements from the Sewer & Sewer Disposal Fund to retire long-term obligations outstanding at December 31, 2002 are as follows:

<u>Due In</u>	<u>Issue II</u>	<u>OWDA</u>		
		<u>Loan</u>	<u>Interest</u>	<u>Total</u>
2003	\$37,500	207,105	20,152	227,256
2004	37,500	-	-	-
2005	37,500	-	-	-
2006	37,500	-	-	-
2007	37,500	-	-	-
2008-2012	187,500	-	-	-
2013-2017	187,500	-	-	-
2018-2020	<u>93,750</u>	-	-	-
	<u>\$656,250</u>	<u>207,105</u>	<u>20,152</u>	<u>227,256</u>

The City is purchasing land in the amount of \$100,000 at 0% interest from Preble County on land contract for recreation purposes. The City made the final payment of \$33,000 in 2002. The City recorded the asset as an addition in the current year, which is when the transfer of the deed took place.

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 – LOANS RECEIVABLE

Loans receivable in the Special Revenue Community Development Fund represent loans made to citizens at no or low interest rates to make home improvements. Terms of the loans require small monthly payments or are life estate loans, that is, the loan will be paid when the house is sold or the homeowner dies. The total of all outstanding loans equals \$10,540 at December 31, 2002.

NOTE 17 – 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, 2002, the City of Eaton contributed \$97,500 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.

NOTE 18 – SUBSEQUENT EVENTS

On March 5, 2003, the City of Eaton issued \$1,375,000 of bonds to finance the construction of a Municipal Court facility. The interest rate is 4.69% with semi-annual payments of \$64,344.11 and a maturity date of March 1, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EATON, OHIO
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Budgetary (Non-GAAP) Basis
General Fund
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 530,600	530,600	525,423	(5,177)
Municipal Income Taxes	1,585,000	1,538,000	1,607,240	69,240
State Levied Shared Taxes	336,025	336,025	498,340	162,315
Intergovernmental Revenue	170,000	170,000	197,956	27,956
Charges for Services	30,000	34,500	34,577	77
Licenses and Permits	115,000	115,000	137,191	22,191
Investment Income	36,000	35,855	79,079	43,224
Fees, Fines and Forfeitures	605,000	605,000	598,276	(6,724)
Other Revenue	129,500	125,000	136,552	11,552
Total Revenues	<u>3,537,125</u>	<u>3,489,980</u>	<u>3,814,634</u>	<u>324,654</u>
EXPENDITURES:				
Current:				
General Government	3,048,656	3,043,656	2,046,388	997,268
Public Safety	2,553,940	2,511,940	2,040,786	471,154
Public Health	1,222,216	972,071	627,931	344,140
Transportation	38,500	38,500	15,231	23,269
Community Development	163,800	163,800	147,632	16,168
Total Expenditures	<u>7,027,112</u>	<u>6,729,967</u>	<u>4,877,968</u>	<u>1,851,999</u>
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>(3,489,987)</u>	<u>(3,239,987)</u>	<u>(1,063,334)</u>	<u>2,176,653</u>
OTHER FINANCING SOURCES (USES):				
Sale of Assets	-	-	35,932	35,932
Operating Transfers-In	980,000	730,000	730,000	-
Operating Transfers-Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>980,000</u>	<u>730,000</u>	<u>765,932</u>	<u>35,932</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>(2,509,987)</u>	<u>(2,509,987)</u>	<u>(297,402)</u>	<u>2,212,585</u>
Fund Balance, Beginning of Year	2,484,627	2,484,627	2,484,627	-
Prior Year Encumbrances Appropriated	<u>25,360</u>	<u>25,360</u>	<u>25,360</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>2,212,585</u>	<u>2,212,585</u>

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CITY OF EATON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2002

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 that 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.

CITY OF EATON, OHIO
Notes to the Required Supplementary Information
For the Year Ended December 31, 2002

General Budget Policies (Continued)

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.

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>
Net Change in Fund Balance – GAAP Basis	\$ (207,654)
Increase/(Decrease):	
Due to Revenues	101,760
Due to Expenditures	(1,028,143)
Other Financing Sources (Uses)	<u>836,635</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures And Other Financing Uses – Budgetary Basis	\$ <u>(297,402)</u>

SUPPLEMENTARY INFORMATION

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CITY OF EATON, 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.

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

CITY OF EATON, OHIO
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
General Fund
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes:				
General	\$ 396,100	396,100	371,111	(24,989)
Tangible Personal	134,500	134,500	154,312	19,812
Total Property Taxes	530,600	530,600	525,423	(5,177)
Municipal Income Taxes	1,585,000	1,538,000	1,607,240	69,240
State Levied Shared Taxes:				
Local Government Fund, County	303,650	303,650	317,985	14,335
Inheritance	25,000	25,000	173,069	148,069
Cigarette Licenses	375	375	377	2
Liquor and Beer Permits	7,000	7,000	6,909	(91)
Total State Levied Shared Taxes	336,025	336,025	498,340	162,315
Intergovernmental Revenue:				
Fire and Service Contracts	95,000	95,000	109,116	14,116
Ambulance Contracts	75,000	75,000	88,840	13,840
Total Intergovernmental Revenue	170,000	170,000	197,956	27,956
Charges for Services:				
General Government	30,000	34,500	34,203	(297)
Miscellaneous	-	-	374	374
Total Charges for Services	30,000	34,500	34,577	77
Licenses and Permits:				
Zoning Fees	-	-	306	306
Building Permits	115,000	115,000	136,885	21,885
Total Licenses and Permits	115,000	115,000	137,191	22,191
Investment Income	36,000	35,855	79,079	43,224
Fees, Fines and Forfeitures	605,000	605,000	598,276	(6,724)
Other Revenue	129,500	125,000	136,552	11,552
Total Revenues	3,537,125	3,489,980	3,814,634	324,654

CITY OF EATON, OHIO
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
General Fund
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Current:				
General Government:				
Administration	2,182,956	2,167,956	1,219,017	948,939
Council	11,900	11,900	9,974	1,926
Municipal Court	586,800	596,800	595,345	1,455
Public Maintenance	<u>267,000</u>	<u>267,000</u>	<u>222,052</u>	<u>44,948</u>
Total General Government	<u>3,048,656</u>	<u>3,043,656</u>	<u>2,046,388</u>	<u>997,268</u>
Public Safety:				
Police Division	1,032,500	1,032,500	942,755	89,745
Headquarters	56,750	56,750	54,508	2,242
Fire Division	69,500	74,500	67,326	7,174
EMS Division	78,300	78,300	67,185	11,115
Public Safety Fund	<u>1,316,890</u>	<u>1,269,890</u>	<u>909,012</u>	<u>360,878</u>
Total Public Safety	<u>2,553,940</u>	<u>2,511,940</u>	<u>2,040,786</u>	<u>471,154</u>
Public Health:				
Employee Health Care Fund	<u>1,222,216</u>	<u>972,071</u>	<u>627,931</u>	<u>344,140</u>
Transportation:				
Traffic Lights	<u>38,500</u>	<u>38,500</u>	<u>15,231</u>	<u>23,269</u>
Community Development:				
Building and Zoning	<u>163,800</u>	<u>163,800</u>	<u>147,632</u>	<u>16,168</u>
Total Expenditures	<u>7,027,112</u>	<u>6,729,967</u>	<u>4,877,968</u>	<u>1,851,999</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(3,489,987)	(3,239,987)	(1,063,334)	2,176,653
OTHER FINANCING SOURCES (USES):				
Sale of Assets	-	-	35,932	35,932
Operating Transfers In	<u>980,000</u>	<u>730,000</u>	<u>730,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>980,000</u>	<u>730,000</u>	<u>765,932</u>	<u>35,932</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,509,987)	(2,509,987)	(297,402)	2,212,585
Fund Balance, Beginning of Year	2,484,627	2,484,627	2,484,627	-
Prior Year Encumbrances Appropriated	<u>25,360</u>	<u>25,360</u>	<u>25,360</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>2,212,585</u>	<u>2,212,585</u>

CITY OF EATON, OHIO
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
 Capital Improvements Fund
 For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Municipal Income Taxes	\$ 995,000	930,000	1,005,241	75,241
Special Assessments	<u>60,000</u>	<u>60,000</u>	<u>69,087</u>	<u>9,087</u>
Total Revenues	<u>1,055,000</u>	<u>990,000</u>	<u>1,074,328</u>	<u>84,328</u>
EXPENDITURES:				
Capital Outlay	<u>2,081,546</u>	<u>2,016,546</u>	<u>855,156</u>	<u>1,161,390</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(1,026,546)	(1,026,546)	219,172	1,245,718
Fund Balance, Beginning of Year	984,031	984,031	984,031	-
Prior Year Encumbrances Appropriated	<u>42,515</u>	<u>42,515</u>	<u>42,515</u>	-
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>1,245,718</u>	<u>1,245,718</u>

Combining Statements – Nonmajor Governmental Funds

NONMAJOR SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that is 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 and 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 fees collected by the Municipal Court to fund a Court building.

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

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

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

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

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

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

Community Development Fund – To account for community development block grant funds.

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.

NONMAJOR PERMANENT FUND

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

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

CITY OF EATON, OHIO
 Combined Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2002

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 337,296	-	337,296
Investments	-	10,000	10,000
Receivables (net of allowance for uncollectibles):			
Taxes	65,500	-	65,500
Accounts	115	-	115
Accrued Interest	-	47	47
Due from Other Governments	182,720	-	182,720
Due from Other Funds	18,949	-	18,949
Loans Receivable	10,540	-	10,540
 Total Assets	\$ 615,120	10,047	625,167
LIABILITIES:			
Accounts Payable	\$ 45,267	47	45,314
Accrued Wages and Benefits	6,797	-	6,797
Due to Other Funds	35,000	-	35,000
Deferred Revenue	188,866	-	188,866
 Total Liabilities	275,930	47	275,977
FUND BALANCE:			
Reserved for:			
Encumbrances	22,900	-	22,900
Loans Receivable	10,540	-	10,540
Permanent Fund	-	10,000	10,000
Unreserved:			
Undesignated	305,750	-	305,750
 Total Fund Balance	339,190	10,000	349,190
 Total Liabilities and Fund Balance	\$ 615,120	10,047	625,167

CITY OF EATON, OHIO
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2002

	Indigent Driver	Enforcement & Education	Law Enforcement
ASSETS:			
Cash and Cash Equivalents	\$ 81,698	5,757	2,711
Investments	-	-	-
Receivables (net of allowance for uncollectibles):			
Taxes	-	-	-
Accounts	-	-	-
Accrued Interest	-	-	-
Due from Other Governments	3,075	-	-
Due from Other Funds	469	231	-
Loans Receivable	-	-	-
	\$ 85,242	5,988	2,711
LIABILITIES:			
Accounts Payable	\$ 3,212	-	-
Accrued Wages and Benefits	-	-	-
Due to Other Funds	-	-	-
Deferred Revenue	-	-	-
	3,212	-	-
FUND BALANCE:			
Reserved for:			
Encumbrances	-	-	-
Loans Receivable	-	-	-
Unreserved:			
Undesignated	82,030	5,988	2,711
	82,030	5,988	2,711
Total Fund Balance	82,030	5,988	2,711
Total Liabilities and Fund Balance	\$ 85,242	5,988	2,711

<u>Computerization Upgrade</u>	<u>Municipal Court Special Projects</u>	<u>Street Construction, Maintenance & Repair</u>	<u>State Highway Improvement</u>	<u>Cemetery</u>
8,939	141,332	65,858	3,120	-
-	-	-	-	-
-	-	-	-	65,500
-	-	-	-	-
-	-	-	-	-
-	-	131,844	10,690	2,111
7,575	10,674	-	-	-
-	-	-	-	-
<u>16,514</u>	<u>152,006</u>	<u>197,702</u>	<u>13,810</u>	<u>67,611</u>
9,525	18,905	11,347	-	-
759	-	5,184	482	-
-	-	-	-	-
-	-	112,161	9,094	67,611
<u>10,284</u>	<u>18,905</u>	<u>128,692</u>	<u>9,576</u>	<u>67,611</u>
-	22,900	-	-	-
-	-	-	-	-
<u>6,230</u>	<u>110,201</u>	<u>69,010</u>	<u>4,234</u>	<u>-</u>
<u>6,230</u>	<u>133,101</u>	<u>69,010</u>	<u>4,234</u>	<u>-</u>
<u>16,514</u>	<u>152,006</u>	<u>197,702</u>	<u>13,810</u>	<u>67,611</u>

CITY OF EATON, OHIO
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2002

	<u>Recreation</u>	<u>Swimming Pool</u>	<u>Robert's Bridge</u>
ASSETS:			
Cash and Cash Equivalents	\$ 5,988	3,284	1,120
Investments	-	-	-
Receivables (net of allowance for uncollectibles):			
Taxes	-	-	-
Accounts	-	-	-
Accrued Interest	-	-	-
Due from Other Governments	-	-	-
Due from Other Funds	-	-	-
Loans Receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
 Total Assets	 \$ <u>5,988</u>	 <u>3,284</u>	 <u>1,120</u>
LIABILITIES:			
Accounts Payable	\$ 646	227	-
Accrued Wages and Benefits	-	195	-
Due to Other Funds	-	-	-
Deferred Revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities	 <u>646</u>	 <u>422</u>	 <u>-</u>
FUND BALANCE:			
Reserved for:			
Encumbrances	-	-	-
Loans Receivable	-	-	-
Unreserved:			
Undesignated	<u>5,342</u>	<u>2,862</u>	<u>1,120</u>
 Total Fund Balance	 <u>5,342</u>	 <u>2,862</u>	 <u>1,120</u>
 Total Liabilities and Fund Balance	 \$ <u>5,988</u>	 <u>3,284</u>	 <u>1,120</u>

Community Development	Fort St. Clair	Small Cities	Total Special Revenue Funds
4,154	13,335	-	337,296
-	-	-	-
-	-	-	65,500
-	115	-	115
-	-	-	-
-	-	35,000	182,720
-	-	-	18,949
<u>10,540</u>	<u>-</u>	<u>-</u>	<u>10,540</u>
<u>14,694</u>	<u>13,450</u>	<u>35,000</u>	<u>615,120</u>
-	1,405	-	45,267
-	177	-	6,797
-	-	35,000	35,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>188,866</u>
<u>-</u>	<u>1,582</u>	<u>35,000</u>	<u>275,930</u>
-	-	-	22,900
10,540	-	-	10,540
<u>4,154</u>	<u>11,868</u>	<u>-</u>	<u>305,750</u>
<u>14,694</u>	<u>11,868</u>	<u>-</u>	<u>339,190</u>
<u>14,694</u>	<u>13,450</u>	<u>35,000</u>	<u>615,120</u>

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CITY OF EATON, OHIO
 Combined Statement of Revenue, Expenditures and
 Changes in Fund Balance
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2002

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:			
Property Taxes	\$ 60,977	-	60,977
State Levied Shared Taxes	286,654	-	286,654
Intergovernmental Revenue	35,000	-	35,000
Charges for Services	70,332	-	70,332
Licenses and Permits	1,280	-	1,280
Investment Income	363	306	669
Fees, Fines and Forfeitures	244,252	-	244,252
Other Revenue	29,185	-	29,185
	<u>728,043</u>	<u>306</u>	<u>728,349</u>
EXPENDITURES:			
Current:			
General Government	159,370	306	159,676
Public Health	124,352	-	124,352
Transportation	270,090	-	270,090
Culture and Recreation	156,221	-	156,221
Capital Outlay	344,967	-	344,967
	<u>1,055,000</u>	<u>306</u>	<u>1,055,306</u>
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>(326,957)</u>	<u>-</u>	<u>(326,957)</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	<u>106,635</u>	<u>-</u>	<u>106,635</u>
	<u>106,635</u>	<u>-</u>	<u>106,635</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(220,322)	-	(220,322)
Fund Balance, Beginning of Year	<u>559,512</u>	<u>10,000</u>	<u>569,512</u>
Fund Balance, End of Year	<u>\$ 339,190</u>	<u>10,000</u>	<u>349,190</u>

CITY OF EATON, OHIO
Combining Statement of Revenue, Expenditures and
Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2002

	Indigent Driver	Enforcement & Education	Law Enforcement
REVENUES:			
Property Taxes	\$ -	-	-
State Levied Shared Taxes	-	-	-
Intergovernmental Revenue	-	-	-
Charges for Services	-	-	-
Licenses and Permits	-	-	-
Investment Income	-	-	-
Fees, Fines and Forfeitures	15,115	3,080	667
Other Revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>15,115</u>	<u>3,080</u>	<u>667</u>
EXPENDITURES:			
Current:			
General Government	-	-	-
Public Health	26,247	605	-
Transportation	-	-	-
Culture and Recreation	-	-	-
Capital Outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>26,247</u>	<u>605</u>	<u>-</u>
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>(11,132)</u>	<u>2,475</u>	<u>667</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(11,132)	2,475	667
Fund Balance, Beginning of Year	<u>93,162</u>	<u>3,513</u>	<u>2,044</u>
Fund Balance, End of Year	\$ <u>82,030</u>	<u>5,988</u>	<u>2,711</u>

<u>Computerization Upgrade</u>	<u>Municipal Court Special Projects</u>	<u>Street Construction, Maintenance & Repair</u>	<u>State Highway Improvement</u>	<u>Cemetery</u>
-	-	-	-	60,977
-	-	261,321	21,189	4,144
-	-	-	-	-
-	-	616	-	-
-	-	1,280	-	-
-	-	-	-	-
93,442	131,948	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>93,442</u>	<u>131,948</u>	<u>263,217</u>	<u>21,189</u>	<u>65,121</u>
73,793	85,577	-	-	-
-	-	-	-	97,500
-	-	252,013	18,077	-
-	-	-	-	-
80,762	181,100	-	-	-
<u>154,555</u>	<u>266,677</u>	<u>252,013</u>	<u>18,077</u>	<u>97,500</u>
<u>(61,113)</u>	<u>(134,729)</u>	<u>11,204</u>	<u>3,112</u>	<u>(32,379)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,435</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,435</u>
(61,113)	(134,729)	11,204	3,112	(944)
<u>67,343</u>	<u>267,830</u>	<u>57,806</u>	<u>1,122</u>	<u>944</u>
<u>6,230</u>	<u>133,101</u>	<u>69,010</u>	<u>4,234</u>	<u>-</u>

(Continued)

CITY OF EATON, OHIO
Combining Statement of Revenue, Expenditures and
Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2002

	Recreation	Swimming Pool	Robert's Bridge
REVENUES:			
Property Taxes	\$ -	-	-
State Levied Shared Taxes	-	-	-
Intergovernmental Revenue	-	-	-
Charges for Services	13,313	56,403	-
Licenses and Permits	-	-	-
Investment Income	-	-	-
Fees, Fines and Forfeitures	-	-	-
Other Revenue	-	-	-
	<u>13,313</u>	<u>56,403</u>	<u>-</u>
Total Revenues	<u>13,313</u>	<u>56,403</u>	<u>-</u>
EXPENDITURES:			
Current:			
General Government	-	-	-
Public Health	-	-	-
Transportation	-	-	-
Culture and Recreation	28,988	76,770	115
Capital Outlay	-	-	-
	<u>28,988</u>	<u>76,770</u>	<u>115</u>
Total Expenditures	<u>28,988</u>	<u>76,770</u>	<u>115</u>
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>(15,675)</u>	<u>(20,367)</u>	<u>(115)</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	<u>20,000</u>	<u>22,600</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>22,600</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	4,325	2,233	(115)
Fund Balance, Beginning of Year	<u>1,017</u>	<u>629</u>	<u>1,235</u>
Fund Balance, End of Year	\$ <u><u>5,342</u></u>	<u><u>2,862</u></u>	<u><u>1,120</u></u>

Community Development	Fort St. Clair	Small Cities	Total Special Revenue Funds
-	-	-	60,977
-	-	-	286,654
-	-	35,000	35,000
-	-	-	70,332
-	-	-	1,280
363	-	-	363
-	-	-	244,252
-	29,185	-	29,185
<u>363</u>	<u>29,185</u>	<u>35,000</u>	<u>728,043</u>
-	-	-	159,370
-	-	-	124,352
-	-	-	270,090
-	50,348	-	156,221
<u>45,810</u>	<u>-</u>	<u>37,295</u>	<u>344,967</u>
<u>45,810</u>	<u>50,348</u>	<u>37,295</u>	<u>1,055,000</u>
<u>(45,447)</u>	<u>(21,163)</u>	<u>(2,295)</u>	<u>(326,957)</u>
-	32,600	-	106,635
-	32,600	-	106,635
(45,447)	11,437	(2,295)	(220,322)
<u>60,141</u>	<u>431</u>	<u>2,295</u>	<u>559,512</u>
<u>14,694</u>	<u>11,868</u>	<u>-</u>	<u>339,190</u>

CITY OF EATON, OHIO
Indigent Driver Education and Training Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Fees, Fines and Forfeitures	\$ 10,000	10,000	12,154	2,154
EXPENDITURES:				
Public Health	102,578	102,578	23,034	79,544
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(92,578)	(92,578)	(10,880)	81,698
Fund Balance, Beginning of Year	92,578	92,578	92,578	-
Fund Balance, End of Year	\$ -	-	81,698	81,698

CITY OF EATON, OHIO
Enforcement and Education Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Fees, Fines and Forfeitures	\$ 1,000	1,000	2,407	1,407
EXPENDITURES:				
Public Health	4,387	4,387	605	3,782
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(3,387)	(3,387)	1,802	5,189
OTHER FINANCING SOURCES (USES):				
Sale of Fixed Assets	-	-	568	568
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(3,387)	(3,387)	2,370	5,757
Fund Balance, Beginning of Year	3,387	3,387	3,387	-
Fund Balance, End of Year	\$ -	-	5,757	5,757

CITY OF EATON, OHIO
 Law Enforcement Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
 For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Fees, Fines and Forfeitures	\$ -	-	667	667
EXPENDITURES:				
Public Safety	2,044	2,044	-	2,044
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(2,044)	(2,044)	667	2,711
Fund Balance, Beginning of Year	2,044	2,044	2,044	-
Fund Balance, End of Year	\$ -	-	2,711	2,711

CITY OF EATON, OHIO
 Computerization Upgrade Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
 For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Fees, Fines and Forfeitures	\$ 80,000	92,000	92,843	843
EXPENDITURES:				
General Government	141,421	153,421	145,325	8,096
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(61,421)	(61,421)	(52,482)	8,939
Fund Balance, Beginning of Year	12,529	12,529	12,529	-
Prior Year Encumbrances Appropriated	48,892	48,892	48,892	-
Fund Balance, End of Year	\$ -	-	8,939	8,939

CITY OF EATON, OHIO
Municipal Court Special Projects Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Fees, Fines and Forfeitures	\$ 100,000	100,000	131,008	31,008
EXPENDITURES:				
General Government	<u>358,096</u>	<u>358,096</u>	<u>289,577</u>	<u>68,519</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(258,096)	(258,096)	(158,569)	99,527
Fund Balance, Beginning of Year	254,606	254,606	254,606	-
Prior Year Encumbrances Appropriated	<u>3,490</u>	<u>3,490</u>	<u>3,490</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>99,527</u>	<u>99,527</u>

CITY OF EATON, OHIO
Street Construction, Maintenance and Repair Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Levied Shared Taxes	\$ 244,300	244,300	261,114	16,814
Charges for Services	-	-	616	616
Licenses and Permits	<u>-</u>	<u>-</u>	<u>1,280</u>	<u>1,280</u>
Total Revenues	244,300	244,300	263,010	18,710
EXPENDITURES:				
Transportation	<u>293,560</u>	<u>293,560</u>	<u>252,197</u>	<u>41,363</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(49,260)	(49,260)	10,813	60,073
Fund Balance, Beginning of Year	48,662	48,662	48,662	-
Prior Year Encumbrances Appropriated	<u>598</u>	<u>598</u>	<u>598</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>60,073</u>	<u>60,073</u>

CITY OF EATON, OHIO
 State Highway Improvement Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
 For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Levied Shared Taxes	\$ 19,790	19,790	21,172	1,382
EXPENDITURES:				
Transportation	20,329	20,329	18,591	1,738
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(539)	(539)	2,581	3,120
Fund Balance, Beginning of Year	539	539	539	-
Fund Balance, End of Year	\$ -	-	3,120	3,120

CITY OF EATON, OHIO
 Cemetery Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
 For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 63,850	63,850	61,921	(1,929)
State Levied Shared Taxes	4,200	4,200	4,144	(56)
Total Revenues	68,050	68,050	66,065	(1,985)
EXPENDITURES:				
Public Health	97,500	97,500	97,500	-
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(29,450)	(29,450)	(31,435)	(1,985)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	29,450	29,450	31,435	1,985
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	-	-	-

CITY OF EATON, OHIO
 Recreation Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
 For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Charges for Services	\$ 12,099	13,100	13,313	213
EXPENDITURES:				
Culture and Recreation	65,953	34,954	29,179	5,775
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(53,854)	(21,854)	(15,866)	5,988
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	52,000	20,000	20,000	-
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(1,854)	(1,854)	4,134	5,988
Fund Balance, Beginning of Year	1,854	1,854	1,854	-
Fund Balance, End of Year	\$ -	-	5,988	5,988

CITY OF EATON, OHIO
 Swimming Pool Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
 For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Charges for Services	\$ 38,000	56,385	56,403	18
EXPENDITURES:				
Culture and Recreation	79,862	79,862	76,581	3,281
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(41,862)	(23,477)	(20,178)	3,299
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	41,000	22,615	22,600	(15)
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(862)	(862)	2,422	3,284
Fund Balance, Beginning of Year	603	603	603	-
Prior Year Encumbrances Appropriated	259	259	259	-
Fund Balance, End of Year	\$ -	-	3,284	3,284

CITY OF EATON, OHIO
 Roberts Bridge Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
 For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Other Revenue	\$ -	-	-	-
EXPENDITURES:				
Culture and Recreation	1,235	1,235	115	1,120
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(1,235)	(1,235)	(115)	1,120
Fund Balance, Beginning of Year	1,235	1,235	1,235	-
Fund Balance, End of Year	\$ -	-	1,120	1,120

CITY OF EATON, OHIO
 Community Development Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
 For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Investment Earnings	\$ 720	720	1,094	374
EXPENDITURES:				
Community Development	49,589	49,589	45,809	3,780
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(48,869)	(48,869)	(44,715)	4,154
Fund Balance, Beginning of Year	8,121	8,121	8,121	-
Prior Year Encumbrances Appropriated	40,748	40,748	40,748	-
Fund Balance, End of Year	\$ -	-	4,154	4,154

CITY OF EATON, OHIO
Fort St. Clair Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Other Revenue	\$ 26,500	24,200	29,257	5,057
EXPENDITURES:				
Culture and Recreation	<u>57,476</u>	<u>55,176</u>	<u>50,498</u>	<u>4,678</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(30,976)	(30,976)	(21,241)	9,735
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	<u>29,000</u>	<u>29,000</u>	<u>32,600</u>	<u>3,600</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(1,976)	(1,976)	11,359	13,335
Fund Balance, Beginning of Year	<u>1,976</u>	<u>1,976</u>	<u>1,976</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>13,335</u>	<u>13,335</u>

CITY OF EATON, OHIO
Small Cities Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental Revenue	\$ 32,000	35,000	-	(35,000)
EXPENDITURES:				
Community Development	<u>34,295</u>	<u>37,295</u>	<u>37,295</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(2,295)	(2,295)	(37,295)	(35,000)
OTHER FINANCING SOURCES (USES):				
Advances In	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,295)	(2,295)	(2,295)	-
Fund Balance, Beginning of Year	43	43	43	-
Prior Year Encumbrances Appropriated	<u>2,252</u>	<u>2,252</u>	<u>2,252</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*STATISTICAL
SECTION*

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
1993	\$ 1,778,996	\$ 85,594	\$ 20,113	\$ 108,517	\$ 22,487	\$ 322,663	\$ 58,976	\$ 2,397,346
1994	2,063,875	107,978	19,676	118,456	33,823	409,225	49,638	2,802,671
1995	2,023,386	124,051	23,096	119,799	82,713	497,186	87,617	2,957,848
1996	2,255,916	126,882	27,531	109,267	125,102	471,601	67,524	3,183,823
1997	2,424,493	139,763	45,413	126,743	179,938	483,229	106,939	3,506,518
1998	2,633,406	145,578	31,208	113,770	215,827	512,071	59,954	3,711,814
1999	2,839,679	153,018	30,262	127,092	166,098	555,404	13,577	3,885,130
2000	2,993,588	159,067	2,845	113,911	214,542	574,463	17,830	4,076,246
2001	2,879,400	187,458	37,648	137,987	153,446	617,928	39,796	4,053,663
2002	2,657,133	200,725	38,296	137,191	77,463	586,477	15,589	3,712,874

Source: City of Eaton, Finance Department

(A) Includes property, income, state-levied and shared and other local taxes.

TABLE 2

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
		\$		\$		\$		\$		\$		\$	
1993		\$ 738,867		\$ 1,059,070		\$ 18,113		\$ 96,539		\$ 80,378		\$ -	\$ 1,992,967
1994		817,296		1,161,519		18,353		100,576		82,047		-	2,179,791
1995		748,575		1,269,095		18,113		123,964		98,901		-	2,258,648
1996		861,931		1,380,869		18,113		128,477		100,740		-	2,490,130
1997		819,741		1,441,443		18,113		134,383		100,229		-	2,513,909
1998		916,950		1,522,883		18,113		154,099		108,105		-	2,720,150
1999		1,202,281		1,581,410		18,113		152,040		112,582		-	3,066,426
2000		1,266,508		1,748,473		29,202		177,100		134,127		202,196	3,557,606
2001		1,387,441		1,767,387		29,202		231,132		144,542		251,868	3,811,572
2002		1,397,208		1,848,555		31,195		234,119		147,938		190,810	3,849,825

Source: City of Eaton, Finance Department

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

TABLE 3

Tax Year/ Collection Year	Real Property		Personal Property Assessed Value (B)	Public Utilities Assessed Value	Total Assessed Value
	Assessed Value	Estimated Actual Value (A)			
1992/1993	\$ 68,250,910	\$ 195,002,600	\$ 29,850,890	\$ 5,956,490	\$ 104,058,290
1993/1994	70,441,150	201,260,429	31,082,780	6,028,510	107,552,440
1994/1995	72,523,590	207,210,257	34,051,380	5,873,980	112,448,950
1995/1996	82,337,270	235,249,342	37,300,100	5,855,660	125,493,030
1996/1997	84,294,240	240,840,690	37,365,190	6,670,130	128,329,560
1997/1998	87,644,520	250,412,914	34,260,320	7,357,480	129,262,320
1998/1999	105,034,610	300,098,886	33,574,060	7,383,280	145,991,950
1999/2000	109,053,270	311,580,771	38,612,260	7,446,000	155,111,530
2000/2001	110,980,570	317,087,343	41,584,980	5,215,340	157,780,890
2001/2002	123,174,090	351,925,971	38,263,490	5,431,310	166,868,890

Source: Preble County Auditor
 (A) Estimated actual value based on assessment level of 35 percent.
 (B) Beginning in 1992/1993 personal property assessed values include late and extended filers.

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		Pension		Eaton		Total
	Fund (A)	Fund (A)	Trust Funds	Total	School District	Preble County	
1992/1993	4.00	4.00	0.60	4.60	36.88	7.97	49.45
1993/1994	4.00	4.00	0.60	4.60	37.48	7.97	50.05
1994/1995	4.00	4.00	0.60	4.60	36.98	7.97	49.55
1995/1996	4.00	4.00	0.60	4.60	36.48	7.97	49.05
1996/1997	4.00	4.00	0.60	4.60	35.98	7.67	48.25
1997/1998	4.00	4.00	0.60	4.60	35.78	8.67	49.05
1998/1999	4.00	4.00	0.60	4.60	35.78	8.67	49.05
1999/2000	4.00	4.00	0.60	4.60	35.78	8.07	48.45
2000/2001	4.00	4.00	0.60	4.60	33.10	8.07	45.77
2001/2002	4.00	4.00	0.60	4.60	38.60	7.88	51.08

Source: Preble County Auditor

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

TABLE 5

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

Tax Year/ Collection Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Total Tax Collections Including Delinquencies	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes
1992/1993	\$ 295,223	\$ 230,635	78.12%	\$ 239,480	81.12%	\$ 18,121
1993/1994	254,839	246,932	96.90%	254,873	100.01%	18,122
1994/1995	261,600	254,025	97.10%	263,691	100.80%	16,642
1995/1996	235,399	228,099	96.90%	237,489	100.89%	16,117
1996/1997	366,406	336,553	91.85%	349,218	95.31%	33,305
1997/1998	301,640	294,261	97.55%	302,481	100.28%	32,504
1998/1999	316,110	304,830	96.43%	313,810	99.27%	34,804
1999/2000	360,950	352,140	97.56%	364,755	101.05%	30,988
2000/2001	375,462	365,291	97.29%	374,930	99.86%	31,520
2001/2002	414,749	388,281	93.62%	399,908	96.42%	31,004

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
1992/1993	\$ 14,266	\$ 15,892	111.40%	\$ 36,870
1993/1994	14,070	13,287	94.43%	39,134
1994/1995	25,005	26,947	107.77%	42,316
1995/1996	22,244	24,071	108.21%	45,753
1996/1997	23,304	24,609	105.60%	44,448
1997/1998	23,386	29,017	124.08%	38,817
1998/1999	20,490	26,525	129.45%	32,782
1999/2000	2,470	5,248	212.47%	30,004
2000/2001	50,367	48,878	97.04%	31,493
2001/2002	68,646	69,087	100.64%	2,062 *

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

Source: Preble County Auditor

CITY OF EATON
 Computation of Legal Debt Margin
 December 31, 2002

TABLE 7

Total assessed valuation		\$ 166,868,890
Overall debt limitation 10 1/2% of assessed valuation		17,521,233
Gross indebtedness	\$ 863,355	
Less: Debt outside limitations	<u>863,355</u>	
Debt within 10 1/2% limitation	-	
Less: Bond Retirement Fund balance	<u>-</u>	
Net debt within 10 1/2% limitation		<u>-</u>
Legal debt margin within 10 1/2% limitation		\$ <u>17,521,233</u>
Unvoted debt limitation 5 1/2% of assessed valuation		\$ 9,177,789
Gross indebtedness authorized by Council	863,355	
Less: Debt outside limitations	<u>863,355</u>	
Debt within 5 1/2% limitation	-	
Less: Bond Retirement Fund balance	<u>-</u>	
Net debt within 5 1/2% limitation		<u>-</u>
Legal debt margin within 5 1/2% limitation		\$ <u>9,177,789</u>

Source: City of Eaton, Finance Department

CITY OF EATON
 Computation of Direct and Overlapping Debt
 December 31, 2002

TABLE 8

	Net Debt Outstanding	Percentage Applicable to City of Eaton	Amount Applicable to City of Eaton
City of Eaton	\$ 863,355	100.0%	\$ 863,355
Preble County	\$ 8,969,048	0.0%	\$ -

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

CITY OF EATON, OHIO
 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
1993	7,396	\$ 104,058,290	\$ 94,000	\$ 9,875	\$ 84,125	0.08	11.37
1994	7,396	107,552,440	45,000	11,716	33,284	0.03	4.50
1995	7,396	112,448,950	-	-	-	-	-
1996	7,396	125,493,030	-	-	-	-	-
1997	7,396	128,329,560	-	-	-	-	-
1998	7,396	129,262,320	-	-	-	-	-
1999	7,396	145,991,950	-	-	-	-	-
2000	8,133	155,111,530	-	-	-	-	-
2001	8,133	157,780,890	-	-	-	-	-
2002	8,133	166,868,890	-	-	-	-	-

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

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

TABLE 10

Year	Principal	Interest (B)	Total Debt Service	General Fund Expenditures (C)	Ratio of Debt Service to General Fund Expenditures
1993	\$ 48,000	\$ 9,391	\$ 57,391	\$ 2,179,399	2.63%
1994	49,000	6,191	55,191	2,356,478	2.34%
1995	45,000	2,981	47,981	2,593,051	1.85%
1996	-	-	-	2,907,679	0.00%
1997	-	-	-	2,977,448	0.00%
1998	-	-	-	3,659,286	0.00%
1999	-	-	-	3,680,800	0.00%
2000	-	-	-	3,557,606	0.00%
2001	-	-	-	3,811,572	0.00%
2002	-	-	-	3,849,825	0.00%

Source: City of Eaton, Finance Department

- (A) General obligation bonds reported in the enterprise funds and special assessment debt with government commitment commitment have been excluded.
- (B) Excludes bond issuance and other costs.
- (C) General Fund Expenditures include both current and capital outlay expenditures.

CITY OF EATON
Demographic Statistics
December 31, 2002

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>1,690</u>	<u>2,693</u>	<u>2,032</u>	<u>2,146</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, 2002

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

TABLE 13

Year	Commercial/ Industrial Construction (A)	Preble County Bank Deposits (In Thousands) (B)		Total Assessed Value (A)	
		Residential Construction (A)		Commercial	Residential
1993	\$ 319,780	\$ 714,480	\$ 272,461	\$ 14,345,980	\$ 46,500,300
1994	1,053,160	930,970	275,610	15,703,330	47,056,480
1995	1,065,150	891,980	286,901	16,263,300	48,172,660
1996	1,002,930	1,006,630	127,809	16,546,090	56,997,850
1997	1,002,720	1,201,730	138,869	25,687,170	58,249,620
1998	1,215,440	1,491,010	144,073	27,144,510	60,134,440
1999	346,110	1,392,690	(C)	33,153,990	71,431,850
2000	1,677,520	1,678,510	166,193	34,845,800	73,792,310
2001	564,000	1,134,950	171,949	35,508,050	75,101,760
2001	698,660	1,100,870	178,262	35,913,690	86,792,770

(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, 2002

TABLE 14

Taxpayer	Type of Business	Real Property 2001 Assessed Valuation (A)	Percentage of Total Assessed Valuation
Neaton Auto Products	Manufacturing	\$ 11,560,220	6.93%
Henny Penny Corporation	Food Service	7,013,480	4.20%
Bullen Ultrasonics	Manufacturing	5,853,290	3.51%
Timken Company	Manufacturing	4,632,240	2.78%
Weyerhaeuser Company	Manufacturing	4,160,710	2.49%
Dayton Power and Light	Public Utility	3,758,770	2.25%
Parker Hannfin Corp.	Manufacturing	3,345,810	2.01%
Durbin-Eaton Properties, LLC./Kroger's	Retail	2,302,390	1.38%
Continental 51 Fund	Real Estate	2,123,420	1.27%
Maxxim Medical	Health Care	<u>1,300,400</u>	<u>0.78%</u>
Total		<u>\$ 46,050,730</u>	<u>27.60%</u>
Total assessed valuation of city		<u>\$ 166,868,890</u>	

A. Property assessed at 35 percent of fair market value.

CITY OF EATON, OHIO
Other Statistics
December 31, 2002

TABLE 15

Date of incorporation	January 31, 1836
Form of government	Council/Manager
Area	3,820 square acres
Miles of streets	41
Number of street lights	566
Fire protection and emergency rescue:	
Number of stations	2
Number of firemen and EMS personnel (volunteer)	68
Police protection:	
Number of stations	1
Number of policemen and officers	13
Municipal water department:	
Number of consumers	3,352
Average daily production	1,400,766 gallons
Miles of water mains	55
Sewers:	
Miles of storm sewers	18
Miles of sanitary sewers	41
Buildings:	
2002 permits issued	130
2002 valuation of construction	\$9,427,935
Parks and recreation:	
Number of parks	9
Number of tennis courts	3
Number of baseball diamonds	10
Number of swimming pools	1
Employees:	
Classified service	55
Exempt	13

Source: City of Eaton, Ohio

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**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

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
SEPTEMBER 25, 2003**