



**Auditor of State  
Betty Montgomery**



CITY OF EATON  
PREBLE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	Under Separate Cover
Comprehensive Annual Financial Report .....	Under Separate Cover
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	1

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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, 2003, and have issued our report thereon dated June 30, 2004. 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 certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 30, 2004.

**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 June 30, 2004.

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

June 30, 2004

**CITY OF EATON, OHIO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended December 31, 2003**

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

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**CITY OF EATON, OHIO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended December 31, 2003**

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**TABLE OF CONTENTS**

**INTRODUCTORY SECTION:**

Table of Contents .....	i – iii
Letter of Transmittal .....	v – xi
Listing of Principal City Officials .....	xii
Organizational Chart – City .....	xiii
Organizational Chart – Department of Finance .....	xiv
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	xv

**FINANCIAL SECTION:**

Independent Accountants' Report .....	1 – 2
Management's Discussion and Analysis .....	3 – 10

**Basic Financial Statements:**

Government-Wide Financial Statements:

Statement of Net Assets .....	12
Statement of Activities .....	13

Fund Financial Statements:

Balance Sheet – Governmental Funds .....	14 – 15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	16 – 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Net Assets – Proprietary Funds .....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	19
Statement of Cash Flows – Proprietary Funds .....	20
Statement of Fiduciary Net Assets – Agency Fund .....	21
Notes to the Basic Financial Statements .....	23 – 44

**Required Supplementary Information:**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary (Non-GAAP)Basis – General Fund .....	46
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary (Non-GAAP)Basis – Public Safety Fund .....	47
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary (Non-GAAP)Basis – Municipal Court Special Projects Fund .....	48
Notes to the Required Supplementary Information .....	49 – 50

**CITY OF EATON, OHIO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended December 31, 2003**

---

**TABLE OF CONTENTS**

**Supplementary Information:**

Major Governmental Funds:

Fund Descriptions.....	53
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary (Non-GAAP) Basis – General Fund.....	54 – 55
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary (Non-GAAP) Basis – Public Safety Fund .....	56
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary (Non-GAAP) Basis – Municipal Court Special Projects Fund .....	57
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary (Non-GAAP) Basis – Capital Improvements Fund .....	58

Nonmajor Governmental Funds:

Fund Descriptions.....	59 – 60
Combining Balance Sheet – Nonmajor Governmental Funds.....	61
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	62 – 65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	67 – 71
Combining Statements of Changes in Assets and Liabilities – Agency Fund.....	72

Individual Fund Schedules of Revenues, Expenditures/Expenses and Changes in

Fund Balance/Fund Equity – Budget to Actual – Budgetary (Non-GAAP) Basis:

Indigent Driver .....	73
Enforcement and Education .....	73
Law Enforcement .....	74
Computerization Upgrade .....	74
Street Construction, Maintenance & Repair.....	75
State Highway Improvement.....	75
Cemetery .....	76
Recreation.....	76
Swimming Pool.....	77
Robert’s Bridge .....	77
Community Development .....	78
Fort St. Clair .....	78
Small Cities .....	79
FEMA Grant.....	79

**STATISTICAL SECTION:**

General Fund Revenues by Source – Last Ten Fiscal Years.....	81
General Fund Expenditures by Function – Last Ten Fiscal Years.....	82
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	83
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years .....	84
Property Tax Levies and Collections – Last Ten Fiscal Years.....	85
Special Assessment Collections – Last Ten Fiscal Years .....	86
Computation of Legal Debt Margin .....	87

**CITY OF EATON, OHIO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended December 31, 2003**

---

**TABLE OF CONTENTS**

Computation of Direct and Overlapping Debt .....	88
Ratio of Net General Bonded Debt to Assessed Valuation and Net Bonded Debt per Capita – Last Ten Fiscal Years .....	89
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures – Last Ten Fiscal Years .....	90
Demographic Statistics .....	91
Employment Distribution by Industry .....	92
Property Value, New Construction and Bank Deposits – Last Ten Fiscal Years.....	93
Principal Taxpayers .....	94
Other Statistics .....	95

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# City of Eaton

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

June 30, 2004

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, 2003 is herewith submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the information and data presented in the report is accurate in all material aspects and is illustrated in a manner to fairly reflect the financial position and operating results of the City for the period covered herein. All disclosures necessary to enable the reader to gain an understanding of the local government's financial activities are included.

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

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

**I. Introductory**

This section includes the table of contents, this transmittal letter, a list of principal officials, organization charts of the City, and a Certificate of Achievement for the 2002 CAFR.

**II. Financial**

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

**III. Statistical**

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

## **THE CITY**

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

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

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

## **GOVERNMENTAL ORGANIZATION**

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

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

## **MUNICIPAL SERVICES**

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

### *DEPARTMENT OF PUBLIC SAFETY*

**Division of Police:** The Division of Police consists of 14 full-time sworn officers, 1 part-time sworn officer, a parking control officer, a data management officer and five radio dispatchers, under the direction of the Chief of Police. The division provides law enforcement related service involving the protection of lives and property within the corporation limits. During 2003 the division responded to 11,318 calls. The five dispatchers received 13,846 public safety calls, of which 2,376 were 911 calls.

**Division of Fire:** The Division of Fire is directed by a full-time Fire Chief who manages 33 part-time firefighters. The division provides fire protection and related services within the City and by contractual agreement to several surrounding townships. During 2003, the division responded to 47 fire calls, 56 accidents with injuries, 25 haz-mat incidents and 108 miscellaneous alarm calls. In addition, they performed 204 investigations.

**Division of Emergency Medical Services:** The Eaton Emergency Squad is directed by a full-time Squad Chief who manages 10 paramedics, 21 emergency medical technicians, and one driver, providing vital emergency medical services to the community and surrounding townships. The Emergency Squad operates two mobile intensive care units and provides basic and advanced life support services. During 2003, the Emergency Squad placed over 66,000 miles on its two ambulances in responding to 2,026 calls. These calls resulted in the treatment of 2,077 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 2003, the division issued 35 residential new construction and 33 residential addition permits which required 322 inspections. There were 56 commercial/industrial permits issued with 401 inspections. A total of 519 miscellaneous permits were issued for sheds, garages, electrical, HVAC, sprinklers, pools, roofing, signs, and demolitions, which required 915 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 2003 the City pumped 498 million gallons of water from its seven operating wells and treated 568 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, seven full-time deputy clerks and two part-time deputy clerks. The court has jurisdiction in misdemeanor criminal cases, the initial stages of felony proceedings, civil actions under \$10,000, trusteeships and traffic violations. During 2003, the court processed 11,736 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**

2003 has been a year for designing and engineering major projects from different areas in the City. We have spent the year gearing up and accruing money toward several different projects that are set to begin construction in 2004. The City played an active role in the engineering and design of the infrastructure that will support the new high school on Hillcrest Drive. 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 Brethren Church. This will cause the need for the extension of sanitary sewer lines, road widening, and sidewalks, projects that have been designed and are ready to proceed. Also, the eastward extension of Washington-Jackson Road to meet the northerly extension of Aukerman Street has been designed and will be constructed in 2004. This will allow an alternate route to a new Wal-Mart store that will be built at the intersection of North Barron Street and Washington-Jackson Road. The City has also designed a major upgrade for Aukerman Street, one of the City's major through streets. This upgrade will include water line and sewer line upgrade and rehab, new curb and gutter work, new sidewalks, a street widening in a dangerous area, and a pavement overlay. This project will involve an Issue 2 grant, and will take approximately 18 months to complete.

The City completed the construction of a new Municipal Court facility on Preble Drive, just south of Washington-Jackson Road. After many years of cramped quarters in a leased area of the Courthouse, the staff is pleased with the updated facility.

A major waterline upgrade was completed on West Chicago Street, the second phase of a three year program with funds from the CDBG program.

Earth moving and grading continued at the new recreation park. Drainage pipe was purchased and will be installed by City crews. We hope to be playing on new ball fields in 2005.



Major vehicle and equipment purchases during the year included a new ambulance for the EMS Division, a new pick-up truck for the Public Maintenance Division, and a new Police cruiser.

The City has escrowed \$375,000 with the Preble County Common Pleas Court in anticipation of the settlement of the purchase of our wellfield.

### **ECONOMIC CONDITIONS AND OUTLOOK**

The City is anticipating economic growth to result from the establishment of a Wal-Mart store in 2004-2005. Added to this will be a new High School that is set to open in the fall of 2004. Both of these added features will enhance the attractiveness of our city to outsiders, and should lure new businesses and new residents.

The financial condition of the City remains sound. The City's policy of reserving funds for large capital expenditures and focusing on a well-planned capital improvement program has served us well in the past and we must strive to maintain this policy. We seem to be emerging slightly from the economic recession that has plagued us for the last four years as we marked a modest gain in revenue over 2002. In the General Fund, significant decreases were seen in municipal court revenues (-11.3%), fire contracts (-26.7%), and investment income (-29.7%), but these were offset by increases in the general property tax (+17.3%), the inheritance tax (+65.8%), and building permits (+16.5%).

In the SCMR (Street Construction, Maintenance and Repair) Fund, we also began to see the benefit of an increase in the gas tax which took effect July 1, 2003. We began to see the increase in revenue in September which contributed to an 11.1% increase in fund revenue. This tax is supposed to show an increase of 88% over the next three years, and will have a significant positive effect on our street maintenance account.

The Water Fund posted a significant, and much needed, increase in revenue of 29.5%, which was a result of the rate increase which took effect at the first of 2003. This increase will begin to position this fund for the future plant expansion that will soon be needed.

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.

Residential growth was up slightly again this year, with 35 new home permits issued, compared to 28 in 2002 and 25 in 2001. The City annexed 64.96 acres which was assigned single family residential zoning, setting the stage for future growth.

### **FINANCIAL INFORMATION**

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

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

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

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

**Debt administration:** At December 31, 2003, the City has two debt issues outstanding, an Ohio Public Works Commission Issue II interest-free loan of \$618,750 and a bond indebtedness with USBank in the amount of \$1,342,900. 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.

**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 \$59,086 on all investments for the year ended December 31, 2003.

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, 2003, 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, 2002. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.


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

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

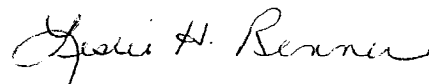
**Acknowledgments:** The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Department of Finance and other City departments. We express our sincere appreciation for the contributions made in the preparation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

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

Sincerely,



David A. Daily  
City Manager



Leslie H. Renner  
Director of Finance

***CITY OF EATON, OHIO***

**LISTING OF PRINCIPAL CITY OFFICIALS  
December 31, 2003**



**ELECTED OFFICIALS**

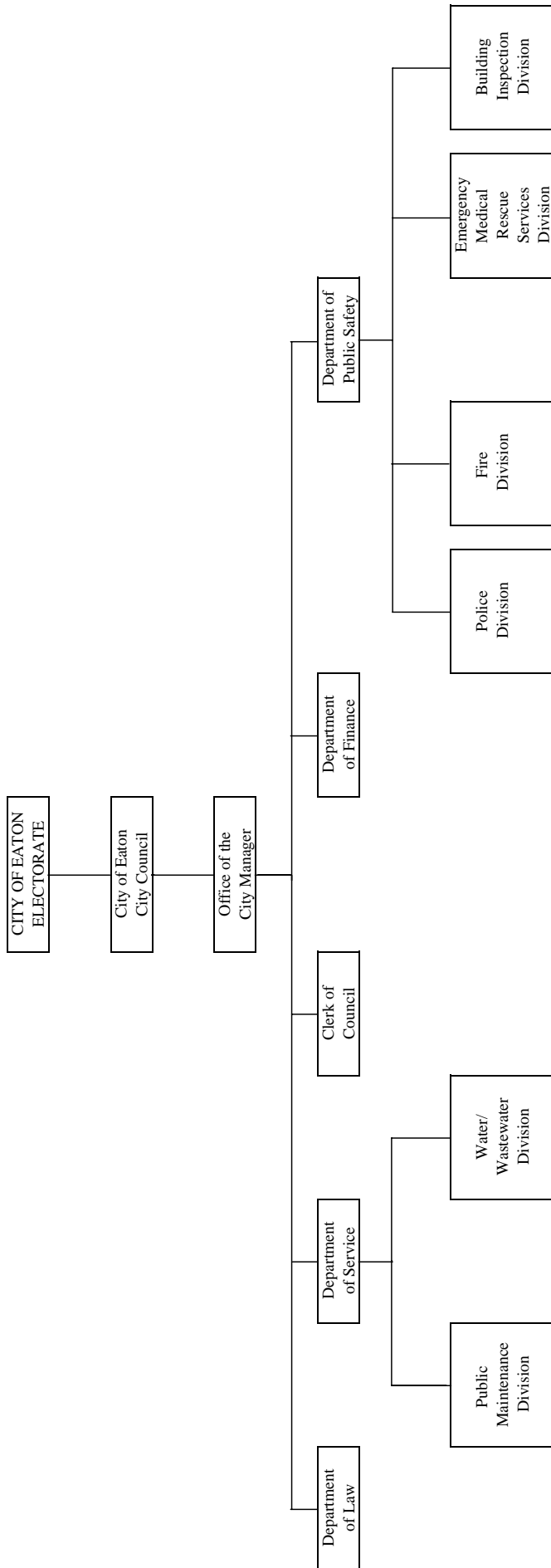
Mayor	Bob Stonecash
Vice-Mayor	Gary Wagner
Council Member	Dave Kirsch
Council Member	Joe Renner
Council Member	Ben Maffett
Municipal Judge	Paul D. Henry

**APPOINTED OFFICIALS**

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

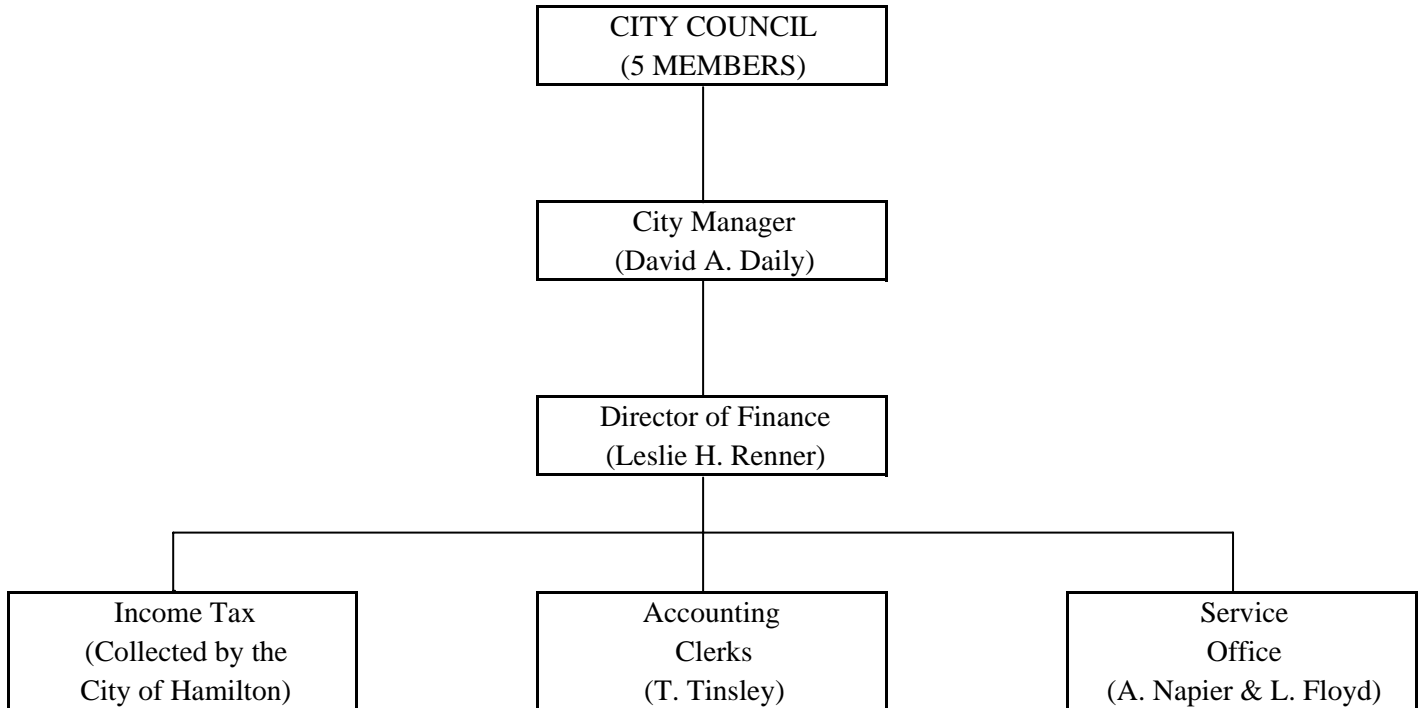
**CITY OF EATON, OHIO**

CITY ORGANIZATION  
as of December 31, 2003



**CITY OF EATON, OHIO**

DEPARTMENT OF FINANCE  
as of December 31, 2003



# 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, 2002

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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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' 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, 2003, 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 of Eaton, Preble County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2004, 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 budgetary comparisons for the general, public safety, and municipal court special projects funds 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.

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.

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

**Betty Montgomery**  
Auditor of State

June 30, 2004

**CITY OF EATON, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2003  
Unaudited

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the City of Eaton's financial performance provides an overview of the City's financial activities for the year ended December 31, 2003. 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 2003 are as follows:

- The Capital Improvement Fund showed a positive net change in fund balance of \$661,758, a 41.3% increase.
- The Municipal Court Special Projects Fund reported an increase in fund balance of \$156,332 as a result of issuing bonds and the collection of court costs.
- Proprietary fund operations posted operating income of \$338,569, leading to an increase in net assets of \$379,945.
- Actual expenditures exceeded actual revenues in the General Fund by \$634,071, which led to a decrease in the unencumbered cash balance to \$1,698,060.

**Using this Comprehensive Financial Report**

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

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

**Reporting the City as a Whole**

*Statement of Net Assets and the Statement of Activities*

"How did the City of Eaton do financially in 2003?" 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.

**CITY OF EATON, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2003  
Unaudited

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

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

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

### **Reporting the City's Most Significant Funds**

#### *Fund Financial Statements*

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

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

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

**CITY OF EATON, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2003  
Unaudited

*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 Basic Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the basic financial statements begin on page 23.

**The City as a Whole**

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

Table 1 provides a summary of the City's net assets for the year ended December 31, 2003 as compared to December 31, 2002:

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

	2003			2002		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other						
Assets	\$ 7,077,138	1,475,246	8,552,384	6,300,228	1,481,901	7,782,129
Capital Assets	4,978,599	4,487,336	9,465,935	4,003,628	4,296,460	8,300,088
Total Assets	<u>12,055,737</u>	<u>5,962,582</u>	<u>18,018,319</u>	<u>10,303,856</u>	<u>5,778,361</u>	<u>16,082,217</u>
Liabilities:						
Current and Other						
Liabilities	1,293,829	107,899	1,401,728	1,114,275	92,231	1,206,506
Long-term Liabilities:						
Due Within One Year	142,861	9,345	152,206	37,500	207,105	244,605
Due in More than than One Year	2,207,631	84,105	2,291,736	962,763	97,737	1,060,500
Total Liabilities	<u>3,644,321</u>	<u>201,349</u>	<u>3,845,670</u>	<u>2,114,538</u>	<u>397,073</u>	<u>2,511,611</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	3,016,949	4,487,336	7,504,285	4,003,628	4,089,355	8,092,983
Restricted	3,473,928	-	3,473,928	1,898,910	-	1,898,910
Unrestricted	1,920,539	1,273,897	3,194,436	2,286,780	1,291,933	3,578,713
Total Net Assets	<u>\$ 8,411,416</u>	<u>5,761,233</u>	<u>14,172,649</u>	<u>8,189,318</u>	<u>5,381,288</u>	<u>13,570,606</u>

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2003, the City's net assets were \$14.2 million. Of this amount, \$7.5 million was invested in capital assets and \$3.5 million was subject to external restrictions for its use. The remaining amount, \$3.2 million, was unrestricted and available for future use as directed by City Council and the City administration.

**CITY OF EATON, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2003  
Unaudited

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

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

	2003			2002		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,218,048	2,370,498	3,588,546	1,246,212	2,133,187	3,379,399
Operating Grants and Contributions	28,453	-	28,453	25,100	-	25,100
Capital Grants and Contributions	196,164	51,462	247,626	111,073	113,581	224,654
General Revenues:						
Property Taxes	635,637	-	635,637	581,914	-	581,914
Municipal Income Taxes	2,809,463	-	2,809,463	2,498,138	-	2,498,138
Grants and Contributions not Restricted	918,067	-	918,067	814,859	-	814,859
Investment Income	59,086	-	59,086	78,132	-	78,132
Gain (Loss) on Sale of Capital Assets	-	-	-	(41,144)	500	(40,644)
Other Revenue	31,600	-	31,600	19,672	-	19,672
<b>Total Revenue</b>	<b>5,896,518</b>	<b>2,421,960</b>	<b>8,318,478</b>	<b>5,333,956</b>	<b>2,247,268</b>	<b>7,581,224</b>
Expenses:						
General Government	1,847,486	-	1,847,486	1,787,812	-	1,787,812
Public Safety	2,180,635	-	2,180,635	2,069,768	-	2,069,768
Public Health	148,194	-	148,194	155,547	-	155,547
Transportation	967,800	-	967,800	986,280	-	986,280
Community Development	208,519	-	208,519	193,767	-	193,767
Culture and Recreation	268,863	-	268,863	169,256	-	169,256
Water	-	749,140	749,140	-	751,735	751,735
Sewer	-	759,188	759,188	-	743,713	743,713
Refuse	-	506,051	506,051	-	489,692	489,692
Other Business-Type Activities	-	27,636	27,636	-	30,644	30,644
Interest Expense	52,923	-	52,923	-	-	-
<b>Total Expenses</b>	<b>5,674,420</b>	<b>2,042,015</b>	<b>7,716,435</b>	<b>5,362,430</b>	<b>2,015,784</b>	<b>7,378,214</b>
Increase (Decrease) in Net Assets	222,098	379,945	602,043	(28,474)	231,484	203,010
Net Assets, Beginning of Year	8,189,318	5,381,288	13,570,606	8,217,792	5,149,804	13,367,596
Net Assets, End of Year	\$ <u>8,411,416</u>	<u>5,761,233</u>	<u>14,172,649</u>	<u>8,189,318</u>	<u>5,381,288</u>	<u>13,570,606</u>

***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 \$936,488, to be credited to the Public Safety program, we see that nearly 46.5% of the net expense of \$2,014,828 is paid by this tax levy. General Government, the next highest function, includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers \$1,001,078. 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 \$957,337.

**CITY OF EATON, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2003  
Unaudited

***Business-Type Activities***

Overall, the City's business-type activities generated \$2.4 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 \$51,462 for the upgrade of sewer lines on West Chicago Street. Fees for usage are increased as necessary to cover the costs of these essential services.

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

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

	Governmental Activities			
	2003		2002	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$ 1,847,486	(1,001,078)	1,787,812	(973,007)
Public Safety	2,180,635	(2,014,828)	2,069,768	(1,863,463)
Public Health	148,194	(120,448)	155,547	(137,352)
Transportation	967,800	(957,337)	986,280	(986,280)
Community Development	208,519	127,655	193,767	54,497
Culture and Recreation	268,863	(212,796)	169,256	(74,440)
Interest Expense	52,923	(52,923)	-	-
<b>Total Expenses</b>	<b>\$ 5,674,420</b>	<b>(4,231,755)</b>	<b>5,362,430</b>	<b>(3,980,045)</b>
	Business-Type Activities			
	2003		2002	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Water	\$ 749,140	354,332	751,735	77,668
Sewer	759,188	44,772	743,713	166,607
Refuse	506,051	(13,928)	489,692	(10,292)
Other Business-Type Activities	27,636	(5,231)	30,644	(2,999)
<b>Total Expenses</b>	<b>\$ 2,042,015</b>	<b>379,945</b>	<b>2,015,784</b>	<b>230,984</b>

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.

**CITY OF EATON, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2003  
Unaudited

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**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 \$5.1 million, of which \$4.7 million is unreserved. Revenues and expenditures are reflected on pages 16 – 17. The net change in fund balances is \$616,577.

The General Fund balance declined by \$164,122, caused by a modest increase in expenditures in each program.

The Capital Improvement Fund showed a balance increase of \$661,758, as we continue to accrue funds for the major reconstruction of Aukerman Street which is planned for 2004 and 2005.

Governmental fund expenditures showed an increase over 2002 of \$1,149,614, or 20.9%. This significant increase is directly related to the construction of a new Municipal Court building for \$1,340,485.

The proprietary funds showed a net operating income of \$338,569. The water and sewer funds will be looking at major expansion projects in the near future and we have begun to accrue funds toward these projects. The sewer fund paid the final payment on 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 in both the water and sewer funds to pay for the debt service that will be needed for the expansion of these facilities. This is in keeping with the philosophy that a proprietary fund be treated as a business-type activity.

***General Fund Budgeting Highlights***

There were no unexpected variances within the general fund budget or budget to actual statements. The General Fund's actual revenues were enhanced due to a positive variance from the inheritance tax of \$261,948. This line item is intentionally budgeted low, as there is no guarantee of an amount for this tax.

Fire contract revenues were down due to a mutual agreement to drop a neighboring township as they began their own fire service. The only other unfavorable variance was seen in Municipal Court fees and fines, which has seen a decline due to the relocation of the State Highway Patrol office from our county.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At December 31, 2003, the City has invested in land, construction in progress, buildings and equipment with amounts totaling \$8.4 million and \$10.9 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2003 balances compared to December 31, 2002 amounts; however, information on the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 9.



**CITY OF EATON, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2003  
Unaudited

**TABLE 4**  
Capital Assets, December 31

	2003			2002		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 820,439	79,892	900,331	820,439	79,892	900,331
Construction in Progress	1,067,973	455,993	1,523,966	-	-	-
Buildings	2,534,963	5,427,971	7,962,934	2,534,963	5,427,971	7,962,934
Equipment	4,061,542	4,902,658	8,964,200	3,834,281	4,855,653	8,689,934
Less: Accumulated Depreciation	<u>(3,506,318)</u>	<u>(6,379,178)</u>	<u>(9,885,496)</u>	<u>(3,186,055)</u>	<u>(6,067,056)</u>	<u>(9,253,111)</u>
Totals	<u>\$ 4,978,599</u>	<u>4,487,336</u>	<u>9,465,935</u>	<u>4,003,628</u>	<u>4,296,460</u>	<u>8,300,088</u>

Overall, capital assets increased approximately \$1.2 million from December 31, 2002. The increase in capital assets related primarily to the construction in progress on the new Municipal Court building.

***Infrastructure***

During this second 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, 2003, the City's debt consisted of the following loan obligations:

<u>Issue</u>	<u>Rate %</u>	<u>Issued</u>	<u>Maturity</u>	<u>Outstanding</u>
Issue II Eaton Municipal Court Facility Bond	0.0%	7-1-1997	1-1-2020	\$ <u>618,750</u>
	4.69%	3-5-2003	3-1-2018	\$ <u>1,342,900</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, 2003, the City has no general obligation bonded debt.

On March 5, 2003, the City issued bonds in the amount of \$1,375,000 for the purpose of paying costs of constructing the new Eaton Municipal Court Facility, including landscaping, utility and other site improvements, and furniture and equipment. The bonds carry an interest rate of 4.69% per annum and mature on March 1, 2018. Annual debt payments, which include interest, are \$128,688 and are paid out of the Municipal Court Special Projects Fund.

The City's overall legal debt margin at December 31, 2003 was \$17,702,501. See Note 14 of the Notes to the Basic Financial Statements for more detailed information on long-term debt of the City.

***CITY OF EATON, OHIO***  
Management's Discussion and Analysis  
For the Year Ended December 31, 2003  
Unaudited

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**CONTACTING THE CITY'S FINANCE DEPARTMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF EATON, OHIO**

Statement of Net Assets

December 31, 2003

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,774,774	1,099,488	5,874,262
Investments	310,000	-	310,000
Receivables (net of allowances for uncollectibles):			
Taxes	1,280,674	-	1,280,674
Accounts	14,818	374,428	389,246
Special Assessments	70,822	-	70,822
Accrued Interest	2,030	-	2,030
Due from Other Governments	602,770	830	603,600
Internal Balances	(500)	500	-
Materials and Supplies Inventory	3,000	-	3,000
Prepaid Items	18,750	-	18,750
Capital Assets:			
Capital assets not subject to depreciation:			
Land	820,439	79,892	900,331
Construction in Progress	1,067,973	455,993	1,523,966
Capital assets, net of accumulated depreciation	<u>3,090,187</u>	<u>3,951,451</u>	<u>7,041,638</u>
 Total Assets	 <u>\$ 12,055,737</u>	 <u>5,962,582</u>	 <u>18,018,319</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 449,658	101,714	551,372
Accrued Wages and Benefits	59,246	6,185	65,431
Due to Other Governments	64,386	-	64,386
Accrued Interest Payable	20,679	-	20,679
Deferred Revenue	699,860	-	699,860
Noncurrent Liabilities:			
Due Within One Year	142,861	9,345	152,206
Due In More Than One Year	<u>2,207,631</u>	<u>84,105</u>	<u>2,291,736</u>
 Total Liabilities	 <u>3,644,321</u>	 <u>201,349</u>	 <u>3,845,670</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	3,016,949	4,487,336	7,504,285
Restricted for:			
Public Safety	461,010	-	461,010
Indigent Driver	70,966	-	70,966
Computerization Upgrade	823	-	823
Special Project	309,116	-	309,116
Streets and Highways	229,398	-	229,398
Capital Improvement	2,392,615	-	2,392,615
Perpetual Care:			
Nonexpendable	10,000	-	10,000
Unrestricted	<u>1,920,539</u>	<u>1,273,897</u>	<u>3,194,436</u>
 Total Net Assets	 <u>8,411,416</u>	 <u>5,761,233</u>	 <u>14,172,649</u>
 Total Liabilities and Net Assets	 <u>\$ 12,055,737</u>	 <u>5,962,582</u>	 <u>18,018,319</u>

See accompanying notes to the basic financial statements.

**CITY OF EATON, OHIO**  
Statement of Activities  
For the Year Ended December 31, 2003

<b>Functions/Programs:</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 1,847,486	846,408	-	-	(1,001,078)		(1,001,078)
Public Safety	2,180,635	165,807	-	-	(2,014,828)		(2,014,828)
Public Health	148,194	8,144	-	19,602	(120,448)		(120,448)
Transportation	967,800	-	10,463	-	(957,337)		(957,337)
Community Development	208,519	159,612	-	176,562	127,655		127,655
Culture and Recreation	268,863	38,077	17,990	-	(212,796)		(212,796)
Interest Expense	52,923	-	-	-	(52,923)		(52,923)
Total Governmental Activities	<u>5,674,420</u>	<u>1,218,048</u>	<u>28,453</u>	<u>196,164</u>	<u>(4,231,755)</u>		<u>(4,231,755)</u>
<b>Business-Type Activities:</b>							
Water	749,140	1,052,010	-	51,462		354,332	354,332
Sewer	759,188	803,960	-	-		44,772	44,772
Refuse	506,051	492,123	-	-		(13,928)	(13,928)
Other Business-Type Activities	27,636	22,405	-	-		(5,231)	(5,231)
Total Business-Type Activities	<u>2,042,015</u>	<u>2,370,498</u>	<u>-</u>	<u>51,462</u>		<u>379,945</u>	<u>379,945</u>
Total	\$ <u>7,716,435</u>	<u>3,588,546</u>	<u>28,453</u>	<u>247,626</u>	<u>(4,231,755)</u>	<u>379,945</u>	<u>(3,851,810)</u>
<b>General Revenues:</b>							
Taxes:							
Property Taxes Levied for:							
General Purposes					572,948	-	572,948
Cemetery					62,689	-	62,689
Municipal Income					2,809,463	-	2,809,463
Grants and Contributions not Restricted to Specific Programs					918,067	-	918,067
Investment Income					59,086	-	59,086
Other Revenue					31,600	-	31,600
Total General Revenues					<u>4,453,853</u>	<u>-</u>	<u>4,453,853</u>
Change in Net Assets							
					222,098	379,945	602,043
Net Assets, Beginning of Year							
					<u>8,189,318</u>	<u>5,381,288</u>	<u>13,570,606</u>
Net Assets, End of Year							
					\$ <u>8,411,416</u>	<u>5,761,233</u>	<u>14,172,649</u>

See accompanying notes to the basic financial statements.

**CITY OF EATON, OHIO**

Balance Sheet  
Governmental Funds  
December 31, 2003

	General Fund	Public Safety Fund	Municipal Court Special Projects Fund	Capital Improvement Fund
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 1,619,396	349,102	483,437	2,106,849
Investments	300,000	-	-	-
Receivables (net of allowance for uncollectibles):				
Taxes	792,021	193,605	-	229,288
Accounts	2,646	-	-	11,808
Special Assessments	-	-	-	70,822
Accrued Interest	2,004	-	-	-
Due from Other Governments	415,383	-	-	11,522
Due from Other Funds	-	-	12,417	-
Materials and Supplies Inventory	3,000	-	-	-
Prepaid Items	-	-	-	18,750
	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,750</u>
Total Assets	\$ <u>3,134,450</u>	<u>542,707</u>	<u>495,854</u>	<u>2,449,039</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 160,875	1,444	206,421	65,757
Accrued Wages and Benefits	41,387	13,905	-	1,281
Accrued Compensated Absences	2,774	1,050	-	355
Due to Other Governments	61,854	2,532	-	-
Due to Other Funds	20,391	-	-	500
Deferred Revenue	<u>1,009,804</u>	<u>37,215</u>	<u>-</u>	<u>115,480</u>
	<u>1,297,085</u>	<u>56,146</u>	<u>206,421</u>	<u>183,373</u>
Total Liabilities	<u>1,297,085</u>	<u>56,146</u>	<u>206,421</u>	<u>183,373</u>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances	2,105	-	243,045	104,554
Materials and Supplies Inventory	3,000	-	-	-
Prepaid Items	-	-	-	18,750
Permanent Fund	-	-	-	-
Unreserved, Undesignated:				
General Fund	1,832,260	-	-	-
Capital Projects Fund	-	-	-	2,142,362
Special Revenue Funds	<u>-</u>	<u>486,561</u>	<u>46,388</u>	<u>-</u>
	<u>1,837,365</u>	<u>486,561</u>	<u>289,433</u>	<u>2,265,666</u>
Total Fund Balances	<u>1,837,365</u>	<u>486,561</u>	<u>289,433</u>	<u>2,265,666</u>
Total Liabilities and Fund Balances	\$ <u>3,134,450</u>	<u>542,707</u>	<u>495,854</u>	<u>2,449,039</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, 2003

Nonmajor Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$ 5,120,155
215,990	4,774,774	Amounts reported for governmental	
10,000	310,000	activities in the Statement of Net Assets	
		are different because:	
65,760	1,280,674	Capital assets used in governmental	
364	14,818	activities are not financial resources and	
-	70,822	therefore are not reported in the funds.	4,978,599
26	2,030		
175,865	602,770	Other long-term assets are not available to	
7,974	20,391	pay for current period expenditures and	
-	3,000	therefore are deferred in the funds.	679,241
-	18,750		
<u>475,979</u>	<u>7,098,029</u>		
15,161	449,658	Long-term liabilities, including Issue II loans	
2,673	59,246	payable, are not due and payable in the current	
413	4,592	period and therefore are not reported in the funds:	
-	64,386	Issue II Loans Payable	(618,750)
-	20,891	General Obligation Bonds Payable	(1,342,900)
216,602	1,379,101	Accrued Interest on Long-Term Debt	(20,679)
		Compensated Absences	(384,250)
<u>234,849</u>	<u>1,977,874</u>	Net Assets of Governmental Activities	\$ <u>8,411,416</u>
-	349,704		
-	3,000		
-	18,750		
10,000	10,000		
-	1,832,260		
-	2,142,362		
<u>231,130</u>	<u>764,079</u>		
<u>241,130</u>	<u>5,120,155</u>		
<u>475,979</u>	<u>7,098,029</u>		

**CITY OF EATON, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2003

	General Fund	Public Safety Fund	Municipal Court Special Projects Fund	Capital Improvement Fund
<b>REVENUES:</b>				
Property Taxes	\$ 572,948	-	-	-
Municipal Income Taxes	804,592	953,221	-	1,101,850
State Levied Shared Taxes	650,034	-	-	-
Intergovernmental Revenue	162,047	-	-	-
Charges for Services	36,986	-	-	-
Licenses and Permits	159,612	-	-	-
Fees, Fines and Forfeitures	528,149	-	182,807	-
Special Assessments	-	-	-	68,740
Investment Income	53,948	-	3,354	-
Other Revenue	5,921	-	-	-
	<u>2,974,237</u>	<u>953,221</u>	<u>186,161</u>	<u>1,170,590</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,408,293	34,944	-	-
Public Safety	1,156,818	980,709	-	-
Public Health	31,195	-	-	-
Transportation	253,202	-	-	-
Community Development	157,179	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	17,865	-	1,340,485	471,332
Debt Service:				
Principal	-	-	32,100	37,500
Interest	-	-	32,244	-
	<u>3,024,552</u>	<u>1,015,653</u>	<u>1,404,829</u>	<u>508,832</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(50,315)</u>	<u>(62,432)</u>	<u>(1,218,668)</u>	<u>661,758</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Sale of Capital Assets	1,600	-	-	-
Proceeds from Sale of Bonds	-	-	1,375,000	-
Transfers In	-	-	-	-
Transfers Out	(115,407)	-	-	-
	<u>(113,807)</u>	<u>-</u>	<u>1,375,000</u>	<u>-</u>
Net Change in Fund Balances	(164,122)	(62,432)	156,332	661,758
Fund Balance, Beginning of Year, as restated	2,001,487	548,993	133,101	1,603,908
Fund Balance, End of Year	\$ <u>1,837,365</u>	<u>486,561</u>	<u>289,433</u>	<u>2,265,666</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, 2003

Nonmajor Governmental Funds	Total Governmental Funds		
62,689	635,637	Total Net Change in Fund Balances - Governmental Funds	\$ 616,577
-	2,859,663	Amounts reported for governmental activities in the statement of activities are different because:	
313,912	963,946		
47,463	209,510		
41,703	78,689		
4,365	163,977	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
102,379	813,335	Capital Asset Additions	1,439,493
-	68,740	Current Year Depreciation	(466,135)
1,784	59,086		
21,545	27,466		
595,840	5,880,049		
91,307	1,534,544	Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(1,375,000)
175	2,137,702		
116,998	148,193		
297,607	550,809		
-	157,179	Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.	
128,657	128,657	Loss on the disposal of capital assets	(17,989)
51,462	1,881,144		
-	69,600		
-	32,244		
686,206	6,640,072	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues on the funds.	16,468
(90,366)	(760,023)		
-	1,600	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.	69,600
-	1,375,000		
124,425	124,425		
(9,018)	(124,425)	Some expenses in reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
115,407	1,376,600	Compensated Absences	(40,237)
25,041	616,577	Accrued Interest Payable	(20,679)
216,089	4,503,578		
241,130	5,120,155	Change in Net Assets of Governmental Activities	\$ 222,098

**CITY OF EATON, OHIO**

Statement of Net Assets

Proprietary Funds

December 31, 2003

	<u>Water</u>	<u>Sewer &amp; Sewer Disposal</u>	<u>Refuse</u>	<u>Non-Major Enterprise Fund</u>	<u>Total</u>
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 725,007	300,914	70,893	2,674	1,099,488
Receivables (net of allowance for uncollectibles):					
Accounts	168,686	123,989	81,753	-	374,428
Due from Other Governments	830	-	-	-	830
Due from Other Funds	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Total Current Assets	<u>894,523</u>	<u>428,903</u>	<u>152,646</u>	<u>2,674</u>	<u>1,478,746</u>
Capital Assets:					
Land	32,271	30,500	17,121	-	79,892
Construction in Progress	455,993	-	-	-	455,993
Capital Assets, net of accumulated depreciation	<u>719,909</u>	<u>3,231,542</u>	<u>-</u>	<u>-</u>	<u>3,951,451</u>
Total Capital Assets	<u>1,208,173</u>	<u>3,262,042</u>	<u>17,121</u>	<u>-</u>	<u>4,487,336</u>
Total Assets	\$ <u>2,102,696</u>	\$ <u>3,690,945</u>	\$ <u>169,767</u>	\$ <u>2,674</u>	\$ <u>5,966,082</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts Payable	\$ 46,901	21,216	33,597	-	101,714
Accrued Wages and Benefits	3,111	2,270	645	159	6,185
Due to Other Funds	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,500</u>
Total Current Liabilities	<u>53,512</u>	<u>23,486</u>	<u>34,242</u>	<u>159</u>	<u>111,399</u>
Noncurrent Liabilities:					
Accrued Compensated Absences	<u>48,172</u>	<u>30,137</u>	<u>12,334</u>	<u>2,807</u>	<u>93,450</u>
Total Liabilities	<u>101,684</u>	<u>53,623</u>	<u>46,576</u>	<u>2,966</u>	<u>204,849</u>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	1,208,173	3,262,042	17,121	-	4,487,336
Unrestricted	<u>792,839</u>	<u>375,280</u>	<u>106,070</u>	<u>(292)</u>	<u>1,273,897</u>
Total Net Assets	<u>2,001,012</u>	<u>3,637,322</u>	<u>123,191</u>	<u>(292)</u>	<u>5,761,233</u>
Total Liabilities and Net Assets	\$ <u>2,102,696</u>	\$ <u>3,690,945</u>	\$ <u>169,767</u>	\$ <u>2,674</u>	\$ <u>5,966,082</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, 2003

	Water	Sewer & Sewer Disposal	Refuse	Non-Major Enterprise Fund	Total
<b>OPERATING REVENUES:</b>					
Charges for Services	\$ 1,052,010	803,960	492,123	22,405	2,370,498
Total Operating Revenues	<u>1,052,010</u>	<u>803,960</u>	<u>492,123</u>	<u>22,405</u>	<u>2,370,498</u>
<b>OPERATING EXPENSES:</b>					
Personnel Services	265,038	185,909	67,301	17,646	535,894
Fringe Benefits	87,011	65,667	26,118	8,137	186,933
Contractual Services	42,359	41,938	392,058	-	476,355
Materials and Supplies	182,016	85,185	4,757	1,579	273,537
Utilities	68,345	118,669	1,358	-	188,372
Other Operating Expenses	27,923	23,669	5,336	274	57,202
Depreciation	76,448	228,065	9,123	-	313,636
Total Operating Expenses	<u>749,140</u>	<u>749,102</u>	<u>506,051</u>	<u>27,636</u>	<u>2,031,929</u>
Operating Income (Loss)	<u>302,870</u>	<u>54,858</u>	<u>(13,928)</u>	<u>(5,231)</u>	<u>338,569</u>
<b>NON-OPERATING REVENUES (EXPENSES);</b>					
Capital Grants	51,462	-	-	-	51,462
Interest Expense	-	(10,086)	-	-	(10,086)
Total Non-Operating Revenues (Expenses)	<u>51,462</u>	<u>(10,086)</u>	<u>-</u>	<u>-</u>	<u>41,376</u>
Change in Net Assets	354,332	44,772	(13,928)	(5,231)	379,945
Net Assets, Beginning 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>
Net Assets, End of Year	\$ <u>2,001,012</u>	<u>3,637,322</u>	<u>123,191</u>	<u>(292)</u>	<u>5,761,233</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, 2003

	Water	Sewer & Sewer Disposal	Refuse	Non-Major Enterprise Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received from Customers	\$ 1,030,107	816,411	497,688	22,405	2,366,611
Cash Paid for Employees Salaries and Benefits	(356,401)	(263,778)	(94,723)	(26,614)	(741,516)
Cash Paid to Suppliers	(199,476)	(100,552)	(395,867)	(100)	(695,995)
Cash Paid for Claims and Charges	(83,756)	(118,301)	(6,235)	(1,752)	(210,044)
Other Operating Revenues	1,226	-	-	-	1,226
Other Operating Expenses	(6,961)	(42,331)	-	-	(49,292)
 Net Cash Provided (Used) by Operating Activities	 <u>384,739</u>	 <u>291,449</u>	 <u>863</u>	 <u>(6,061)</u>	 <u>670,990</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Capital Grant Received	51,462	-	-	-	51,462
Principal Paid on Long-Term Liabilities	-	(207,105)	-	-	(207,105)
Interest Paid	-	(20,151)	-	-	(20,151)
Acquisition of Capital Assets	(483,488)	(21,024)	-	-	(504,512)
 Net Cash Used by Capital and Related Financing Activities	 <u>(432,026)</u>	 <u>(248,280)</u>	 <u>-</u>	 <u>-</u>	 <u>(680,306)</u>
 Increase (Decrease) in Cash and Cash Equivalents	 <u>(47,287)</u>	 <u>43,169</u>	 <u>863</u>	 <u>(6,061)</u>	 <u>(9,316)</u>
Cash and Cash Equivalents, Beginning of Year	<u>772,294</u>	<u>257,745</u>	<u>70,030</u>	<u>8,735</u>	<u>1,108,804</u>
Cash and Cash Equivalents, End of Year	\$ <u>725,007</u>	<u>300,914</u>	<u>70,893</u>	<u>2,674</u>	<u>1,099,488</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 302,870	54,858	(13,928)	(5,231)	338,569
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	76,448	228,065	9,123	-	313,636
Changes in Assets and Liabilities:					
Accounts Receivable	(20,252)	12,451	5,565	-	(2,236)
Due from Other Governments	(425)	-	-	-	(425)
Accounts Payable	30,450	8,277	1,408	-	40,135
Accrued Wages & Benefits	(6,651)	(5,310)	(1,807)	(634)	(14,402)
Accrued Compensated Absences	2,299	(6,892)	502	(196)	(4,287)
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 384,739</u>	 <u>291,449</u>	 <u>863</u>	 <u>(6,061)</u>	 <u>670,990</u>

See accompanying notes to the basic financial statements.

**CITY OF EATON, OHIO**  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
December 31, 2003

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	<u>Agency Fund</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 14,875
Due from Other Governments	<u>4,998</u>
Total Assets	\$ <u>19,873</u>
<b>LIABILITIES:</b>	
Accounts Payable	\$ <u>19,873</u>
Total Liabilities	<u>19,873</u>
<b>NET ASSETS</b>	\$ <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, 2003

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**NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY**

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

**Reporting Entity**

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no blended or discretely presented component units at December 31, 2003.

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

**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, 2003

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

**A. Basis of Presentation**

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Eliminations have been made to minimize the "doubling up" of revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

Fund Financial Statements

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

**B. Measurement Focus**

Government-Wide Financial Statements

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



**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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

**B. Measurement Focus** (Continued)

Fund Financial Statements

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

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

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

**C. Fund Accounting**

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

Governmental Funds

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

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

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

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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

**C. Fund Accounting** (Continued)

Municipal Court Special Projects Fund – The municipal court special projects fund accounts for additional court costs which are to be used for construction and maintenance of a new Court building and other related Court services.

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.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. The agency fund accounts for receipts to be transferred to the County Law Library. The City's agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of 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, 2003, but which were levied to finance year 2004 operations, have been 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, 2003

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

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

Expenses/Expenditures

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

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

**E. Cash and Cash Equivalents and Investments**

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

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 2003, 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, 2003. 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, 2003

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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**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 three years of accumulated service.

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

For governmental funds, expenditures are recognized for compensated absences when the liability for the employee has matured or is due. These amounts are recorded in the account "accrued compensated absences" in the fund from which the employees who have accumulated leave are paid. At December 31, 2003, 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, materials and supplies inventories, and prepaid items are recorded as a reservation of fund balance.

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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**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 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 2003.

**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.

**NOTE 3 – RESTATEMENT OF PRIOR YEAR FUND EQUITY**

The City has restated Fund Balances at December 31, 2002 on the Statement of Revenues, Expenditures, and Changes in Fund Balances due to the reclassification of the Public Safety Fund. In prior years, the City has included this fund as part of the General Fund. Beginning January 1, 2003, the City has decided to report the Public Safety Fund as a Major Special Revenue Fund. This reclassification had the following effect on fund balances at December 31, 2002:

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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**NOTE 3 – RESTATEMENT OF PRIOR YEAR FUND EQUITY** (Continued)

	General Fund	Public Safety Fund
Fund Balance, December 31, 2002, as previously reported	\$ 2,550,480	-
Reclassification of Public Safety Fund	(548,993)	548,993
Fund Balance, December 31, 2002, as restated	\$ 2,001,487	548,993

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

At December 31, 2003, 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 1.00%	\$ 3,485,137
Certificates of deposit, 1.25% to 1.75% maturing May 15, 2004 to August 22, 2004, respectively	310,000
	3,795,137
Investments:	
STAR Ohio	2,404,000
Total Cash and Cash Equivalents and Investments	\$ 6,199,137

Deposits

The year-end bank balance of all City deposits was \$4,138,961. 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	\$ 552,034
Amount collateralized with securities held by pledging financial institution's agent in the City's name	390,751
Uninsured and uncollateralized	3,196,176
	\$ 4,138,961

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.



**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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

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>Unclassified:</u>	
STAR Ohio	\$ <u>2,404,000</u>

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

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and investments	\$ 5,889,137	310,000	6,199,137
Investments:			
Certificates of Deposit	310,000	(310,000)	-
Star Ohio	<u>(2,404,000)</u>	<u>2,404,000</u>	<u>-</u>
GASB Statement 3	\$ <u>3,795,137</u>	<u>2,404,000</u>	<u>6,199,137</u>

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

	<u>Amount</u>	<u>% of Total</u>
General Fund	\$ 53,948	91.30%
Municipal Court Special Projects Fund	3,354	5.68%
Special Revenue Funds	<u>1,784</u>	<u>3.02 %</u>
Total	\$ <u>59,086</u>	<u>100.00%</u>

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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**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 of the inside millage is 3.8 mills with an additional voted millage of .8 mills for a total share of .460% (4.6 mills) of assessed value.

Real property and public utility taxes collected during 2003 were levied in October, 2002 on assessed values listed as of January 1, 2002, the lien date. One-half of these taxes were due on February 23, 2003, with the remaining balance due on July 20, 2003.

Tangible personal property taxes collected during 2003 had a lien and levy date of December 31, 2002. One-half of these taxes were due by April 30, 2003, with the remaining balance due on September 21, 2003. 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 2002 upon which the 2003 levy was based was approximately \$166,868,890. The assessed value for 2003 upon which the 2004 levy was based was approximately \$168,595,250.

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

**NOTE 6 – INCOME TAXES**

Municipalities within the State of Ohio are permitted by state statute to levy an income tax up to a maximum rate of 1% subject to the approval of the local legislative body. Any rate in excess of 1% requires the approval of a majority of the eligible voters residing within the municipal corporation. The city income tax of 1.5% is levied, by ordinance. One percent (1%) of the tax is levied indefinitely and .5% 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.

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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**NOTE 7 – RECEIVABLES**

Receivables at December 31, 2003 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
<b>Governmental Activities:</b>	
Local Government and Local Government Revenue Assistance	\$ 273,127
Reimbursements	35,628
Estate Tax	62,418
Homestead and Rollback	31,627
Gasoline and Excise Tax	141,549
Motor Vehicle License Fees	32,119
EMS and Fire	26,230
Liquor Licenses	72
Total Governmental Activities	602,770
 <b>Business-Type Activities:</b>	
Local Government and Local Government Revenue Assistance	830
Total	\$ 603,600

**NOTE 8 – INTERFUND TRANSFERS AND BALANCES**

Interfund transfers for the year ended December 31, 2003, consisted of the following:

Transfer To	Transfer From		
	General Fund	FEMA Grant	Total
Cemetery	\$ 31,747	-	31,747
Street Construction, Maintenance & Repair	-	9,018	9,018
Recreation	21,160	-	21,160
Swimming Pool	42,500	-	42,500
Fort St. Clair	20,000	-	20,000
Total	\$ 115,407	9,018	124,425

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

**NOTE 8 – INTERFUND TRANSFERS AND BALANCES** (Continued)

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, 2003, consisted of the following amounts and represent charges for services or reimbursable expenses authorized in 2003 but not made until 2004. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting, and (3) payments between funds are made. All are expected to be paid within one year.

Due To	Due From			Total
	Municipal Court Special Projects Fund	Sewer & Sewer Disposal Fund	Nonmajor Governmental Funds	
General Fund	\$ 12,417	-	7,974	20,391
Capital Improvement Fund	-	500	-	500
Water Fund	-	3,500	-	3,500
<b>Total</b>	<b>\$ 12,417</b>	<b>4,000</b>	<b>7,974</b>	<b>24,391</b>

**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2003, was as follows:

	Balance 12/31/2002	Additions	Deductions	Balance 12/31/2003
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>				
<b><u>Capital Assets, not being depreciated</u></b>				
Land	\$ 820,439	-	-	820,439
Construction In Progress	-	1,067,973	-	1,067,973
	<u>820,439</u>	<u>1,067,973</u>	<u>-</u>	<u>1,888,412</u>
<b><u>Capital Assets, being depreciated</u></b>				
Buildings	2,534,963	-	-	2,534,963
Furniture and Equipment	3,834,281	391,122	(163,861)	4,061,542
	<u>6,369,244</u>	<u>391,122</u>	<u>(163,861)</u>	<u>6,596,505</u>
<b><u>Less: Accumulated Depreciation</u></b>				
Buildings	(522,436)	(78,385)	(56,264)	(657,085)
Furniture and Equipment	(2,663,619)	(387,750)	202,136	(2,849,233)
	<u>(3,186,055)</u>	<u>(466,135) *</u>	<u>145,872</u>	<u>(3,506,318)</u>
<b>Capital Assets, being depreciated, net</b>	<u>3,183,189</u>	<u>(75,013)</u>	<u>(17,989)</u>	<u>3,090,187</u>
<b>Capital Assets, net</b>	<u>\$ 4,003,628</u>	<u>992,960</u>	<u>(17,989)</u>	<u>4,978,599</u>

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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

	Balance 12/31/2002	Additions	Deductions	Balance 12/31/2003
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>				
<b><u>Capital Assets, not being depreciated</u></b>				
Land	\$ 79,892	-	-	79,892
Construction In Progress	-	455,993	-	455,993
	<u>79,892</u>	<u>455,993</u>	<u>-</u>	<u>535,885</u>
<b><u>Capital Assets, being depreciated</u></b>				
Buildings	5,427,971	-	-	5,427,971
Furniture and Equipment	4,855,653	48,519	(1,514)	4,902,658
	<u>10,283,624</u>	<u>48,519</u>	<u>(1,514)</u>	<u>10,330,629</u>
<b><u>Less: Accumulated Depreciation</u></b>				
Buildings	(3,138,112)	(152,169)	-	(3,290,281)
Furniture and Equipment	(2,928,944)	(161,467)	1,514	(3,088,897)
	<u>(6,067,056)</u>	<u>(313,636)</u>	<u>1,514</u>	<u>(6,379,178)</u>
<b>Capital Assets, being depreciated, net</b>	<u>4,216,568</u>	<u>(265,117)</u>	<u>-</u>	<u>3,951,451</u>
<b>Capital Assets, net</b>	\$ <u>4,296,460</u>	<u>190,876</u>	<u>-</u>	<u>4,487,336</u>

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

General Government	\$ 95,731
Public Safety	205,195
Transportation	115,126
Culture and Recreation	<u>50,083</u>
Total Depreciation Expense	\$ <u>466,135</u>

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

Both the Ohio Police and Fire 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 Fire Pension Fund (OP&F) or the Ohio Public Employees Retirement System (OPERS). 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**

OPERS administers three separate pension plans. 1) The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan. 2) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contribution plus any investment earnings thereon. 3) The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan Benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio 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) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). The 2003 member contribution rates are 8.5%. The 2003 employer contribution rate was 13.55% of covered payroll. The City's contributions, representing 100% of employer contribution's for the periods ended December 31, 2003, 2002, and 2001 were \$303,913, \$295,400, and \$271,727, 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 pension benefits, annual 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, 2003, 2002, and 2001 were \$136,793, \$125,008, and \$123,644, respectively, equal to the required contribution for each year.

**NOTE 11 – POSTEMPLOYMENT BENEFITS**

**A. Public Employees Retirement System**

OPERS administers three separate pension plans: The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees must have 10 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 Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2003 employer contribution rate for local government employer units the rate was 13.55% of covered payroll and 5.00% was used to fund health care for the year.

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

**Actuarial Review:** The following assumptions and calculations were based on the System's latest Actuarial Review as of December 31, 2002.

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

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

**Investment Return:** The investment assumption rate for 2002 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. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The portion of City's contributions that were used to fund postemployment benefits was \$112,144. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

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 in an OPERS covered-position after January 1, 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.

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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

The benefit recipient 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.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

**B. Police and Firemen's Disability and Pension Fund**

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

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

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2002 and in 2003. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available, are 13,527 for Police and 10,396 for Firefighters. The City's annual contribution for 2003 that were used to fund post-employment benefits was \$49,409 for Police and \$3,984 for Firefighters. OP&F's total health care expenses for the year ending December 31, 2002, the date of the last actuarial valuation available, was \$141,028,006, which was net of members contributions of \$12,623,875.



**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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**NOTE 12 – COMPENSATED ABSENCES**

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

Vacation is accumulated based upon length of service as follows:

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

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

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

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

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

As of December 31, 2003, the accrued liability for unpaid compensated absences was \$482,292 for all funds.

**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 2003, 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, 2003

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**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, 2003:

	<u>Balance</u> <u>1/1/2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2003</u>	<u>Due Within</u> <u>One Year</u>
<b><u>Governmental Activities:</u></b>					
Compensated Absences	\$ 344,013	68,197	23,368	388,842	38,884
Issue II Loan Payable	656,250	-	37,500	618,750	37,500
Eaton Municipal Court Facility Bond	-	1,375,000	32,100	1,342,900	66,477
	<u>1,000,263</u>	<u>1,443,197</u>	<u>92,968</u>	<u>2,350,492</u>	<u>142,861</u>
<b><u>Business-Type Activities:</u></b>					
Compensated Absences	97,737	-	4,287	93,450	9,345
OWDA Loan Payable	207,105	-	207,105	-	-
	<u>304,842</u>	<u>-</u>	<u>211,392</u>	<u>93,450</u>	<u>9,345</u>
	<u>\$ 1,305,105</u>	<u>1,443,197</u>	<u>304,360</u>	<u>2,443,942</u>	<u>152,206</u>

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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

Long-term obligations of the City at December 31, 2003 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>618,750</u>
Eaton Municipal Court Facility Bond	4.69%	3-5-2003	3-1-2018	\$ <u>1,342,900</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, 2003 is based on total actual OWDA project costs (including capitalized interest) less total grant monies received and cumulative payments on the loan. This loan was paid in full at December 31, 2003 and was retired from the Sewer & Sewer Disposal Fund.

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.

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

As of December 31, 2003, the City's legal debt margin (the ability to issue additional principal amounts of general obligation bonded debt) was approximately \$17.70 million. Principal and interest requirements from the Capital Improvement & the Municipal Court Special Projects Fund to retire long-term obligations outstanding at December 31, 2003 are as follows:

	<u>Issue II Loan</u>	<u>Eaton Municipal Court Facility Bond</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 37,500	66,477	61,483
2005	37,500	69,631	59,057
2006	37,500	72,935	55,753
2007	37,500	76,396	52,293
2008	37,500	80,021	48,668
2009-2013	187,500	460,792	182,649
2014-2018	187,500	516,648	62,448
2019-2020	56,250	-	-
	<u>\$ 618,750</u>	<u>1,342,900</u>	<u>522,351</u>

**CITY OF EATON, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2003

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**NOTE 15 – CONTINGENT LIABILITIES**

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

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

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

**Mound Hill Union Cemetery**

One or more municipal corporations and the boards of township trustees of one or more townships established the Mound Hill Union Cemetery in accordance with Ohio Revised Code Section 759.27 to 759.48 to unite in the establishment and management of a cemetery. The Board of Cemetery Trustees consists of three members; one member from the City of Eaton Council, one member from the Washington Township Board of Trustees, and the third member appointed by the other two members. The Preble County Budget Commission adopts appropriations and the cemetery serves as its own fiscal agent. For the year ended December 31, 2003, the City of Eaton contributed \$98,655 towards the general operation of the cemetery. The cemetery issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained from Mound Union Hill Cemetery at 533 West Main Street, Eaton, Ohio 45320.

**NOTE 17 – SUBSEQUENT EVENTS**

On May 1, 2004, the City of Eaton issued \$550,000 of bonds to finance street improvements throughout the City. The interest rate is 3.56% with semi-annual payments due in April and October of each year and a maturity date of April 20, 2014.

**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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property Taxes	\$ 530,000	530,000	572,948	42,948
Municipal Income Taxes	740,000	740,000	802,384	62,384
State Levied Shared Taxes	326,300	326,300	627,920	301,620
Intergovernmental Revenue	179,750	179,750	166,534	(13,216)
Charges for Services	30,000	30,000	33,226	3,226
Licenses and Permits	115,000	115,000	159,612	44,612
Investment Income	52,000	52,000	55,621	3,621
Fees, Fines and Forfeitures	600,000	600,000	530,628	(69,372)
Other Revenue	90,000	90,000	163,162	73,162
<b>Total Revenues</b>	<u>2,663,050</u>	<u>2,663,050</u>	<u>3,112,035</u>	<u>448,985</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	2,481,441	2,473,191	1,621,589	851,602
Public Safety	1,219,600	1,227,850	1,163,821	64,029
Public Health	1,124,140	824,140	546,154	277,986
Transportation	299,900	299,900	256,856	43,044
Community Development	168,500	168,500	157,686	10,814
<b>Total Expenditures</b>	<u>5,293,581</u>	<u>4,993,581</u>	<u>3,746,106</u>	<u>1,247,475</u>
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>(2,630,531)</u>	<u>(2,330,531)</u>	<u>(634,071)</u>	<u>1,696,460</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Assets	-	-	1,600	1,600
Transfers In	780,000	480,000	480,000	-
Advances In	35,000	35,000	35,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>815,000</u>	<u>515,000</u>	<u>516,600</u>	<u>1,600</u>
Net Change in Fund Balance	(1,815,531)	(1,815,531)	(117,471)	1,698,060
Fund Balance, Beginning of Year	1,793,879	1,793,879	1,793,879	-
Prior Year Encumbrances Appropriated	21,652	21,652	21,652	-
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>1,698,060</u>	<u>1,698,060</u>

See accompanying notes to the required supplemental information.

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Public Safety Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Municipal Income Taxes	\$ 880,000	880,000	951,036	71,036
Total Revenues	<u>880,000</u>	<u>880,000</u>	<u>951,036</u>	<u>71,036</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	271,453	271,453	34,629	236,824
Public Safety	<u>1,030,300</u>	<u>1,030,300</u>	<u>989,704</u>	<u>40,596</u>
Total Expenditures	<u>1,301,753</u>	<u>1,301,753</u>	<u>1,024,333</u>	<u>277,420</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(421,753)	(421,753)	(73,297)	348,456
Fund Balance, Beginning of Year	418,706	418,706	418,706	-
Prior Year Encumbrances Appropriated	<u>3,047</u>	<u>3,047</u>	<u>3,047</u>	<u>-</u>
Fund Balance, End of Year	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>348,456</u></u>	<u><u>348,456</u></u>

See accompanying notes to the required supplemental information.

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Municipal Court Special Projects Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fees, Fines and Forfeitures	\$ 180,000	179,850	181,064	1,214
Investment Earnings	-	3,240	3,354	114
Total Revenues	<u>180,000</u>	<u>183,090</u>	<u>184,418</u>	<u>1,328</u>
<b>EXPENDITURES:</b>				
Capital Outlay	1,821,332	1,635,077	1,602,010	33,067
Debt Service:				
Principal Payments	-	32,101	32,100	1
Interest	-	32,244	32,244	-
Total Expenditures	<u>1,821,332</u>	<u>1,699,422</u>	<u>1,666,354</u>	<u>33,068</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(1,641,332)</u>	<u>(1,516,332)</u>	<u>(1,481,936)</u>	<u>34,396</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Sale of Bonds	<u>1,500,000</u>	<u>1,375,000</u>	<u>1,375,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,500,000</u>	<u>1,375,000</u>	<u>1,375,000</u>	<u>-</u>
Net Change in Fund Balance	(141,332)	(141,332)	(106,936)	34,396
Fund Balance, Beginning of Year	99,527	99,527	99,527	-
Prior Year Encumbrances Appropriated	<u>41,805</u>	<u>41,805</u>	<u>41,805</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>34,396</u>	<u>34,396</u>

See accompanying notes to the required supplemental information.



**CITY OF EATON, OHIO**  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2003

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Basis of Budgeting

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

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

General Budget Policies

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

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

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

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

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

**CITY OF EATON, OHIO**  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2003

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General Budget Policies (Continued)

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

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

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

Reconciliation of GAAP Basis to Budgetary Basis

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

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Municipal Court Special Projects Funds</u>
Net Change in Fund			
Balance - GAAP Basis	\$ (164,122)	(62,432)	156,332
Increase/(Decrease):			
Due to Revenues	137,798	(2,185)	(1,743)
Due to Expenditures	(721,554)	(8,680)	(261,525)
Other Financing Sources (Uses)	<u>630,407</u>	<u>-</u>	<u>-</u>
Net Change in Fund			
Balance - Budgetary Basis	\$ <u><u>(117,471)</u></u>	<u><u>(73,297)</u></u>	<u><u>(106,936)</u></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.

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

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

**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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property Taxes:				
General	\$ 380,000	380,000	435,442	55,442
Tangible Personal	<u>150,000</u>	<u>150,000</u>	<u>137,506</u>	<u>(12,494)</u>
Total Property Taxes	<u>530,000</u>	<u>530,000</u>	<u>572,948</u>	<u>42,948</u>
Municipal Income Taxes	<u>740,000</u>	<u>740,000</u>	<u>802,384</u>	<u>62,384</u>
State Levied Shared Taxes:				
Local Government Fund, County	295,000	295,000	334,012	39,012
Inheritance	25,000	25,000	286,948	261,948
Cigarette Licenses	300	300	360	60
Liquor and Beer Permits	<u>6,000</u>	<u>6,000</u>	<u>6,600</u>	<u>600</u>
Total State Levied Shared Taxes	<u>326,300</u>	<u>326,300</u>	<u>627,920</u>	<u>301,620</u>
Intergovernmental Revenue:				
Fire Contracts	100,000	100,000	79,969	(20,031)
Ambulance Contracts	75,000	75,000	79,085	4,085
Police Firing Range	<u>4,750</u>	<u>4,750</u>	<u>7,480</u>	<u>2,730</u>
Total Intergovernmental Revenue	<u>179,750</u>	<u>179,750</u>	<u>166,534</u>	<u>(13,216)</u>
Charges for Services:				
General Government-Cable Franchise	30,000	30,000	33,032	3,032
Miscellaneous	<u>-</u>	<u>-</u>	<u>194</u>	<u>194</u>
Total Charges for Services	<u>30,000</u>	<u>30,000</u>	<u>33,226</u>	<u>3,226</u>
Licenses and Permits:				
Zoning Fees	-	-	100	100
Building Permits	<u>115,000</u>	<u>115,000</u>	<u>159,512</u>	<u>44,512</u>
Total Licenses and Permits	<u>115,000</u>	<u>115,000</u>	<u>159,612</u>	<u>44,612</u>
Investment Income	<u>52,000</u>	<u>52,000</u>	<u>55,621</u>	<u>3,621</u>
Fees, Fines and Forfeitures	<u>600,000</u>	<u>600,000</u>	<u>530,628</u>	<u>(69,372)</u>
Other Revenue	<u>90,000</u>	<u>90,000</u>	<u>163,162</u>	<u>73,162</u>
Total Revenues	<u>2,663,050</u>	<u>2,663,050</u>	<u>3,112,035</u>	<u>448,985</u>

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
General Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Administration	1,785,441	1,777,191	999,709	777,482
Council	12,200	12,200	7,659	4,541
Municipal Court	683,800	683,800	614,221	69,579
Total General Government	<u>2,481,441</u>	<u>2,473,191</u>	<u>1,621,589</u>	<u>851,602</u>
Public Safety:				
Police Division	1,022,050	1,022,050	968,530	53,520
Headquarters	62,050	63,050	61,151	1,899
Fire Division	73,500	73,500	66,561	6,939
EMS Division	62,000	69,250	67,579	1,671
Total Public Safety	<u>1,219,600</u>	<u>1,227,850</u>	<u>1,163,821</u>	<u>64,029</u>
Public Health:				
Employee Health Care Fund	1,124,140	824,140	546,154	277,986
Transportation:				
Traffic Lights	34,000	34,000	14,073	19,927
Public Maintenance	265,900	265,900	242,783	23,117
Total Transportation	<u>299,900</u>	<u>299,900</u>	<u>256,856</u>	<u>43,044</u>
Community Development:				
Building and Zoning	168,500	168,500	157,686	10,814
Total Expenditures	<u>5,293,581</u>	<u>4,993,581</u>	<u>3,746,106</u>	<u>1,247,475</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(2,630,531)</u>	<u>(2,330,531)</u>	<u>(634,071)</u>	<u>1,696,460</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Assets	-	-	1,600	1,600
Transfers In	780,000	480,000	480,000	-
Advances In	35,000	35,000	35,000	-
Total Other Financing Sources (Uses)	<u>815,000</u>	<u>515,000</u>	<u>516,600</u>	<u>1,600</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>(1,815,531)</u>	<u>(1,815,531)</u>	<u>(117,471)</u>	<u>1,698,060</u>
Fund Balance, Beginning of Year	1,793,879	1,793,879	1,793,879	-
Prior Year Encumbrances Appropriated	<u>21,652</u>	<u>21,652</u>	<u>21,652</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>1,698,060</u>	<u>1,698,060</u>

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Public Safety Special Revenue Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Municipal Income Taxes	\$ 880,000	880,000	951,036	71,036
Total Revenues	<u>880,000</u>	<u>880,000</u>	<u>951,036</u>	<u>71,036</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	271,453	271,453	34,629	236,824
Public Safety	<u>1,030,300</u>	<u>1,030,300</u>	<u>989,704</u>	<u>40,596</u>
Total Expenditures	<u>1,301,753</u>	<u>1,301,753</u>	<u>1,024,333</u>	<u>277,420</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(421,753)	(421,753)	(73,297)	348,456
Fund Balance, Beginning of Year	418,706	418,706	418,706	-
Prior Year Encumbrances Appropriated	<u>3,047</u>	<u>3,047</u>	<u>3,047</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>348,456</u>	<u>348,456</u>



**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Municipal Court Special Projects Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fees, Fines and Forfeitures	\$ 180,000	179,850	181,064	1,214
Investment Earnings	-	3,240	3,354	114
Total Revenues	<u>180,000</u>	<u>183,090</u>	<u>184,418</u>	<u>1,328</u>
<b>EXPENDITURES:</b>				
Capital Outlay	1,821,332	1,635,077	1,602,010	33,067
Debt Service:				
Principal Payments	-	32,101	32,100	1
Interest	-	32,244	32,244	-
Total Expenditures	<u>1,821,332</u>	<u>1,699,422</u>	<u>1,666,354</u>	<u>33,068</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(1,641,332)</u>	<u>(1,516,332)</u>	<u>(1,481,936)</u>	<u>34,396</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan Proceeds	<u>1,500,000</u>	<u>1,375,000</u>	<u>1,375,000</u>	-
Total Other Financing Sources (Uses)	<u>1,500,000</u>	<u>1,375,000</u>	<u>1,375,000</u>	-
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(141,332)	(141,332)	(106,936)	34,396
Fund Balance, Beginning of Year	99,527	99,527	99,527	-
Prior Year Encumbrances Appropriated	<u>41,805</u>	<u>41,805</u>	<u>41,805</u>	-
Fund Balance, End of Year	<u>\$ -</u>	<u>-</u>	<u>34,396</u>	<u>34,396</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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Municipal Income Taxes	\$ 1,020,000	1,020,000	1,099,690	79,690
Special Assessments	60,000	60,000	68,740	8,740
Oter Revenue	-	-	77,928	77,928
	<u>1,080,000</u>	<u>1,080,000</u>	<u>1,246,358</u>	<u>166,358</u>
<b>EXPENDITURES:</b>				
Capital Outlay	<u>2,412,900</u>	<u>2,412,900</u>	<u>643,583</u>	<u>1,769,317</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(1,332,900)	(1,332,900)	602,775	1,935,675
Fund Balance, Beginning of Year	1,245,718	1,245,718	1,245,718	-
Prior Year Encumbrances Appropriated	<u>87,182</u>	<u>87,182</u>	<u>87,182</u>	-
Fund Balance, End of Year	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,935,675</u></u>	<u><u>1,935,675</u></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.

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.

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

## 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, 2003

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 215,990	-	215,990
Investments	-	10,000	10,000
Receivables (net of allowance for uncollectibles):			
Taxes	65,760	-	65,760
Accounts	364	-	364
Accrued Interest	-	26	26
Due from Other Governments	175,865	-	175,865
Due from Other Funds	7,974	-	7,974
	<u>465,953</u>	<u>10,026</u>	<u>475,979</u>
Total Assets	\$ <u>465,953</u>	<u>10,026</u>	<u>475,979</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 15,135	26	15,161
Accrued Wages and Benefits	2,673	-	2,673
Accrued Compensated Absences	413	-	413
Deferred Revenue	216,602	-	216,602
	<u>234,823</u>	<u>26</u>	<u>234,849</u>
Total Liabilities	<u>234,823</u>	<u>26</u>	<u>234,849</u>
<b>FUND BALANCE:</b>			
Reserved for:			
Permanent Fund	-	10,000	10,000
Unreserved:			
Undesignated	231,130	-	231,130
	<u>231,130</u>	<u>10,000</u>	<u>241,130</u>
Total Fund Balance	<u>231,130</u>	<u>10,000</u>	<u>241,130</u>
Total Liabilities and Fund Balance	\$ <u>465,953</u>	<u>10,026</u>	<u>475,979</u>

**CITY OF EATON, OHIO**  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2003

	Indigent Driver	Enforcement & Education	Law Enforcement
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 72,011	6,606	2,536
Receivables (net of allowance for uncollectibles):			
Taxes	-	-	-
Accounts	-	-	-
Due from Other Governments	-	-	-
Due from Other Funds	198	50	-
 Total Assets	\$ 72,209	6,656	2,536
 <b>LIABILITIES:</b>			
Accounts Payable	\$ 1,045	-	-
Accrued Wages and Benefits	-	-	-
Accrued Compensated Absences	-	-	-
Deferred Revenue	-	-	-
 Total Liabilities	1,045	-	-
 <b>FUND BALANCE:</b>			
Unreserved:			
Undesignated	71,164	6,656	2,536
 Total Fund Balance	71,164	6,656	2,536
 Total Liabilities and Fund Balance	\$ 72,209	6,656	2,536

<u>Computerization Upgrade</u>	<u>Street Construction, Maintenance &amp; Repair</u>	<u>State Highway Improvement</u>	<u>Cemetery</u>	<u>Recreation</u>
4,135	84,306	6,459	-	11,598
-	-	-	65,760	-
-	-	-	-	-
-	160,643	13,025	2,197	-
<u>7,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>11,861</u>	<u>244,949</u>	<u>19,484</u>	<u>67,957</u>	<u>11,598</u>
2,337	9,371	-	-	662
349	2,004	218	-	-
2	358	53	-	-
<u>-</u>	<u>137,497</u>	<u>11,148</u>	<u>67,957</u>	<u>-</u>
<u>2,688</u>	<u>149,230</u>	<u>11,419</u>	<u>67,957</u>	<u>662</u>
<u>9,173</u>	<u>95,719</u>	<u>8,065</u>	<u>-</u>	<u>10,936</u>
<u>9,173</u>	<u>95,719</u>	<u>8,065</u>	<u>-</u>	<u>10,936</u>
<u>11,861</u>	<u>244,949</u>	<u>19,484</u>	<u>67,957</u>	<u>11,598</u>

(Continued)

**CITY OF EATON, OHIO**  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2003  
(Continued)

	<u>Swimming Pool</u>	<u>Robert's Bridge</u>	<u>Community Development</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 7,386	1,043	-
Receivables (net of allowance for uncollectibles):			
Taxes	-	-	-
Accounts	-	-	-
Due from Other Governments	-	-	-
Due from Other Funds	-	-	-
	<u>7,386</u>	<u>1,043</u>	<u>-</u>
Total Assets	\$ <u>7,386</u>	<u>1,043</u>	<u>-</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 250	-	-
Accrued Wages and Benefits	-	-	-
Accrued Compensated Absences	-	-	-
Deferred Revenue	-	-	-
	<u>250</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>250</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE:</b>			
Unreserved:			
Undesignated	<u>7,136</u>	<u>1,043</u>	<u>-</u>
Total Fund Balance	<u>7,136</u>	<u>1,043</u>	<u>-</u>
Total Liabilities and Fund Balance	\$ <u>7,386</u>	<u>1,043</u>	<u>-</u>



Fort St. Clair	Small Cities	FEMA Grant	Total Special Revenue Funds
17,910	2,000	-	215,990
-	-	-	65,760
364	-	-	364
-	-	-	175,865
-	-	-	7,974
<u>18,274</u>	<u>2,000</u>	<u>-</u>	<u>465,953</u>
1,470	-	-	15,135
102	-	-	2,673
-	-	-	413
-	-	-	216,602
<u>1,572</u>	<u>-</u>	<u>-</u>	<u>234,823</u>
<u>16,702</u>	<u>2,000</u>	<u>-</u>	<u>231,130</u>
<u>16,702</u>	<u>2,000</u>	<u>-</u>	<u>231,130</u>
<u>18,274</u>	<u>2,000</u>	<u>-</u>	<u>465,953</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, 2003

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Property Taxes	\$ 62,689	-	62,689
State Levied Shared Taxes	313,912	-	313,912
Intergovernmental Revenue	47,463	-	47,463
Charges for Services	41,703	-	41,703
Licenses and Permits	4,365	-	4,365
Fees, Fines and Forfeitures	102,379	-	102,379
Investment Income	1,784	-	1,784
Other Revenue	21,545	-	21,545
	<u>595,840</u>	<u>-</u>	<u>595,840</u>
Total Revenues			
<b>EXPENDITURES:</b>			
Current:			
General Government	91,307	-	91,307
Public Safety	175	-	175
Public Health	116,998	-	116,998
Transportation	297,607	-	297,607
Culture and Recreation	128,657	-	128,657
Capital Outlay	51,462	-	51,462
	<u>686,206</u>	<u>-</u>	<u>686,206</u>
Total Expenditures			
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>(90,366)</u>	<u>-</u>	<u>(90,366)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	124,425		124,425
Transfers Out	(9,018)	-	(9,018)
	<u>115,407</u>	<u>-</u>	<u>115,407</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	25,041	-	25,041
Fund Balance, Beginning of Year	<u>206,089</u>	<u>10,000</u>	<u>216,089</u>
Fund Balance, End of Year	<u>\$ 231,130</u>	<u>10,000</u>	<u>241,130</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, 2003

	Indigent Driver	Enforcement & Education	Law Enforcement
<b>REVENUES:</b>			
Property Taxes	\$ -	-	-
State Levied Shared Taxes	-	-	-
Intergovernmental Revenue	-	-	-
Charges for Services	-	-	-
Licenses and Permits	-	-	-
Fees, Fines and Forfeitures	6,977	1,168	-
Investment Income	-	-	-
Other Revenue	-	-	-
	<u>6,977</u>	<u>1,168</u>	<u>-</u>
Total Revenues	<u>6,977</u>	<u>1,168</u>	<u>-</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	-	-	-
Public Safety	-	-	175
Public Health	17,843	500	-
Transportation	-	-	-
Culture and Recreation	-	-	-
Capital Outlay	-	-	-
	<u>17,843</u>	<u>500</u>	<u>175</u>
Total Expenditures	<u>17,843</u>	<u>500</u>	<u>175</u>
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>(10,866)</u>	<u>668</u>	<u>(175)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(10,866)	668	(175)
Fund Balance, Beginning of Year	<u>82,030</u>	<u>5,988</u>	<u>2,711</u>
Fund Balance, End of Year	<u>\$ 71,164</u>	<u>6,656</u>	<u>2,536</u>

<u>Computerization Upgrade</u>	<u>Street Construction, Maintenance &amp; Repair</u>	<u>State Highway Improvement</u>	<u>Cemetery</u>	<u>Recreation</u>
-	-	-	62,689	-
-	286,466	23,227	4,219	-
-	1,445	-	-	-
-	3,626	-	-	11,340
-	4,365	-	-	-
94,234	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>94,234</u>	<u>295,902</u>	<u>23,227</u>	<u>66,908</u>	<u>11,340</u>
91,291	-	-	-	-
-	-	-	-	-
-	-	-	98,655	-
-	278,211	19,396	-	-
-	-	-	-	26,906
-	-	-	-	-
<u>91,291</u>	<u>278,211</u>	<u>19,396</u>	<u>98,655</u>	<u>26,906</u>
<u>2,943</u>	<u>17,691</u>	<u>3,831</u>	<u>(31,747)</u>	<u>(15,566)</u>
-	9,018	-	31,747	21,160
-	-	-	-	-
-	<u>9,018</u>	-	<u>31,747</u>	<u>21,160</u>
2,943	26,709	3,831	-	5,594
<u>6,230</u>	<u>69,010</u>	<u>4,234</u>	-	<u>5,342</u>
<u>9,173</u>	<u>95,719</u>	<u>8,065</u>	-	<u>10,936</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, 2003  
(Continued)

	Swimming Pool	Robert's Bridge	Community Development
<b>REVENUES:</b>			
Property Taxes	\$ -	-	-
State Levied Shared Taxes	-	-	-
Intergovernmental Revenue	-	-	-
Charges for Services	26,737	-	-
Licenses and Permits	-	-	-
Fees, Fines and Forfeitures	-	-	-
Investment Income	-	-	1,784
Other Revenue	-	-	-
	<u>26,737</u>	<u>-</u>	<u>1,784</u>
Total Revenues	<u>26,737</u>	<u>-</u>	<u>1,784</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	-	-	16
Public Safety	-	-	-
Public Health	-	-	-
Transportation	-	-	-
Culture and Recreation	64,963	77	-
Capital Outlay	-	-	16,462
	<u>64,963</u>	<u>77</u>	<u>16,478</u>
Total Expenditures	<u>64,963</u>	<u>77</u>	<u>16,478</u>
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>(38,226)</u>	<u>(77)</u>	<u>(14,694)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	42,500	-	-
Transfers Out	-	-	-
	<u>42,500</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>42,500</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	4,274	(77)	(14,694)
Fund Balance, Beginning of Year	<u>2,862</u>	<u>1,120</u>	<u>14,694</u>
Fund Balance, End of Year	<u>\$ 7,136</u>	<u>1,043</u>	<u>-</u>

Fort St. Clair	Small Cities	FEMA Grant	Total Special Revenue Funds
-	-	-	62,689
-	-	-	313,912
-	37,000	9,018	47,463
-	-	-	41,703
-	-	-	4,365
-	-	-	102,379
-	-	-	1,784
21,545	-	-	21,545
<u>21,545</u>	<u>37,000</u>	<u>9,018</u>	<u>595,840</u>
-	-	-	91,307
-	-	-	175
-	-	-	116,998
-	-	-	297,607
36,711	-	-	128,657
-	35,000	-	51,462
<u>36,711</u>	<u>35,000</u>	<u>-</u>	<u>686,206</u>
<u>(15,166)</u>	<u>2,000</u>	<u>9,018</u>	<u>(90,366)</u>
20,000	-	-	124,425
-	-	(9,018)	(9,018)
<u>20,000</u>	<u>-</u>	<u>(9,018)</u>	<u>115,407</u>
4,834	2,000	-	25,041
<u>11,868</u>	<u>-</u>	<u>-</u>	<u>206,089</u>
<u>16,702</u>	<u>2,000</u>	<u>-</u>	<u>231,130</u>

**CITY OF EATON, OHIO**  
 Combining Statement of Changes in Assets  
 and Liabilities - Agency Fund  
 For the Year Ended December 31, 2003

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	<u>Balance</u> <u>12/31/2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2003</u>
<u>State Patrol Transfer Fund</u>				
Assets:				
Cash and Cash Equivalents	\$ 11,391	74,254	70,770	14,875
Due from Other Governments	<u>5,549</u>	<u>4,998</u>	<u>5,549</u>	<u>4,998</u>
Total assets	\$ <u>16,940</u>	<u>79,252</u>	<u>76,319</u>	<u>19,873</u>
Liabilities:				
Accounts Payable	\$ <u>16,940</u>	<u>79,252</u>	<u>76,319</u>	<u>19,873</u>
Total liabilities	\$ <u>16,940</u>	<u>79,252</u>	<u>76,319</u>	<u>19,873</u>



**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Indigent Driver Education and Training Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fees, Fines and Forfeitures	\$ 10,000	10,000	10,323	323
<b>EXPENDITURES:</b>				
Public Health	91,698	91,698	20,010	71,688
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(81,698)	(81,698)	(9,687)	72,011
Fund Balance, Beginning of Year	81,698	81,698	81,698	-
Fund Balance, End of Year	\$ -	-	72,011	72,011

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Enforcement and Education Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fees, Fines and Forfeitures	\$ 1,500	1,200	1,349	149
<b>EXPENDITURES:</b>				
Public Health	7,257	6,957	500	6,457
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(5,757)	(5,757)	849	6,606
Fund Balance, Beginning of Year	5,757	5,757	5,757	-
Fund Balance, End of Year	\$ -	-	6,606	6,606

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Law Enforcement Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fees, Fines and Forfeitures	\$ -	-	-	-
<b>EXPENDITURES:</b>				
Public Safety	2,711	2,711	175	2,536
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(2,711)	(2,711)	(175)	2,536
Fund Balance, Beginning of Year	2,711	2,711	2,711	-
Fund Balance, End of Year	\$ -	-	2,536	2,536

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Computerization Upgrade Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fees, Fines and Forfeitures	\$ 125,000	93,270	94,083	813
<b>EXPENDITURES:</b>				
General Government	133,939	102,209	101,164	1,045
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(8,939)	(8,939)	(7,081)	1,858
Fund Balance, Beginning of Year	8,939	8,939	8,939	-
Fund Balance, End of Year	\$ -	-	1,858	1,858

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Street Construction, Maintenance and Repair Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
State Levied Shared Taxes	\$ 252,500	252,500	283,004	30,504
Intergovernmental	-	1,445	1,445	-
Charges for Services	-	3,250	3,626	376
Licenses and Permits	-	3,090	4,365	1,275
<b>Total Revenues</b>	<u>252,500</u>	<u>260,285</u>	<u>292,440</u>	<u>32,155</u>
<b>EXPENDITURES:</b>				
Transportation	<u>318,357</u>	<u>335,157</u>	<u>283,009</u>	<u>52,148</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(65,857)</u>	<u>(74,872)</u>	<u>9,431</u>	<u>84,303</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	<u>-</u>	<u>9,015</u>	<u>9,018</u>	<u>3</u>
Net Change in Fund Balance	(65,857)	(65,857)	18,449	84,306
Fund Balance, Beginning of Year	60,073	60,073	60,073	-
Prior Year Encumbrances Appropriated	<u>5,784</u>	<u>5,784</u>	<u>5,784</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>84,306</u>	<u>84,306</u>

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
State Highway Improvement Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
State Levied Shared Taxes	\$ 20,375	20,375	22,946	2,571
<b>EXPENDITURES:</b>				
Transportation	<u>23,495</u>	<u>23,495</u>	<u>19,608</u>	<u>3,887</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(3,120)	(3,120)	3,338	6,458
Fund Balance, Beginning of Year	<u>3,120</u>	<u>3,120</u>	<u>3,120</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>6,458</u>	<u>6,458</u>

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Cemetery Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property Taxes	\$ 61,900	61,885	62,689	804
State Levied Shared Taxes	<u>4,200</u>	<u>4,220</u>	<u>4,219</u>	<u>(1)</u>
Total Revenues	66,100	66,105	66,908	803
<b>EXPENDITURES:</b>				
Public Health	<u>97,500</u>	<u>98,655</u>	<u>98,655</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(31,400)	(32,550)	(31,747)	803
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	<u>31,400</u>	<u>32,550</u>	<u>31,747</u>	<u>(803)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Recreation Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for Services	\$ 12,500	11,114	11,340	226
<b>EXPENDITURES:</b>				
Culture and Recreation	<u>38,488</u>	<u>38,487</u>	<u>26,889</u>	<u>11,598</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(25,988)	(27,373)	(15,549)	11,824
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	<u>20,000</u>	<u>21,385</u>	<u>21,160</u>	<u>(225)</u>
Net Change in Fund Balance	(5,988)	(5,988)	5,611	11,599
Fund Balance, Beginning of Year	<u>5,988</u>	<u>5,988</u>	<u>5,988</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>-</u>	<u>-</u>	<u>11,599</u>	<u>11,599</u>

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Swimming Pool Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for Services	\$ 48,000	26,730	26,737	7
<b>EXPENDITURES:</b>				
Culture and Recreation	93,784	72,514	65,135	7,379
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(45,784)	(45,784)	(38,398)	7,386
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	42,500	42,500	42,500	-
Net Change in Fund Balance	(3,284)	(3,284)	4,102	7,386
Fund Balance, Beginning of Year	3,284	3,284	3,284	-
Fund Balance, End of Year	\$ -	-	7,386	7,386

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Roberts Bridge Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Other Revenue	\$ -	-	-	-
<b>EXPENDITURES:</b>				
Culture and Recreation	1,120	1,120	77	1,043
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(1,120)	(1,120)	(77)	1,043
Fund Balance, Beginning of Year	1,120	1,120	1,120	-
Fund Balance, End of Year	\$ -	-	1,043	1,043

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Community Development Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment Earnings	\$ -	1,784	1,784	-
Other Revenue	-	10,540	10,540	-
	-	12,324	12,324	-
<b>EXPENDITURES:</b>				
Capital Outlay	4,154	16,478	16,478	-
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(4,154)	(4,154)	(4,154)	-
Fund Balance, Beginning of Year	4,154	4,154	4,154	-
Fund Balance, End of Year	\$ -	-	-	-

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Fort St. Clair Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Other Revenue	\$ 26,200	21,200	21,296	96
<b>EXPENDITURES:</b>				
Culture and Recreation	54,535	54,535	36,721	17,814
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(28,335)	(33,335)	(15,425)	17,910
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	15,000	20,000	20,000	-
Net Change in Fund Balance	(13,335)	(13,335)	4,575	17,910
Fund Balance, Beginning of Year	13,335	13,335	13,335	-
Fund Balance, End of Year	\$ -	-	17,910	17,910

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
Small Cities Fund  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue	\$ 72,000	70,000	72,000	2,000
<b>EXPENDITURES:</b>				
Capital Outlay	37,000	35,000	35,000	-
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	35,000	35,000	37,000	2,000
<b>OTHER FINANCING SOURCES (USES):</b>				
Advances Out	(35,000)	(35,000)	(35,000)	-
Net Change in Fund Balance	-	-	2,000	2,000
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	-	2,000	2,000

**CITY OF EATON, OHIO**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis  
FEMA Grant  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue	\$ -	9,018	9,018	-
<b>EXPENDITURES:</b>				
Tranportation	-	-	-	-
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	-	9,018	9,018	-
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-Out	-	(9,018)	(9,018)	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	-	-	-

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**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
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
2003*	2,027,574	162,047	36,986	159,612	53,948	528,149	5,921	2,974,237

Source: City of Eaton, Finance Department

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

\* - For 2003, the Public Safety is being reported separately, whereas in prior years it was reported as part of the General Fund.

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

Year	General Government	Public Safety	Public Health	Transportation	Community Development	Capital Outlay	Total
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
2003*	1,408,293	1,156,818	31,195	253,202	157,179	17,865	3,024,552

Source: City of Eaton, Finance Department

\* - For 2003, the Public Safety is being reported separately, whereas in prior years it was reported as part of the General Fund.

TABLE 3

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

Tax Year/ Collection Year	Real Property		Personal Property Assessed Value (B)	Public Utilities Assessed Value	Total Assessed Value
	Assessed Value	Estimated Actual Value (A)			
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
2002/2003	126,090,110	360,257,457	37,179,340	5,325,800	168,595,250

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 Fund (A)	Pension		Eaton School District	Preble County	Total
		Trust Funds	Total			
1993/1994	4.00	0.60	4.60	37.48	7.97	50.05
1994/1995	4.00	0.60	4.60	36.98	7.97	49.55
1995/1996	4.00	0.60	4.60	36.48	7.97	49.05
1996/1997	4.00	0.60	4.60	35.98	7.67	48.25
1997/1998	4.00	0.60	4.60	35.78	8.67	49.05
1998/1999	4.00	0.60	4.60	35.78	8.67	49.05
1999/2000	4.00	0.60	4.60	35.78	8.07	48.45
2000/2001	4.00	0.60	4.60	33.10	8.07	45.77
2001/2002	4.00	0.60	4.60	38.60	7.88	51.08
2002/2003	4.00	0.60	4.60	38.60	7.78	50.98

Source: Preble County Auditor  
 (A) Includes general voted monies used for maintenance on cemetery and fire equipment.

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

Tax Year/ Collection Year	Total Tax Levy	Current Tax Collections	Percent of		Total Tax Collections Including Delinquencies	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes
			Current Taxes Collected	Current Taxes Collected			
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	
2002/2003	441,177	423,711	96.04%	444,055	100.65%	28,126	

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
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 *
2002/2003	73,578	73,392	99.75%	2,248 *

Source: Preble County Auditor

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

**CITY OF EATON**  
 Computation of Legal Debt Margin  
 December 31, 2003

TABLE 7

Total assessed valuation		<u>\$ 168,595,250</u>
Overall debt limitation 10 1/2% of assessed valuation		17,702,501
Gross indebtedness	\$ 1,961,650	
Less: Debt outside limitations	<u>1,961,650</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>\$ 17,702,501</u>
Unvoted debt limitation 5 1/2% of assessed valuation		\$ 9,272,739
Gross indebtedness authorized by Council	1,961,650	
Less: Debt outside limitations	<u>1,961,650</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>\$ 9,272,739</u>

Source: City of Eaton, Finance Department

***CITY OF EATON***  
 Computation of Direct and Overlapping Debt  
 December 31, 2003

TABLE 8

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	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Eaton</u>	<u>Amount Applicable to City of Eaton</u>
City of Eaton	\$ 1,961,650	100.0%	\$ 1,961,650
Preble County	\$ 9,192,153	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
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	-	-	-	-	-
2003	8,133	168,595,250	1,342,900	-	1,342,900	0.80	165

(A) Source: 2000 Federal Census

(B) Source: Preble County Auditor

TABLE 10

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

Year	Principal	Interest (B)	Total		General Fund Expenditures (C)	Ratio of Debt Service to General Fund Expenditures
			Debt Service			
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%
2003	32,100	32,244	64,344		3,024,552	2.13%

Source: City of Eaton, Finance Department

(A) General obligation bonds reported in the enterprise funds and special assessment debt with government 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, 2003

TABLE 11

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

Source: 2000 Federal Census

**CITY OF EATON, OHIO**  
Employment Distribution by Industry  
December 31, 2003

TABLE 12

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

Source: 2000 Federal Census

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

Year	Commercial/ Industrial Construction (A)	Preble County Bank Deposits (In Thousands) (B)		Total Assessed Value (A)	
		Residential Construction (A)	Bank Deposits (In Thousands) (B)	Commercial	Residential
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
2002	698,660	1,100,870	178,262	35,913,690	86,792,770
2003	1,513,100	1,395,860	(C)	36,922,270	89,167,840

(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, 2003

TABLE 14

Taxpayer	Type of Business	Total 2002 Assessed Valuation (A)	Percentage of Total Assessed Valuation
Neaton Auto Products	Auto Products	\$ 12,954,370	7.68%
Henny Penny Corporation	Food Service	5,099,340	3.02%
Bullen Ultrasonics	Manufacturing	4,582,230	2.72%
Timken Company	Manufacturing	4,496,460	2.67%
Weyerhaeuser Company	Manufacturing	3,996,970	2.37%
Dayton Power and Light	Public Utility	3,906,100	2.32%
Parker Hannifin Corp.	Manufacturing	3,151,000	1.87%
Durbin-Eaton Properties, LLC./Kroger's	Retail	2,197,120	1.30%
Continental 51 Fund	Retail	2,046,820	1.21%
Maxxim Medical	Health Care	1,300,400	0.77%
Total		\$ 43,730,810	25.94%
Total assessed valuation of city		\$ 168,595,250	

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

*CITY OF EATON, OHIO*

TABLE 15

Other Statistics  
December 31, 2003

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Date of incorporation	January 31, 1836
Form of government	Council/Manager
Area	3,820 square acres
Miles of streets	42
Number of street lights	568
Fire protection and emergency rescue:	
Number of stations	2
Number of firemen and EMS personnel (volunteer)	65
Police protection:	
Number of stations	1
Number of policemen and officers	14
Municipal water department:	
Number of consumers	3,373
Average daily production	1,364,369 gallons
Miles of water mains	55
Sewers:	
Miles of storm sewers	18
Miles of sanitary sewers	41
Buildings:	
2002 permits issued	134
2002 valuation of construction	\$34,133,502
Parks and recreation:	
Number of parks	9
Number of tennis courts	3
Number of baseball diamonds	10
Number of swimming pools	1
Employees:	
Classified service	61
Exempt	11

Source: City of Eaton, Ohio

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**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
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  
JULY 20, 2004**