



**Auditor of State  
Betty Montgomery**



**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	15
Statement of Revenues, Expenditures, and Changes In Fund Balance – Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	18
Statement of Net Assets – Proprietary Fund.....	19
Statement of Revenues, Expenses, and Changes In Fund Net Assets – Proprietary Fund .....	20
Statement of Cash Flows – Proprietary Fund .....	21
Statement of Fiduciary Net Assets – Fiduciary Funds .....	22
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	23
Notes to the Financial Statements .....	24
Schedule of Federal Awards Receipts and Expenditures. ....	49
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	50
Independent Accountants' Report on Compliance and on Internal Control Required By Government Auditing Standards.....	51
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	53
Schedule of Findings.....	55

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Eaton Community School District  
Preble County  
307 North Cherry Street  
Eaton, Ohio 45320

To the Board of Education:

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 Eaton Community School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 Eaton Community School District, Preble County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund 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 February 4, 2005, on our consideration of the District'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 is not a required part of the basic financial statements but is 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 District's basic financial statements. The schedule of federal awards receipts and expenditures is required by the *U.S. Office of Management & Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

February 4, 2005

# ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004***

***Unaudited***

---

The discussion and analysis of Eaton Community School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

## **FINANCIAL HIGHLIGHTS**

### **Key financial highlights for 2004 are as follows:**

- ❑ In total, net assets decreased \$350,744. Net assets of governmental activities decreased \$327,893, which represents a 4.9% decrease from 2003. Net assets of business-type activities decreased \$22,851 or 15.0% from 2003.
- ❑ General revenues accounted for \$17,231,356 in revenue or 89.5% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,015,086 or 10.5% of total revenues of \$19,246,442.
- ❑ The District had \$18,937,326 in expenses related to governmental activities; only \$1,378,077 of these expenses was offset by program specific charges for services, grants or contributions. General revenues of \$17,231,356 were not adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$15,567,005 in revenues and \$15,723,481 in expenditures. The general fund's fund balance decreased \$118,864 to \$3,346,919. Overall both revenues and expenditures increased, with expenditures continuing to exceed revenues.
- ❑ Net assets for the enterprise fund decreased by \$22,851. This decrease was attributable to a decrease in investment earnings and operating grants.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

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

# ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004***

***Unaudited***

---

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

## **Government-wide Statements**

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

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

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

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

*Governmental Activities* – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

*Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service fund is reported as business-type activities.

## **Fund Financial Statements**

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

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



## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

**Unaudited**

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

**Fiduciary Funds** – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The following table provides a summary of the District's net assets for 2004 compared to 2003.

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	2004	2003	2004	2003	2004	2003
Current and other assets	\$21,343,334	\$40,145,651	\$96,718	\$130,046	\$21,440,052	\$40,275,697
Capital assets, Net	25,737,090	8,659,975	123,689	135,518	25,860,779	8,795,493
<b>Total assets</b>	<b>47,080,424</b>	<b>48,805,626</b>	<b>220,407</b>	<b>265,564</b>	<b>47,300,831</b>	<b>49,071,190</b>
Long-term debt outstanding	30,692,446	30,607,174	19,484	18,010	30,711,930	30,625,184
Other liabilities	10,046,003	11,528,584	71,198	94,978	10,117,201	11,623,562
<b>Total liabilities</b>	<b>40,738,449</b>	<b>42,135,758</b>	<b>90,682</b>	<b>112,988</b>	<b>40,829,131</b>	<b>42,248,746</b>
Net assets						
Invested in capital assets, net of related debt	2,886,299	2,872,424	123,689	135,518	3,009,988	3,007,942
Restricted	1,884,581	11,187,952	0	0	1,884,581	11,187,952
Unrestricted	1,571,095	(7,390,508)	6,036	17,058	1,577,131	(7,373,450)
<b>Total net assets</b>	<b>\$6,341,975</b>	<b>\$6,669,868</b>	<b>\$129,725</b>	<b>\$152,576</b>	<b>\$6,471,700</b>	<b>\$6,822,444</b>

This space intentionally left blank.

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2004 compared to 2003:

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>2004</u>	<u>2003</u>
	2004	2003	2004	2003	2004	2003
<b>Revenues</b>						
Program revenues:						
Charges for Services and Sales	\$757,421	\$500,487	\$409,720	\$395,877	\$1,167,141	\$896,364
Operating Grants and Contributions	620,656	1,014,187	227,289	249,300	847,945	1,263,487
General revenues:					0	0
Property Taxes	8,627,663	8,245,043	0	0	8,627,663	8,245,043
Grants and Entitlements	8,131,321	7,320,200	0	0	8,131,321	7,320,200
Other	472,372	830,760	0	0	472,372	830,760
<b>Total revenues</b>	<u>18,609,433</u>	<u>17,910,677</u>	<u>637,009</u>	<u>645,177</u>	<u>19,246,442</u>	<u>18,555,854</u>
<b>Program Expenses</b>						
Instruction	10,614,746	10,689,815	0	0	10,614,746	10,689,815
Support Services:						
Pupils	818,549	770,739	0	0	818,549	770,739
Instructional Staff	612,841	614,063	0	0	612,841	614,063
Board of Education	13,869	15,142	0	0	13,869	15,142
Administration	1,561,870	1,610,638	0	0	1,561,870	1,610,638
Fiscal Services	545,682	493,053	0	0	545,682	493,053
Business	1,688	1,562	0	0	1,688	1,562
Operation and Maintenance of Plant	1,436,671	1,183,442	0	0	1,436,671	1,183,442
Pupil Transportation	1,223,375	1,174,581	0	0	1,223,375	1,174,581
Central	74,672	82,336	0	0	74,672	82,336
Community Services	65	0	0	0	65	0
Extracurricular Activities	579,511	576,992	0	0	579,511	576,992
Debt Service:						
Interest and Fiscal Charges	1,453,787	1,627,870	0	0	1,453,787	1,627,870
Food Service	0	0	659,860	699,800	659,860	699,800
<b>Total expenses</b>	<u>18,937,326</u>	<u>18,840,233</u>	<u>659,860</u>	<u>699,800</u>	<u>19,597,186</u>	<u>19,540,033</u>
<b>Total Change in Net Assets</b>	<u>(327,893)</u>	<u>(929,556)</u>	<u>(22,851)</u>	<u>(54,623)</u>	<u>(350,744)</u>	<u>(984,179)</u>
Beginning Net Assets	6,669,868	7,599,424	152,576	207,199	6,822,444	7,806,623
<b>Ending Net Assets</b>	<u>\$6,341,975</u>	<u>\$6,669,868</u>	<u>\$129,725</u>	<u>\$152,576</u>	<u>\$6,471,700</u>	<u>\$6,822,444</u>

### **Governmental Activities**

Net assets of the District's governmental activities decreased by \$327,893. This was due to a combination of factors including decreases in operating grants and investment earnings, as well as increases in expenditures for operation and maintenance of plant. The increase in operation of maintenance and plant was the result of the hiring of additional custodians. The increase in instruction resulted from higher base salaries and larger severances paid out during the fiscal year. Investment earnings decreased as a result of a lower amount of District monies having been invested during the fiscal 2004 year.

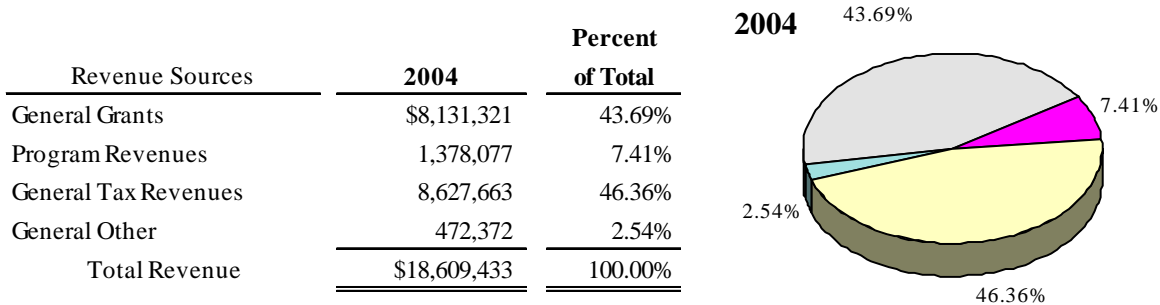
## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

**Unaudited**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 46.36% of revenues for governmental activities for Eaton Community Schools in fiscal year 2004. The District's reliance upon tax revenues is demonstrated by the following graph:



### **Business-Type Activities**

Net assets of the business-type activities decreased by \$22,851. This was attributable to decreases in investment earnings and federal grants received.

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$11,277,926, which is below last year's balance of \$28,619,293. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2004 and 2003.

	<b>Fund Balance June 30, 2004</b>	<b>Fund Balance June 30, 2003</b>	<b>Increase (Decrease)</b>
General	\$3,346,919	\$3,465,783	(\$118,864)
Bond Retirement	1,169,835	1,124,596	45,239
Building	6,456,268	23,664,049	(17,207,781)
Other Governmental	304,904	364,865	(59,961)
Total	\$11,277,926	\$28,619,293	(\$17,341,367)

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

**Unaudited**

*General Fund* – The District's General Fund balance decrease was due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	<b>2004 Revenues</b>	<b>2003 Revenues</b>	<b>Increase (Decrease)</b>
Taxes	\$7,214,821	\$6,722,119	\$492,702
Tuition	351,183	32,081	319,102
Transportation Fees	28,460	39,704	(11,244)
Investment Earnings	75,785	78,808	(3,023)
Extracurricular Activities	12,927	12,756	171
Intergovernmental - State	7,854,469	7,489,608	364,861
All Other Revenue	29,360	11,719	17,641
Total	<b>\$15,567,005</b>	<b>\$14,386,795</b>	<b>\$1,180,210</b>

General Fund revenues in 2004 increased approximately 8.2% compared to revenues in fiscal year 2003. The primary factors contributing to this increase were increases in tax revenues, tuition, and state grant monies. Increased property tax collections contributed to the increase in tax revenues, while the increase in tuition was the result of open enrollment payments now being received by the District directly rather than through the state.

	<b>2004 Expenditures</b>	<b>2003 Expenditures</b>	<b>Increase (Decrease)</b>
Instruction	\$9,606,500	\$8,782,953	\$823,547
Supporting Services:			
Pupils	798,881	747,214	51,667
Instructional Staff	510,881	526,213	(15,332)
Board of Education	13,864	15,112	(1,248)
Administration	1,427,446	1,526,123	(98,677)
Fiscal Services	484,589	452,361	32,228
Business	1,688	1,562	126
Operation & Maintenance of Plant	1,296,743	1,163,928	132,815
Pupil Transportation	1,110,381	1,060,308	50,073
Central	51,430	65,836	(14,406)
Community Service	65	0	65
Extracurricular Activities	336,068	312,797	23,271
Capital Outlay	23,000	133,895	(110,895)
Debt Service			
Principal Retirement	55,000	50,000	5,000
Interest and Fiscal Charges	6,945	9,870	(2,925)
Total	<b>\$15,723,481</b>	<b>\$14,848,172</b>	<b>\$875,309</b>

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

**Unaudited**

The expenditures increased by \$875,309 or 5.9% compared to the prior year mostly due to increases in expenditures for instruction and operation and maintenance of plant. The increase in operation of maintenance and plant was the result of the hiring of additional custodians. The increase in instruction was the result of higher base salaries and severance pay.

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2004 the District amended its General Fund budget several times, none significant.

General Fund budget basis revenue was \$15.5 million, which was above original budget estimates of \$15.4 million. The General Fund had an adequate fund balance to cover expenditures.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of fiscal year 2004 the District had \$25,860,779 net of accumulated depreciation invested in land, buildings, machinery, equipment and vehicles. Of this total, \$25,737,090 was related to governmental activities and \$123,689 to the business-type activities. The following table shows fiscal year 2003 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Land	\$611,685	\$611,685	\$0
Land Improvements	381,325	358,325	23,000
Buildings and Improvements	3,879,275	3,879,275	0
Machinery and Equipment	3,161,302	3,071,665	89,637
Vehicles	1,677,274	1,668,980	8,294
Construction in Progress	21,685,741	4,462,551	17,223,190
Less: Accumulated Depreciation	(5,659,512)	(5,392,506)	(267,006)
Totals	\$25,737,090	\$8,659,975	\$17,077,115
	Business-Type Activities		Increase (Decrease)
	2004	2003	
Machinery and Equipment	\$376,963	\$385,519	(\$8,556)
Less: Accumulated Depreciation	(253,274)	(250,001)	(3,273)
Totals	\$123,689	\$135,518	(\$11,829)

The primary increase occurred in construction in progress as the District continued construction of new school buildings.

Additional information on the District's capital assets can be found in Note 7.

# **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

---

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

**Unaudited**

---

## **Debt**

At June 30, 2004, the District had \$29.3 million in bonds outstanding, \$315,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2004:

	<u>2004</u>	<u>2003</u>
Governmental Activities:		
General Obligation Bonds:		
School Improvement	\$29,315,000	\$29,500,000
Compensated Absences	<u>1,377,446</u>	<u>1,353,969</u>
Total Governmental Activities	30,692,446	30,853,969
Business-Type Activities:		
Compensated Absences	<u>19,484</u>	<u>18,010</u>
Totals	<u><u>\$30,711,930</u></u>	<u><u>\$30,871,979</u></u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2004, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 10.

## **ECONOMIC FACTORS**

A challenge facing the District is the future of state funding. As a result of the DeRolph decision and subsequent court decisions the district is unable to determine what effect, if any, a future decision will have on its future state funding and its financial operations.

In conclusion, the Eaton Community School District's management has committed itself to financial prudence in the years to come.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Nancy Winterbotham, Treasurer of Eaton Community School District.

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

### ***Statement of Net Assets*** ***June 30, 2004***

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 10,631,579	\$ 66,573	\$ 10,698,152
Investments	2,309,013	0	2,309,013
Receivables:			
Taxes	7,615,064	0	7,615,064
Accounts	16,942	166	17,108
Intergovernmental	32,330	19,104	51,434
Interest	7,565	30	7,595
Inventory of Supplies at Cost	166,110	10,845	176,955
Restricted Assets:			
Cash and Cash Equivalents	564,731	0	564,731
Capital Assets, Net	25,737,090	123,689	25,860,779
<b>Total Assets</b>	<b>47,080,424</b>	<b>220,407</b>	<b>47,300,831</b>
<b>Liabilities:</b>			
Accounts Payable	1,736,018	701	1,736,719
Accrued Wages and Benefits	1,413,241	48,457	1,461,698
Intergovernmental Payable	397,906	22,040	419,946
Deferred Revenue - Taxes	6,424,132	0	6,424,132
Accrued Interest Payable	74,706	0	74,706
Long Term Liabilities:			
Due Within One Year	383,313	0	383,313
Due in More Than One Year	30,309,133	19,484	30,328,617
<b>Total Liabilities</b>	<b>40,738,449</b>	<b>90,682</b>	<b>40,829,131</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	2,886,299	123,689	3,009,988
Restricted For:			
Capital Projects	228,330	0	228,330
Debt Service	1,128,909	0	1,128,909
Other Purposes	527,342	0	527,342
Unrestricted	1,571,095	6,036	1,577,131
<b>Total Net Assets</b>	<b>\$ 6,341,975</b>	<b>\$ 129,725</b>	<b>\$ 6,471,700</b>

See accompanying notes to the basic financial statements

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

### **Statement of Activities For the Fiscal Year Ended June 30, 2004**

	Program Revenues		
Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities:</b>			
Instruction	\$ 10,614,746	\$ 468,189	\$ 554,463
Support Services:			
Pupils	818,549	0	10,178
Instructional Staff	612,841	0	20,871
Board of Education	13,869	0	0
Administration	1,561,870	0	144
Fiscal Services	545,682	0	0
Business	1,688	0	0
Operation and Maintenance of Plant	1,436,671	4,060	0
Pupil Transportation	1,223,375	28,460	24,504
Central	74,672	0	10,496
Community Services	65	0	0
Extracurricular Activities	579,511	256,712	0
Debt Service:			
Interest and Fiscal Charges	1,453,787	0	0
<b>Total Governmental Activities</b>	<b>18,937,326</b>	<b>757,421</b>	<b>620,656</b>
<b>Business-Type Activities:</b>			
Food Service	659,860	409,720	227,289
<b>Total Business-Type Activities</b>	<b>659,860</b>	<b>409,720</b>	<b>227,289</b>
<b>Totals</b>	<b>\$ 19,597,186</b>	<b>\$ 1,167,141</b>	<b>\$ 847,945</b>

#### **General Revenues**

Property Taxes Levied for:

    General Purposes

    Debt Service

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements



***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (9,592,094)	\$ 0	\$ (9,592,094)
(808,371)	0	(808,371)
(591,970)	0	(591,970)
(13,869)	0	(13,869)
(1,561,726)	0	(1,561,726)
(545,682)	0	(545,682)
(1,688)	0	(1,688)
(1,432,611)	0	(1,432,611)
(1,170,411)	0	(1,170,411)
(64,176)	0	(64,176)
(65)	0	(65)
(322,799)	0	(322,799)
<u>(1,453,787)</u>	<u>0</u>	<u>(1,453,787)</u>
<u>(17,559,249)</u>	<u>0</u>	<u>(17,559,249)</u>
<u>0</u>	<u>(22,851)</u>	<u>(22,851)</u>
<u>0</u>	<u>(22,851)</u>	<u>(22,851)</u>
<u>(17,559,249)</u>	<u>(22,851)</u>	<u>(17,582,100)</u>
7,104,003	0	7,104,003
1,523,660	0	1,523,660
8,131,321	0	8,131,321
228,755	0	228,755
243,617	0	243,617
<u>17,231,356</u>	<u>0</u>	<u>17,231,356</u>
(327,893)	(22,851)	(350,744)
<u>6,669,868</u>	<u>152,576</u>	<u>6,822,444</u>
<u>\$ 6,341,975</u>	<u>\$ 129,725</u>	<u>\$ 6,471,700</u>

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

### ***Balance Sheet Governmental Funds June 30, 2004***

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 3,437,042	\$ 1,085,245	\$ 5,725,897	\$ 383,395	\$ 10,631,579
Investments	0	0	2,309,013	0	2,309,013
Receivables:					
Taxes	6,153,174	1,461,890	0	0	7,615,064
Accounts	16,642	0	0	300	16,942
Intergovernmental	3,647	0	0	28,683	32,330
Interest	0	0	7,565	0	7,565
Interfund Loan Receivable	20,000	0	0	0	20,000
Inventory Held for Resale	166,110	0	0	0	166,110
Restricted Assets:					
Cash and Cash Equivalents	564,731	0	0	0	564,731
<b>Total Assets</b>	<u>\$ 10,361,346</u>	<u>\$ 2,547,135</u>	<u>\$ 8,042,475</u>	<u>\$ 412,378</u>	<u>\$ 21,363,334</u>
<b>Liabilities:</b>					
Accounts Payable	\$ 143,176	\$ 0	\$ 1,586,207	\$ 6,635	\$ 1,736,018
Accrued Wages and Benefits	1,351,816	0	0	61,425	1,413,241
Intergovernmental Payable	295,028	0	0	924	295,952
Interfund Loans Payable	0	0	0	20,000	20,000
Deferred Revenue - Taxes	5,224,327	1,377,300	0	0	6,601,627
Deferred Revenue	0	0	0	18,490	18,490
Compensated Absences Payable	80	0	0	0	80
<b>Total Liabilities</b>	<u>7,014,427</u>	<u>1,377,300</u>	<u>1,586,207</u>	<u>107,474</u>	<u>10,085,408</u>
<b>Fund Balances:</b>					
Reserved for Encumbrances	491,132	0	4,880,071	15,248	5,386,451
Reserved for Supplies Inventory	166,110	0	0	0	166,110
Reserved for Debt Service	0	1,085,245	0	0	1,085,245
Reserved for Property Taxes	359,638	84,590	0	0	444,228
Statutory Reserves	564,731	0	0	0	564,731
Unreserved, Undesignated in:					
General Fund	1,765,308	0	0	0	1,765,308
Special Revenue Funds	0	0	0	53,385	53,385
Capital Projects Funds	0	0	1,576,197	236,271	1,812,468
<b>Total Fund Balances</b>	<u>3,346,919</u>	<u>1,169,835</u>	<u>6,456,268</u>	<u>304,904</u>	<u>11,277,926</u>
<b>Total Liabilities and Funds Balances</b>	<u>\$ 10,361,346</u>	<u>\$ 2,547,135</u>	<u>\$ 8,042,475</u>	<u>\$ 412,378</u>	<u>\$ 21,363,334</u>

See accompanying notes to the basic financial statements

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

---

***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
June 30, 2004***

---

<b>Total Governmental Fund Balances</b>	\$ 11,277,926
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	25,737,090
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	195,985
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds Payable	(29,315,000)
Compensated Absences Payable	(1,377,366)
Accrued Interest Payable	(74,706)
Pension Obligation	<u>(101,954)</u>
	(30,869,026)
<b><i>Net Assets of Governmental Activities</i></b>	<b><u><u>\$ 6,341,975</u></u></b>

See accompanying notes to the basic financial statements

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

### **Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2004**

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 7,214,821	\$ 1,489,880	\$ 0	\$ 0	\$ 8,704,701
Tuition	351,183	0	0	0	351,183
Transportation Fees	28,460	0	0	0	28,460
Investment Earnings	75,785	0	204,548	0	280,333
Extracurricular Activities	12,927	0	0	243,785	256,712
Class Materials and Fees	0	0	0	117,006	117,006
Intergovernmental - State	7,854,469	160,339	0	118,442	8,133,250
Intergovernmental - Federal	0	0	0	667,937	667,937
All Other Revenue	29,360	0	104,997	71,155	205,512
<b>Total Revenue</b>	<b>15,567,005</b>	<b>1,650,219</b>	<b>309,545</b>	<b>1,218,325</b>	<b>18,745,094</b>
<b>Expenditures:</b>					
Current:					
Instruction	9,606,500	0	0	880,115	10,486,615
Supporting Services:					
Pupils	798,881	0	839	12,227	811,947
Instructional Staff	510,881	0	0	68,685	579,566
Board of Education	13,864	0	0	0	13,864
Administration	1,427,446	0	0	89,947	1,517,393
Fiscal Services	484,589	39,591	0	0	524,180
Business	1,688	0	0	0	1,688
Operation & Maintenance of Plant	1,296,743	0	115,679	0	1,412,422
Pupil Transportation	1,110,381	0	0	0	1,110,381
Central	51,430	0	0	19,989	71,419
Community Services	65	0	0	0	65
Extracurricular Activities	336,068	0	0	207,503	543,571
Capital Outlay	23,000	0	17,440,000	0	17,463,000
Debt Service:					
Principal Retirement	55,000	130,000	0	0	185,000
Interest & Fiscal Charges	6,945	1,435,389	0	0	1,442,334
<b>Total Expenditures</b>	<b>15,723,481</b>	<b>1,604,980</b>	<b>17,556,518</b>	<b>1,278,466</b>	<b>36,163,445</b>
Excess (Deficiency) of Revenues Over Expenditures	(156,476)	45,239	(17,246,973)	(60,141)	(17,418,351)
<b>Other Financing Sources (Uses):</b>					
Proceeds from the Sale of Capital Assets	3,285	0	39,192	0	42,477
Proceeds from the Sale of Bonds	0	0	0	0	0
Proceeds from the Sale of Notes	0	0	0	0	0
Transfers In	0	0	0	180	180
Transfers Out	(180)	0	0	0	(180)
<b>Total Other Financing Sources (Uses)</b>	<b>3,105</b>	<b>0</b>	<b>39,192</b>	<b>180</b>	<b>42,477</b>
Net Change in Fund Balance	(153,371)	45,239	(17,207,781)	(59,961)	(17,375,874)
<b>Fund Balances at Beginning of Year</b>	<b>3,465,783</b>	<b>1,124,596</b>	<b>23,664,049</b>	<b>364,865</b>	<b>28,619,293</b>
Increase in Inventory Reserve	34,507	0	0	0	34,507
<b>Fund Balances End of Year</b>	<b>\$ 3,346,919</b>	<b>\$ 1,169,835</b>	<b>\$ 6,456,268</b>	<b>\$ 304,904</b>	<b>\$ 11,277,926</b>

See accompanying notes to the basic financial statements

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended June 30, 2004***

---

**Net Change in Fund Balances - Total Governmental Funds** \$(17,375,874)

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

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

Capital Outlay	17,476,317	
Depreciation Expense	<u>(398,890)</u>	
		17,077,427

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets.

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	<u>(312)</u>	(312)
--	--------------	-------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(177,826)
--	--	-----------

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal Payment	<u>185,000</u>	185,000
---	----------------	---------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(11,453)
--	--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	(67,097)	
Pension Obligation (Intergovernmental Payable)	7,735	
Change in Inventory	<u>34,507</u>	
		<u>(24,855)</u>

<b><i>Change in Net Assets of Governmental Activities</i></b>		<b><u><u>\$ (327,893)</u></u></b>
---	--	-----------------------------------

See accompanying notes to the basic financial statements

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 7,015,456	\$ 7,148,139	\$ 7,148,139	\$ 0
Tuition	315,500	351,400	351,399	(1)
Transportation Fees	33,500	26,116	26,116	0
Investment Earnings	120,000	70,793	70,793	0
Extracurricular Activities	12,300	12,929	12,929	0
Intergovernmental - State	7,907,229	7,851,709	7,854,469	2,760
All Other Revenues	5,825	12,343	12,696	353
Total Revenues	<u>15,409,810</u>	<u>15,473,429</u>	<u>15,476,541</u>	<u>3,112</u>
<b>Expenditures:</b>				
Current:				
Instruction	9,875,022	9,817,693	9,817,558	135
Support Services:				
Pupils	849,226	810,899	810,966	(67)
Instructional Staff	597,980	678,150	678,150	0
Board of Education	17,650	13,811	13,811	0
Administration	1,649,680	1,498,999	1,498,999	0
Fiscal Services	491,666	489,769	489,769	0
Business	2,100	1,687	1,687	0
Operation and Maintenance of Plant	1,434,093	1,379,486	1,379,486	0
Pupil Transportation	1,153,773	1,117,985	1,117,985	0
Central	90,026	51,685	51,685	0
Community Services	0	65	65	0
Extracurricular Activities	337,006	335,316	335,316	0
Capital Outlay	78,509	23,000	23,000	0
Debt Service:				
Principal Retirement	55,000	55,000	55,000	0
Interest and Fiscal Charges	6,545	6,945	6,945	0
Total Expenditures	<u>16,638,276</u>	<u>16,280,490</u>	<u>16,280,422</u>	<u>68</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,228,466)	(807,061)	(803,881)	3,180
<b>Other Financing Sources (Uses):</b>				
Proceeds from the Sale of Fixed Assets	500	3,285	3,285	0
Transfers Out	0	(181)	(180)	1
Advances In	0	274,670	274,670	0
Advances Out	0	(294,670)	(294,670)	0
Refund of Prior Year's Expenditures	100	9,515	9,515	0
Total Other Financing Sources (Uses):	<u>600</u>	<u>(7,381)</u>	<u>(7,380)</u>	<u>1</u>
Net Change in Fund Balance	(1,227,866)	(814,442)	(811,261)	3,181
Fund Balance at Beginning of Year	3,738,750	3,738,750	3,738,750	0
Prior Year Encumbrances	419,461	419,461	419,461	0
Fund Balance at End of Year	<u>\$ 2,930,345</u>	<u>\$ 3,343,769</u>	<u>\$ 3,346,950</u>	<u>\$ 3,181</u>

See accompanying notes to the basic financial statements

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

***Statement of Net Assets  
Proprietary Fund  
June 30, 2004***

---

	Business-Type Activities
	<u>Enterprise Fund</u>
<b>Assets:</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 66,573
Receivables:	
Accounts	166
Intergovernmental	19,104
Interest	30
Inventory of Supplies at Cost	<u>10,845</u>
<i>Total Current Assets</i>	<u>96,718</u>
<i>Non Current Assets:</i>	
Capital Assets, Net	<u>123,689</u>
<b>Total Assets</b>	<u>220,407</u>
<b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Accounts Payable	701
Accrued Wages and Benefits	48,457
Intergovernmental Payable	<u>22,040</u>
<i>Total Current Liabilities</i>	<u>71,198</u>
<i>Long Term Liabilities:</i>	
Compensated Absences Payable	<u>19,484</u>
<b>Total Liabilities</b>	<u>90,682</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	123,689
Unrestricted	<u>6,036</u>
<b>Total Net Assets</b>	<u>\$ 129,725</u>

See accompanying notes to the basic financial statements

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

---

**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30,2004**

---

	Business-Type Activities
	Enterprise Fund
<b>Operating Revenues:</b>	
Sales	\$ 409,259
<b>Total Operating Revenues</b>	<b>409,259</b>
<b>Operating Expenses:</b>	
Salaries and Wages	266,796
Fringe Benefits	121,373
Contractual Services	5,543
Supplies and Materials	253,785
Depreciation	11,566
Other Operating Expense	534
<b>Total Operating Expenses</b>	<b>659,597</b>
Operating Loss	(250,338)
<b>Nonoperating Revenue (Expenses):</b>	
Operating Grants	227,289
Investment Earnings	461
Loss on Disposal of Fixed Assets	(263)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>227,487</b>
Change in Net Assets	(22,851)
Net Assets Beginning of Year	152,576
Net Assets End of Year	\$ 129,725

See accompanying notes to the basic financial statements



## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

***Statement of Cash Flows***  
***Proprietary Fund***  
***For the Fiscal Year Ended June 30,2004***

	Business-Type Activities
	Enterprise Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$409,839
Cash Payments for Goods and Services	(211,406)
Cash Payments to Employees for Services and Benefits	(391,508)
Net Cash Used for Operating Activities	(193,075)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	193,916
Net Cash Provided by Noncapital Financing Activities	193,916
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	468
Net Cash Provided by Investing Activities	468
Net Increase in Cash and Cash Equivalents	1,309
Cash and Cash Equivalents at Beginning of Year	65,264
Cash and Cash Equivalents at End of Year	\$66,573
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$250,338)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation Expense	11,566
Donated Commodities Used During the Year	57,610
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(166)
Decrease in Intergovernmental Receivable	746
Decrease in Inventory	9,813
Decrease in Accounts Payable	(82)
Increase in Accrued Wages and Benefits	3,284
Decrease in Intergovernmental Payables	(8,097)
Decrease in Deferred Revenue	(18,885)
Increase in Compensated Absences	1,474
Total Adjustments	57,263
Net Cash Used for Operating Activities	(\$193,075)

See accompanying notes to the basic financial statements

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

***Statement of Net Assets  
Fiduciary Funds  
June 30, 2004***

---

	Private Purpose Trust Funds	Agency Funds	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 188,188	\$ 72,016	\$ 260,204
Receivables:			
Interest	161	0	161
Capital Assets, Net	2,023	0	2,023
<b>Total Assets</b>	<u>190,372</u>	<u>72,016</u>	<u>262,388</u>
<b>Liabilities:</b>			
Accounts Payable	307	0	307
Due to Students	0	72,016	72,016
<b>Total Liabilities</b>	<u>307</u>	<u>72,016</u>	<u>72,323</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	2,023	0	2,023
Held in Trust	188,042	0	188,042
<b>Total Net Assets</b>	<u>\$ 190,065</u>	<u>\$ 0</u>	<u>\$ 190,065</u>

See accompanying notes to the basic financial statements

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

---

**Statement of Changes in Net Assets**

**Fiduciary Fund**

**For the Fiscal Year Ended June 30,2004**

---

	Private Purpose Trust Funds
<b>Additions:</b>	
Contributions:	
Sales	\$ 884
Private Donations	29,117
Total Contributions	<u>30,001</u>
Investment Earnings:	
Interest	1,752
Net Decrease in the Fair Value of Investments	<u>(4)</u>
Total Investment Earnings	<u>1,748</u>
Total Additions	<u>31,749</u>
<b>Deductions:</b>	
Administrative Expenses	10,680
Community Gifts, Awards and Scholarships	<u>13,108</u>
Total Deductions	<u>23,788</u>
Change in Net Assets	7,961
Net Assets at Beginning of Year	<u>182,104</u>
Net Assets End of Year	<u>\$ 190,065</u>

See accompanying notes to the basic financial statements

# ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

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

#### **A. Reporting Entity**

Eaton Community School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 95 non-certified and approximately 149 certified teaching personnel and administrative employees providing education to 2,337 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

Eaton Community School District participates in two jointly governed organizations, the Southwestern Ohio Computer Association (SWOCA) and the Southwestern Ohio Educational Purchasing Council (SOEPC). SWOCA provides the data processing services needed by the participating school districts. D. Russell Lee Vocational School serves as the fiscal agent. SOEPC obtains prices for quality merchandise and services for participating school districts. See Note 14 for additional information.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

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

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

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

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

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

The following fund types are used by the District:

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

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

**Bond Retirement Fund** - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Building Fund** - This fund is used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures represent the costs of acquiring capital facilities, including real property.

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

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

**Enterprise Fund** - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

# ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

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

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

***Fiduciary Funds*** – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District’s own programs. The District’s two trust funds are private-purpose trust that account for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

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

***Government-wide Financial Statements*** – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

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

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

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

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

##### **D. Basis of Accounting**

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

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Revenue considered susceptible to accrual at year end includes property taxes available for advance, income taxes, tuition, grants, student fees, and interest on investments.

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

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

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

Current property taxes measurable at June 30, 2004, of which are not intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2004 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds and the private-purpose trust fund. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

***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.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

##### **E. Budgetary Process**

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



## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

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

##### **E. Budgetary Process** (Continued)

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the General Fund is required to be reported. The primary level of budgetary control is at the fund level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

##### **1. Tax Budget**

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

##### **2. Estimated Resources**

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2004.

##### **3. Appropriations**

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

---

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

---

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

**E. Budgetary Process** (Continued)

4. Lapsing of Appropriations

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

5. Basis of Budgeting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservations of fund balances (GAAP basis). The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	(\$153,371)
Increase (Decrease):	
Accrued Revenues	
at June 30, 2004	
received during FY 2005	(969,136)
Accrued Revenues	
at June 30, 2003	
received during FY 2004	868,185
Accrued Expenditures	
at June 30, 2004	
paid during FY 2005	1,790,100
Accrued Expenditures	
at June 30, 2003	
paid during FY 2004	(1,692,216)
Encumbrances Outstanding	(654,825)
Budget Basis	(\$811,263)

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

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

##### **F. Cash and Cash Equivalents**

During fiscal year 2004, cash and cash equivalents included amounts in demand deposits, short-term certificates of deposit with original maturities of three months or less, repurchase agreements and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. The District's cash and cash equivalents represent Star Ohio investment and depository accounts. See Note 3, "Cash, Cash Equivalents and Investments."

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the financial statements. See Note 3, "Cash, Cash Equivalents and Investments."

The District had invested funds in the State Treasury Asset Reserve of Ohio during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

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

# ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

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

#### **I. Capital Assets and Depreciation**

The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

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

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$300.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

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

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost for assets not purchased in recent years), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

##### **3. Depreciation**

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

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	20
Buildings and Improvements	25-90
Machinery and Equipment	5-25
Vehicles	5-10

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

---

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

---

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

**J. Long-Term Obligations**

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Fund, Bond Retirement Fund
Compensated Absences	General Fund, Food Services Fund

**K. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the termination method. Employees may earn 15 days of sick leave per year up to a maximum of 275 days. Upon retirement, certified employees will receive 30% of the accumulated sick leave up to a maximum of 183 days while non-certified employees will receive 25% of the accumulated sick leave up to a maximum of 62 days. For governmental funds, compensated absences are reported as an expenditure in the fund from which the individual earning the leave is paid only if the compensated absences have matured, for example, as a result of employee resignations and retirement. A corresponding liability is reflected in the account "Compensated Absences Payable." In the government-wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

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

##### **M. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability.

##### **N. Interfund Transactions**

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. Interfund transfers between governmental funds are eliminated on the Statement of Activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

##### **O. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District for the acquisition of textbooks, instructional materials and capital assets, and to create a reserve for budget stabilization.

##### **P. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for property taxes, supplies inventory, endowments, debt service, and encumbered amounts which have not been accrued at year end. In addition, fund balances are reserved by statute for budget stabilization, and for the purchase of textbooks, instructional materials and capital acquisitions.

##### **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 could differ from those estimates.

##### **R. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and tuition and fees for uniform school supplies. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

#### **NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

**Fund Deficit** - The respective fund deficits at June 30, 2004 of \$40,939, \$5,045, and \$657 in the Chapter One Fund, the Title VI-R Fund, and the Federal Grants Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis, which are greater than expenditures recognized on the budgetary basis. A deficit did not exist in these funds under the cash basis of accounting.

#### **NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

#### **NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, “*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*,” collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions’ agent in the pool’s name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

#### *Deposits:*

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District’s name.
- Category 2 Collateralized with securities held by the pledging financial institution’s trust department or agent, in the District’s name.
- Category 3 Collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

#### *Investments:*

- Category 1 Insured or registered, or securities held by the District or its agent in the District’s name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the District’s name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.



**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

---

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

---

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

**A. Deposits**

At year end the carrying amount of the District's deposits was \$11,307,385 and the bank balance was \$11,365,900. Not included in the bank balance is \$410, which represents cash on hand held by the District. Federal depository insurance covered \$248,938 of the bank balance, \$11,116,962 was classified as Category 3.

**B. Investments**

The District's investments at June 30, 2004 were as follows:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Federal Securities	N/A	\$2,309,013	\$2,309,013
Total Categorized	0	2,309,013	2,309,013
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	215,702
Total Non-Categorized	N/A	N/A	215,702
Total Investments	<u>\$0</u>	<u>\$2,309,013</u>	<u>\$2,524,715</u>

STAR Ohio and money market mutual funds are non-categorized investments since they are not evidenced by securities that exist in physical or book entry form.

**C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3. A reconciliation to the financial statements follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$11,523,087	\$2,309,013
Investments:		
STAR Ohio	<u>(215,702)</u>	<u>215,702</u>
Per GASB Statement No. 3	<u>\$11,307,385</u>	<u>\$2,524,715</u>

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

#### **NOTE 4 - PROPERTY TAXES**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Eaton Community School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2004 receipts were based are:

	2003 Second Half Collections	2004 First Half Collections
Agricultural/Residential and Other Real Estate	\$216,150,830	\$220,578,200
Public Utility Personal	10,109,620	9,619,700
Tangible Personal Property	39,488,220	38,123,472
Total Assessed Value	<u>\$265,748,670</u>	<u>\$268,321,372</u>
Tax rate per \$1,000 of assessed valuation	\$40.88	\$40.88

#### **NOTE 5 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

**NOTE 6 - TRANSFERS**

Following is a summary of transfers in and out for all funds at June 30, 2004:

Fund	Transfer In	Transfer Out
General Fund	\$0	(\$180)
Nonmajor Governmental Fund:		
Public School Support Fund	2	
Title VI-R Fund	57	
Federal Grants Fund	121	0
Total All Funds	<u>\$180</u>	<u>(\$180)</u>

**NOTE 7 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2004:

***Historical Cost:***

Class	June 30, 2003	Additions	Deletions	June 30, 2004
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$611,685	\$0	\$0	\$611,685
Construction in Progress	4,462,551	17,223,190	0	21,685,741
<b><i>Capital assets being depreciated:</i></b>				
Land Improvements	358,325	23,000	0	381,325
Buildings and Improvement	3,879,275	0	0	3,879,275
Machinery and Equipment	3,071,665	120,127	(30,490)	3,161,302
Vehicles	1,668,980	110,000	(101,706)	1,677,274
Total Cost	<u>\$14,052,481</u>	<u>\$17,476,317</u>	<u>(\$132,196)</u>	<u>\$31,396,602</u>

***Accumulated Depreciation:***

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Land Improvements	(\$228,652)	(\$17,777)	\$0	(\$246,429)
Buildings and Improvement	(1,777,475)	(50,780)	0	(1,828,255)
Machinery and Equipment	(2,412,562)	(209,361)	30,178	(2,591,745)
Vehicles	(973,817)	(120,972)	101,706	(993,083)
Total Depreciation	<u>(\$5,392,506)</u>	<u>(\$398,890) *</u>	<u>\$131,884</u>	<u>(\$5,659,512)</u>
<b><i>Net Value:</i></b>	<u>\$8,659,975</u>			<u>\$25,737,090</u>

***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004***

---

**NOTE 7 - CAPITAL ASSETS (Continued)**

**A. Governmental Activities Capital Assets (Continued)**

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

Instruction	(\$144,579)
Support Services:	
Pupils	(3,667)
Instructional Staff	(32,163)
Board of Education	(5)
Administration	(23,237)
Fiscal Services	(9,081)
Operations & Maintenance of Plant	(34,348)
Pupil Transportation	(112,371)
Central	(491)
Extracurricular Activities	(38,948)
Total Depreciation Expense	<u>(\$398,890)</u>

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

Summary by Category at June 30, 2004:

***Historical Cost:***

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Machinery and Equipment	\$385,519	\$0	(\$8,556)	\$376,963
Total Cost	<u>\$385,519</u>	<u>\$0</u>	<u>(\$8,556)</u>	<u>\$376,963</u>

***Accumulated Depreciation:***

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Machinery and Equipment	(\$250,001)	(\$11,566)	\$8,293	(\$253,274)
Total Depreciation	<u>(\$250,001)</u>	<u>(\$11,566)</u>	<u>\$8,293</u>	<u>(\$253,274)</u>

<b><i>Net Value:</i></b>	<u>\$135,518</u>	<u>(\$11,566)</u>	<u>(\$263)</u>	<u>\$123,689</u>
--------------------------	------------------	-------------------	----------------	------------------

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

#### **NOTE 8 - DEFINED BENEFIT PENSION PLANS**

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

##### **A. School Employees Retirement System of Ohio (SERS of Ohio)**

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2004, (latest information available) 9.09% was allocated to fund the pension benefit and 4.91% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$304,224, \$307,692, and \$276,216, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2004 employer contribution rate (latest information available) that was used to fund health care for the year 2004 was 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2004, the minimum pay has been established as \$24,500. The amount contributed to fund health care benefits, including the surcharge amounted to \$118,268.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 62,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 (the latest information available) were \$223,443,805 and the target level was \$335.2 million. Net assets available for payment of benefits at June 30, 2004 was \$300.8 million.

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

#### **NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System of Ohio (STRS of Ohio)**

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2003, (latest information available) 13% was allocated to fund the pension benefit and 1% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$1,092,876, \$1,037,364, and \$984,576, respectively, which were equal to the required contributions for each year.

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

#### **NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System of Ohio (STRS of Ohio) (Continued)**

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2003, (latest information available) the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Reserve Fund, which amounted to \$78,063 for the District. The balance of the Health Care Reserve Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, the net health care costs paid by STRS were \$352,301,000. There were 108,294 eligible benefit recipients.

#### **NOTE 9 – OPERATING LEASE**

The District is the lessee for an operating lease with Ancillary Medical Investments, Inc. for school administration space. The general leasing agreement states that the lessee agrees to pay the lessor, monthly in advance, for 12 months, a monthly payment of \$800. Current rental costs for the fiscal year ended June 30, 2004, were \$9,600.

This space intentionally left blank.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

**NOTE 10 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in the bonds and compensated absences of the District for the year ended June 30, 2004 is as follows:

		Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004	Amount Due Within One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
1989 School Improvement	6.00-7.20%	\$1,215,000	\$0	(\$105,000)	\$1,110,000	\$110,000
1995 School Improvement	5.15-6.00%	110,000	0	(55,000)	55,000	55,000
2002 School Improvement	2.25-5.75%	28,175,000	0	(25,000)	28,150,000	150,000
Total General Obligation Bonds		29,500,000	0	(185,000)	29,315,000	315,000
Compensated Absences		1,353,969	853,966	(830,489)	1,377,446	68,313
Total Governmental Activities		30,853,969	853,966	(1,015,489)	30,692,446	383,313
<b>Business-Type Activities:</b>						
Compensated Absences		18,010	27,547	(26,073)	19,484	0
Total Long-Term Obligations		\$30,871,979	\$881,513	(\$1,041,562)	\$30,711,930	\$383,313

**A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2004 follows:

Years	General Obligation Bonds		
	Principal	Interest	Total
2005	\$315,000	\$1,429,175	\$1,744,175
2006	305,000	1,412,149	1,717,149
2007	320,000	1,396,679	1,716,679
2008	455,000	1,377,586	1,832,586
2009	510,000	1,353,966	1,863,966
2010-2014	3,196,550	6,790,445	9,986,995
2015-2019	3,128,450	7,781,660	10,910,110
2020-2024	7,450,000	4,449,468	11,899,468
2025-2029	10,990,000	2,111,750	13,101,750
2030	2,645,000	66,125	2,711,125
Totals	\$29,315,000	\$28,169,003	\$57,484,003



**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

---

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

---

**NOTE 11 - STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2004, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 2003	\$64,926	\$149,299	\$43,754	\$257,979
Current Year Set-Aside Requirement	316,958	316,958	0	633,916
Reduction Authorized by Legislative Restrictions	0	0	0	0
Qualifying Disbursements	(180,747)	(146,417)	0	(327,164)
Total	<u>\$201,137</u>	<u>\$319,840</u>	<u>\$43,754</u>	<u>\$564,731</u>
Cash Balance Carried Forward to FY 2005	<u>\$201,137</u>	<u>\$319,840</u>	<u>\$43,754</u>	<u>\$564,731</u>
Amount Restricted for Textbooks				\$201,137
Amount Restricted for Capital Acquisition				319,840
Amount Restricted for Budget Stabilization				43,754
Total Restricted Assets				<u>\$564,731</u>

**NOTE 12 - RISK MANAGEMENT**

**A. Public Entity Risk Pool**

*Preble County Schools Regional Council of Governments* - Eaton Community School District participates in the Preble County Regional Council of Governments (COG). The Preble County Schools Regional Council of Governments, a public entity risk pool, was formed by five local school districts and the Preble County Educational Service Center to provide medical benefits to school district participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the fund trustee for insurance coverage which is provided by Community Mutual. The premium is based on what an insurer estimates will cover the costs of all claims for which the insurer is obligated. If the District's losses exceed its premiums, there is no individual supplemental assessment, if the District's losses are low, it will not receive a refund. Therefore, the health insurance risks have been transferred to the COG.

The Plan is governed by an administrative committee consisting of the superintendent from each participating district. The degree of control exercised by any participating school district is limited to its representation on the committee.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

---

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

---

**NOTE 12 - RISK MANAGEMENT (Continued)**

**B. Other Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2004 the District contracted with Indiana Insurance Company for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Indiana Insurance Company	General Liability	\$0
Indiana Insurance Company	Business	\$1,000
Indiana Insurance Company	Automobile	\$250 Comprehensive; \$250 Collision

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

Workers' compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

**NOTE 13 - CONSTRUCTION COMMITMENTS**

As of June 30, 2004, the District had the following commitments with respect to capital projects:

<u>Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
District-Wide Design Services	\$264,487	December 2004
District-Wide Construction Services	131,380	December 2004
District-Wide Legal Services	5,854	December 2004
Bruce Elementary School Improvements	43,190	December 2004
East Elementary School Improvements	1,799,720	December 2004
Dixon Middle School Improvements	32,700	November 2004
High School Improvements	4,136,418	December 2004
Total	<u><u>\$6,413,749</u></u>	

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

#### **NOTE 14 - JOINTLY GOVERNED ORGANIZATION**

The Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 30 school districts. During fiscal year 2004, the District paid \$40,143 to SWOCA.

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member district. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the general fund. During fiscal year 2004, the School District paid \$2,063 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

#### **NOTE 15 - CONTINGENCIES**

##### **A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

##### **B. Litigation**

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2004.

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

---

#### **NOTE 15 – CONTINGENCIES (Continued)**

##### **C. State School Funding**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed, 'the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient.' The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$35,455	\$0	\$35,455
National School Breakfast Program	043935-05PU-2004 043935-05PU-2003	10.553	15,441 <u>8,665</u> 24,106		15,441 <u>8,665</u> 24,106	
National School Lunch Program	043935 -LLP4-2004 043935 -LLP4-2003	10.555	104,254 <u>55,793</u> 160,047		104,254 <u>55,793</u> 160,047	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>184,153</u>	<u>35,455</u>	<u>184,153</u>	<u>35,455</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	043935-6BSF-2004	84.027	265,010		265,010	
Special Education - Preschool Grant	043935-PGS1-2004	84.173	5,088		5,088 <u>1,756</u>	
Total Special Education-Preschool Grant			<u>5,088</u>		<u>6,844</u>	
Total Special Education Cluster			<u>270,098</u>		<u>271,854</u>	
Grants to Local Educational Agencies (ESEA Title I)	043935 -C1S1-2004 043935 -C1S1-2002	84.010	219,370 <u>(352)</u> 219,018		212,995	
Total ESEA Title I					212,995	
Drug Free Schools	043935-DRS1-2004	84.186	9,427		9,427	
Title II Part D	043935-TJS1-2004 043935-TJS1-2003	84.318	7,381 <u>(910)</u> 6,471		7,381	
Total Title II Part D					7,381	
Innovative Education Program (ESEA Title VI)	043935-C2S1-2004 043935-C2S1-2003	84.298	13,162		13,162 <u>12,304</u>	
Total Innovative Education Program			<u>13,162</u>		<u>25,466</u>	
State Improvement Grant	043935-STS1-2003 043935-STS1-2001 043935-STS1-2000	84.323	25,000 <u>(13,129)</u> 42,700		25,000 <u>55,820</u>	
Total State Improvement Grant			<u>54,571</u>		<u>80,820</u>	
School Renovation Grants	043935-ATS4-2002	84.352A	6,870		6,870	
Title II Part A	043935-TRS1-2004 043935-TRS1-2003	84.367	74,988 <u>(10,342)</u> 64,646		75,848 <u>2,061</u> 77,909	
Total Title II Part A						
Class Size Reduction	043935-CRS1-2002	84.340	<u>(57)</u>			
Total Department of Education			<u>644,206</u>		<u>692,722</u>	
<b>Totals</b>			<u><b>\$828,359</b></u>	<u><b>\$35,455</b></u>	<u><b>\$876,875</b></u>	<u><b>\$35,455</b></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Eaton Community School District  
Preble County  
307 North Cherry Street  
Eaton, Ohio 45320

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eaton Community School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated February 4, 2005.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated February 4, 2005.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, 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

February 4, 2005





## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Eaton Community School District  
Preble County  
307 North Cherry Street  
Eaton, Ohio 45320

To the Board of Education:

#### Compliance

We have audited the compliance of Eaton Community School District, Preble County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2004.

#### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

February 4, 2005

**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: CFDA #84.027 & #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2004-001**

**Finding for Recovery Repaid Under Audit**

The District paid Karen Garrett a termination payment of \$28,432 on June 25, 2004. However, an incorrect daily rate was used to calculate the termination payment. The District should have paid a termination payment of \$28,174. Therefore, the District overpaid Karen Garrett by \$258.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against the Treasurer, Virginia Welch, and Karen Garrett, jointly and severally, in the amount of \$258 and in favor of Eaton Community School District. The finding was repaid under audit.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



**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

**EATON COMMUNITY SCHOOL DISTRICT**

**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  
FEBRUARY 22, 2005**