



Dave Yost • Auditor of State



**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

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PREBLE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Eaton Community School District  
Preble County  
312 North Barron 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, 2010, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eaton Community School District, Preble County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund 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 January 20, 2011, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 20, 2011

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

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010***

***Unaudited***

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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, 2010. 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 2010 are as follows:**

- ❑ In total, net assets decreased \$203,055. Net assets of governmental activities decreased \$226,541, which represents a 1.4% decrease from 2009. Net assets of business-type activities increased \$23,486 or 13.9% from 2009.
- ❑ General revenues accounted for \$19,341,747 in revenue or 89.2% of all revenues for governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,353,034 or 10.8% of total governmental revenues of \$21,694,781.
- ❑ The District had \$21,921,322 in expenses related to governmental activities; only \$2,353,034 of these expenses was offset by program specific charges for services, grants or contributions. General revenues of \$19,341,747 and net assets were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$18,266,889 in revenues and \$17,854,364 in expenditures. The general fund's fund balance increased \$421,443 to \$12,241,887.
- ❑ Net assets for the enterprise fund increased \$23,486. This was mainly attributed to increase in Federal monies received for the food service fund.

## **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***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010***

***Unaudited***

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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, 2010**

**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 2010 compared to 2009.

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	2010	2009	2010	2009	2010	2009
Current and other assets	\$24,049,532	\$21,299,005	\$204,091	\$170,762	\$24,253,623	\$21,469,767
Capital assets, Net	30,944,133	31,470,926	120,752	126,922	31,064,885	31,597,848
<b>Total assets</b>	<b>54,993,665</b>	<b>52,769,931</b>	<b>324,843</b>	<b>297,684</b>	<b>55,318,508</b>	<b>53,067,615</b>
Long-term debt outstanding	29,879,278	30,171,624	45,380	39,412	29,924,658	30,211,036
Other liabilities	9,328,826	6,586,205	87,270	89,565	9,416,096	6,675,770
<b>Total liabilities</b>	<b>39,208,104</b>	<b>36,757,829</b>	<b>132,650</b>	<b>128,977</b>	<b>39,340,754</b>	<b>36,886,806</b>
Net assets						
Invested in capital assets, net of related debt	4,231,489	4,089,599	120,752	126,922	4,352,241	4,216,521
Restricted	3,018,024	3,026,173	0	0	3,018,024	3,026,173
Unrestricted	8,536,048	8,896,330	71,441	41,785	8,607,489	8,938,115
<b>Total net assets</b>	<b>\$15,785,561</b>	<b>\$16,012,102</b>	<b>\$192,193</b>	<b>\$168,707</b>	<b>\$15,977,754</b>	<b>\$16,180,809</b>

The District's total assets and total liabilities increased significantly compared to the prior year. Assets increased by \$2.2 million or roughly 4.2%, while the liabilities increased by 6.7%, or \$2.5 million. The largest contributing factor to this change is an increase in property taxes receivable, and the associated increase in deferred revenues.

The restricted net assets of the District remained stable during the 2010 fiscal year decreasing by \$8,149 from 2009 levels, a change of about ¼%. Decreased funds in several special revenue funds accounted for the slight decrease in restricted assets.

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2010 compared to 2009:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program revenues:						
Charges for Services and Sales	\$651,870	\$654,153	\$502,163	\$518,129	\$1,154,033	\$1,172,282
Operating Grants and Contributions	1,701,164	863,508	427,323	366,022	2,128,487	1,229,530
General revenues:						
Property and Income Taxes	9,852,609	10,606,483	0	0	9,852,609	10,606,483
Grants and Entitlements	9,296,383	9,822,321	0	0	9,296,383	9,822,321
Other	192,755	505,483	0	0	192,755	505,483
<b>Total revenues</b>	<b>21,694,781</b>	<b>22,451,948</b>	<b>929,486</b>	<b>884,151</b>	<b>22,624,267</b>	<b>23,336,099</b>
<b>Program Expenses</b>						
Instruction	12,547,012	12,093,136	0	0	12,547,012	12,093,136
Support Services:						
Pupils	981,845	909,468	0	0	981,845	909,468
Instructional Staff	507,924	494,050	0	0	507,924	494,050
Board of Education	16,353	16,830	0	0	16,353	16,830
Administration	1,666,197	1,613,166	0	0	1,666,197	1,613,166
Fiscal Services	635,896	629,400	0	0	635,896	629,400
Business	2,503	2,407	0	0	2,503	2,407
Operation and Maintenance of Plant	2,082,812	2,021,257	0	0	2,082,812	2,021,257
Pupil Transportation	1,247,273	1,126,717	0	0	1,247,273	1,126,717
Central	196,219	131,613	0	0	196,219	131,613
Community Services	0	5,939	0	0	0	5,939
Extracurricular Activities	668,036	680,213	0	0	668,036	680,213
Debt Service:						
Interest and Fiscal Charges	1,369,252	1,356,070	0	0	1,369,252	1,356,070
Food Service	0	0	906,000	887,353	906,000	887,353
<b>Total expenses</b>	<b>21,921,322</b>	<b>21,080,266</b>	<b>906,000</b>	<b>887,353</b>	<b>22,827,322</b>	<b>21,967,619</b>
<b>Total Change in Net Assets</b>	<b>(226,541)</b>	<b>1,371,682</b>	<b>23,486</b>	<b>(3,202)</b>	<b>(203,055)</b>	<b>1,368,480</b>
Beginning Net Assets	16,012,102	14,640,420	168,707	171,909	16,180,809	14,812,329
<b>Ending Net Assets</b>	<b>\$15,785,561</b>	<b>\$16,012,102</b>	<b>\$192,193</b>	<b>\$168,707</b>	<b>\$15,977,754</b>	<b>\$16,180,809</b>

### **Governmental Activities**

Net assets of the District's governmental activities decreased \$226,541. Property and income tax collections decreased respectively due to dropping home values, and rising unemployment rates due to economic conditions, however increased Federal Grant monies helped to partially offset the decreased tax revenues. Overall revenues were down \$757,167 compared to 2009. Expenses increased during 2010 by \$841,056 or 4%. The largest contributing factors to this increase were increases in instructional services and pupil transportation, with instructional services increasing by \$453,876 and pupil transportation increasing by 10.7% over prior year amounts, mainly due to increased personal services costs.

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

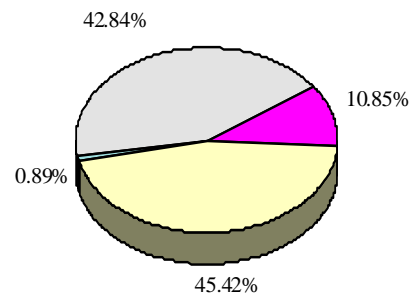
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**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. However, the assessed millage for the District has already been reduced to the 20 mill floor. Consequently, the District will receive some increased revenues as property values increase with reappraisals.

Property and income taxes made up 45.42% of revenues for governmental activities for Eaton Community Schools in fiscal year 2010. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2010	Percent of Total
General Grants	\$9,296,383	42.84%
Program Revenues	2,353,034	10.85%
General Tax Revenues	9,852,609	45.42%
General Other	192,755	0.89%
Total Revenue	<u>\$21,694,781</u>	<u>100.00%</u>



### **Business-Type Activities**

Net assets of the business-type activities increased \$23,486. This increase was mainly due to increased Federal monies received.

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

The District's governmental funds reported a combined fund balance of \$14,330,782, which is above last year's balance of \$14,042,532. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2010 and 2009.

	<u>Fund Balance June 30, 2010</u>	<u>Fund Balance June 30, 2009</u>	<u>Increase (Decrease)</u>
General	\$12,241,887	\$11,820,444	\$421,443
Bond Retirement	1,184,406	1,316,925	(132,519)
Other Governmental	904,489	905,163	(674)
Total	<u>\$14,330,782</u>	<u>\$14,042,532</u>	<u>\$288,250</u>

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

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

	<b>2010 Revenues</b>	<b>2009 Revenues</b>	<b>Increase (Decrease)</b>
Taxes	\$8,615,312	\$9,443,146	(\$827,834)
Tuition	266,590	215,348	51,242
Transportation Fees	8,263	9,956	(1,693)
Investment Earnings	50,331	297,601	(247,270)
Extracurricular Activities	8,652	7,352	1,300
Class Materials and Fees	77,303	136,396	(59,093)
Intermediate Sources	29,064	29,805	(741)
Intergovernmental - State	9,123,784	9,693,753	(569,969)
All Other Revenue	87,590	120,910	(33,320)
Total	\$18,266,889	\$19,954,267	(\$1,687,378)

General Fund revenues in 2010 decreased by 8.5% mostly due to decreased tax and State receipts.

	<b>2010 Expenditures</b>	<b>2009 Expenditures</b>	<b>Increase (Decrease)</b>
Instruction	\$10,925,853	\$10,959,850	(\$33,997)
Supporting Services:			
Pupils	957,685	886,354	71,331
Instructional Staff	502,236	515,449	(13,213)
Board of Education	16,353	16,830	(477)
Administration	1,526,499	1,539,541	(13,042)
Fiscal Services	581,417	581,143	274
Business	2,503	2,407	96
Operation and Maintenance of Plant	1,559,071	1,866,438	(307,367)
Pupil Transportation	1,240,435	1,242,463	(2,028)
Central	168,590	112,240	56,350
Community Service	0	5,939	(5,939)
Extracurricular Activities	369,188	379,679	(10,491)
Capital Outlay	4,534	224,312	(219,778)
Total	\$17,854,364	\$18,332,645	(\$478,281)

The expenditures decreased by \$478,281 compared to the prior year mostly due to decreased utility bills and capital outlays.

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

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 2010, the District amended its General Fund budget several times, none significant.

General Fund budget basis revenue was \$18.4 million, which was below original budget estimate of \$20 million. The District amended the budget to account for tax collections and State Monies. The General Fund had an adequate fund balance to cover expenditures.

*Bond Retirement Fund* - The District's Bond Retirement fund balance decreased by \$132,519, or 10.06%. Decreased tax collections led to this decrease.

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

#### **Capital Assets**

At the end of fiscal year 2010, the District had \$31,064,885 net of accumulated depreciation invested in land, buildings, machinery, equipment and vehicles. Of this total, \$30,944,133 was related to governmental activities and \$120,752 to the business-type activities. The following tables show fiscal year 2010 and 2009 balances:

	<b>Governmental</b>		<b>Increase</b>
	<b>Activities</b>		<b>(Decrease)</b>
	<u>2010</u>	<u>2009</u>	
Land	\$606,919	\$606,919	\$0
Land Improvements	1,451,917	1,451,917	0
Buildings and Improvements	31,886,401	31,882,097	4,304
Machinery and Equipment	5,869,989	5,564,211	305,778
Vehicles	1,661,634	1,584,988	76,646
Less: Accumulated Depreciation	<u>(10,532,727)</u>	<u>(9,619,206)</u>	<u>(913,521)</u>
Totals	<u>\$30,944,133</u>	<u>\$31,470,926</u>	<u>(\$526,793)</u>

	<b>Business-Type</b>		<b>Increase</b>
	<b>Activities</b>		<b>(Decrease)</b>
	<u>2010</u>	<u>2009</u>	
Land	\$2,500	\$2,500	\$0
Buildings	162,766	162,766	0
Machinery and Equipment	235,972	235,972	0
Less: Accumulated Depreciation	<u>(280,486)</u>	<u>(274,316)</u>	<u>(6,170)</u>
Totals	<u>\$120,752</u>	<u>\$126,922</u>	<u>(\$6,170)</u>

The largest increase occurred in machinery and equipment, the District purchased various pieces of computer equipment for classrooms. The District also purchased a new school bus during the 2010 fiscal year.

Additional information on the District's capital assets can be found in Note 5.

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

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**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

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### **Debt**

At June 30, 2010, the District had \$26.7 million in bonds outstanding, \$700,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2010:

	<u>2010</u>	<u>2009</u>
Governmental Activities:		
General Obligation Bonds:		
Serial Bonds	\$18,905,000	\$19,565,000
Term Bonds	5,995,000	5,995,000
Capital Appreciation Bonds	1,584,985	1,584,985
Premium	1,215,256	1,276,019
Deferred Loss on Refunding	<u>(987,597)</u>	<u>(1,039,677)</u>
Total General Obligation Bonds	26,712,644	27,381,327
Interest Accretion	1,500,709	1,189,865
Compensated Absences	<u>1,665,925</u>	<u>1,600,432</u>
Total Governmental Activities	29,879,278	30,171,624
Business-Type Activities:		
Compensated Absences	<u>45,380</u>	<u>39,412</u>
Totals	<u>\$29,924,658</u>	<u>\$30,211,036</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, 2010, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 8.

### **ECONOMIC FACTORS**

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 Priscilla Dodson, Treasurer of Eaton Community School District.

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

### ***Statement of Net Assets*** ***June 30, 2010***

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 4,583,231	\$ 178,078	\$ 4,761,309
Investments	8,610,345	0	8,610,345
Receivables:			
Taxes	9,283,329	0	9,283,329
Accounts	338	0	338
Intergovernmental	26,940	0	26,940
Interest	251	0	251
Internal Balances	(13,626)	13,626	0
Inventory of Supplies at Cost	157,252	12,387	169,639
Restricted Assets:			
Cash and Cash Equivalents	1,173,312	0	1,173,312
Unamortized Bond Issuance Costs	228,160	0	228,160
Capital Assets not Being Depreciated	606,919	0	606,919
Capital Assets being Depreciated, Net	30,337,214	120,752	30,457,966
<b>Total Assets</b>	<b>54,993,665</b>	<b>324,843</b>	<b>55,318,508</b>
<b>Liabilities:</b>			
Accounts Payable	158,716	103	158,819
Accrued Wages and Benefits	1,394,723	51,965	1,446,688
Intergovernmental Payable	420,285	35,202	455,487
Deferred Revenue - Taxes	7,267,511	0	7,267,511
Accrued Interest Payable	87,591	0	87,591
Long Term Liabilities:			
Due Within One Year	803,419	0	803,419
Due in More Than One Year	29,075,859	45,380	29,121,239
<b>Total Liabilities</b>	<b>39,208,104</b>	<b>132,650</b>	<b>39,340,754</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	4,231,489	120,752	4,352,241
Restricted For:			
Capital Projects	776,394	0	776,394
Debt Service	1,109,762	0	1,109,762
Other Purposes	1,131,868	0	1,131,868
Unrestricted (Deficit)	8,536,048	71,441	8,607,489
<b>Total Net Assets</b>	<b>\$ 15,785,561</b>	<b>\$ 192,193</b>	<b>\$ 15,977,754</b>

See accompanying notes to the basic financial statements

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

### **Statement of Activities** **For the Fiscal Year Ended June 30, 2010**

	Expenses	Program Revenues	
		Services and Sales	and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 12,547,012	\$ 343,893	\$ 1,333,479
Support Services:			
Pupils	981,845	0	14,117
Instructional Staff	507,924	0	0
Board of Education	16,353	0	0
Administration	1,666,197	0	0
Fiscal Services	635,896	0	0
Business	2,503	0	0
Operation and Maintenance of Plant	2,082,812	24,138	337,615
Pupil Transportation	1,247,273	8,263	0
Central	196,219	0	15,953
Extracurricular Activities	668,036	275,576	0
Debt Service:			
Interest and Fiscal Charges	1,369,252	0	0
<b>Total Governmental Activities</b>	<b>21,921,322</b>	<b>651,870</b>	<b>1,701,164</b>
<b>Business-Type Activities:</b>			
Food Service	906,000	502,163	427,323
<b>Total Business-Type Activities</b>	<b>906,000</b>	<b>502,163</b>	<b>427,323</b>
<b>Totals</b>	<b>\$ 22,827,322</b>	<b>\$ 1,154,033</b>	<b>\$ 2,128,487</b>

#### **General Revenues**

Property Taxes Levied for:

    General Purposes

    Debt Service

Income Taxes

Grants and Entitlements not Restricted to Specific

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
\$ (10,869,640)	\$ 0	\$ (10,869,640)
(967,728)	0	(967,728)
(507,924)	0	(507,924)
(16,353)	0	(16,353)
(1,666,197)	0	(1,666,197)
(635,896)	0	(635,896)
(2,503)	0	(2,503)
(1,721,059)	0	(1,721,059)
(1,239,010)	0	(1,239,010)
(180,266)	0	(180,266)
(392,460)	0	(392,460)
(1,369,252)	0	(1,369,252)
(19,568,288)	0	(19,568,288)
0	23,486	23,486
0	23,486	23,486
(19,568,288)	23,486	(19,544,802)
4,892,892	0	4,892,892
1,391,315	0	1,391,315
3,568,402	0	3,568,402
9,296,383	0	9,296,383
51,355	0	51,355
141,400	0	141,400
19,341,747	0	19,341,747
(226,541)	23,486	(203,055)
16,012,102	168,707	16,180,809
\$ 15,785,561	\$ 192,193	\$ 15,977,754

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

***Balance Sheet  
Governmental Funds  
June 30, 2010***

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 3,501,253	\$ 404,914	\$ 492,798	\$ 4,398,965
Investments	7,480,233	647,967	482,145	8,610,345
Receivables:				
Taxes	7,740,932	1,542,397	0	9,283,329
Accounts	338	0	0	338
Intergovernmental	0	0	26,940	26,940
Interest	251	0	0	251
Interfund Loan Receivable	24,981	0	0	24,981
Inventory Held for Resale	157,252	0	0	157,252
Restricted Assets:				
Cash and Cash Equivalents	1,173,312	0	0	1,173,312
<b>Total Assets</b>	<u>\$ 20,078,552</u>	<u>\$ 2,595,278</u>	<u>\$ 1,001,883</u>	<u>\$ 23,675,713</u>
<b>Liabilities:</b>				
Accounts Payable	124,342	0	34,374	158,716
Accrued Wages and Benefits	1,357,463	0	37,260	1,394,723
Intergovernmental Payable	419,506	0	779	420,285
Interfund Loans Payable	0	0	24,981	24,981
Deferred Revenue - Taxes	5,935,354	1,410,872	0	7,346,226
<b>Total Liabilities</b>	<u>7,836,665</u>	<u>1,410,872</u>	<u>97,394</u>	<u>9,344,931</u>
<b>Fund Balances:</b>				
Reserved for Encumbrances	363,937	0	15,200	379,137
Reserved for Supplies Inventory	157,252	0	0	157,252
Reserved for Debt Service	0	1,107,613	0	1,107,613
Reserved for Property Taxes	332,895	76,793	0	409,688
Statutory Reserves	1,173,312	0	0	1,173,312
Unreserved, Undesignated in:				
General Fund	10,214,491	0	0	10,214,491
Special Revenue Funds	0	0	124,273	124,273
Capital Projects Funds	0	0	765,016	765,016
<b>Total Fund Balances</b>	<u>12,241,887</u>	<u>1,184,406</u>	<u>904,489</u>	<u>14,330,782</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 20,078,552</u>	<u>\$ 2,595,278</u>	<u>\$ 1,001,883</u>	<u>\$ 23,675,713</u>

See accompanying notes to the basic financial statements

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

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### ***Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities June 30, 2010***

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<b>Total Governmental Fund Balances</b>	\$ 14,330,782
<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.	30,944,133
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	78,715
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	(26,484,985)
Premium on Bond Refunding	(1,215,256)
Interest Accretion	(1,500,709)
Deferred Loss on Refundings	987,597
Unamortized Bond Issuance Costs	228,160
Compensated Absences Payable	(1,665,925)
Accrued Interest Payable	<u>(87,591)</u>
	(29,738,709)
The internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	170,640
<b><i>Net Assets of Governmental Activities</i></b>	<b><u><u>\$ 15,785,561</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, 2010***

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 8,615,312	\$ 1,416,249	\$ 0	\$ 10,031,561
Tuition	266,590	0	0	266,590
Transportation Fees	8,263	0	0	8,263
Investment Earnings	50,331	0	1,024	51,355
Extracurricular Activities	8,652	0	266,924	275,576
Class Materials and Fees	77,303	0	0	77,303
Intermediate Sources	29,064	0	0	29,064
Intergovernmental - State	9,123,784	215,761	14,145	9,353,690
Intergovernmental - Federal	0	0	1,713,079	1,713,079
All Other Revenue	87,590	0	48,884	136,474
<b>Total Revenue</b>	<u>18,266,889</u>	<u>1,632,010</u>	<u>2,044,056</u>	<u>21,942,955</u>
<b>Expenditures:</b>				
Current:				
Instruction	10,925,853	0	1,275,002	12,200,855
Supporting Services:				
Pupils	957,685	0	18,250	975,935
Instructional Staff	502,236	0	614	502,850
Board of Education	16,353	0	0	16,353
Administration	1,526,499	0	106,044	1,632,543
Fiscal Services	581,417	45,491	0	626,908
Business	2,503	0	0	2,503
Operation and Maintenance of Plant	1,559,071	0	346,559	1,905,630
Pupil Transportation	1,240,435	0	0	1,240,435
Central	168,590	0	26,569	195,159
Extracurricular Activities	369,188	0	254,528	623,716
Capital Outlay	4,534	0	17,164	21,698
Debt Service:				
Principal Retirement	0	660,000	0	660,000
Interest and Fiscal Charges	0	1,059,038	0	1,059,038
<b>Total Expenditures</b>	<u>17,854,364</u>	<u>1,764,529</u>	<u>2,044,730</u>	<u>21,663,623</u>
Excess (Deficiency) of Revenues Over Expenditures	412,525	(132,519)	(674)	279,332

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other Financing Sources:</b>				
Sale of Capital Assets	1,219	0	0	1,219
<b>Total Other Financing Sources:</b>	<u>1,219</u>	<u>0</u>	<u>0</u>	<u>1,219</u>
Net Change in Fund Balance	413,744	(132,519)	(674)	280,551
<b>Fund Balances at Beginning of Year</b>	11,820,444	1,316,925	905,163	14,042,532
Increase in Inventory Reserve	<u>7,699</u>	<u>0</u>	<u>0</u>	<u>7,699</u>
<b>Fund Balances End of Year</b>	<u>\$ 12,241,887</u>	<u>\$ 1,184,406</u>	<u>\$ 904,489</u>	<u>\$ 14,330,782</u>

See accompanying notes to the basic financial statements

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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***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, 2010***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 280,551

***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	400,222	
Depreciation Expense	<u>(927,015)</u>	(526,793)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (248,174)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond 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	660,000	
Amortization of Bond Premium	60,763	
Interest Accretion Expense	(310,845)	
Amortization of Unamortized Bond Issuance Costs	(11,408)	
Deferred Loss on Early Retirement of Debt	<u>(52,080)</u>	346,430

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 3,356

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

Compensated Absences	(65,492)	
Change in Inventory	<u>7,699</u>	<u>(57,793)</u>

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

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The internal service funds, which are used by management to charge the costs of services to individual funds, are not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

(24,118)

***Change in Net Assets of Governmental Activities***

\$ (226,541)

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, 2010***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 9,418,237	\$ 8,772,096	\$ 8,772,088	\$ (8)
Tuition	217,379	266,590	266,590	0
Transportation Fees	9,351	8,617	8,617	0
Investment Earnings	315,733	72,463	72,463	0
Extracurricular Activities	7,421	8,653	8,652	(1)
Class Material and Fees	137,682	77,303	77,303	0
Intermediate Sources	30,086	29,064	29,064	0
Intergovernmental - State	9,785,177	9,123,784	9,123,784	0
All Other Revenues	121,828	87,999	87,999	0
Total Revenues	<u>20,042,894</u>	<u>18,446,569</u>	<u>18,446,560</u>	<u>(9)</u>
<b>Expenditures:</b>				
Current:				
Instruction	11,529,563	10,943,380	10,935,308	8,072
Support Services:				
Pupils	918,651	882,556	952,113	(69,557)
Instructional Staff	515,650	498,733	511,389	(12,656)
Board of Education	16,197	18,956	16,434	2,522
Administration	1,653,605	1,512,812	1,547,542	(34,730)
Fiscal Services	566,661	606,086	584,219	21,867
Business	2,620	2,451	2,505	(54)
Operation and Maintenance of Plant	1,791,151	1,998,897	1,712,791	286,106
Pupil Transportation	1,265,641	1,178,841	1,245,687	(66,846)
Central	95,270	123,247	177,140	(53,893)
Community Services	4,947	4,412	0	4,412
Extracurricular Activities	419,859	401,160	372,284	28,876
Capital Outlay	186,838	32,289	154,534	(122,245)
Total Expenditures	<u>18,966,653</u>	<u>18,203,820</u>	<u>18,211,946</u>	<u>(8,126)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,076,241	242,749	234,614	(8,135)



**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Proceeds from the Sale of Capital Assets	13,541	1,219	1,219	0
Transfers Out	(169)	(169)	0	169
Advances In	69,682	184,500	184,500	0
Advances Out	(138,375)	(138,375)	(84,981)	53,394
Refund of Prior Year's Receipts	(47)	(47)	(43,177)	(43,130)
Total Other Financing Sources (Uses):	<u>(55,368)</u>	<u>47,128</u>	<u>57,561</u>	<u>10,433</u>
Net Change in Fund Balance	1,020,873	289,877	292,175	2,298
Fund Balance at Beginning of Year	11,209,333	11,209,333	11,209,333	0
Prior Year Encumbrances	<u>170,247</u>	<u>170,247</u>	<u>170,247</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 12,400,453</u>	<u>\$ 11,669,457</u>	<u>\$ 11,671,755</u>	<u>\$ 2,298</u>

See accompanying notes to the basic financial statements

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

***Statement of Net Assets  
Proprietary Fund  
June 30, 2010***

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
<b>Assets:</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 178,078	\$ 184,266
Receivables:		
Inventory of Supplies at Cost	12,387	0
<i>Total Current Assets</i>	190,465	184,266
<i>Non Current Assets:</i>		
Capital Assets, Net	120,752	0
<b>Total Assets</b>	311,217	184,266
<b>Liabilities:</b>		
<i>Current Liabilities:</i>		
Accounts Payable	103	0
Accrued Wages and Benefits	51,965	0
Intergovernmental Payable	35,202	0
<i>Total Current Liabilities</i>	87,270	0
<i>Long Term Liabilities:</i>		
Compensated Absences Payable	45,380	0
<b>Total Liabilities</b>	132,650	0
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	120,752	0
Unrestricted	57,815	184,266
<b>Total Net Assets</b>	\$ 178,567	\$ 184,266

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, 2010***

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
<b>Operating Revenues:</b>		
Sales	\$ 501,977	\$ 0
Interfund Charges	0	124,526
<b>Total Operating Revenues</b>	<b>501,977</b>	<b>124,526</b>
<b>Operating Expenses:</b>		
Salaries and Wages	311,633	0
Fringe Benefits	174,282	0
Contractual Services	8,395	0
Supplies and Materials	403,478	0
Depreciation	6,170	0
Other Operating Expenses	686	150,000
<b>Total Operating Expenses</b>	<b>904,644</b>	<b>150,000</b>
Operating Loss	(402,667)	(25,474)
<b>Nonoperating Revenues:</b>		
Operating Grants	427,323	0
Investment Earnings	186	0
<b>Total Nonoperating Revenues:</b>	<b>427,509</b>	<b>0</b>
Change in Net Assets	24,842	(25,474)
Net Assets Beginning of Year	153,725	209,740
Net Assets End of Year	<b>\$ 178,567</b>	<b>\$ 184,266</b>

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, 2010***

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$502,158	\$0
Cash Received from Interfund Payments	0	124,526
Cash Payments for Goods and Services	(333,047)	(150,000)
Cash Payments to Employees for Services and Benefits	(482,305)	0
Net Cash Used for Operating Activities	(313,194)	(25,474)
<u>Cash Flows from Noncapital Financing Activities:</u>		
Operating Grants Received	343,872	0
Net Cash Provided by Noncapital Financing Activities	343,872	0
<u>Cash Flows from Investing Activities:</u>		
Receipts of Interest	217	0
Net Cash Provided by Investing Activities	217	0
Net Increase in Cash and Cash Equivalents	30,895	(25,474)
Cash and Cash Equivalents at Beginning of Year	147,183	209,740
Cash and Cash Equivalents at End of Year	\$178,078	\$184,266
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Used for Operating Activities:</u>		
Operating Loss	(\$402,667)	(\$25,474)
Adjustments to Reconcile Operating Loss to		
Net Cash Used for Operating Activities:		
Depreciation Expense	6,170	0
Donated Commodities Used During the Year	83,502	0
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	181	0
Increase in Inventory	(4,053)	0
Increase in Accounts Payable	63	0
Decrease in Accrued Wages and Benefits	(898)	0
Decrease in Intergovernmental Payables	(1,460)	0
Increase in Compensated Absences	5,968	0
Total Adjustments	89,473	0
Net Cash Used for Operating Activities	(\$313,194)	(\$25,474)

See accompanying notes to the basic financial statements

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

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	Private Purpose Trust Funds	Agency Funds
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 56,025	\$ 62,871
Investments	89,655	0
Capital Assets, Net	1,225	0
<b>Total Assets</b>	<u>146,905</u>	<u>62,871</u>
<b>Liabilities:</b>		
Accounts Payable	149	0
Due to Students	0	62,871
<b>Total Liabilities</b>	<u>149</u>	<u>62,871</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	1,225	0
Held in Trust	145,531	0
<b>Total Net Assets</b>	<u>\$ 146,756</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Statement of Changes in Net Assets**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2010**

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	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 6,076
Total Contributions	<u>6,076</u>
Investment Earnings:	
Interest	210
Net Decrease in the Fair Value of Investments	<u>(27)</u>
Total Investment Earnings	<u>183</u>
Total Additions	<u>6,259</u>
<b>Deductions:</b>	
Administrative Expenses	3,547
Community Gifts, Awards and Scholarships	<u>12,052</u>
Total Deductions	<u>15,599</u>
Change in Net Assets	(9,340)
Net Assets at Beginning of Year	<u>156,096</u>
Net Assets End of Year	<u><u>\$ 146,756</u></u>

See accompanying notes to the basic financial statements

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

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **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 86 non-certified and approximately 136 certified teaching personnel and administrative employees providing education to 2,277 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. Butler Tech serves as the fiscal agent. SOEPC obtains prices for quality merchandise and services for participating school districts. See Note 11 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***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **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.

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***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **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 trusts 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***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **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 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***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

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

Current property taxes measurable at June 30, 2010, of which are not intended to finance fiscal 2010 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, 2010 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***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **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 2010.

##### **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***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **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
	<u>General Fund</u>
GAAP Basis (as reported)	\$413,744
Increase (Decrease):	
Accrued Revenues	
at June 30, 2010	
received during FY 2011	(1,831,148)
Accrued Revenues	
at June 30, 2009	
received during FY 2010	2,110,338
Accrued Expenditures	
at June 30, 2010	
paid during FY 2011	1,901,311
Accrued Expenditures	
at June 30, 2009	
paid during FY 2010	(1,819,027)
Encumbrances Outstanding	(483,043)
Budget Basis	<u><u>\$292,175</u></u>

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

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

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

During fiscal year 2010, cash and cash equivalents included amounts in demand deposits, short-term certificates of deposit with original maturities of three months or less, 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 2, "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. During fiscal year 2010, investment purchases were limited to Star Ohio and Commercial Paper. 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, 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 2010. 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, 2010.

#### **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***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **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 \$500.

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**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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**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." There is no such liability for "Compensated Absences Payable" for the 2010 fiscal year. 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***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **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.

##### **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, debt service, and encumbered amounts which have not been accrued at year end. In addition, fund balances are reserved by statute 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***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 2 – 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;

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- 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).

#### **A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. 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. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$14,680,030 and the bank balance was \$14,946,439. Not included in the bank balance is \$410, which represents cash on hand held by the District. Federal Depository Insurance covered \$1,000,000 of the bank balance and \$13,846,439 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**A. Deposits (Continued)**

	Balance
Uninsured and collateralized with securities held by the pledging institution's collateral pool not in the District's name	\$13,846,439
Total Balance	\$13,846,439

**B. Investments**

The District's investments at June 30, 2010 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years) less than 1
STAR Ohio	\$73,487	AAAm <sup>1</sup>	\$73,487
Total Investments	\$73,487		\$73,487

<sup>1</sup> Standard & Poor's

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in one issuer.

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

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$6,053,517	\$8,700,000
Certificates of Deposit (with maturities of less than 3 months)	8,700,000	(8,700,000)
STAR Ohio	(73,487)	73,487
Per GASB Statement No. 3	\$14,680,030	\$73,487

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 3 - 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 2010 were levied after October 1, 2009 on assessed values as of January 1, 2009, 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 2005. 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 values upon which the fiscal year 2010 receipts were based are:

	2009 Second Half Collections	2010 First Half Collections
Agricultural/Residential and Other Real Estate	\$272,740,920	\$274,516,750
Public Utility Personal	7,211,060	7,029,400
Tangible Personal Property	0	0
Total Assessed Value	<u>\$279,951,980</u>	<u>\$281,546,150</u>
Tax rate per \$1,000 of assessed valuation	\$38.60	\$38.20

#### **NOTE 4 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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**NOTE 5 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2010:

**Historical Cost:**

Class	June 30, 2009	Additions	Deletions	June 30, 2010
<b>Capital assets not being depreciated:</b>				
Land	\$606,919	\$0	\$0	\$606,919
<b>Capital assets being depreciated:</b>				
Land Improvements	1,451,917	0	0	1,451,917
Buildings and Improvements	31,882,097	4,304	0	31,886,401
Machinery and Equipment	5,564,211	319,272	(13,494)	5,869,989
Vehicles	1,584,988	76,646	0	1,661,634
Total Cost	<u>\$41,090,132</u>	<u>\$400,222</u>	<u>(\$13,494)</u>	<u>\$41,476,860</u>

**Accumulated Depreciation:**

Class	June 30, 2009	Additions	Deletions	June 30, 2010
Land Improvements	(\$536,099)	(\$66,152)	\$0	(\$602,251)
Buildings and Improvements	(4,076,665)	(372,928)	0	(4,449,593)
Machinery and Equipment	(4,035,861)	(353,023)	13,494	(4,375,390)
Vehicles	(970,581)	(134,912)	0	(1,105,493)
Total Depreciation	<u>(\$9,619,206)</u>	<u>(\$927,015) *</u>	<u>\$13,494</u>	<u>(\$10,532,727)</u>
<b>Net Value:</b>	<u>\$31,470,926</u>			<u>\$30,944,133</u>

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

Instruction	\$515,110
Support Services:	
Pupils	5,443
Instructional Staff	26,037
Administration	27,747
Fiscal Services	5,353
Operations & Maintenance of Plant	171,973
Pupil Transportation	124,025
Central	3,508
Extracurricular Activities	47,819
Total Depreciation Expense	<u>\$927,015</u>

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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**NOTE 5 - CAPITAL ASSETS (Continued)**

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

Summary by Category at June 30, 2010:

*Historical Cost:*

<u>Class</u>	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
<i>Capital assets not being depreciated:</i>				
Land	\$2,500	\$0	\$0	\$2,500
<i>Capital assets being depreciated:</i>				
Buildings	162,766	0	0	162,766
Machinery and Equipment	235,972	0	0	235,972
Total Cost	<u>\$401,238</u>	<u>\$0</u>	<u>\$0</u>	<u>\$401,238</u>

*Accumulated Depreciation:*

<u>Class</u>	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
Buildings	(\$73,011)	(\$1,808)	\$0	(\$74,819)
Machinery and Equipment	(201,305)	(4,362)	0	(205,667)
Total Depreciation	<u>(\$274,316)</u>	<u>(\$6,170)</u>	<u>\$0</u>	<u>(\$280,486)</u>
<i>Net Value:</i>	<u>\$126,922</u>			<u>\$120,752</u>

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 6- 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 Employee Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. 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 (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$309,480, \$211,491 and \$206,336 respectively, which were equal to the required contributions for each year.

##### **B. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).



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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 6- DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System (Continued)**

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,121,072, \$1,068,511, and \$1,009,153 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2010 were \$15,188 made by the District and \$10,848 made by the plan members.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 6- DEFINED BENEFIT PENSION PLANS (Continued)**

##### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

#### **NOTE 7 - POSTEMPLOYMENT BENEFITS**

##### **A. School Employee Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$66,821, \$149,487, and \$129,111 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$15,983, \$15,356, and \$14,867 respectively; which were equal to the required contributions for each year.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$86,236, \$82,193, and \$77,627 respectively; which were equal to the required contributions for each year.

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**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

**NOTE 8 - 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, 2010 is as follows:

		Balance			Balance	Amount Due	
		June 30, 2009	Additions	Deductions	June 30, 2010	Within One Year	
<b>Governmental Activities:</b>							
General Obligation Bonds:							
2002	School Improvement						
	Serial Bonds	4.00-4.25%	\$2,395,000	\$0	(\$490,000)	\$1,905,000	\$545,000
	Capital Appreciation Bonds	8.26%	1,249,985	0	0	1,249,985	0
	Net 2002 Bonds		3,644,985	0	(490,000)	3,154,985	545,000
2005	School Improvement Refunding	2.50-5.00%	445,000	0	(145,000)	300,000	145,000
	Deferred Loss on Refunding		(9,000)	0	3,000	(6,000)	0
	Net 2005 Refunding Bonds		436,000	0	(142,000)	294,000	145,000
2007	School Improvement Refunding Series						
	Serial Bonds		16,725,000	0	(25,000)	16,700,000	10,000
	Term Bonds		5,995,000	0	0	5,995,000	0
	Capital Appreciation Bonds		335,000	0	0	335,000	0
	Premium on Bond Refunding		1,276,019	0	(60,763)	1,215,256	0
	Deferred Loss on Refunding		(1,030,677)	0	49,080	(981,597)	0
	Net 2007 Refunding Bonds		23,300,342	0	(36,683)	23,263,659	10,000
	Total General Obligation Bonds		27,381,327	0	(668,683)	26,712,644	700,000
2002	Interest Accretion	8.26%	971,766	187,398	0	1,159,164	0
2007	Interest Accretion	8.26%	218,098	123,447	0	341,545	0
	Total Interest Accretion		1,189,864	310,845	0	1,500,709	0
	Compensated Absences		1,600,433	554,461	(488,969)	1,665,925	103,419
	Total Governmental Activities		30,171,624	865,306	(1,157,652)	29,879,278	803,419
<b>Business-Type Activities:</b>							
	Compensated Absences		39,412	14,391	(8,423)	45,380	0
	Total Long-Term Obligations		\$30,211,036	\$879,697	(\$1,166,075)	\$29,924,658	\$803,419

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 8 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)**

##### **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, 2010 follows:

Years	General Obligation Bonds (Includes Serial, Term, and Capital Appreciation Bonds)		
	Principal	Interest	Total
2011	\$715,000	\$1,042,188	\$1,757,188
2012	775,000	1,011,006	1,786,006
2013	860,000	978,806	1,838,806
2014	431,548	1,434,008	1,865,556
2015	424,538	1,476,318	1,900,856
2016-2020	1,273,899	9,358,981	10,632,880
2021-2025	8,625,000	3,782,508	12,407,508
2026-2030	13,380,000	1,508,377	14,888,377
Totals	<u>\$26,484,985</u>	<u>\$20,592,192</u>	<u>\$47,077,177</u>

##### **B. Defeasance of General Obligation Debt**

In February of 2005, the District issued \$1,000,000 of School Improvement Refunding General Obligation Bonds to defease the \$1,000,000 of General Obligation Bonds for School Improvements dated November 1, 1989.

The net proceeds of the 2005 School Improvement General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$485,000 at June 30, 2010, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advanced refunding.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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**NOTE 9 - 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, 2010, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2009	\$169,222	\$829,966	\$999,188
Current Year Set-Aside Requirement	356,674	356,674	713,348
Qualifying Disbursements	<u>(411,907)</u>	<u>(127,317)</u>	<u>(539,224)</u>
Total	<u>\$113,989</u>	<u>\$1,059,323</u>	<u>\$1,173,312</u>
Cash Balance Carried Forward to FY 2011	<u>\$113,989</u>	<u>\$1,059,323</u>	<u>\$1,173,312</u>
Amount Restricted for Textbooks			\$113,989
Amount Restricted for Capital Acquisition			<u>1,059,323</u>
Total Restricted Assets			<u>\$1,173,312</u>

**NOTE 10 - 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***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 10 - 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 2010, 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	\$2,500
Indiana Insurance Company	Automobile	\$250 Comprehensive; \$250 Collision
Indiana Insurance Company	Umbrella	\$10,000

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 11 - 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 2010, the District paid \$51,188 to SWOCA. To obtain financial information write to SWOCA 3603 Hamilton-Middletown Road, Hamilton, OH 45011.

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.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 11- JOINTLY GOVERNED ORGANIZATION (Continued)**

Payments to SOEPC are made from the general fund. During fiscal year 2010, the School District paid \$3,262 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.

The School District participates in the Educational Regional Service System (ERSS) Region 10, a jointly governed organization consisting of educational entities within Clark, Darke, Greene, Miami, Montgomery, and Preble counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Montgomery County Educational Service Center, 200 S. Keowee Street, Dayton, Ohio 45402.

#### **NOTE 12 – RELATED PARTY TRANSACTIONS**

Randy Titkemeyer, teacher, owns TNT Greenhouse. The District paid \$3,633 to TNT Greenhouse during the 2010 fiscal year.



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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 13 - 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, 2010.

##### **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, 2010.

#### **NOTE 14 – SUBSEQUENT EVENTS**

The District issued School Improvements Bonds (Taxable Qualified School Construction Bonds) for the construction of a new elementary and middle school in the amount of \$3,080,000 on August 11, 2010 at a rate of 5.39%. The bonds have a maturity date of August 25, 2027.

The District issued School Improvements Bonds (Taxable Build Ohio Bonds) for the construction of a new elementary and middle school in the amount of \$3,770,000 on August 11, 2010 at a rate of 6.028%. The bonds have a maturity date of December 1, 2036.

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**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	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>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution): National School Lunch Program	2010	10.555		\$83,502		\$83,502
Cash Assistance: National School Breakfast Program	2010	10.553	\$55,079		\$55,079	
National School Lunch Program	2010	10.555	281,062		281,062	
Total Child Nutrition Cluster			336,141	83,502	336,141	83,502
Total U.S. Department of Agriculture			336,141	83,502	336,141	83,502
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2010	84.027	407,929		407,928	
	2009	84.027	50,624		-	
ARRA - Special Education - Grants to States	2010	84.391	195,033		148,631	
Total Special Education Grants to States			653,586		556,559	
Special Education - Preschool Grants	2010	84.173	4,954		4,954	
	2009	84.173	454		-	
ARRA - Special Education - Preschool Grant	2010	84.392	15,294		15,294	
Total Special Education - Preschool Grants			20,702		20,248	
Total Special Education Cluster			674,288		576,807	
Title I Grants to Local Educational Agencies	2010	84.010	246,614		237,274	
	2009	84.010	55,077		32,759	
School Improvement Sub A	2010	84.010	68,645		84,575	
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	77,590		61,898	
Total Title I Grants to Local Educational Agencies			447,926		416,506	
Education Technology State Grants	2010	84.318	2,408		2,408	
	2009	84.318	614		614	
Total Education Technology State Grants			3,022		3,022	
Safe and Drug-Free Schools and Communities	2010	84.186	5,920		5,920	
Improving Teacher Quality State Grants	2010	84.367	73,347		71,374	
	2009	84.367	13,531		9,028	
Total Improving Teacher Quality State Grants			86,878		80,402	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education	2010	84.394	519,184		519,184	
Total U.S. Department of Education			1,737,218		1,601,841	
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$2,073,359</b>	<b>\$83,502</b>	<b>\$1,937,982</b>	<b>\$83,502</b>

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

**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Eaton Community School District (the District) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the entitlement value.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

Eaton Community School District  
Preble County  
312 North Barron 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 20, 2011.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

January 20, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Eaton Community School District  
Preble County  
312 North Barron 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 could directly and materially affect each of Eaton Community School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Eaton Community School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2010-002.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could directly and materially affect a major federal program, 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2010-002. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 20, 2011



**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: CFDA #84.027, #84.173, #84.391, & #84.392 Title I Cluster: CFDA #84.010 & #84.389 State Fiscal Stabilization: CFDA # 84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2010-001**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The District lacks management oversight in the posting of financial activity. This lack of oversight is illustrated by the following:

- The District understated original budget expenditures for the General Fund by \$1,888,494 and overstated final budget expenditures for the General Fund by \$175,262.
- The District understated original budget revenues for the General Fund by \$173,722.

The District posted adjustments to the financial statements to correct the above errors.

The lack of proper management oversight could result in material misstatement relating to financial data. To improve record keeping and accountability of financial activity we recommend that all financial activity, including budget amounts, be properly posted and reported. The District should develop review procedures over the recording and reporting of District financial activity.

**Officials' Response:**

Even though the adjustments were made for correction, I will submit my copy of the Appropriations for September to Mr. Ernst to compare with numbers they get from the state to be sure they have the correct numbers for reporting.

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

**FINDING NUMBER 2010-002**

**Noncompliance / Significant Deficiency – 1512 Vendor Reporting**

<b>CFDA Title and Number</b>	ARRA-Special Education-Grants to States, CFDA #84.391
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**FINDING NUMBER 2010-002**  
**(Continued)**

**American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512(b) & (c)** requires any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. **Section 1512(c)(4)** requires detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals. Further, **Office of Management and Budget Memo M-09-21 dated June 22, 2009** states that prime recipients may choose to delegate certain reporting requirements to sub-recipients. This memo also states three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000 must be reported.

The **Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance** states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000. If the vendor received multiple payments less than \$25,000, even when the total of the payments exceeds \$25,000, the vendor information should *not* be reported.

During 2010, the District purchased mobile "labs" from Opti-Vise for \$97,063 with IDEA Part B ARRA monies. This purchase was not reported to ODE on the 1512 ARRA Subrecipient Vendor report. Noncompliance with 1512 reporting requirements could result in temporary suspension or permanent loss of Federal Recovery funding. The District should report all vendors receiving single payments of \$25,000 on the ODE 1512 ARRA Subrecipient Vendor report.

**Officials' Response:**

The officials did not provide a response to this finding.

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# Dave Yost • Auditor of State

**EASTON 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 8, 2011**