

**EATON CITY SCHOOL DISTRICT  
PREBLE COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Eaton City School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 general-purpose financial statements. Additionally, the supplemental information schedules listed in the table of contents are presented for purposes of additional analysis and are also not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro  
Auditor of State

January 25, 2000

Eaton City School District

**EATON CITY SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 1999**

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$2,646,072	\$220,609	\$1,023,633	\$372,502
Receivables (net of allowance for doubtful accounts):				
Taxes	4,961,358	0	165,104	0
Accounts	2,338	35	0	0
Intergovernmental	3,650	0	0	0
Interest	18,289	307	0	0
Inventory of Supplies at Cost	156,286	0	0	0
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	140,049	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
<b>Other Debits:</b>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$7,928,042</b>	<b>\$220,951</b>	<b>\$1,188,737</b>	<b>\$372,502</b>
<b>Liabilities, Equity and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$50,683	\$5,057	\$0	\$0
Accrued Wages and Benefits	1,073,508	32,423	0	0
Intergovernmental Payables	220,568	6,623	0	0
Due to Students	0	0	0	0
Deferred Revenue - Taxes	4,167,231	0	157,886	0
Deferred Revenue	0	0	0	0
General Obligation Bond Payable	0	0	0	0
Compensated Absences Payable	57,023	0	0	0
<b>Total Liabilities</b>	<b>5,569,013</b>	<b>44,103</b>	<b>157,886</b>	<b>0</b>
<b>Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
<b>Retained Earnings:</b>				
Unreserved	0	0	0	0
<b>Fund Balances:</b>				
Reserved for Encumbrances	397,275	85,733	0	90,053
Reserved for Property Taxes	197,231	0	7,218	0
Statutory Reserves	140,049	0	0	0
Reserved for Supplies Inventory	156,286	0	0	0
Reserved for Endowments	0	0	0	0
Reserved for Debt Service	0	0	1,023,633	0
<b>Unreserved:</b>				
Undesignated	1,468,188	91,115	0	282,449
<b>Total Equity and Other Credits</b>	<b>2,359,029</b>	<b>176,848</b>	<b>1,030,851</b>	<b>372,502</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$7,928,042</b>	<b>\$220,951</b>	<b>\$1,188,737</b>	<b>\$372,502</b>

The notes to the general purpose financial statements are an integral part of this statement.

**EATON CITY SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 1999**

<i>Proprietary</i>		<i>Fiduciary</i>	<i>Account</i>		Totals (Memorandum Only)
<i>Fund Types</i>		<i>Fund Types</i>	<i>Groups</i>		
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$165,825	\$1,385	\$231,427	\$0	\$0	\$4,661,453
0	0	0	0	0	5,126,462
221	0	481	0	0	3,075
0	0	0	0	0	3,650
666	0	644	0	0	19,906
35,109	0	0	0	0	191,395
0	0	0	0	0	140,049
72,933	0	0	8,593,859	0	8,666,792
0	0	0	0	1,023,633	1,023,633
0	0	0	0	1,947,806	1,947,806
<u>\$274,754</u>	<u>\$1,385</u>	<u>\$232,552</u>	<u>\$8,593,859</u>	<u>\$2,971,439</u>	<u>\$21,784,221</u>
\$5,428	\$0	\$185	\$0	\$0	\$61,353
38,150	0	0	0	0	1,144,081
26,473	0	980	0	91,077	345,721
0	0	61,177	0	0	61,177
0	0	0	0	0	4,325,117
25,123	0	0	0	0	25,123
0	0	0	0	2,025,000	2,025,000
61,492	0	0	0	855,362	973,877
<u>156,666</u>	<u>0</u>	<u>62,342</u>	<u>0</u>	<u>2,971,439</u>	<u>8,961,449</u>
0	0	0	8,593,859	0	8,593,859
118,088	1,385	0	0	0	119,473
0	0	6,385	0	0	579,446
0	0	0	0	0	204,449
0	0	0	0	0	140,049
0	0	0	0	0	156,286
0	0	149,383	0	0	149,383
0	0	0	0	0	1,023,633
0	0	14,442	0	0	1,856,194
<u>118,088</u>	<u>1,385</u>	<u>170,210</u>	<u>8,593,859</u>	<u>0</u>	<u>12,822,772</u>
<u>\$274,754</u>	<u>\$1,385</u>	<u>\$232,552</u>	<u>\$8,593,859</u>	<u>\$2,971,439</u>	<u>\$21,784,221</u>

**EATON CITY SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Fiduciary Fund Type		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund	
<b>Revenues:</b>						
<b>Local Sources:</b>						
Taxes	\$5,675,920	\$0	\$143,251	\$0	\$0	\$5,819,171
Tuition	36,632	0	0	0	0	36,632
Transportation Fees	41,246	0	0	0	0	41,246
Investment Earnings	274,183	2,791	0	0	712	277,686
Extracurricular Activities	0	224,153	0	0	0	224,153
Class Material and Fees	800	0	0	0	0	800
Intergovernmental - State	5,940,078	74,850	7,231	213,684	0	6,235,843
Intergovernmental - Federal	0	321,695	0	0	0	321,695
All Other Revenues	6,643	84,548	0	59,650	12,432	163,273
<b>Total Revenues</b>	<b>11,975,502</b>	<b>708,037</b>	<b>150,482</b>	<b>273,334</b>	<b>13,144</b>	<b>13,120,499</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Instruction	7,028,530	409,120	0	0	0	7,437,650
<b>Supporting Services:</b>						
Pupils	555,758	9,204	0	0	7,013	571,975
Instructional Staff	398,277	6,973	0	143,396	6,385	555,031
Board of Education	11,465	0	0	0	0	11,465
Administration	1,241,378	71,498	0	0	0	1,312,876
Fiscal Services	398,220	0	3,695	0	0	401,915
Business	1,541	0	0	0	0	1,541
Operation and Maintenance of Plant	967,451	0	0	0	0	967,451
Pupil Transportation	884,139	0	0	0	0	884,139
Central	22,138	6,767	0	0	0	28,905
Extracurricular Activities	249,425	189,375	0	0	0	438,800
Capital Outlay	179,830	0	0	54,000	0	233,830
<b>Debt Service:</b>						
Principal Retirement	40,000	0	110,000	0	0	150,000
Interest and Fiscal Charges	19,463	0	127,221	0	0	146,684
<b>Total Expenditures</b>	<b>11,997,615</b>	<b>692,937</b>	<b>240,916</b>	<b>197,396</b>	<b>13,398</b>	<b>13,142,262</b>
<b>Excess (Deficiency) of</b>						
Revenues Over (Under) Expenditures	(22,113)	15,100	(90,434)	75,938	(254)	(21,763)
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	5,200	0	0	0	0	5,200
Refunds of Prior Years' Expenditures	7,777	0	0	0	75	7,852
Operating Transfers In	0	434	0	0	0	434
Operating Transfers Out	(434)	0	0	0	0	(434)
<b>Total Other Financing Sources (Uses)</b>	<b>12,543</b>	<b>434</b>	<b>0</b>	<b>0</b>	<b>75</b>	<b>13,052</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>and Other Financing Sources Over (Under)</b>						
Expenditures and Other Financing Uses	(9,570)	15,534	(90,434)	75,938	(179)	(8,711)
Fund Balance Beginning of Year	2,350,335	161,314	1,121,285	296,564	21,006	3,950,504
Increase in Inventory Reserve	18,264	0	0	0	0	18,264
<b>Fund Balance End of Year</b>	<b>\$2,359,029</b>	<b>\$176,848</b>	<b>\$1,030,851</b>	<b>\$372,502</b>	<b>\$20,827</b>	<b>\$3,960,057</b>

The notes to the general purpose financial statements are an integral part of this statement

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**EATON CITY SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
<b>Local Sources:</b>						
Taxes	\$5,613,806	\$5,613,806	\$0	\$0	\$0	\$0
Tuition	41,187	41,187	0	0	0	0
Transportation Fees	35,525	41,510	5,985	0	0	0
Investment Earnings	272,943	272,957	14	2,538	2,538	0
Extracurricular Activities	0	0	0	224,013	224,118	105
Class Material and Fees	800	800	0	0	0	0
Intergovernmental - State	5,936,428	5,936,428	0	74,850	74,850	0
Intergovernmental - Federal	0	0	0	321,695	321,695	0
All Other Revenues	5,034	5,178	144	84,546	84,548	2
<b>Total Revenues</b>	<b>11,905,723</b>	<b>11,911,866</b>	<b>6,143</b>	<b>707,642</b>	<b>707,749</b>	<b>107</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Instruction	7,252,852	7,252,851	1	448,833	448,832	1
<b>Supporting Services:</b>						
Pupils	567,363	567,363	0	11,126	11,125	1
Instructional Staff	392,594	392,594	0	6,973	6,973	0
Board of Education	13,384	13,384	0	0	0	0
Administration	1,223,114	1,223,114	0	78,304	78,304	0
Fiscal Services	408,193	408,193	0	0	0	0
Business	1,541	1,541	0	0	0	0
Operation and Maintenance of Plant	996,669	996,669	0	0	0	0
Pupil Transportation	954,340	954,340	0	0	0	0
Central	26,989	23,911	3,078	6,767	6,767	0
Extracurricular Activities	249,100	249,100	0	227,743	227,743	0
Capital Outlay	263,740	263,740	0	0	0	0
<b>Debt Service:</b>						
Principal Retirement	40,000	40,000	0	0	0	0
Interest and Fiscal Charges	19,463	19,463	0	0	0	0
<b>Total Expenditures</b>	<b>12,409,342</b>	<b>12,406,263</b>	<b>3,079</b>	<b>779,746</b>	<b>779,744</b>	<b>2</b>
<b>Excess (Deficiency) of</b>						
<b>Revenues Over (Under) Expenditures</b>	<b>(503,619)</b>	<b>(494,397)</b>	<b>9,222</b>	<b>(72,104)</b>	<b>(71,995)</b>	<b>109</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	5,200	5,200	0	0	0	0
Refunds of Prior Years' Expenditures	7,777	7,777	0	0	0	0
Operating Transfers In	43,755	43,755	0	434	434	0
Operating Transfers Out	(44,189)	(44,189)	0	0	0	0
Advances In	113,357	113,357	0	40,000	40,000	0
Advances Out	(113,357)	(113,357)	0	(40,000)	(40,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>12,543</b>	<b>12,543</b>	<b>0</b>	<b>434</b>	<b>434</b>	<b>0</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>and Other Financing Sources Over (Under)</b>						
<b>Expenditures and Other Financing Uses</b>	<b>(491,076)</b>	<b>(481,854)</b>	<b>9,222</b>	<b>(71,670)</b>	<b>(71,561)</b>	<b>109</b>
Fund Balance at Beginning of Year	2,327,248	2,327,248	0	135,542	135,542	0
Prior Year Encumbrances	499,376	499,376	0	67,701	67,701	0
<b>Fund Balance at End of Year</b>	<b>\$2,335,548</b>	<b>\$2,344,770</b>	<b>\$9,222</b>	<b>\$131,573</b>	<b>\$131,682</b>	<b>\$109</b>

The notes to the general purpose financial statements are an integral part of this statement.



**EATON CITY SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 1999**

<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$142,387	\$142,387	\$0	\$0	\$0	\$0	\$5,756,193	\$5,756,193	\$0
0	0	0	0	0	0	41,187	41,187	0
0	0	0	0	0	0	35,525	41,510	5,985
0	0	0	0	0	0	275,481	275,495	14
0	0	0	0	0	0	224,013	224,118	105
0	0	0	0	0	0	800	800	0
7,231	7,231	0	213,684	213,684	0	6,232,193	6,232,193	0
0	0	0	0	0	0	321,695	321,695	0
0	0	0	54,115	59,650	5,535	143,695	149,376	5,681
149,618	149,618	0	267,799	273,334	5,535	13,030,782	13,042,567	11,785
0	0	0	0	0	0	7,701,685	7,701,683	2
0	0	0	0	0	0	578,489	578,488	1
0	0	0	233,449	233,449	0	633,016	633,016	0
0	0	0	0	0	0	13,384	13,384	0
0	0	0	0	0	0	1,301,418	1,301,418	0
3,695	3,695	0	0	0	0	411,888	411,888	0
0	0	0	0	0	0	1,541	1,541	0
0	0	0	0	0	0	996,669	996,669	0
0	0	0	0	0	0	954,340	954,340	0
0	0	0	0	0	0	33,756	30,678	3,078
0	0	0	0	0	0	476,843	476,843	0
0	0	0	54,000	54,000	0	317,740	317,740	0
110,000	110,000	0	0	0	0	150,000	150,000	0
127,221	127,221	0	0	0	0	146,684	146,684	0
240,916	240,916	0	287,449	287,449	0	13,717,453	13,714,372	3,081
(91,298)	(91,298)	0	(19,650)	(14,115)	5,535	(686,671)	(671,805)	14,866
0	0	0	0	0	0	5,200	5,200	0
0	0	0	0	0	0	7,777	7,777	0
0	0	0	0	0	0	44,189	44,189	0
0	0	0	0	0	0	(44,189)	(44,189)	0
0	0	0	27,357	27,357	0	180,714	180,714	0
0	0	0	(27,357)	(27,357)	0	(180,714)	(180,714)	0
0	0	0	0	0	0	12,977	12,977	0
(91,298)	(91,298)	0	(19,650)	(14,115)	5,535	(673,694)	(658,828)	14,866
1,114,931	1,114,931	0	273,294	273,294	0	3,851,015	3,851,015	0
0	0	0	23,270	23,270	0	590,347	590,347	0
\$1,023,633	\$1,023,633	\$0	\$276,914	\$282,449	\$5,535	\$3,767,668	\$3,782,534	\$14,866

**EATON CITY SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS/FUND BALANCE**  
**ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<i>Proprietary</i>		<i>Fiduciary</i>	Totals (Memorandum Only)
	<i>Fund Types</i>		<i>Fund Type</i>	
	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Fund	
<b>Operating Revenues:</b>				
Tuition and Fees	\$107,559	\$19,199	\$0	\$126,758
Sales	322,291	0	0	322,291
Other Operating Revenues	0	0	12,204	12,204
Investment Earnings	0	0	7,123	7,123
<b>Total Operating Revenues</b>	<b>429,850</b>	<b>19,199</b>	<b>19,327</b>	<b>468,376</b>
<b>Operating Expenses:</b>				
Salaries and Wages	204,211	0	0	204,211
Fringe Benefits	102,998	0	0	102,998
Contractual Services	3,869	0	560	4,429
Materials and Supplies	320,409	0	1,219	321,628
Depreciation	7,497	0	0	7,497
Other Operating Expenses	1,559	19,148	5,600	26,307
<b>Total Operating Expenses</b>	<b>640,543</b>	<b>19,148</b>	<b>7,379</b>	<b>667,070</b>
Operating Income (Loss)	(210,693)	51	11,948	(198,694)
<b>Non-Operating Revenues:</b>				
Operating Grants	140,391	0	0	140,391
Federally Donated Commodities	51,139	0	0	51,139
Refund of Prior Years Expenses	50	0	0	50
Investment Earnings	2,315	0	0	2,315
Miscellaneous	492	0	0	492
Loss on Sale of Fixed Assets	0	0	0	0
<b>Total Non-Operating Revenues</b>	<b>194,387</b>	<b>0</b>	<b>0</b>	<b>194,387</b>
Net Income (Loss)	(16,306)	51	11,948	(4,307)
Retained Earnings/Fund Balance at Beginning of Year	134,394	1,334	137,435	273,163
Retained Earnings/Fund Balance at End of Year	<b>\$118,088</b>	<b>\$1,385</b>	<b>\$149,383</b>	<b>\$268,856</b>

The notes to the general purpose financial statements are an integral part of this statement.

**EATON CITY SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<i>Proprietary</i>		<i>Fiduciary</i>	Totals (Memorandum Only)
	<i>Fund Types</i>		<i>Fund Type</i>	
	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Fund	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$322,226	\$0	\$12,204	\$334,430
Cash Received from Tuition and Fee Payments	107,783	19,199	0	126,982
Cash Payments for Goods and Services	(275,893)	(19,148)	(7,351)	(302,392)
Cash Payments to Employees for Services and Benefits	(292,593)	0	0	(292,593)
Net Cash Provided (Used) by Operating Activities	(138,477)	51	4,853	(133,573)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	0	0	0	0
Operating Grants Received	140,391	0	0	140,391
Net Cash Provided by Noncapital Financing Activities	140,391	0	0	140,391
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Equipment	(16,913)	0	0	(16,913)
Net Cash Used by Capital and Related Financing Activities	(16,913)	0	0	(16,913)
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	1,649	0	7,170	8,819
Net Cash Provided by Investing Activities	1,649	0	7,170	8,819
Net Increase (Increase) in Cash and Cash Equivalents	(13,350)	51	12,023	(1,276)
Cash and Cash Equivalents at Beginning of Year	179,175	1,334	136,812	317,321
Cash and Cash Equivalents at End of Year	<u>\$165,825</u>	<u>\$1,385</u>	<u>\$148,835</u>	<u>\$316,045</u>
Reconciliation of Cash and Cash Equivalents per Balance Sheet				
Cash and Cash Equivalents	\$165,825	\$1,385	\$231,427	\$398,637
Less: Cash and Cash Equivalents in Expendable Trust Fund	0	0	(20,759)	(20,759)
Less: Cash and Cash Equivalents in Agency Fund	0	0	(61,833)	(61,833)
Cash and Cash Equivalents at End of Year	<u>\$165,825</u>	<u>\$1,385</u>	<u>\$148,835</u>	<u>\$316,045</u>

(Continued)

**EATON CITY SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Type</i>	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Fund	
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>				
<b>Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	(\$210,693)	\$51	\$11,948	(\$198,694)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Miscellaneous Nonoperating Income	492	0	0	492
Depreciation Expense	7,497	0	0	7,497
Donated Commodities Used During the Year	51,139	0	0	51,139
Interest on Investment	0	0	(7,170)	(7,170)
Refund of Prior Year's Expenditures	50	0	0	50
<b>Changes in Assets and Liabilities:</b>				
Decrease in Accounts Receivable	159	0	0	159
Decrease in Interest Receivable	0	0	47	47
Decrease in Inventory	1,451	0	0	1,451
Increase (Decrease) in Accounts Payable	(2,370)	0	28	(2,342)
Increase in Accrued Wages and Benefits	1,758	0	0	1,758
Increase in Intergovernmental Payables	4,387	0	0	4,387
Decrease in Deferred Revenue	(818)	0	0	(818)
Increase in Compensated Absences	8,471	0	0	8,471
<b>Total Adjustments</b>	<b>72,216</b>	<b>0</b>	<b>(7,095)</b>	<b>65,121</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(\$138,477)</b>	<b>\$51</b>	<b>\$4,853</b>	<b>(\$133,573)</b>

The notes to the general purpose financial statements are an integral part of this statement.

**EATON CITY SCHOOL DISTRICT, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

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

**A. Reporting Entity**

Eaton City 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 147 certified teaching personnel and administrative employees providing education to 2,302 students.

The accompanying general purpose 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 City School District participates in a jointly governed organization, the Southwestern Ohio Computer Association (SWOCA). SWOCA provides the data processing services needed by the participating school districts. D. Russell Lee Vocational School serves as the fiscal agent.

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 and account groups, 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 general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The following fund types and account groups 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 governmental fund types:

**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.

**Special Revenue Funds** - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

**Capital Projects Funds** - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than that financed by proprietary funds).

**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. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**Enterprise Funds** - These funds are 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.

**Internal Service Fund** - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

*Fiduciary Funds*

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an expendable trust fund, a non-expendable trust fund and two agency funds. The expendable trust fund is accounted for and reported similarly to a governmental fund; the non-expendable trust fund is accounted for similarly to a proprietary fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups* - To make a clear distinction between fixed assets related to specific funds and that of general government and between long-term liabilities related to specific funds and that of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the District except those accounted for in the proprietary funds.

C. 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 and expendable trust and agency 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, except for unmatured interest on general long-term debt which is recognized when due.

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

Current property taxes measurable at June 30, 1999, and which are intended to finance fiscal 2000 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, 1999 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. 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.

D. 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 budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. 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 1999.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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, department and object 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 "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. 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.

6. Budgetary Basis of Accounting

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.

EATON CITY SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	<i>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$9,570)	\$15,534	(\$90,434)	\$75,938
Increase (Decrease):				
Accrued Revenues at June 30, 1999, received during FY 2000	(818,404)	(342)	(7,218)	0
Accrued Revenues at June 30, 1998, received during FY 1999	754,768	54	6,354	0
Accrued Expenditures at June 30, 1999, paid during FY 2000	1,401,782	44,103	0	0
Accrued Expenditures at June 30, 1998, paid during FY 1999	(1,393,392)	(41,983)	0	0
FY 1998 Prepaids for FY 1999	24,313	0	0	0
FY 1999 Prepaids for FY 2000	0	0	0	0
Encumbrances Outstanding at June 30, 1999	(441,351)	(88,927)	0	(90,053)
Budget Basis	<u>(\$481,854)</u>	<u>(\$71,561)</u>	<u>(\$91,298)</u>	<u>(\$14,115)</u>

E. Cash and Cash Equivalents

During fiscal year 1999, cash and cash equivalents included amounts in demand deposits, short-term certificates of deposit with original maturities of three months or less, repurchase agreements and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

The District pools its cash for investment and resource management purposes. Each fund's cash and cash equivalents on the balance sheet represents the balance on hand as if each fund maintained its own cash account. See Note 3, Cash and Cash Equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**F. Investments**

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

The District has invested funds in the State Treasury Asset Reserve of Ohio during 1999. 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, 1999.

**G. Inventory**

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 and expendable trust funds when purchased and as expenses in the proprietary funds when used.

**H. Fixed Assets and Depreciation**

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

**1. Property, Plant and Equipment - General Governmental Purposes**

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure.

General fixed 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 fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The District has elected not to record depreciation in the General Fixed Assets Account Group.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**H. Fixed Assets and Depreciation** (Continued)

**2. Property, Plant and Equipment - Proprietary Fund**

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 fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Machinery, Equipment, Furniture and Fixtures	5-20

**I. Long-Term Obligations**

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

Obligation	Fund
General Obligation Bonds	General Fund, General Obligation Bond Retirement Fund
Compensated Absences	General Fund, Food Services Fund

**J. 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, employees will receive one-fourth of the accumulated sick leave up to a maximum of 68.75 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

**K. 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. The remaining pension liability, if any, is recorded in the General Long-Term Obligations Account Group for governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**L. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during the fiscal year.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the District are similarly treated when involving other funds of the District.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established for this amount.

**N. 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 debt service, endowments, property taxes, budget stabilization and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute. The reserve for budget stabilization is required by State statute.

**O. Total Columns on Combined Financial Statements - Overview**

Total columns on the "Combined Financial Statements-Overview" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

**Fund Deficits** - The fund deficit at June 30, 1999 of \$30,248 in the Chapter One Fund (special revenue fund) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the cash basis of accounting.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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 two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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 110% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

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

*Deposits:*

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

*Investments:*

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

**A. Deposits**

At year end the carrying amount of the District's deposits was \$3,292,710 and the bank balance was \$3,467,656. Not included in the bank balance is \$360, which represents cash on hand held by the District. Federal depository insurance covered \$485,994 of the bank balance, \$1,255,000 was classified as Category 1 and \$1,726,662 was classified as Category 3.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

**B. Investments**

The District's investments at June 30, 1999 were as follows:

Categorized Investments	Category 2	Carrying Amount	Fair Value
Repurchase Agreement	\$227,485	\$227,485	\$227,485
Non-Categorized Investments			
Star Ohio	N/A	1,281,307	1,281,307
<b>Total Investments</b>	<b>\$227,485</b>	<b>\$1,508,792</b>	<b>\$1,508,792</b>

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

The classification of cash, cash equivalents and investments on the combined 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 Combined Balance Sheet	\$4,801,502	\$0
Repurchase Agreement	(227,485)	227,485
STAR Ohio	(1,281,307)	1,281,307
<b>Per GASB Statement No. 3</b>	<b>\$3,292,710</b>	<b>\$1,508,792</b>

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 1999 were levied after October 1, 1998 on assessed values as of January 1, 1998, 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 1993, and equalization adjustments were made in 1996. 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.



**EATON CITY SCHOOL DISTRICT, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999**

**NOTE 4 - PROPERTY TAXES (Continued)**

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 City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 1999 receipts were based are:

	1998 Second Half Collections	1999 First Half Collections
Agricultural/Residential and Other Real Estate	\$134,138,290	\$152,714,520
Public Utility Personal	11,473,730	13,037,010
Tangible Personal Property	38,172,200	35,474,630
Total Assessed Value	<u>\$183,784,220</u>	<u>\$201,226,160</u>
Tax rate per \$1,000 of assessed valuation	\$35.78	\$35.78

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

**NOTE 6 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds at June 30, 1999:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$434
Special Revenue Fund:		
Title VI Fund	434	0
Total All Funds	<u>\$434</u>	<u>\$434</u>

NOTE 7 - FIXED ASSETS

**A. General Fixed Assets**

Summary by category of changes in general fixed assets at June 30, 1999:

Class	June 30, 1998	Additions	Defetions	June 30, 1999
Land and Improvements	\$160,035	\$54,000	\$0	\$214,035
Buildings and Improvements	4,028,504	131,266	0	4,159,770
Machinery and Equipment	2,542,158	254,265	(112,686)	2,683,737
Vehicles	1,430,487	163,848	(58,018)	1,536,317
Totals	\$8,161,184	\$603,379	(\$170,704)	\$8,593,859

**B. Proprietary Fixed Assets**

Summary by Category at June 30, 1999:

Category	Historical Cost	Accumulated Depreciation	Book Value
Machinery and Equipment	\$229,723	(\$156,790)	\$72,933
Total Property, Plant and Equipment	\$229,723	(\$156,790)	\$72,933

NOTE 8 - DEFINED BENEFIT PENSION PLANS

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

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

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

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 1998, (the latest information available) 9.02% was allocated to fund the pension and 4.98% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$242,862, \$220,548, and \$214,458, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 1998 employer contribution rate (identified above) that was used to fund health care for the year 1998 was 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400 and the surcharge amounted to \$20,405.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. Net assets available for payment of benefits at June 30, 1998 was \$160.3 million, at cost.

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

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

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to the STRS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$889,884, \$831,408, and \$741,840, respectively, which were equal to the required contributions for each year.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions, equal to 3.5% of covered payroll, to a health care reserve fund. The balance of the Health Care Reserve Fund was \$2,156 million at June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8% of covered payroll. For the fiscal year ended June 30, 1998, the net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

NOTE 9 - COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 1999, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
Liability	\$816,998	\$38,364	\$855,362

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

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**EATON CITY SCHOOL DISTRICT, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999**

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

Detail of the changes in the bonds, intergovernmental payable, and compensated absences of the District for the year ended June 30, 1999 is as follows:

		Balance June 30, 1998	Issued (Retired)	Balance June 30, 1999
<b>General Long-Term Debt:</b>				
(General Obligation Bonds)				
Energy Conservation Project	5.15 - 6.00%	\$330,000	(\$40,000)	\$290,000
School Improvement	6.00 - 7.20%	1,845,000	(110,000)	1,735,000
<b>Total General Long-Term Debt</b>		<b>2,175,000</b>	<b>(150,000)</b>	<b>2,025,000</b>
<b>Other General Long-Term Obligations:</b>				
Intergovernmental Payable - Accrued Pension		85,636	5,441	91,077
Compensated Absences		724,857	130,505	855,362
<b>Total Other General Long-Term Obligations</b>		<b>810,493</b>	<b>135,946</b>	<b>946,439</b>
<b>Total General Long-Term Debt and Other General Long-Term Obligations</b>		<b>\$2,985,493</b>	<b>(\$14,054)</b>	<b>\$2,971,439</b>

**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, 1999, follows:

Years	General Obligation Bonds		
	Principal	Interest	Total
2000	\$155,000	\$145,648	\$300,648
2001	170,000	125,999	295,999
2002	180,000	114,396	294,396
2003	195,000	101,936	296,936
2004	160,000	90,123	250,123
2005 - 2009	680,000	295,399	975,399
2010 - 2012	485,000	54,181	539,181
<b>Totals</b>	<b>\$2,025,000</b>	<b>\$927,682</b>	<b>\$2,952,682</b>

EATON CITY SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 11 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$43,755	\$43,755
Current Year Set-Aside Requirement	192,589	192,589	96,294	481,472
Current Year Offset Credits	(30,731)	0	0	(30,731)
Qualifying Disbursements	(161,858)	(192,589)	0	(354,447)
Total	\$0	\$0	\$140,049	\$140,049
Cash Balance Carried Forward to FY 2000	\$0	\$0	\$140,049	\$140,049
Amount Restricted for Textbooks				\$0
Amount Restricted for Capital Acquisition				0
Amount Restricted for Budget Stabilization				140,049
Total Restricted Assets				\$140,049

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three Enterprise Funds to account for the operation of Food Services, Uniform School Supply Sales and a Rotary Fund. The key financial information for the year ended June 30, 1999 for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Rotary	Total
Operating Revenues	\$322,291	\$107,349	\$210	\$429,850
Depreciation Expense	7,497	0	0	7,497
Operating Income (Loss)	(216,041)	6,191	(843)	(210,693)
Net Income (Loss)	(22,146)	6,191	(351)	(16,306)
Property, Plant and Equipment:				
Additions	16,913	0	0	16,913
Disposals	10,364	0	0	10,364
Operating Grants	140,391	0	0	140,391
Total Assets	262,220	10,344	2,190	274,754
Net Working Capital	94,113	10,344	2,190	106,647
Total Equity	105,554	10,344	2,190	118,088

**NOTE 13 - RISK MANAGEMENT**

**A. Public Entity Risk Pool**

*Preble County Schools Regional Council of Governments* - Eaton City 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.

**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 1999 the District contracted with Nationwide Insurance Company for various insurance coverages, as follows:

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

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 14 - JOINTLY GOVERNED ORGANIZATION**

The Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 29 school districts.

NOTE 15 - CONTINGENCIES

**A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

**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, 1999.

**C. State School Funding**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$5,475,752 of school foundation support for its general fund. Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.



**EATON CITY SCHOOL DISTRICT, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999**

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**NOTE 16 - YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal year 1999.

Eaton City School District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employees benefits.

The District uses the Ohio Education Computer Network (OECN) State software for their budgetary, payroll, fixed asset inventory and education management information system (EMIS) accounting services. These services are provided by the Southwest Ohio Computer Association (SWOCA - see Note 14). OECN is responsible for remediating these systems.

Preble County and both banks have completed validation and testing of their systems. Preble County collects property taxes for distribution to the District. Per its most recent audit report, Preble County has completed validation and testing of the tax collection system. The District has a contingency plan to reasonably assure continued operation should the County tax collection and disbursement system not operate properly.

Star Bank is the District's main bank for its daily banking transactions. As of October 15, 1999, the bank indicated it has completed validation and testing of these systems.

Eaton National Bank is the District's main bank for the processing of electronic fund transfers. As of October 15, 1999, the bank indicated it has completed validation and testing of these systems.

Because of the unprecedented nature of the Year 2000 issue, its effect and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure the Eaton City School District is or will be Year 2000 ready, that the Eaton City School District's remediation efforts will be successful in whole or in part, or that the parties with whom the Eaton City School District does business will be Year 2000 ready.

*EATON CITY SCHOOL DISTRICT, OHIO  
SCHEDULE OF GENERAL FIXED ASSETS  
BY CATEGORY  
JUNE 30, 1999*

Function and Activity	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Vehicles	Total
Instruction	\$0	\$210,639	\$1,702,091	\$0	\$1,912,730
Support Services:					
Pupils	0	0	2,336	0	2,336
Instructional Staff	0	0	460,244	0	460,244
Board of Education	0	0	301	0	301
Administration	0	0	271,966	0	271,966
Operation and Maintenance of Plant	2,115	0	98,456	143,513	244,084
Pupil Transportation	0	0	37,543	1,392,804	1,430,347
Central	0	0	4,389	0	4,389
Extracurricular Activities	0	0	42,853	0	42,853
Site Improvement	54,000	243,096	63,558	0	360,654
Other	157,920	3,706,035	0	0	3,863,955
<b>Total General Fixed Assets</b>	<b>\$214,035</b>	<b>\$4,159,770</b>	<b>\$2,683,737</b>	<b>\$1,536,317</b>	<b>\$8,593,859</b>

**EATON CITY SCHOOL DISTRICT, OHIO**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS**  
**BY FUNCTION AND ACTIVITY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Function and Activity	June 30, 1998	Additions	Deletions	June 30, 1999
Instruction	\$1,957,057	\$56,139	(\$100,466)	\$1,912,730
Support Services:				
Pupils	3,286	0	(950)	2,336
Instructional Staff	350,399	111,531	(1,686)	460,244
Board of Education	301	0	0	301
Administration	228,526	51,574	(8,134)	271,966
Operation and				
Maintenance of Plant	177,713	66,371	0	244,084
Pupil Transportation	1,372,708	117,107	(59,468)	1,430,347
Central	3,639	750	0	4,389
Extracurricular Activities	28,912	13,941	0	42,853
Site Improvement	174,688	185,966	0	360,654
Other	3,863,955	0	0	3,863,955
<b>Total General Fixed Assets</b>	<b>\$8,161,184</b>	<b>\$603,379</b>	<b>(\$170,704)</b>	<b>\$8,593,859</b>

**EATON CITY SCHOOL DISTRICT, OHIO**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Balance June 30, 1998	Additions	Deductions	Balance June 30, 1999
<b><u>District Agency Fund</u></b>				
Assets				
Cash and Cash Equivalents	\$19,421	\$46,119	(\$45,634)	\$19,906
Total Assets	<u>\$19,421</u>	<u>\$46,119</u>	<u>(\$45,634)</u>	<u>\$19,906</u>
Liabilities				
Due to Students	\$19,421	\$46,119	(\$45,634)	\$19,906
Total Liabilities	<u>\$19,421</u>	<u>\$46,119</u>	<u>(\$45,634)</u>	<u>\$19,906</u>
<b><u>Student Managed Activity Fund</u></b>				
Assets				
Cash and Cash Equivalents	\$35,035	\$122,037	(\$115,145)	\$41,927
Accounts Receivable	0	481	0	481
Total Assets	<u>\$35,035</u>	<u>\$122,518</u>	<u>(\$115,145)</u>	<u>\$42,408</u>
Liabilities				
Accounts Payable	\$6,462	\$157	(\$6,462)	\$157
Intergovernmental Payables	0	980	0	980
Due to Students	28,573	121,381	(108,683)	41,271
Total Liabilities	<u>\$35,035</u>	<u>\$122,518</u>	<u>(\$115,145)</u>	<u>\$42,408</u>
<b><u>Totals - All Agency Funds</u></b>				
Assets				
Cash and Cash Equivalents	\$54,456	\$168,156	(\$160,779)	\$61,833
Accounts Receivable	0	481	0	481
Total Assets	<u>\$54,456</u>	<u>\$168,637</u>	<u>(\$160,779)</u>	<u>\$62,314</u>
Liabilities				
Accounts Payable	\$6,462	\$157	(\$6,462)	\$157
Intergovernmental Payables	0	980	0	980
Due to Students	47,994	167,500	(154,317)	61,177
Total Liabilities	<u>\$54,456</u>	<u>\$168,637</u>	<u>(\$160,779)</u>	<u>\$62,314</u>

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Pass Through</b> <b>Entity</b> <b>Number</b>	<b>Federal</b> <b>CFDA</b> <b>Number</b>	<b>Receipts</b>	<b>Non-Cash</b> <b>Receipts</b>	<b>Disbursements</b>	<b>Non-Cash</b> <b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$48,303	\$0	\$51,139
National School Breakfast Program	05-PU-99 05-PU-98	10.553	12,546 1,942 14,488	-	12,546 1,942 14,488	-
National School Lunch Program	03-PU-99 04-PU-99 03-PU-98 04-PU-98	10.555	28,151 71,750 4,857 12,498 117,256	-	28,151 71,750 4,857 12,498 117,256	-
Total U.S. Department of Agriculture - Nutrition Cluster			<b>131,744</b>	<b>48,303</b>	<b>131,744</b>	<b>51,139</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-99-P	84.027	103,828	-	103,828	-
Special Education - Preschool Grant	PG-S1-99-P PG-S1-98-P	84.173	4,056 0 4,056	-	4,056 675 4,731	-
Total Special Education - Preschool Grant						
Total Special Education Cluster			<b>107,884</b>	-	<b>108,559</b>	-
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99 C1-SD-99 C1-S1-98 C1-SD-98	84.010	176,270 17,613 2,958 192 197,033	-	175,628 9,657 42,448 3,791 231,524	-
Total ESEA Title I						
Goals 2000	G2-S2-99	84.276	5,000	-	3,779	-
Innovative Education Program (ESEA Title VI)	C2-S1-99 C2-S1-98	84.298	8,770 0 8,770	-	5,961 4,234 10,195	-
Total ESEA Title VI						
<i>Passed through the Miami Valley Career Technology Center</i>						
Carl Perkins/Vocational Education	1999 1998	84.048	3,008 0 3,008	-	2,027 747 2,774	-
Total Department of Education			<b>321,695</b>	-	<b>356,831</b>	-
<b>Totals</b>			<b>\$453,439</b>	<b>\$48,303</b>	<b>\$488,575</b>	<b>\$51,139</b>

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on a cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
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Facsimile 513-361-8577  
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the financial statements of the Eaton City School District, Preble County, Ohio (the District) as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated January 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

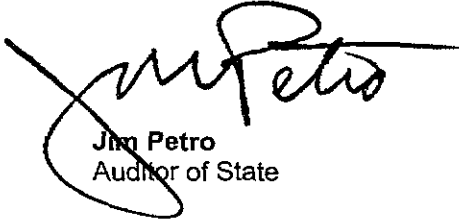
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 25, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized circular flourish.

**Jim Petro**  
Auditor of State

January 25, 2000





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Eaton City School District, Preble County, Ohio (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the fiscal year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

**Internal Control Over Compliance**

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

Eaton City School District  
Preble County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to the Major Program and Internal Control over  
Compliance in Accordance with OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Jim Petro  
Auditor of State

January 25, 2000

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**June 30, 1999**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

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

None



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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EATON CITY 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.

By: Susan Babbitt

Date: FEBRUARY 8, 2000