



**EATON CITY SCHOOL DISTRICT
PREBLE COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EATON CITY SCHOOL DISTRICT
PREBLE COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Eaton City School District, Preble County, as of June 30, 2001, 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 accounting principles generally accepted in the United States of America.

As described in Note 2, during the fiscal year ended June 30, 2001, the District adopted Governmental Accounting Standards Board Statements 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by the *U.S. Office of Management & Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Additionally, the supplemental information 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. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 17, 2001

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EATON CITY SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Assets and Other Debits:				
Assets:				
Cash and Cash Equivalents	\$2,592,461	\$290,407	\$663,808	\$422,805
Investments	902,436	0	242,871	154,693
Receivables (net of allowance for doubtful accounts):				
Taxes	5,579,692	0	173,472	0
Accounts	75	0	0	0
Intergovernmental	42,957	69,071	0	0
Interest	42,585	298	0	0
Interfund Loans Receivable	9,241	0	0	0
Inventory of Supplies at Cost	137,065	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	120,324	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$9,426,836</u>	<u>\$359,776</u>	<u>\$1,080,151</u>	<u>\$577,498</u>
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$67,863	\$12,763	\$0	\$28,804
Accrued Wages and Benefits	1,169,174	36,759	0	0
Intergovernmental Payables	287,604	687	0	0
Interfund Loans Payable	0	9,241	0	0
Due to Students	0	0	0	0
Deferred Revenue - Taxes	4,676,706	0	166,150	0
Deferred Revenue	5,566	29,700	0	0
General Obligation Bonds Payable	0	0	0	0
Compensated Absences Payable	118,125	0	0	0
Total Liabilities	<u>6,325,038</u>	<u>89,150</u>	<u>166,150</u>	<u>28,804</u>
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	499,660	74,306	0	71,444
Reserved for Property Taxes	255,512	0	7,322	0
Statutory Reserves	120,324	0	0	0
Reserved for Supplies Inventory	137,065	0	0	0
Reserved for Endowments	0	0	0	0
Reserved for Debt Service	0	0	906,679	0
Unreserved:				
Undesignated	2,089,237	196,320	0	477,250
Total Equity and Other Credits	<u>3,101,798</u>	<u>270,626</u>	<u>914,001</u>	<u>548,694</u>
Total Liabilities, Equity and Other Credits	<u>\$9,426,836</u>	<u>\$359,776</u>	<u>\$1,080,151</u>	<u>\$577,498</u>

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, 2001

<i>Proprietary</i> <u>Fund Type</u>	<i>Fiduciary</i> <u>Fund Types</u>	<i>Account</i> <u>Groups</u>		Totals (Memorandum Only)
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$149,606	\$256,905	\$0	\$0	\$4,375,992
0	0	0	0	1,300,000
0	0	0	0	5,753,164
1,172	641	0	0	1,888
0	0	0	0	112,028
481	618	0	0	43,982
0	0	0	0	9,241
32,247	0	0	0	169,312
0	0	0	0	120,324
63,582	1,571	9,229,923	0	9,295,076
0	0	0	906,679	906,679
<u>0</u>	<u>0</u>	<u>0</u>	<u>1,751,161</u>	<u>1,751,161</u>
<u>\$247,088</u>	<u>\$259,735</u>	<u>\$9,229,923</u>	<u>\$2,657,840</u>	<u>\$23,838,847</u>
\$1,154	\$775	\$0	\$0	\$111,359
44,719	0	0	0	1,250,652
27,511	243	0	85,860	401,905
0	0	0	0	9,241
0	73,278	0	0	73,278
0	0	0	0	4,842,856
21,474	0	0	0	56,740
0	0	0	1,700,000	1,700,000
49,022	0	0	871,980	1,039,127
<u>143,880</u>	<u>74,296</u>	<u>0</u>	<u>2,657,840</u>	<u>9,485,158</u>
0	0	9,229,923	0	9,229,923
103,208	0	0	0	103,208
0	8,780	0	0	654,190
0	0	0	0	262,834
0	0	0	0	120,324
0	0	0	0	137,065
0	163,803	0	0	163,803
0	0	0	0	906,679
<u>0</u>	<u>12,856</u>	<u>0</u>	<u>0</u>	<u>2,775,663</u>
<u>103,208</u>	<u>185,439</u>	<u>9,229,923</u>	<u>0</u>	<u>14,353,689</u>
<u>\$247,088</u>	<u>\$259,735</u>	<u>\$9,229,923</u>	<u>\$2,657,840</u>	<u>\$23,838,847</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, 2001

	<i>Governmental Fund Types</i>			<i>Fiduciary Fund Type</i>		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$6,591,169	\$0	\$160,742	\$0	\$0	\$6,751,911
Tuition	111,373	0	0	0	0	111,373
Transportation Fees	34,690	0	0	0	0	34,690
Investment Earnings	375,851	5,335	0	0	884	382,070
Extracurricular Activities	0	215,410	0	0	1,625	217,035
Intergovernmental - State	6,819,666	96,850	17,235	122,548	0	7,056,299
Intergovernmental - Federal	0	463,537	0	0	0	463,537
All Other Revenues	1,899	85,390	0	0	16,313	103,602
Total Revenues	<u>13,934,648</u>	<u>866,522</u>	<u>177,977</u>	<u>122,548</u>	<u>18,822</u>	<u>15,120,517</u>
Expenditures:						
Current:						
Instruction	7,932,235	469,569	0	0	0	8,401,804
Supporting Services:						
Pupils	613,081	18,463	0	0	8,721	640,265
Instructional Staff	465,253	17,698	0	47,794	5,989	536,734
Board of Education	6,438	0	0	0	0	6,438
Administration	1,371,180	113,578	0	0	0	1,484,758
Fiscal Services	413,893	0	4,142	0	0	418,035
Business	1,667	0	0	0	0	1,667
Operation and Maintenance of Plant	1,048,658	13,110	0	0	0	1,061,768
Pupil Transportation	949,142	0	0	0	0	949,142
Central	32,506	11,722	0	0	0	44,228
Extracurricular Activities	261,980	177,562	0	0	0	439,542
Capital Outlay	130,192	0	0	0	0	130,192
Debt Service:						
Principal Retirement	45,000	0	125,000	0	0	170,000
Interest and Fiscal Charges	15,023	0	111,376	0	0	126,399
Total Expenditures	<u>13,286,248</u>	<u>821,702</u>	<u>240,518</u>	<u>47,794</u>	<u>14,710</u>	<u>14,410,972</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	648,400	44,820	(62,541)	74,754	4,112	709,545
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	14,501	0	0	0	0	14,501
Refunds of Prior Years' Expenditures (Receipts)	35,917	(304)	0	0	0	35,613
Operating Transfers In	0	54,081	0	202,518	0	256,599
Operating Transfers Out	(255,246)	0	0	0	0	(255,246)
Total Other Financing Sources (Uses)	<u>(204,828)</u>	<u>53,777</u>	<u>0</u>	<u>202,518</u>	<u>0</u>	<u>51,467</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	443,572	98,597	(62,541)	277,272	4,112	761,012
Restated Fund Balance Beginning of Year	2,675,090	172,029	976,542	271,422	17,524	4,112,607
Decrease in Inventory Reserve	(16,864)	0	0	0	0	(16,864)
Fund Balance End of Year	<u>\$3,101,798</u>	<u>\$270,626</u>	<u>\$914,001</u>	<u>\$548,694</u>	<u>\$21,636</u>	<u>\$4,856,755</u>

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, 2001

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$6,526,914	\$6,526,914	\$0	\$0	\$0	\$0
Tuition	82,261	82,261	0	0	0	0
Transportation Fees	31,624	31,624	0	0	0	0
Investment Earnings	345,359	357,483	12,124	5,037	5,037	0
Extracurricular Activities	0	0	0	214,918	215,410	492
Intergovernmental - State	6,819,816	6,819,816	0	116,550	116,550	0
Intergovernmental - Federal	0	0	0	425,435	425,435	0
All Other Revenues	3,806	3,820	14	85,378	85,390	12
Total Revenues	<u>13,809,780</u>	<u>13,821,918</u>	<u>12,138</u>	<u>847,318</u>	<u>847,822</u>	<u>504</u>
Expenditures:						
Current:						
Instruction	8,086,819	8,086,539	280	516,541	516,541	0
Supporting Services:						
Pupils	594,441	594,441	0	19,215	19,215	0
Instructional Staff	477,774	477,774	0	17,974	17,974	0
Board of Education	7,001	7,001	0	0	0	0
Administration	1,441,977	1,441,977	0	115,955	115,955	0
Fiscal Services	416,953	416,953	0	0	0	0
Business	1,667	1,667	0	0	0	0
Operation and Maintenance of Plant	1,145,222	1,145,222	0	13,110	13,110	0
Pupil Transportation	1,046,746	1,046,746	0	0	0	0
Central	30,838	30,838	0	11,722	11,722	0
Extracurricular Activities	265,344	265,344	0	219,737	219,737	0
Capital Outlay	183,816	183,816	0	0	0	0
Debt Service:						
Principal Retirement	45,000	45,000	0	0	0	0
Interest and Fiscal Charges	15,023	15,023	0	0	0	0
Total Expenditures	<u>13,758,621</u>	<u>13,758,341</u>	<u>280</u>	<u>914,254</u>	<u>914,254</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	51,159	63,577	12,418	(66,936)	(66,432)	504
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	14,501	14,501	0	0	0	0
Refunds of Prior Years' Expenditures (Receipts)	35,917	35,917	0	(304)	(304)	0
Operating Transfers In	0	0	0	54,081	54,081	0
Operating Transfers Out	(255,246)	(255,246)	0	0	0	0
Advances In	28,557	28,557	0	9,241	9,241	0
Advances Out	(9,241)	(9,241)	0	(28,557)	(28,557)	0
Total Other Financing Sources (Uses)	<u>(185,512)</u>	<u>(185,512)</u>	<u>0</u>	<u>34,461</u>	<u>34,461</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(134,353)	(121,935)	12,418	(32,475)	(31,971)	504
Fund Balance at Beginning of Year	2,708,042	2,708,042	0	180,238	180,238	0
Prior Year Encumbrances	427,499	427,499	0	55,791	55,791	0
Fund Balance at End of Year	<u>\$3,001,188</u>	<u>\$3,013,606</u>	<u>\$12,418</u>	<u>\$203,554</u>	<u>\$204,058</u>	<u>\$504</u>

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

(Continued)

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, 2001

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$161,877	\$161,877	\$0	\$0	\$0	\$0
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Intergovernmental - State	17,235	17,235	0	122,548	122,548	0
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	0	0	0	0	0	0
Total Revenues	179,112	179,112	0	122,548	122,548	0
Expenditures:						
Current:						
Instruction	0	0	0	75,643	75,643	0
Supporting Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	43,595	43,595	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal Services	4,142	4,142	0	0	0	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	125,000	125,000	0	0	0	0
Interest and Fiscal Charges	111,376	111,376	0	0	0	0
Total Expenditures	240,518	240,518	0	119,238	119,238	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(61,406)	(61,406)	0	3,310	3,310	0
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refunds of Prior Years' Expenditures (Receipts)	0	0	0	0	0	0
Operating Transfers In	0	0	0	202,518	202,518	0
Operating Transfers Out	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	202,518	202,518	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(61,406)	(61,406)	0	205,828	205,828	0
Fund Balance at Beginning of Year	968,085	968,085	0	255,972	255,972	0
Prior Year Encumbrances	0	0	0	15,450	15,450	0
Fund Balance at End of Year	\$906,679	\$906,679	\$0	\$477,250	\$477,250	\$0

(Continued)

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, 2001

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Local Sources:			
Taxes	\$6,688,791	\$6,688,791	\$0
Tuition	82,261	82,261	0
Transportation Fees	31,624	31,624	0
Investment Earnings	350,396	362,520	12,124
Extracurricular Activities	214,918	215,410	492
Intergovernmental - State	7,076,149	7,076,149	0
Intergovernmental - Federal	425,435	425,435	0
All Other Revenues	89,184	89,210	26
Total Revenues	<u>14,958,758</u>	<u>14,971,400</u>	<u>12,642</u>
Expenditures:			
Current:			
Instruction	8,679,003	8,678,723	280
Supporting Services:			
Pupils	613,656	613,656	0
Instructional Staff	539,343	539,343	0
Board of Education	7,001	7,001	0
Administration	1,557,932	1,557,932	0
Fiscal Services	421,095	421,095	0
Business	1,667	1,667	0
Operation and Maintenance of Plant	1,158,332	1,158,332	0
Pupil Transportation	1,046,746	1,046,746	0
Central	42,560	42,560	0
Extracurricular Activities	485,081	485,081	0
Capital Outlay	183,816	183,816	0
Debt Service:			
Principal Retirement	170,000	170,000	0
Interest and Fiscal Charges	126,399	126,399	0
Total Expenditures	<u>15,032,631</u>	<u>15,032,351</u>	<u>280</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(73,873)	(60,951)	12,922
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	14,501	14,501	0
Refunds of Prior Years' Expenditures (Receipts)	35,613	35,613	0
Operating Transfers In	256,599	256,599	0
Operating Transfers Out	(255,246)	(255,246)	0
Advances In	37,798	37,798	0
Advances Out	(37,798)	(37,798)	0
Total Other Financing Sources (Uses)	<u>51,467</u>	<u>51,467</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(22,406)	(9,484)	12,922
Fund Balance at Beginning of Year	4,112,337	4,112,337	0
Prior Year Encumbrances	498,740	498,740	0
Fund Balance at End of Year	<u>\$4,588,671</u>	<u>\$4,601,593</u>	<u>\$12,922</u>

EATON CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Type</i>	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Fund	
<u>Operating Revenues:</u>				
Tuition and Fees	\$121,914	\$15,126	\$0	\$137,040
Sales	378,211	0	0	378,211
Other Operating Revenues	0	0	4,690	4,690
Investment Earnings	0	0	10,037	10,037
Total Operating Revenues	<u>500,125</u>	<u>15,126</u>	<u>14,727</u>	<u>529,978</u>
<u>Operating Expenses:</u>				
Salaries and Wages	220,931	0	0	220,931
Fringe Benefits	119,764	0	0	119,764
Contractual Services	5,748	0	384	6,132
Materials and Supplies	370,294	0	247	370,541
Depreciation	7,411	0	84	7,495
Other Operating Expenses	1,526	15,139	5,050	21,715
Total Operating Expenses	<u>725,674</u>	<u>15,139</u>	<u>5,765</u>	<u>746,578</u>
Operating Income (Loss)	(225,549)	(13)	8,962	(216,600)
<u>Non-Operating Revenues:</u>				
Operating Grants	144,831	0	0	144,831
Federally Donated Commodities	51,633	0	0	51,633
Investment Earnings	7,691	0	0	7,691
Miscellaneous	2,110	0	0	2,110
Loss on Sale of Fixed Assets	(444)	0	0	(444)
Total Non-Operating Revenues	<u>205,821</u>	<u>0</u>	<u>0</u>	<u>205,821</u>
Income (Loss) Before Operating Transfers	(19,728)	(13)	8,962	(10,779)
<u>Operating Transfers:</u>				
Operating Transfers Out	0	(1,353)	0	(1,353)
Total Operating Transfers	<u>0</u>	<u>(1,353)</u>	<u>0</u>	<u>(1,353)</u>
Net Income (Loss)	(19,728)	(1,366)	8,962	(12,132)
Restated Retained Earnings/Fund Balance at Beginning of Year	<u>122,936</u>	<u>1,366</u>	<u>154,841</u>	<u>279,143</u>
Retained Earnings/Fund Balance at End of Year	<u>\$103,208</u>	<u>\$0</u>	<u>\$163,803</u>	<u>\$267,011</u>

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, 2001

	<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	\$379,149	\$0	\$4,690	\$383,839
Cash Received from Tuition and Fee Payments	122,884	15,126	0	138,010
Cash Payments for Goods and Services	(327,467)	(15,139)	(5,581)	(348,187)
Cash Payments to Employees for Services and Benefits	(333,513)	0	0	(333,513)
Net Cash Used by Operating Activities	(158,947)	(13)	(891)	(159,851)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers Out to Other Funds	0	(1,353)	0	(1,353)
Operating Grants Received	144,831	0	0	144,831
Net Cash Provided (Used) by Noncapital Financing Activities	144,831	(1,353)	0	143,478
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Equipment	(4,369)	0	0	(4,369)
Proceeds from Sale of Fixed Assets	626	0	0	626
Net Cash Used by Capital and Related Financing Activities	(3,743)	0	0	(3,743)
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	7,210	0	9,477	16,687
Net Cash Provided by Investing Activities	7,210	0	9,477	16,687
Net Increase (Decrease) in Cash and Cash Equivalents	(10,649)	(1,366)	8,586	(3,429)
Cash and Cash Equivalents at Beginning of Year	160,255	1,366	153,186	314,807
Cash and Cash Equivalents at End of Year	\$149,606	\$0	\$161,772	\$311,378
Reconciliation of Cash and Cash Equivalents per Balance Sheet				
Cash and Cash Equivalents	\$149,606	\$0	\$256,905	\$406,511
Less: Cash and Cash Equivalents in Expendable Trust Fund	0	0	(21,578)	(21,578)
Less: Cash and Cash Equivalents in Agency Funds	0	0	(73,555)	(73,555)
Cash and Cash Equivalents at End of Year	\$149,606	\$0	\$161,772	\$311,378

(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, 2001

	<u>Proprietary</u>		<u>Fiduciary</u>	Totals (Memorandum Only)
	<u>Fund Types</u>		<u>Fund Type</u>	
	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Fund	
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Used by Operating Activities:</u>				
Operating Income (Loss)	(\$225,549)	(\$13)	\$8,962	(\$216,600)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:				
Miscellaneous Nonoperating Income	2,110	0	0	2,110
Depreciation Expense	7,411	0	84	7,495
Donated Commodities Used During the Year	51,633	0	0	51,633
Interest on Investment	0	0	(9,477)	(9,477)
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(202)	0	0	(202)
Increase in Interest Receivable	0	0	(560)	(560)
Increase in Inventory	(1,805)	0	0	(1,805)
Increase (Decrease) in Accounts Payable	(1,781)	0	100	(1,681)
Increase in Accrued Wages and Benefits	2,969	0	0	2,969
Increase in Intergovernmental Payables	1,831	0	0	1,831
Increase in Deferred Revenue	2,054	0	0	2,054
Increase in Compensated Absences	2,382	0	0	2,382
Total Adjustments	<u>66,602</u>	<u>0</u>	<u>(9,853)</u>	<u>56,749</u>
Net Cash Used by Operating Activities	<u>(\$158,947)</u>	<u>(\$13)</u>	<u>(\$891)</u>	<u>(\$159,851)</u>

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

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EATON CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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 87 non-certified and approximately 147 certified teaching personnel and administrative employees providing education to 2,360 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 nonexpendable trust fund and two agency funds. The expendable trust fund is accounted for and reported similarly to a governmental fund; the nonexpendable 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, income taxes, tuition, grants, student fees, and interest on investments.

Current property taxes measurable at June 30, 2001, of which are not intended to finance fiscal 2001 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, 2001 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 2001.

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.

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:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$443,572	\$98,597	(\$62,541)	\$277,272
Increase (Decrease):				
Accrued Revenues at June 30, 2001, received during FY 2002	(992,278)	(39,669)	(7,322)	0
Accrued Revenues at June 30, 2000, received during FY 2001	898,864	20,969	8,457	0
Accrued Expenditures at June 30, 2001, paid during FY 2002	1,642,766	59,450	0	28,804
Accrued Expenditures at June 30, 2000, paid during FY 2001	(1,513,244)	(84,969)	0	0
Encumbrances Outstanding at June 30, 2001	<u>(601,615)</u>	<u>(86,349)</u>	<u>0</u>	<u>(100,248)</u>
Budget Basis	<u>(\$121,935)</u>	<u>(\$31,971)</u>	<u>(\$61,406)</u>	<u>\$205,828</u>

E. Cash and Cash Equivalents

During fiscal year 2001, 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 4, "Cash, Cash Equivalents and Investments."

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 4, "Cash, Cash Equivalents and Investments."

The District had invested funds in the State Treasury Asset Reserve of Ohio during 2001. 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, 2001.

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
Intergovernmental Payable	General 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. There were no advances outstanding at fiscal year end.
- 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2001, the District has implemented GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36 “Recipient Reporting for Certain Shared Nonexchange Revenues”. The effect on fund balance as a result of implementing GASB 33 and GASB 36 is described in Note 3, “Prior Period Adjustments.”

NOTE 3 - PRIOR PERIOD ADJUSTMENTS

As a result of implementing GASB 33 and GASB 36, the fund balance of the Special Revenue Funds at June 30, 2000 was restated. The fund balance was restated from amounts previously reported as follows:

Special Revenue Funds:

Balance at 6/30/00 (as reported)	\$152,329
Adjustment due to GASB 33 and 36 implementation	<u>19,700</u>
Balance at 6/30/00 (restated)	<u><u>\$172,029</u></u>

The June 30, 2000 balance of the General Fixed Asset account group was restated due to an accounting error in the classification of fixed assets. As a result, the General Fixed Asset account group was restated from the balance previously reported of \$9,070,871 to \$8,998,447, a decrease of \$72,424. The restatement resulted in adjustments to the June 30, 2000 account balance as follows:

General Fixed Asset Account Group:

Balance at 6/30/00 (as reported)	\$9,070,871
Fixed Asset Restatement	<u>(72,424)</u>
Balance at 6/30/00 (restated)	<u><u>\$8,998,447</u></u>

The District also restated its proprietary fixed assets. This resulted in the following change to the beginning retained earnings balance in the enterprise funds:

Enterprise Funds:

Retained Earnings at 6/30/00 (as reported)	\$128,044
Fixed Asset Restatement	<u>(5,108)</u>
Retained Earnings at 6/30/00 (restated)	<u><u>\$122,936</u></u>

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- 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 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (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 105% 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 \$4,706,467 and the bank balance was \$4,829,963. Included in the bank balance is \$360, which represents cash on hand held by the District. Federal depository insurance covered \$400,000 of the bank balance, \$3,250,000 was classified as Category 1 and \$1,179,963 was classified as Category 3.

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

B. Investments

The District's investments at June 30, 2001 were as follows:

		Carrying Amount	Fair Value
<u>Categorized Investments</u>	<u>Category 2</u>		
Repurchase Agreement	\$237,794	\$237,794	\$237,794
<u>Non-Categorized Investments</u>			
Star Ohio	N/A	852,055	852,055
Total Investments	\$237,794	\$1,089,849	\$1,089,849

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	\$4,496,316	\$1,300,000
Certificates of Deposit (with maturities of more than 3 months)	1,300,000	(1,300,000)
Investments:		
Repurchase Agreement	(237,794)	237,794
STAR Ohio	(852,055)	852,055
Per GASB Statement No. 3	\$4,706,467	\$1,089,849

NOTE 5 - 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 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, 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.

NOTE 5 - 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 2001 receipts were based are:

	2000 Second Half Collections	2001 First Half Collections
Agricultural/Residential and Other Real Estate	\$186,999,540	\$192,702,190
Public Utility Personal	13,024,110	12,192,640
Tangible Personal Property	34,735,720	39,765,940
Total Assessed Value	<u>\$234,759,370</u>	<u>\$244,660,770</u>
Tax rate per \$1,000 of assessed valuation	\$35.68	\$35.68

NOTE 6 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

NOTE 7 - INTERFUND BALANCES

Individual interfund receivable and payable balances at June 30, 2001, are as follows:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$9,241	\$0
Special Revenue Fund:		
Chapter One Fund	0	9,241
Totals	<u>\$9,241</u>	<u>\$9,241</u>

NOTE 8 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds at June 30, 2001:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$255,246
Special Revenue Funds:		
Public School Support Fund	1,353	0
Chapter One Fund	52,728	0
Total Special Revenue Funds	54,081	0
Capital Projects Fund:		
Permanent Improvement Fund	202,518	0
Internal Service Fund:		
Rotary Fund	0	1,353
Total All Funds	<u>\$256,599</u>	<u>\$256,599</u>

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets at June 30, 2001:

Class	Restated			June 30, 2001
	June 30, 2000	Additions	Deletions	
Land and Improvements	\$214,035	\$0	\$0	\$214,035
Buildings and Improvements	4,376,401	98,282	0	4,474,683
Machinery and Equipment	2,812,028	185,976	(80,494)	2,917,510
Vehicles	1,595,983	148,142	(120,430)	1,623,695
Totals	<u>\$8,998,447</u>	<u>\$432,400</u>	<u>(\$200,924)</u>	<u>\$9,229,923</u>

B. Proprietary Fixed Assets

Summary by Category at June 30, 2001:

Category	Historical Cost	Accumulated Depreciation	Book Value
Enterprise	<u>\$221,725</u>	<u>(\$158,143)</u>	<u>\$63,582</u>
Total Property, Plant and Equipment	<u>\$221,725</u>	<u>(\$158,143)</u>	<u>\$63,582</u>

Category	Historical Cost	Accumulated Depreciation	Book Value
Fiduciary	<u>\$3,947</u>	<u>(\$2,376)</u>	<u>\$1,571</u>
Total Property, Plant and Equipment	<u>\$3,947</u>	<u>(\$2,376)</u>	<u>\$1,571</u>

NOTE 10 - 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.

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, 2001, 4.2% was allocated to fund the pension benefit and 9.8% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$264,462, \$257,826, and \$242,862, 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 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 9.8%. 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 2001, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$196,830.

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 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available) were \$140,696,340 and the target level was \$211.0 million. Net assets available for payment of benefits at June 30, 2000 was \$252.3 million.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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. At June 30, 2001, 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$948,504, \$883,512, and \$889,884, respectively, which were equal to the required contributions for each year.

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. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$304,876 for the District. The balance of the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

NOTE 11 - 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, 2001, 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	\$821,966	\$50,014	\$871,980

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

NOTE 12 - 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, 2001 is as follows:

	<u>Balance</u> <u>June 30, 2000</u>	<u>Issued</u> <u>(Retired)</u>	<u>Balance</u> <u>June 30, 2001</u>
General Long-Term Debt:			
(General Obligation Bonds)			
Energy Conservation Project 5.15 - 6.00%	\$250,000	(\$45,000)	\$205,000
School Improvement 6.00 - 7.20%	<u>1,620,000</u>	<u>(125,000)</u>	<u>1,495,000</u>
Total General Long-Term Debt	1,870,000	(170,000)	1,700,000
Other General Long-Term Obligations:			
Intergovernmental Payable - Accrued Pension	84,088	1,772	85,860
Compensated Absences	<u>876,360</u>	<u>(4,380)</u>	<u>871,980</u>
Total Other General Long-Term Obligations	<u>960,448</u>	<u>(2,608)</u>	<u>957,840</u>
Total General Long-Term Debt and Other General Long-Term Obligations	<u>\$2,830,448</u>	<u>(\$172,608)</u>	<u>\$2,657,840</u>

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, 2001 follows:

Years	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$180,000	\$114,396	\$294,396
2003	195,000	101,936	296,936
2004	160,000	90,123	250,123
2005	165,000	79,219	244,219
2006	120,000	67,680	187,680
2007 - 2011	705,000	196,380	901,380
2012	<u>175,000</u>	<u>6,300</u>	<u>181,300</u>
Totals	<u>\$1,700,000</u>	<u>\$656,034</u>	<u>\$2,356,034</u>

NOTE 13 – OPERATING LEASE

The District is the lessee for an operating lease with Ancillary Medical Investments, Inc. for school administration space. The general leasing agreement states that the lessee agrees to pay the lessor, monthly in advance, for 12 months, a monthly payment of \$800. Current rental costs for the fiscal year ended June 30, 2001, were \$2,400.

NOTE 14 – 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, 2001, 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, 2000	(\$5,610)	\$0	\$140,049	\$134,439
Current Year Set-Aside Requirement	318,670	318,670	106,223	743,563
Reduction Authorized by Legislative Restrictions	0	0	(202,518)	(202,518)
Qualifying Disbursements	<u>(313,060)</u>	<u>(242,100)</u>	<u>0</u>	<u>(555,160)</u>
Total	<u>\$0</u>	<u>\$76,570</u>	<u>\$43,754</u>	<u>\$120,324</u>
Cash Balance Carried Forward to FY 2002	<u>\$0</u>	<u>\$76,570</u>	<u>\$43,754</u>	<u>\$120,324</u>
Amount Restricted for Textbooks				\$0
Amount Restricted for Capital Acquisition				76,570
Amount Restricted for Budget Stabilization				<u>43,754</u>
Total Restricted Assets				<u>\$120,324</u>

Senate Bill 345 eliminated the Budget Stabilization Reserve.

The current year set-aside requirement for the Reserve is from a Bureau of Workers' Compensation refund received prior to April 10, 2001.

NOTE 15 - 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, 2001 for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Rotary	Total
Operating Revenues	\$378,211	\$121,512	\$402	\$500,125
Depreciation Expense	7,411	0	0	7,411
Operating Income (Loss)	(226,571)	1,509	(487)	(225,549)
Net Income (Loss)	(20,760)	1,509	(477)	(19,728)
Property, Plant and Equipment:				
Additions	4,369	0	0	4,369
Disposals	6,308	0	0	6,308
Operating Grants	144,831	0	0	144,831
Total Assets	227,866	17,093	2,129	247,088
Net Working Capital	69,599	16,920	2,129	88,648
Total Equity	84,159	16,920	2,129	103,208

NOTE 16 - 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 2001 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 17 - 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 18 - 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, 2001.

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, 2001.

C. State School Funding

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 17, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

NOTE 19 – SUBSEQUENT EVENTS

On December 12, 2001, the District issued \$10,000,000 of Bond Anticipation Notes with an interest rate of 2.36%. These notes mature on July 12, 2001.

EATON CITY SCHOOL DISTRICT, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY CATEGORY
JUNE 30, 2001

Function and Activity	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Vehicles	Total
Instruction	\$0	\$243,434	\$1,696,134	\$12,559	\$1,952,127
Support Services:					
Pupils	0	0	3,413	0	3,413
Instructional Staff	0	0	573,798	0	573,798
Board of Education	0	0	301	0	301
Administration	0	0	292,791	0	292,791
Operation and					
Maintenance of Plant	2,115	3,983	110,009	84,570	200,677
Pupil Transportation	0	0	42,197	1,512,667	1,554,864
Central	0	73,200	5,674	0	78,874
Extracurricular Activities	0	0	90,040	13,899	103,939
Site Improvement	54,000	448,031	103,153	0	605,184
Other	157,920	3,706,035	0	0	3,863,955
Total General Fixed Assets	<u>\$214,035</u>	<u>\$4,474,683</u>	<u>\$2,917,510</u>	<u>\$1,623,695</u>	<u>\$9,229,923</u>

EATON CITY SCHOOL DISTRICT, OHIO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

Function and Activity	Restated June 30, 2000	Transfers	Additions	Deletions	June 30, 2001
Instruction	\$1,961,901	\$0	\$36,079	(\$45,853)	\$1,952,127
Support Services:					
Pupils	3,413	0	0	0	3,413
Instructional Staff	517,757	0	56,041	0	573,798
Board of Education	301	0	0	0	301
Administration	301,102	0	26,330	(34,641)	292,791
Operation and Maintenance of Plant	150,052	0	50,625	0	200,677
Pupil Transportation	1,558,724	0	116,570	(120,430)	1,554,864
Central	78,874	0	0	0	78,874
Extracurricular Activities	74,249	0	29,690	0	103,939
Site Improvement	488,119	0	117,065	0	605,184
Other	3,863,955	0	0	0	3,863,955
Total General Fixed Assets	<u>\$8,998,447</u>	<u>\$0</u>	<u>\$432,400</u>	<u>(\$200,924)</u>	<u>\$9,229,923</u>

EATON CITY SCHOOL DISTRICT, OHIO
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Balance June 30, 2000	Additions	Deductions	Balance June 30, 2001
<u>District Agency Fund</u>				
Assets:				
Cash and Cash Equivalents	\$19,570	\$52,607	(\$43,980)	\$28,197
Total Assets	<u>\$19,570</u>	<u>\$52,607</u>	<u>(\$43,980)</u>	<u>\$28,197</u>
Liabilities:				
Due to Students	\$19,570	\$52,607	(\$43,980)	\$28,197
Total Liabilities	<u>\$19,570</u>	<u>\$52,607</u>	<u>(\$43,980)</u>	<u>\$28,197</u>
<u>Student Managed Activity Fund</u>				
Assets:				
Cash and Cash Equivalents	\$45,021	\$115,490	(\$115,153)	\$45,358
Accounts Receivable	481	641	(481)	641
Total Assets	<u>\$45,502</u>	<u>\$116,131</u>	<u>(\$115,634)</u>	<u>\$45,999</u>
Liabilities:				
Accounts Payable	\$1,240	\$675	(\$1,240)	\$675
Intergovernmental Payables	0	243	0	243
Due to Students	44,262	115,213	(114,394)	45,081
Total Liabilities	<u>\$45,502</u>	<u>\$116,131</u>	<u>(\$115,634)</u>	<u>\$45,999</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$64,591	\$168,097	(\$159,133)	\$73,555
Accounts Receivable	481	641	(481)	641
Total Assets	<u>\$65,072</u>	<u>\$168,738</u>	<u>(\$159,614)</u>	<u>\$74,196</u>
Liabilities:				
Accounts Payable	\$1,240	\$675	(\$1,240)	\$675
Intergovernmental Payables	0	243	0	243
Due to Students	63,832	167,820	(158,374)	73,278
Total Liabilities	<u>\$65,072</u>	<u>\$168,738</u>	<u>(\$159,614)</u>	<u>\$74,196</u>

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**EATON CITY SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$53,686	\$0	\$51,633
National School Breakfast Program	05-PU-2001 05-PU-2000	10.553	13,096 <u>1,590</u> 14,686		13,096 <u>1,590</u> 14,686	
National School Lunch Program	LL-P1-2001 LL-P4-2001 LL-P1-2000 LL-P4-2000	10.555	73,708 32,440 11,719 <u>4,890</u> 122,757		73,708 32,440 11,719 <u>4,890</u> 122,757	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>137,443</u>	<u>53,686</u>	<u>137,443</u>	<u>51,633</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-2000-P	84.027	127,452		127,452	
Special Education - Preschool Grant	PG-S1-2000-P PG-S1-1999-P	84.173	4,486		3,542 <u>1,538</u> 5,080	
Total Special Education-Preschool Grant			<u>4,486</u>		<u>5,080</u>	
Total Special Education Cluster			<u>131,938</u>		<u>132,532</u>	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2001 C1-SD-2001 C1-S1-2000 C1-SD-2000	84.010	172,129 2,168 8,992 <u>7,417</u> 174,297		152,016 69,228 8,992 <u>7,417</u> 237,653	
Total ESEA Title I			<u>174,297</u>		<u>237,653</u>	
Drug Free Schools	DR-S1-2001	84.186	9,815		9,815	
Eisenhower Professional Development Grant	MS-S1-2001	84.281	8,407		8,407	
Innovative Education Program (ESEA Title VI)	C2-S1-2001 C2-S1-2000 C2-S1-1999	84.298	11,714		11,252 11,007 <u>1,546</u> 23,805	
Total ESEA Title VI			<u>11,714</u>		<u>23,805</u>	
State Improvement Grant	ST-S1-2001	84.323	29,700			
Class Size Reduction	CR-S1-2001 CR-S1-2000	84.340	37,799 <u>18,557</u> 56,356		30,271 <u>5,734</u> 36,005	
Total Department of Education			<u>422,227</u>		<u>448,217</u>	
Totals			<u>\$559,670</u>	<u>\$53,686</u>	<u>\$585,660</u>	<u>\$51,633</u>

**EATON CITY SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Federal cash receipts are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, 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
Telephone 513-361-8550
800-368-7419
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, 2001, and have issued our report thereon dated December 17, 2001, wherein we noted the District adopted Governmental Accounting Standards Board Statements 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated December 17, 2001.

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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 17, 2001.

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, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 17, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS 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 each of its major federal programs for the fiscal year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

December 17, 2001

**EATON CITY SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

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):	Nutrition Cluster: CFDA #10.550 Food Distribution Program CFDA #10.553 School Breakfast Program CFDA #10.555 National School Lunch Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2002**