



Mary Taylor, CPA
Auditor of State

**EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY**

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EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Eaton Community School District
Preble County
312 North Barron Street
Eaton, Ohio 45320

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eaton Community School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eaton Community School District, Preble County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 26, 2009

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008***

Unaudited

The discussion and analysis of Eaton Community School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2008 are as follows:

- ❑ In total, net assets increased \$2,685,168. Net assets of governmental activities increased \$2,668,478, which represents a 22.3% increase from 2007. Net assets of business-type activities increased \$16,690 or 10.8% from 2007.
- ❑ General revenues accounted for \$21,311,014 in revenue or 92.5% of all revenues for governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,726,529 or 7.5% of total revenues of \$23,037,543.
- ❑ The District had \$20,369,065 in expenses related to governmental activities; only \$1,726,529 of these expenses was offset by program specific charges for services, grants or contributions. General revenues of \$21,311,014 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$19,638,655 in revenues and \$16,899,008 in expenditures. The general fund's fund balance increased \$2,739,647 to \$10,172,751.
- ❑ Net assets for the enterprise fund increased \$16,690. This was attributable to increased sales revenues and controlled costs associated with food supplies and wages.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008***

Unaudited

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

Government-wide Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

Unaudited

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2008 compared to 2007.

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current and other assets	\$20,835,727	\$19,572,873	\$161,727	\$114,299	\$20,997,454	\$19,687,172
Capital assets, Net	31,643,165	32,396,552	129,983	157,270	31,773,148	32,553,822
Total assets	52,478,892	51,969,425	291,710	271,569	52,770,602	52,240,994
Long-term debt outstanding	30,396,479	30,812,426	35,314	21,998	30,431,793	30,834,424
Other liabilities	7,441,993	9,185,057	84,487	94,352	7,526,480	9,279,409
Total liabilities	37,838,472	39,997,483	119,801	116,350	37,958,273	40,113,833
Net assets						
Invested in capital assets, net of related debt	3,668,155	3,802,859	129,983	157,270	3,798,138	3,960,129
Restricted	3,223,248	3,025,534	0	0	3,223,248	3,025,534
Unrestricted	7,749,017	5,143,549	41,926	(2,051)	7,790,943	5,141,498
Total net assets	\$14,640,420	\$11,971,942	\$171,909	\$155,219	\$14,812,329	\$12,127,161

The restricted net assets of the District remained stable during the 2008 fiscal year increasing by about 8% from 2007 levels. Increased funds in several special revenue funds accounted for the increase in restricted assets.

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EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2008 compared to 2007:

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenues:						
Charges for Services and Sales	\$688,172	\$850,106	\$555,810	\$554,694	\$1,243,982	\$1,404,800
Operating Grants and Contributions	1,038,357	1,124,364	338,927	285,983	1,377,284	1,410,347
General revenues:						
Property and Income Taxes	11,593,202	12,238,603	0	0	11,593,202	12,238,603
Grants and Entitlements	9,052,957	8,885,429	0	0	9,052,957	8,885,429
Other	664,855	846,826	0	0	664,855	846,826
Total revenues	<u>23,087,543</u>	<u>23,945,328</u>	<u>894,737</u>	<u>840,677</u>	<u>23,982,280</u>	<u>24,786,005</u>
Program Expenses						
Instruction	11,483,681	11,279,880	0	0	11,483,681	11,279,880
Support Services:						
Pupils	893,083	844,884	0	0	893,083	844,884
Instructional Staff	501,295	629,707	0	0	501,295	629,707
Board of Education	20,055	17,848	0	0	20,055	17,848
Administration	1,683,808	1,572,317	0	0	1,683,808	1,572,317
Fiscal Services	634,650	583,280	0	0	634,650	583,280
Business	5,668	4,955	0	0	5,668	4,955
Operation and Maintenance of Plant	1,818,452	1,823,805	0	0	1,818,452	1,823,805
Pupil Transportation	1,159,793	1,212,265	0	0	1,159,793	1,212,265
Central	94,819	87,386	0	0	94,819	87,386
Community Services	14,083	3,067	0	0	14,083	3,067
Extracurricular Activities	713,504	774,918	0	0	713,504	774,918
Debt Service:						
Interest and Fiscal Charges	1,346,174	1,437,369	0	0	1,346,174	1,437,369
Food Service	0	0	878,047	842,137	878,047	842,137
Total expenses	<u>20,369,065</u>	<u>20,271,681</u>	<u>878,047</u>	<u>842,137</u>	<u>21,247,112</u>	<u>21,113,818</u>
Total Change in Net Assets	<u>2,668,478</u>	<u>3,673,647</u>	<u>16,690</u>	<u>(1,460)</u>	<u>2,685,168</u>	<u>3,672,187</u>
Beginning Net Assets	<u>11,971,942</u>	<u>8,298,295</u>	<u>155,219</u>	<u>156,679</u>	<u>12,127,161</u>	<u>8,454,974</u>
Ending Net Assets	<u>\$14,640,420</u>	<u>\$11,971,942</u>	<u>\$171,909</u>	<u>\$155,219</u>	<u>\$14,812,329</u>	<u>\$12,127,161</u>

Governmental Activities

Net assets of the District's governmental activities increased \$2,668,478. The District's attempt to control expenditure increases was successful in 2008, the District was able to increase net assets despite large decreases in some revenue sources. Property and income tax collections decreased respectively due to dropping home values, and rising unemployment rates due to the current economic crisis.

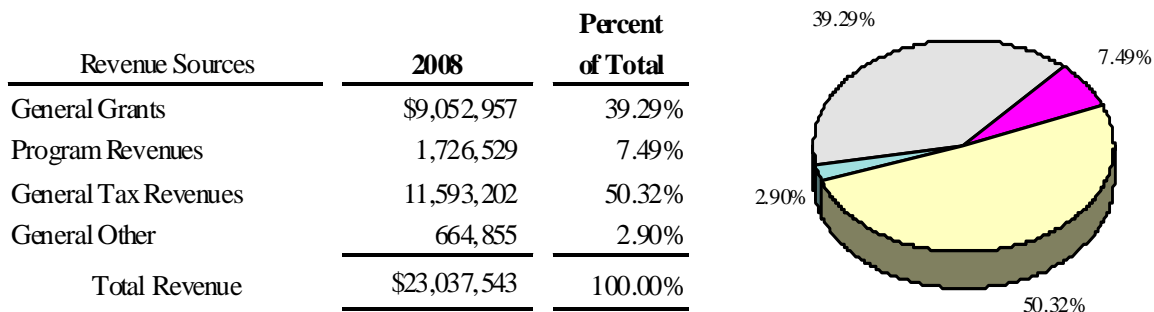
EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. However, the assessed millage for the District has already been reduced to the 20 mill floor. Consequently, the District will receive some increased revenues as property values increase with reappraisals.

Property and income taxes made up 50.32% of revenues for governmental activities for Eaton Community Schools in fiscal year 2008. The District's reliance upon tax revenues is demonstrated by the following graph:



Business-Type Activities

Net assets of the business-type activities increased \$16,690. This was mainly attributable to increased sales revenues and federal funding.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$12,460,573, which is above last year's balance of \$9,772,364. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)
General	\$10,172,751	\$7,369,851	\$2,802,900
Bond Retirement	1,169,254	1,191,775	(22,521)
Other Governmental	1,152,484	1,210,738	(58,254)
Total	\$12,494,489	\$9,772,364	\$2,722,125

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008***

Unaudited

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

	2008 Revenues	2007 Revenues	Increase (Decrease)
Taxes	\$9,742,100	\$10,665,174	(\$923,074)
Tuition	266,387	342,933	(76,546)
Transportation Fees	3,000	11,072	(8,072)
Investment Earnings	463,533	414,743	48,790
Extracurricular Activities	9,157	12,878	(3,721)
Class Materials and Fees	124,238	118,397	5,841
Intermediate Sources	26,366	26,124	242
Intergovernmental - State	8,936,589	8,852,168	84,421
All Other Revenue	67,285	271,478	(204,193)
Total	\$19,638,655	\$20,714,967	(\$1,076,312)

General Fund revenues in 2008 decreased by 5.2% mostly due to decreased tax collections from income and property taxes.

	2008 Expenditures	2007 Expenditures	Increase (Decrease)
Instruction	\$10,047,873	\$9,819,740	\$228,133
Supporting Services:			
Pupils	869,415	840,209	29,206
Instructional Staff	436,446	564,832	(128,386)
Board of Education	20,055	17,848	2,207
Administration	1,585,955	1,459,576	126,379
Fiscal Services	586,283	529,740	56,543
Business	5,668	4,955	713
Operation and Maintenance of Plant	1,696,917	1,640,696	56,221
Pupil Transportation	1,128,942	1,097,509	31,433
Central	74,755	79,311	(4,556)
Community Service	14,083	0	14,083
Extracurricular Activities	404,874	400,512	4,362
Capital Outlay	27,742	50,154	(22,412)
Total	\$16,899,008	\$16,505,082	\$393,926

The expenditures increased by \$393,926 compared to the prior year mostly due to increased salary and supplies costs.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

Unaudited

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

During the course of fiscal year 2008, the District amended its General Fund budget several times, none significant.

General Fund budget basis revenue was \$20.7 million, which was above original budget estimate of \$19.0 million. The District amended the budget to account for higher tax collections. The General Fund had an adequate fund balance to cover expenditures.

Bond Retirement Fund - The District's Bond Retirement fund balance decreased by \$22,521, or 1.9%. Increased delinquent taxes led to lower tax collections.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, the District had \$31,773,148 net of accumulated depreciation invested in land, buildings, machinery, equipment and vehicles. Of this total, \$31,643,165 was related to governmental activities and \$129,983 to the business-type activities. The following tables show fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
	Land	\$606,919	\$606,919
Land Improvements	1,434,339	1,407,561	26,778
Buildings and Improvements	31,530,438	31,601,973	(71,535)
Machinery and Equipment	5,303,341	5,248,216	55,125
Vehicles	1,646,803	1,601,079	45,724
Less: Accumulated Depreciation	(8,878,675)	(8,069,196)	(809,479)
Totals	\$31,643,165	\$32,396,552	(\$753,387)

	Business-Type Activities		Increase (Decrease)
	2008	2007	
	Land	\$2,500	\$2,500
Buildings	162,766	162,766	0
Machinery and Equipment	232,378	237,995	(5,617)
Less: Accumulated Depreciation	(267,661)	(245,991)	(21,670)
Totals	\$129,983	\$157,270	(\$27,287)

The largest increase occurred in machinery and equipment. These increases can be attributed to the purchase of new computers and related equipment.

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

Unaudited

Debt

At June 30, 2008, the District had \$28 million in bonds outstanding, \$585,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2008:

	<u>2008</u>	<u>2007</u>
Governmental Activities:		
General Obligation Bonds:		
Serial Bonds	\$20,150,000	\$20,760,000
Term Bonds	5,995,000	5,995,000
Capital Appreciation Bonds	1,584,985	1,584,985
Premium	1,336,782	1,397,545
Deferred Loss on Refunding	(1,091,757)	(1,143,837)
Total General Obligation Bonds	<u>27,975,010</u>	<u>28,593,693</u>
Interest Accretion	916,128	674,232
Compensated Absences	<u>1,505,341</u>	<u>1,544,501</u>
Total Governmental Activities	<u>30,396,479</u>	<u>30,812,426</u>
Business-Type Activities:		
Compensated Absences	<u>35,314</u>	<u>21,998</u>
Totals	<u>\$30,431,793</u>	<u>\$30,834,424</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2008, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 10.

ECONOMIC FACTORS

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

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

REQUESTS FOR INFORMATION

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Statement of Net Assets ***June 30, 2008***

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 1,558,602	\$ 16,035	\$ 1,574,637
Investments	9,596,132	134,759	9,730,891
Receivables:			
Taxes	8,191,609	0	8,191,609
Accounts	189	81	270
Intergovernmental	20,513	0	20,513
Interest	4,898	230	5,128
Inventory of Supplies at Cost	136,798	10,622	147,420
Restricted Assets:			
Cash and Cash Equivalents	1,076,010	0	1,076,010
Unamortized Bond Issuance Costs	250,976	0	250,976
Capital Assets not Being Depreciated	606,919	0	606,919
Capital Assets being Depreciated, Net	31,036,246	129,983	31,166,229
Total Assets	52,478,892	291,710	52,770,602
Liabilities:			
Accounts Payable	111,510	95	111,605
Accrued Wages and Benefits	1,302,470	48,417	1,350,887
Intergovernmental Payable	424,809	35,975	460,784
Deferred Revenue - Taxes	5,509,096	0	5,509,096
Accrued Interest Payable	94,108	0	94,108
Long Term Liabilities:			
Due Within One Year	699,792	0	699,792
Due in More Than One Year	29,696,687	35,314	29,732,001
Total Liabilities	37,838,472	119,801	37,958,273
Net Assets:			
Invested in Capital Assets, Net of Related Debt	3,668,155	129,983	3,798,138
Restricted For:			
Capital Projects	975,865	0	975,865
Debt Service	1,220,362	0	1,220,362
Other Purposes	1,027,021	0	1,027,021
Unrestricted	7,749,017	41,926	7,790,943
Total Net Assets	\$ 14,640,420	\$ 171,909	\$ 14,812,329

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Statement of Activities For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 11,483,681	\$ 390,625	\$ 994,169
Support Services:			
Pupils	893,083	0	7,859
Instructional Staff	501,295	0	5,841
Board of Education	20,055	0	0
Administration	1,683,808	0	0
Fiscal Services	634,650	0	0
Business	5,668	0	0
Operation and Maintenance of Plant	1,818,452	15,579	0
Pupil Transportation	1,159,793	3,000	10,820
Central	94,819	0	19,668
Community Services	14,083	0	0
Extracurricular Activities	713,504	278,968	0
Interest and Fiscal Charges	1,346,174	0	0
Total Governmental Activities	20,369,065	688,172	1,038,357
Business-Type Activities:			
Food Service	878,047	555,810	338,927
Total Business-Type Activities	878,047	555,810	338,927
Totals	\$ 21,247,112	\$ 1,243,982	\$ 1,377,284

General Revenues

Property Taxes Levied for:

 General Purposes

 Debt Service

Income Taxes

Grants and Entitlements not Restricted to Specific

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 2)

Net Assets End of Year

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (10,098,887)	\$ 0	\$ (10,098,887)
(885,224)	0	(885,224)
(495,454)	0	(495,454)
(20,055)	0	(20,055)
(1,683,808)	0	(1,683,808)
(634,650)	0	(634,650)
(5,668)	0	(5,668)
(1,802,873)	0	(1,802,873)
(1,145,973)	0	(1,145,973)
(75,151)	0	(75,151)
(14,083)	0	(14,083)
(434,536)	0	(434,536)
(1,346,174)	0	(1,346,174)
(18,642,536)	0	(18,642,536)
0	16,690	16,690
0	16,690	16,690
(18,642,536)	16,690	(18,625,846)
4,791,135	0	4,791,135
1,623,471	0	1,623,471
5,178,596	0	5,178,596
9,052,957	0	9,052,957
496,833	0	496,833
168,022	0	168,022
21,311,014	0	21,311,014
2,668,478	16,690	2,685,168
11,971,942	155,219	12,127,161
\$ 14,640,420	\$ 171,909	\$ 14,812,329

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Balance Sheet Governmental Funds June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 981,321	\$ 114,693	\$ 462,588	\$ 1,558,602
Investments	7,896,012	963,875	736,245	9,596,132
Receivables:				
Taxes	6,752,884	1,438,725	0	8,191,609
Accounts	189	0	0	189
Intergovernmental	0	0	20,513	20,513
Interest	3,659	0	1,239	4,898
Interfund Loan Receivable	9,682	0	0	9,682
Inventory Held for Resale	136,798	0	0	136,798
Restricted Assets:				
Cash and Cash Equivalents	1,076,010	0	0	1,076,010
Total Assets	\$ 16,856,555	\$ 2,517,293	\$ 1,220,585	\$ 20,594,433
Liabilities:				
Accounts Payable	105,351	0	6,159	111,510
Accrued Wages and Benefits	1,251,479	0	50,991	1,302,470
Intergovernmental Payable	423,540	0	1,269	424,809
Interfund Loans Payable	0	0	9,682	9,682
Deferred Revenue - Taxes	4,903,434	1,348,039	0	6,251,473
Total Liabilities	6,683,804	1,348,039	68,101	8,099,944
Fund Balances:				
Reserved for Encumbrances	313,061	0	43,221	356,282
Reserved for Supplies Inventory	136,798	0	0	136,798
Reserved for Debt Service	0	1,078,568	0	1,078,568
Reserved for Property Taxes	310,801	90,686	0	401,487
Statutory Reserves	1,076,010	0	0	1,076,010
Unreserved, Undesignated in:				
General Fund	8,336,081	0	0	8,336,081
Special Revenue Funds	0	0	140,283	140,283
Capital Projects Funds	0	0	968,980	968,980
Total Fund Balances	10,172,751	1,169,254	1,152,484	12,494,489
Total Liabilities and Fund Balances	\$ 16,856,555	\$ 2,517,293	\$ 1,220,585	\$ 20,594,433

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
June 30, 2008***

Total Governmental Fund Balances \$ 12,494,489

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

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 31,643,165

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 742,377

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

General Obligation Bonds Payable	(27,729,985)	
Premium on Bond Refunding	(1,336,782)	
Interest Accretion	(916,128)	
Deferred Loss on Refundings	1,091,757	
Unamortized Bond Issuance Costs	250,976	
Compensated Absences Payable	(1,505,341)	
Accrued Interest Payable	(94,108)	(30,239,611)

Net Assets of Governmental Activities \$ 14,640,420

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 9,742,100	\$ 1,559,129	\$ 0	\$ 11,301,229
Tuition	266,387	0	0	266,387
Transportation Fees	3,000	0	0	3,000
Investment Earnings	463,533	0	33,300	496,833
Extracurricular Activities	9,157	0	269,811	278,968
Class Materials and Fees	124,238	0	0	124,238
Intermediate Sources	26,366	0	0	26,366
Intergovernmental - State	8,936,589	177,860	122,595	9,237,044
Intergovernmental - Federal	0	0	854,270	854,270
All Other Revenue	67,285	0	89,950	157,235
Total Revenue	19,638,655	1,736,989	1,369,926	22,745,570
Expenditures:				
Current:				
Instruction	10,047,873	0	987,302	11,035,175
Supporting Services:				
Pupils	869,415	0	8,730	878,145
Instructional Staff	436,446	0	19,383	455,829
Board of Education	20,055	0	0	20,055
Administration	1,585,955	0	70,022	1,655,977
Fiscal Services	586,283	44,729	0	631,012
Business	5,668	0	0	5,668
Operation and Maintenance of Plant	1,696,917	0	20,085	1,717,002
Pupil Transportation	1,128,942	0	0	1,128,942
Central	74,755	0	19,668	94,423
Community Services	14,083	0	0	14,083
Extracurricular Activities	404,874	0	264,874	669,748
Capital Outlay	27,742	0	38,116	65,858
Debt Service:				
Principal Retirement	0	610,000	0	610,000
Interest and Fiscal Charges	0	1,104,781	0	1,104,781
Total Expenditures	16,899,008	1,759,510	1,428,180	20,086,698
Net Change in Fund Balance	2,739,647	(22,521)	(58,254)	2,658,872
Fund Balances (Deficits) at Beginning of Year	7,369,851	1,191,775	1,210,738	9,772,364
Increase (Decrease) in Inventory Reserve	63,253	0	0	63,253
Fund Balances (Deficits) End of Year	\$ 10,172,751	\$ 1,169,254	\$ 1,152,484	\$ 12,494,489

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ 2,658,872

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

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

Capital Outlay	251,259	
Depreciation Expense	<u>(960,895)</u>	(709,636)

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

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.		(43,751)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 291,973

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal Payment	610,000	
Amortization of Bond Premium	60,763	
Interest Accretion Expense	(241,896)	
Amortization of Unamortized Bond Issuance Costs	(11,408)	
Deferred Loss on Early Retirement of Debt	<u>(52,080)</u>	365,379

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 3,228

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

Compensated Absences	39,160	
Change in Inventory	<u>63,253</u>	<u>102,413</u>

Change in Net Assets of Governmental Activities \$ 2,668,478

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2008***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 9,114,197	\$ 10,725,738	\$ 10,725,738	\$ 0
Tuition	344,036	266,387	266,387	0
Transportation Fees	15,737	9,238	9,238	0
Investment Earnings	399,616	460,596	459,908	(688)
Extracurricular Activities	12,919	9,157	9,157	0
Class Material and Fees	118,779	124,238	124,238	0
Intermediate Sources	26,208	26,366	26,366	0
Intergovernmental - State	8,819,165	8,936,589	8,936,589	0
All Other Revenues	265,506	182,855	182,855	0
Total Revenues	<u>19,116,163</u>	<u>20,741,164</u>	<u>20,740,476</u>	<u>(688)</u>
Expenditures:				
Current:				
Instruction	7,857,511	10,030,872	10,178,253	(147,381)
Support Services:				
Pupils	665,082	823,145	879,407	(56,262)
Instructional Staff	475,164	493,323	465,530	27,793
Board of Education	14,287	18,757	20,235	(1,478)
Administration	1,165,374	1,574,598	1,647,384	(72,786)
Fiscal Services	422,838	517,036	594,182	(77,146)
Business	3,963	4,901	5,671	(770)
Operation and Maintenance of Plant	1,312,426	2,081,535	1,804,461	277,074
Pupil Transportation	876,863	1,241,163	1,264,743	(23,580)
Central	63,152	111,558	79,406	32,152
Community Services	0	11,230	20,383	(9,153)
Extracurricular Activities	320,394	426,886	406,666	20,220
Capital Outlay	40,122	69,340	28,866	40,474
Total Expenditures	<u>13,217,176</u>	<u>17,404,344</u>	<u>17,395,187</u>	<u>9,157</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,898,987	3,336,820	3,345,289	8,469

EATON COMMUNITY SCHOOL DISTRICT, OHIO

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	125	0	0	0
Advances In	60,000	60,000	60,000	0
Advances Out	(48,000)	(60,000)	(69,682)	(9,682)
Refund of Prior Year's Receipts	0	(500)	0	500
Total Other Financing Sources (Uses):	<u>12,125</u>	<u>(500)</u>	<u>(9,682)</u>	<u>(9,182)</u>
Net Change in Fund Balance	5,911,112	3,336,320	3,335,607	(713)
Fund Balance at Beginning of Year	5,496,645	5,496,645	5,496,645	0
Prior Year Encumbrances	671,390	671,390	671,390	0
Fund Balance at End of Year	<u>\$ 12,079,147</u>	<u>\$ 9,504,355</u>	<u>\$ 9,503,642</u>	<u>\$ (713)</u>

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Statement of Net Assets
Proprietary Fund
June 30, 2008***

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
Assets:	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 16,035
Investments	134,759
Receivables:	
Accounts	81
Interest	230
Inventory of Supplies at Cost	10,622
<i>Total Current Assets</i>	<u>161,727</u>
<i>Non Current Assets:</i>	
Capital Assets, Net	129,983
Total Assets	<u>291,710</u>
Liabilities:	
<i>Current Liabilities:</i>	
Accounts Payable	95
Accrued Wages and Benefits	48,417
Intergovernmental Payable	35,975
<i>Total Current Liabilities</i>	<u>84,487</u>
<i>Long Term Liabilities:</i>	
Compensated Absences Payable	35,314
<i>Total Long Term Liabilities</i>	<u>35,314</u>
Total Liabilities	<u>119,801</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	129,983
Unrestricted	41,926
Total Net Assets	<u>\$ 171,909</u>

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2008***

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
Operating Revenues:	
Sales	\$ 553,185
Total Operating Revenues	<u>553,185</u>
Operating Expenses:	
Salaries and Wages	309,964
Fringe Benefits	159,776
Contractual Services	5,715
Supplies and Materials	369,983
Depreciation	31,977
Other Operating Expense	632
Total Operating Expenses	<u>878,047</u>
Operating Income (Loss)	(324,862)
Nonoperating Revenue (Expenses):	
Operating Grants	338,927
Investment Earnings	3,475
Loss on Disposal of Capital Assets	(850)
Total Nonoperating Revenues (Expenses)	<u>341,552</u>
Change in Net Assets	16,690
Net Assets Beginning of Year	155,219
Net Assets End of Year	<u>\$ 171,909</u>

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2008***

	Business-Type Activities
	Enterprise Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$553,104
Cash Payments for Goods and Services	(304,854)
Cash Payments to Employees for Services and Benefits	(465,427)
Net Cash Used for Operating Activities	(217,177)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	265,985
Net Cash Provided by Noncapital Financing Activities	265,985
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Equipment	(5,540)
Net Cash Provided by Capital and Related Financing Activities	(5,540)
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	3,245
Purchase of Investments	(70,161)
Net Cash Provided by Investing Activities	(66,916)
Net Increase in Cash and Cash Equivalents	(23,648)
Cash and Cash Equivalents at Beginning of Year	39,683
Cash and Cash Equivalents at End of Year	\$16,035
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$324,862)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation Expense	31,977
Donated Commodities Used During the Year	72,942
<u>Changes in Assets and Liabilities:</u>	
Increase in Accounts Receivable	(81)
Increase in Inventory	(604)
Decrease in Accounts Payable	(862)
Decrease in Accrued Wages and Benefits	(9,544)
Increase in Intergovernmental Payables	541
Increase in Compensated Absences	13,316
Total Adjustments	107,685
Net Cash Used for Operating Activities	(\$217,177)

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Statement of Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust Funds	Agency Funds	Total
Assets:			
Cash and Cash Equivalents	\$ 16,868	\$ 59,225	\$ 76,093
Investments	141,759	0	141,759
Receivables:			
Interest	213	0	213
Capital Assets, Net	1,527	0	1,527
Total Assets	<u>160,367</u>	<u>59,225</u>	<u>219,592</u>
Liabilities:			
Accounts Payable	386	0	386
Due to Students	0	59,225	59,225
Total Liabilities	<u>386</u>	<u>59,225</u>	<u>59,611</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,527	0	1,527
Held in Trust	158,454	0	158,454
Total Net Assets	<u>\$ 159,981</u>	<u>\$ 0</u>	<u>\$ 159,981</u>

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2008***

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions:	
Sales	\$ 1,195
Private Donations	7,703
Total Contributions	<u>8,898</u>
Investment Earnings:	
Interest	6,459
Total Investment Earnings	<u>6,459</u>
Total Additions	<u>15,357</u>
Deductions:	
Administrative Expenses	7,618
Community Gifts, Awards and Scholarships	56,381
Total Deductions	<u>63,999</u>
Change in Net Assets	(48,642)
Net Assets at Beginning of Year	<u>208,623</u>
Net Assets End of Year	<u>\$ 159,981</u>

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 90 non-certified and approximately 138 certified teaching personnel and administrative employees providing education to 2,245 students.

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

Eaton Community School District participates in two jointly governed organizations, the Southwestern Ohio Computer Association (SWOCA) and the Southwestern Ohio Educational Purchasing Council (SOEPC). SWOCA provides the data processing services needed by the participating school districts. Butler Tech serves as the fiscal agent. SOEPC obtains prices for quality merchandise and services for participating school districts. See Note 13 for additional information.

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

B. Basis of Presentation - Fund Accounting

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types are used by the District:

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

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

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

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

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

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

C. Basis of Presentation – Financial Statements

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

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

The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Current property taxes measurable at June 30, 2008, of which are not intended to finance fiscal 2008 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, 2008 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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

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

Revenues – Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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

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

E. Budgetary Process

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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

1. Tax Budget

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

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2008.

3. Appropriations

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

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

5. Basis of Budgeting

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

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	\$2,705,731
Increase (Decrease):	
Accrued Revenues at June 30, 2008 received during FY 2009	(1,862,980)
Accrued Revenues at June 30, 2007 received during FY 2008	2,989,713
Accrued Expenditures at June 30, 2008 paid during FY 2009	1,780,370
Accrued Expenditures at June 30, 2007 paid during FY 2008	(1,861,442)
Encumbrances Outstanding	<u>(415,097)</u>
Budget Basis	<u>\$3,336,295</u>

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2008, cash and cash equivalents included amounts in demand deposits, short-term certificates of deposit with original maturities of three months or less, and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. The District's cash and cash equivalents represent Star Ohio investment and depository accounts. See Note 4, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. During fiscal year 2008, investment purchases were limited to Star Ohio and Commercial Paper. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts, which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the financial statements. See Note 4, "Cash, Cash Equivalents and Investments."

The District had invested funds in the State Treasury Asset Reserve of Ohio during 2008. 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, 2008.

H. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$500.

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

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

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

K. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the termination method. Employees may earn 15 days of sick leave per year up to a maximum of 275 days. Upon retirement, certified employees will receive 30% of the accumulated sick leave up to a maximum of 183 days while non-certified employees will receive 25% of the accumulated sick leave up to a maximum of 62 days. For governmental funds, compensated absences are reported as an expenditure in the fund from which the individual earning the leave is paid only if the compensated absences have matured, for example, as a result of employee resignations and retirement. A corresponding liability is reflected in the account "Compensated Absences Payable." There is no such liability for "Compensated Absences Payable" for the 2006 fiscal year. In the government-wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Pensions

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

N. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Interfund transfers between governmental funds are eliminated on the Statement of Activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Restricted Assets

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

P. Reservations of Fund Balance

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

Q. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

R. Operating Revenues and Expenses

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 2 – RESTATEMENT OF NET ASSETS

The beginning net assets of the District’s Governmental Activities were restated to properly record accumulated depreciation amounts on the District’s capital assets. The accumulated depreciation amounts were previously understated.

This adjustments had the following effects on the District’s net assets at June 30, 2007:

	<u>Governmental Activities</u>
Net Assets June 30, 2007	\$13,022,092
Adjustments:	
Capital Assets	<u>(1,050,150)</u>
Restated Net Assets, June 30, 2007	<u><u>\$11,971,942</u></u>

NOTE 3 – ACCOUNTABILITY

Fund Deficit - The respective fund deficit at June 30, 2008 of \$21,662 in the Title I Fund (special revenue funds) arose from the recognition of expenditures on the modified accrual basis, which are greater than expenditures recognized on the budgetary basis. A deficit did not exist in this fund under the cash basis of accounting.

NOTE 4 - 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 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;

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

- 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).

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$3,476,092 and the bank balance was \$3,652,198. Not included in the bank balance is \$425, which represents cash on hand held by the District. Federal depository insurance covered \$212,656 of the bank balance and \$3,439,542 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

A. Deposits (Continued)

	Balance
Uninsured and collateralized with securities held by the pledging institution's collateral pool not in the District's name	\$3,439,542
Total Balance	\$3,439,542

B. Investments

The District's investments at June 30, 2008 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$250,898	AAA ^m ¹	\$250,898	\$0	\$0
Commercial Papers	7,874,590	A1-PA ¹	7,874,590	0	0
FNMA	997,810	AAA ¹	0	997,810	0
Total Investments	\$9,123,298		\$8,125,488	\$997,810	\$0

¹ Standard & Poor's

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

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$2,726,740	\$9,872,650
Certificates of Deposit (with maturities of less than 3 months)	2,000,000	(2,000,000)
Commercial Papers (with maturities of less than 3 months)	(999,750)	999,750
STAR Ohio	(250,898)	250,898
Per GASB Statement No. 3	\$3,476,092	\$9,123,298

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

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 2008 were levied after October 1, 2007 on assessed values as of January 1, 2007, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2005. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Eaton Community School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values upon which the fiscal year 2008 receipts were based are:

	2007 Second Half Collections	2008 First Half Collections
Agricultural/Residential and Other Real Estate	\$252,047,280	\$257,406,960
Public Utility Personal	8,611,110	7,182,660
Tangible Personal Property	30,439,807	23,010,718
Total Assessed Value	<u>\$291,098,197</u>	<u>\$287,600,338</u>
Tax rate per \$1,000 of assessed valuation	\$38.30	\$40.88

NOTE 6 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 7 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2008:

Historical Cost:

Class	June 30, 2007	Additions	Deletions	June 30, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$606,919	\$0	\$0	\$606,919
<i>Capital assets being depreciated:</i>				
Land Improvements	1,407,561	26,778	0	1,434,339
Buildings and Improvements	31,601,973	18,523	(90,058)	31,530,438
Machinery and Equipment	5,248,215	109,801	(54,675)	5,303,341
Vehicles	1,601,079	96,157	(50,433)	1,646,803
Total Cost	<u>\$40,465,747</u>	<u>\$251,259</u>	<u>(\$195,166)</u>	<u>\$40,521,840</u>

Accumulated Depreciation:

Class	June 30, 2007	Additions	Deletions	June 30, 2008
Land Improvements	(\$405,204)	(\$65,130)	\$0	(\$470,334)
Buildings and Improvements	(3,401,252)	(361,320)	54,035	(3,708,537)
Machinery and Equipment	(3,262,906)	(402,186)	46,948	(3,618,144)
Vehicles	(999,834)	(132,259)	50,433	(1,081,660)
Total Depreciation	<u>(\$8,069,196)</u>	<u>(\$960,895)*</u>	<u>\$151,416</u>	<u>(\$8,878,675)</u>
Net Value:	<u>\$32,396,551</u>			<u>\$31,643,165</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$560,799
Support Services:	
Pupils	6,422
Instructional Staff	42,837
Administration	29,651
Fiscal Services	3,378
Operations & Maintenance of Plant	158,469
Pupil Transportation	116,071
Central	396
Extracurricular Activities	<u>42,872</u>
Total Depreciation Expense	<u>\$960,895</u>

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 7 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at June 30, 2008:

Historical Cost:

<u>Class</u>	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
<i>Capital assets not being depreciated:</i>				
Land	\$2,500	\$0	\$0	\$2,500
<i>Capital assets being depreciated:</i>				
Buildings	162,766	0	0	162,766
Machinery and Equipment	237,995	5,540	(11,157)	232,378
Total Cost	<u>\$403,261</u>	<u>\$5,540</u>	<u>(\$11,157)</u>	<u>\$397,644</u>

Accumulated Depreciation:

<u>Class</u>	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Buildings	(\$45,626)	(\$25,577)	\$0	(\$71,203)
Machinery and Equipment	(200,365)	(6,400)	10,307	(196,458)
Total Depreciation	<u>(\$245,991)</u>	<u>(\$31,977)</u>	<u>\$10,307</u>	<u>(\$267,661)</u>
<i>Net Value:</i>	<u>\$157,270</u>			<u>\$129,983</u>

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EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

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 Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$315,360, \$323,772 and \$357,564 respectively, which were equal to the required contributions for each year.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,086,780, \$1,075,716, and \$1,080,972 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2008 were \$7,465 made by the District and \$1,813 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$129,111, \$118,264, and \$112,487 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$14,867, \$17,367, and \$18,285 respectively; which were equal to the required contributions for each year.

B. State Teachers Retirement System

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$77,627, \$76,837, and \$77,212 respectively; which were equal to the required contributions for each year.

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EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 10 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the bonds and compensated absences of the District for the year ended June 30, 2008 is as follows:

		Balance			Balance	Amount Due	
		June 30, 2007	Additions	Deductions	June 30, 2008	Within One Year	
Governmental Activities:							
General Obligation Bonds:							
2002	School Improvement						
	Serial Bonds	4.00-4.25%	\$3,090,000	\$0	(\$325,000)	\$2,765,000	\$370,000
	Capital Appreciation Bonds	8.26%	1,249,985	0	0	1,249,985	0
	Net 2002 Bonds		4,339,985	0	(325,000)	4,014,985	370,000
2005	School Improvement Refunding	2.50-5.00%	720,000	0	(135,000)	585,000	140,000
	Deferred Loss on Refunding		(15,000)	0	3,000	(12,000)	0
	Net 2005 Refunding Bonds		705,000	0	(132,000)	573,000	140,000
2007	School Improvement Refunding Series						
	Serial Bonds		16,950,000	0	(150,000)	16,800,000	75,000
	Term Bonds		5,995,000	0	0	5,995,000	0
	Capital Appreciation Bonds		335,000	0	0	335,000	0
	Premium on Bond Refunding		1,397,545	0	(60,763)	1,336,782	0
	Deferred Loss on Refunding		(1,128,837)	0	49,080	(1,079,757)	0
	Net 2007 Refunding Bonds		23,548,708	0	(161,683)	23,387,025	75,000
	Total General Obligation Bonds		28,593,693	0	(618,683)	27,975,010	585,000
2002	Interest Accretion	8.26%	639,565	159,379	0	798,944	0
2007	Interest Accretion	8.26%	34,667	82,517	0	117,184	0
	Total Interest Accretion		674,232	241,896	0	916,128	0
	Compensated Absences		1,544,501	388,326	(427,486)	1,505,341	114,792
	Total Governmental Activities		30,812,426	630,222	(1,046,169)	30,396,479	699,792
Business-Type Activities:							
	Compensated Absences		21,998	21,991	(8,675)	35,314	0
	Total Long-Term Obligations		\$30,834,424	\$652,213	(\$1,054,844)	\$30,431,793	\$699,792

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 10 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2008 follows:

Years	General Obligation Bonds		
	(Includes Serial, Term, and Capital Appreciation Bonds)		
	Principal	Interest	Total
2009	\$585,000	\$1,090,167	\$1,675,167
2010	660,000	1,069,450	1,729,450
2011	715,000	1,042,188	1,757,188
2012	775,000	1,011,006	1,786,006
2013	860,000	978,806	1,838,806
2014-2018	1,914,985	8,032,195	9,947,180
2019-2023	4,895,000	6,725,336	11,620,336
2024-2028	11,330,000	2,543,941	13,873,941
2029-2030	5,995,000	258,720	6,253,720
Totals	<u>\$27,729,985</u>	<u>\$22,751,809</u>	<u>\$50,481,794</u>

B. Defeasance of General Obligation Debt

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

The net proceeds of the 2005 School Improvement General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$755,000 at June 30, 2006, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advanced refunding.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008***

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, 2008, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2007	\$43,652	\$794,478	\$838,130
Current Year Set-Aside Requirement	350,395	350,395	700,790
Qualifying Disbursements	(247,907)	(215,003)	(462,910)
Total	\$146,140	\$929,870	\$1,076,010
Cash Balance Carried Forward to FY 2009	\$146,140	\$929,870	\$1,076,010
Amount Restricted for Textbooks			\$146,140
Amount Restricted for Capital Acquisition			929,870
Total Restricted Assets			\$1,076,010

NOTE 12 - RISK MANAGEMENT

A. Public Entity Risk Pool

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

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 12 - RISK MANAGEMENT (Continued)

B. Other Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2008, the District contracted with Indiana Insurance Company for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Indiana Insurance Company	General Liability	\$0
Indiana Insurance Company	Business	\$2,500
Indiana Insurance Company	Automobile	\$250 Comprehensive; \$250 Collision
Indiana Insurance Company	Umbrella	\$10,000

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

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

NOTE 13 - JOINTLY GOVERNED ORGANIZATION

The Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 30 school districts. During fiscal year 2008, the District paid \$45,811 to SWOCA. To obtain financial information write to SWOCA 3603 Hamilton-Middletown Road, Hamilton, OH 45011.

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 13- JOINTLY GOVERNED ORGANIZATION (Continued)

Payments to SOEPC are made from the general fund. During fiscal year 2008, the School District paid \$4,261 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

NOTE 14 – RELATED PARTY TRANSACTIONS

Randy Titkemeyer, teacher, owns TNT Greenhouse. The District paid \$4,423 to TNT Greenhouse during the 2008 fiscal year.

The Cheerleading Advisor, Kathy Stevens, works for the company Varsity Spirit Fashions Cheerleaders and Danzteam. She provides cheer and dance clinics for the company. The School District, through the advisor, paid the company \$7,719 for the fiscal year 2008 for various items for the cheerleading squad.

NOTE 15 – COMPLIANCE

The District did not properly maintain student activity records.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 16 - 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, 2008.

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, 2008.

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**EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

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>						
Food Distribution Program		10.550		\$46,804		\$46,804
Nutrition Cluster:						
National School Breakfast Program	2008	10.553	\$27,097		\$27,097	
	2007		3,954		3,954	
			<u>31,051</u>		<u>31,051</u>	
National School Lunch Program	2008	10.555	200,094		200,094	
	2007		26,125		26,125	
			<u>226,219</u>		<u>226,219</u>	
Total Nutrition Cluster			<u>257,270</u>		<u>257,270</u>	
Total U.S. Department of Agriculture			<u>257,270</u>	<u>46,804</u>	<u>257,270</u>	<u>46,804</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)	2008	84.027	481,548		481,548	
	2007	84.027	48,434		48,434	
	2006	84.027	0		12,121	
Special Education - Preschool Grant	2008	84.173	5,788		5,788	
Total Special Education Cluster			<u>535,770</u>		<u>547,891</u>	
Grants to Local Educational Agencies (ESEA Title I)	2008	84.010	261,486		238,674	
	2007		10,184		40,399	
Total ESEA Title I			<u>271,670</u>		<u>279,073</u>	
Drug Free Schools	2008	84.186	7,859		7,859	
Title II Part D	2008	84.318	1,005		2,871	
Innovative Education Program (ESEA Title VI)	2008	84.298	3,243		3,243	
Title II Part A	2008	84.367	72,828		72,024	
	2007				7,129	
Total Title II Part A			<u>72,828</u>		<u>79,153</u>	
Total U.S. Department of Education			<u>892,375</u>		<u>920,090</u>	
Total			<u><u>\$ 1,149,645</u></u>	<u><u>\$ 46,804</u></u>	<u><u>\$ 1,177,360</u></u>	<u><u>\$ 46,804</u></u>

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

**EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DISTRIBUTION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

Eaton Community School District
Preble County
312 North Barron Street
Eaton, Ohio 45320

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eaton Community School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
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www.auditor.state.oh.us

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe that the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated February 26, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 26, 2009.

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



Mary Taylor, CPA
Auditor of State

February 26, 2009



Mary Taylor, CPA

Auditor of State

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

Eaton Community School District
Preble County
312 North Barron Street
Eaton, Ohio 45320

To the Board of Education:

Compliance

We have audited the compliance of Eaton Community School District, Preble County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Eaton Community School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

February 26, 2009

**EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2008-001

Significant Deficiency / Noncompliance Citation

Ohio Rev. Code, § 149.351, provides, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Revised Code.

The District had the following weaknesses in the design and operation of student activity receipts:

FFA Fruit Sale:

The total amount deposited for the FFA fruit sale was \$13,292. The amount due according to the advisor's tally sheets was \$9,394 and the amount collected according to the duplicate receipts was \$13,247. Order forms were not retained for the sale of these extra items. Duplicate receipts were either not issued or not retained for all monies collected. The Activity Advisor did not retain individual student order forms.

Drama Club Fall Play:

The Activity Advisor did not maintain a breakdown of all tickets sold for the Drama Club fall play. The Advisor did not always document the number of tickets sold and there were instances when the Advisor only documented the amount of money received. According to District records the amount of money received for the fall play was \$1,420. The Advisor did not properly maintain records supporting the amount recorded in the District's ledger.

Cheerleading:

The Activity Advisor did not maintain records for the cheerleading activity. According to District records, the amount of money received for the cheerleading activity was \$7,149; however, no records were kept supporting this amount.

Failure to properly maintain supporting documentation could result in an incomplete record and loss of accountability for project receipts and disbursements, and misappropriation of funds. We recommend that the District review their current policy and the Activity Advisors maintain all records for their activity. Additional controls and procedures are explained in the Auditor of State (AOS) "Guidelines for Developing Policies for Student Activity Programs" available at the AOS web site: www.auditor.state.oh.us, under publications, scroll down to Manuals, Handbooks, Forms & Technical Resources and click on Guidelines for Developing Policies for Student Activity Programs.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code § 149.351, destruction of records.	No	Not corrected – Re-issued as Finding 2008-001



Mary Taylor, CPA
Auditor of State

EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 12, 2009