



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EATON CITY SCHOOL DISTRICT
PREBLE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Eaton City School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 19, 2002

EATON CITY
SCHOOL DISTRICT, OHIO

PREBLE COUNTY

GENERAL PURPOSE
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Prepared by:
Ms. Virginia Welch
Treasurer

EATON CITY SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$1,288,546	\$171,463	\$29,876,077	\$8,961,803
Investments	2,926,396	0	0	19,139,598
Receivables (net of allowance for doubtful accounts):				
Taxes	6,073,164	0	1,572,551	0
Accounts	0	0	0	0
Intergovernmental	9,119	134,306	0	0
Interest	13,181	0	0	318,326
Interfund Loans Receivable	106,508	0	0	0
Inventory of Supplies at Cost	131,794	0	0	0
Prepaid Items	126,227	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	190,187	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$10,865,122</u>	<u>\$305,769</u>	<u>\$31,448,628</u>	<u>\$28,419,727</u>
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$74,517	\$3,524	\$0	\$252,427
Accrued Wages and Benefits	1,240,976	45,049	0	0
Intergovernmental Payables	288,862	1,950	0	14
Interfund Loans Payable	0	106,508	0	0
Due to Students	0	0	0	0
Accrued Interest Payable	0	0	0	278,949
Deferred Revenue - Taxes	5,282,229	0	1,527,555	0
Deferred Revenue	0	14,619	0	0
Notes Payable	0	0	0	28,200,000
General Obligation Bonds Payable	0	0	0	0
Compensated Absences Payable	77,940	0	0	0
Total Liabilities	<u>6,964,524</u>	<u>171,650</u>	<u>1,527,555</u>	<u>28,731,390</u>
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	439,037	60,343	0	2,716,386
Reserved for Property Taxes	180,505	0	44,996	0
Statutory Reserves	190,187	0	0	0
Reserved for Supplies Inventory	131,794	0	0	0
Reserved for Prepaid Items	126,227	0	0	0
Reserved for Endowments	0	0	0	0
Reserved for Debt Service	0	0	29,876,077	0
Unreserved:				
Undesignated	2,832,848	73,776	0	(3,028,049)
Total Equity and Other Credits	<u>3,900,598</u>	<u>134,119</u>	<u>29,921,073</u>	<u>(311,663)</u>
Total Liabilities, Equity and Other Credits	<u>\$10,865,122</u>	<u>\$305,769</u>	<u>\$31,448,628</u>	<u>\$28,419,727</u>

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

EATON CITY SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

<i>Proprietary</i> <i>Fund Type</i>	<i>Fiduciary</i> <i>Fund Types</i>	<i>Account</i> <i>Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$156,187	\$258,513	\$0	\$0	\$40,712,589
0	0	0	0	22,065,994
0	0	0	0	7,645,715
193	0	0	0	193
986	0	0	0	144,411
225	286	0	0	332,018
0	0	0	0	106,508
29,463	0	0	0	161,257
0	0	0	0	126,227
0	0	0	0	190,187
84,893	1,986	9,950,032	0	10,036,911
0	0	0	29,876,077	29,876,077
0	0	0	1,030,949	1,030,949
<u>\$271,947</u>	<u>\$260,785</u>	<u>\$9,950,032</u>	<u>\$30,907,026</u>	<u>\$112,429,036</u>
\$110	\$212	\$0	\$0	\$330,790
40,699	0	0	0	1,326,724
28,084	1,607	0	91,648	412,165
0	0	0	0	106,508
0	70,518	0	0	70,518
0	0	0	0	278,949
0	0	0	0	6,809,784
17,846	0	0	0	32,465
0	0	0	0	28,200,000
0	0	0	29,720,000	29,720,000
57,972	0	0	1,095,378	1,231,290
<u>144,711</u>	<u>72,337</u>	<u>0</u>	<u>30,907,026</u>	<u>68,519,193</u>
0	0	9,950,032	0	9,950,032
127,236	0	0	0	127,236
0	6,004	0	0	3,221,770
0	0	0	0	225,501
0	0	0	0	190,187
0	0	0	0	131,794
0	0	0	0	126,227
0	165,627	0	0	165,627
0	0	0	0	29,876,077
0	16,817	0	0	(104,608)
<u>127,236</u>	<u>188,448</u>	<u>9,950,032</u>	<u>0</u>	<u>43,909,843</u>
<u>\$271,947</u>	<u>\$260,785</u>	<u>\$9,950,032</u>	<u>\$30,907,026</u>	<u>\$112,429,036</u>

EATON CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$6,578,533	\$0	\$742,982	\$0	\$0	\$7,321,515
Tuition	34,406	0	0	0	0	34,406
Transportation Fees	35,235	0	0	0	0	35,235
Investment Earnings	183,324	552	0	559,126	327	743,329
Extracurricular Activities	0	239,468	0	0	1,294	240,762
Class Material and Fees	24	0	0	0	0	24
Intermediate Sources	0	4,000	0	0	0	4,000
Intergovernmental - State	7,073,350	88,701	81,747	48,995	0	7,292,793
Intergovernmental - Federal	173,073	464,125	0	0	0	637,198
All Other Revenues	833,773	48,595	236,450	215,896	15,422	1,350,136
Total Revenues	14,911,718	845,441	1,061,179	824,017	17,043	17,659,398
Expenditures:						
Current:						
Instruction	8,412,462	561,448	0	87,793	0	9,061,703
Supporting Services:						
Pupils	646,532	24,309	0	0	9,241	680,082
Instructional Staff	493,543	16,564	0	10,783	6,347	527,237
Board of Education	17,010	0	0	0	0	17,010
Administration	1,430,033	70,588	0	0	60	1,500,681
Fiscal Services	423,326	0	16,768	0	0	440,094
Business	1,730	0	0	0	0	1,730
Operation and Maintenance of Plant	1,181,656	0	0	5,000	0	1,186,656
Pupil Transportation	1,007,808	0	0	0	110	1,007,918
Central	36,071	26,007	0	0	0	62,078
Extracurricular Activities	270,589	196,033	0	0	0	466,622
Capital Outlay	156,350	86,944	0	1,301,849	0	1,545,143
Debt Service:						
Principal Retirement	45,000	0	135,000	0	0	180,000
Interest and Fiscal Charges	12,458	0	102,339	278,949	0	393,746
Total Expenditures	14,134,568	981,893	254,107	1,684,374	15,758	17,070,700
Excess (Deficiency) of Revenues Over (Under) Expenditures	777,150	(136,452)	807,072	(860,357)	1,285	588,698
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	0	0	28,200,000	0	0	28,200,000
Proceeds from Sale of Fixed Assets	20,311	0	0	0	0	20,311
Refunds of Prior Years' Expenditures (Receipts)	6,774	(219)	0	0	(100)	6,455
Operating Transfers In	0	164	0	0	0	164
Operating Transfers Out	(164)	0	0	0	0	(164)
Total Other Financing Sources (Uses)	26,921	(55)	28,200,000	0	(100)	28,226,766
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	804,071	(136,507)	29,007,072	(860,357)	1,185	28,815,464
Fund Balance Beginning of Year	3,101,798	270,626	914,001	548,694	21,636	4,856,755
Decrease in Inventory Reserve	(5,271)	0	0	0	0	(5,271)
Fund Balance (Deficit) End of Year	\$3,900,598	\$134,119	\$29,921,073	(\$311,663)	\$22,821	\$33,666,948

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

EATON CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$6,690,584	\$6,690,584	\$0	\$0	\$0	\$0
Tuition	57,500	57,500	0	0	0	0
Transportation Fees	46,144	46,144	0	0	0	0
Investment Earnings	185,268	185,268	0	850	850	0
Extracurricular Activities	0	0	0	238,812	239,468	656
Class Material and Fees	24	24	0	0	0	0
Intermediate Sources	0	0	0	4,000	4,000	0
Intergovernmental - State	7,073,350	7,073,350	0	85,251	88,701	3,450
Intergovernmental - Federal	173,073	173,073	0	383,809	383,809	0
All Other Revenues	833,666	833,683	17	47,455	48,595	1,140
Total Revenues	<u>15,059,609</u>	<u>15,059,626</u>	<u>17</u>	<u>760,177</u>	<u>765,423</u>	<u>5,246</u>
Expenditures:						
Current:						
Instruction	8,527,204	8,527,204	0	588,404	588,404	0
Supporting Services:						
Pupils	703,559	703,559	0	24,339	24,339	0
Instructional Staff	499,331	499,331	0	17,037	17,037	0
Board of Education	17,537	17,537	0	0	0	0
Administration	1,619,249	1,619,249	0	79,566	79,566	0
Fiscal Services	440,897	440,889	8	0	0	0
Business	1,725	1,725	0	0	0	0
Operation and Maintenance of Plant	1,280,924	1,280,924	0	0	0	0
Pupil Transportation	1,035,087	1,035,087	0	0	0	0
Central	36,584	36,584	0	26,007	26,007	0
Extracurricular Activities	273,290	273,290	0	223,647	223,647	0
Capital Outlay	281,397	281,397	0	86,944	86,944	0
Debt Service:						
Principal Retirement	45,000	45,000	0	0	0	0
Interest and Fiscal Charges	12,458	12,458	0	0	0	0
Total Expenditures	<u>14,774,242</u>	<u>14,774,234</u>	<u>8</u>	<u>1,045,944</u>	<u>1,045,944</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	285,367	285,392	25	(285,767)	(280,521)	5,246
Other Financing Sources (Uses):						
Proceeds from Sale of Notes	0	0	0	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	20,311	20,311	0	0	0	0
Refunds of Prior Years' Expenditures (Receipts)	6,774	6,774	0	(219)	(219)	0
Operating Transfers In	0	0	0	164	164	0
Operating Transfers Out	(164)	(164)	0	0	0	0
Advances In	237,681	9,241	(228,440)	204,948	106,508	(98,440)
Advances Out	0	(106,508)	(106,508)	0	(9,241)	(9,241)
Total Other Financing Sources (Uses)	<u>264,602</u>	<u>(70,346)</u>	<u>(334,948)</u>	<u>204,893</u>	<u>97,212</u>	<u>(107,681)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	549,969	215,046	(334,923)	(80,874)	(183,309)	(102,435)
Fund Balance at Beginning of Year	3,013,606	3,013,606	0	204,058	204,058	0
Prior Year Encumbrances	601,615	601,615	0	86,349	86,349	0
Fund Balance at End of Year	<u>\$4,165,190</u>	<u>\$3,830,267</u>	<u>(\$334,923)</u>	<u>\$209,533</u>	<u>\$107,098</u>	<u>(\$102,435)</u>

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

(Continued)

EATON CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$705,308	\$705,308	\$0	\$0	\$0	\$0
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Investment Earnings	0	0	0	97,606	97,606	0
Extracurricular Activities	0	0	0	0	0	0
Class Material and Fees	0	0	0	0	0	0
Intermediate Sources	0	0	0	0	0	0
Intergovernmental - State	81,747	81,747	0	48,995	48,995	0
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	236,450	236,450	0	215,896	215,896	0
Total Revenues	1,023,505	1,023,505	0	362,497	362,497	0
Expenditures:						
Current:						
Instruction	0	0	0	116,729	116,729	0
Supporting Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	41,482	41,482	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal Services	16,768	16,768	0	0	0	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	5,000	5,000	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	3,987,390	3,987,390	0
Debt Service:						
Principal Retirement	135,000	135,000	0	0	0	0
Interest and Fiscal Charges	102,339	102,339	0	0	0	0
Total Expenditures	254,107	254,107	0	4,150,601	4,150,601	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	769,398	769,398	0	(3,788,104)	(3,788,104)	0
Other Financing Sources (Uses):						
Proceeds from Sale of Notes	0	0	0	28,200,000	28,200,000	0
Proceeds from Sale of Bonds	28,200,000	28,200,000	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refunds of Prior Years' Expenditures (Receipts)	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	28,200,000	28,200,000	0	28,200,000	28,200,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	28,969,398	28,969,398	0	24,411,896	24,411,896	0
Fund Balance at Beginning of Year	906,679	906,679	0	477,250	477,250	0
Prior Year Encumbrances	0	0	0	100,248	100,248	0
Fund Balance at End of Year	\$29,876,077	\$29,876,077	\$0	\$24,989,394	\$24,989,394	\$0

(Continued)

EATON CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Totals (Memorandum Only)

<u>Revenues:</u>	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Local Sources:			
Taxes	\$7,395,892	\$7,395,892	\$0
Tuition	57,500	57,500	0
Transportation Fees	46,144	46,144	0
Investment Earnings	283,724	283,724	0
Extracurricular Activities	238,812	239,468	656
Class Material and Fees	24	24	0
Intermediate Sources	4,000	4,000	0
Intergovernmental - State	7,289,343	7,292,793	3,450
Intergovernmental - Federal	556,882	556,882	0
All Other Revenues	1,333,467	1,334,624	1,157
Total Revenues	<u>17,205,788</u>	<u>17,211,051</u>	<u>5,263</u>
<u>Expenditures:</u>			
Current:			
Instruction	9,232,337	9,232,337	0
Supporting Services:			
Pupils	727,898	727,898	0
Instructional Staff	557,850	557,850	0
Board of Education	17,537	17,537	0
Administration	1,698,815	1,698,815	0
Fiscal Services	457,665	457,657	8
Business	1,725	1,725	0
Operation and Maintenance of Plant	1,285,924	1,285,924	0
Pupil Transportation	1,035,087	1,035,087	0
Central	62,591	62,591	0
Extracurricular Activities	496,937	496,937	0
Capital Outlay	4,355,731	4,355,731	0
Debt Service:			
Principal Retirement	180,000	180,000	0
Interest and Fiscal Charges	114,797	114,797	0
Total Expenditures	<u>20,224,894</u>	<u>20,224,886</u>	<u>8</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,019,106)	(3,013,835)	5,271
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Notes	28,200,000	28,200,000	0
Proceeds from Sale of Bonds	28,200,000	28,200,000	0
Proceeds from Sale of Fixed Assets	20,311	20,311	0
Refunds of Prior Years' Expenditures (Receipts)	6,555	6,555	0
Operating Transfers In	164	164	0
Operating Transfers Out	(164)	(164)	0
Advances In	442,629	115,749	(326,880)
Advances Out	0	(115,749)	(115,749)
Total Other Financing Sources (Uses)	<u>56,869,495</u>	<u>56,426,866</u>	<u>(442,629)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	53,850,389	53,413,031	(437,358)
Fund Balance at Beginning of Year	4,601,593	4,601,593	0
Prior Year Encumbrances	788,212	788,212	0
Fund Balance at End of Year	<u>\$59,240,194</u>	<u>\$58,802,836</u>	<u>(\$437,358)</u>

EATON CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Proprietary</i>		<i>Fiduciary</i>	Totals (Memorandum Only)
	<i>Fund Types</i>		<i>Fund Type</i>	
	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Fund	
<u>Operating Revenues:</u>				
Tuition and Fees	\$116,039	\$15,270	\$0	\$131,309
Sales	420,083	0	0	420,083
Other Operating Revenues	0	0	6,000	6,000
Investment Earnings	0	0	4,001	4,001
Total Operating Revenues	536,122	15,270	10,001	561,393
<u>Operating Expenses:</u>				
Salaries and Wages	242,269	0	0	242,269
Fringe Benefits	118,204	0	0	118,204
Contractual Services	4,560	0	2,720	7,280
Materials and Supplies	373,058	0	522	373,580
Depreciation	12,813	0	338	13,151
Other Operating Expenses	1,650	15,270	5,350	22,270
Total Operating Expenses	752,554	15,270	8,930	776,754
Operating Income (Loss)	(216,432)	0	1,071	(215,361)
<u>Non-Operating Revenues:</u>				
Operating Grants	157,922	0	0	157,922
Federally Donated Commodities	64,922	0	0	64,922
Investment Earnings	3,215	0	0	3,215
Miscellaneous	7	0	0	7
Total Non-Operating Revenues	226,066	0	0	226,066
Net Income	9,634	0	1,071	10,705
Restated Retained Earnings/Fund Balance at Beginning of Year	117,602	0	164,556	282,158
Retained Earnings/Fund Balance at End of Year	<u>\$127,236</u>	<u>\$0</u>	<u>\$165,627</u>	<u>\$292,863</u>

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

EATON CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary</u>		<u>Fiduciary</u>	Totals (Memorandum Only)
	<u>Fund Types</u>		<u>Fund Type</u>	
	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Fund	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$420,187	\$0	\$6,000	\$426,187
Cash Received from Tuition and Fee Payments	115,935	15,270	0	131,205
Cash Payments for Goods and Services	(316,295)	(15,270)	(8,592)	(340,157)
Cash Payments to Employees for Services and Benefits	(354,909)	0	0	(354,909)
Net Cash Used for Operating Activities	<u>(135,082)</u>	<u>0</u>	<u>(2,592)</u>	<u>(137,674)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	157,922	0	0	157,922
Net Cash Provided by Noncapital Financing Activities	<u>157,922</u>	<u>0</u>	<u>0</u>	<u>157,922</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Equipment	(19,730)	0	0	(19,730)
Net Cash Used for Capital and Related Financing Activities	<u>(19,730)</u>	<u>0</u>	<u>0</u>	<u>(19,730)</u>
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	3,471	0	4,303	7,774
Net Cash Provided by Investing Activities	<u>3,471</u>	<u>0</u>	<u>4,303</u>	<u>7,774</u>
Net Increase in Cash and Cash Equivalents	6,581	0	1,711	8,292
Cash and Cash Equivalents at Beginning of Year	149,606	0	161,772	311,378
Cash and Cash Equivalents at End of Year	<u>\$156,187</u>	<u>\$0</u>	<u>\$163,483</u>	<u>\$319,670</u>
Reconciliation of Cash and Cash Equivalents per Balance Sheet				
Cash and Cash Equivalents	\$156,187	\$0	\$258,513	\$414,700
Less: Cash and Cash Equivalents in Expendable Trust Fund	0	0	(22,833)	(22,833)
Less: Cash and Cash Equivalents in Agency Funds	0	0	(72,197)	(72,197)
Cash and Cash Equivalents at End of Year	<u>\$156,187</u>	<u>\$0</u>	<u>\$163,483</u>	<u>\$319,670</u>

(Continued)

EATON CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary</u>		<u>Fiduciary</u>	Totals (Memorandum Only)
	<u>Fund Types</u>		<u>Fund Type</u>	
	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Fund	
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Used for Operating Activities:</u>				
Operating Income (Loss)	(\$216,432)	\$0	\$1,071	(\$215,361)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:				
Miscellaneous Nonoperating Income	7	0	0	7
Depreciation Expense	12,813	0	338	13,151
Donated Commodities Used During the Year	64,922	0	0	64,922
Interest on Investment	0	0	(4,303)	(4,303)
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	979	0	0	979
Increase in Intergovernmental Receivable	(986)	0	0	(986)
Decrease in Interest Receivable	0	0	302	302
Decrease in Inventory	2,784	0	0	2,784
Decrease in Accounts Payable	(1,044)	0	0	(1,044)
Decrease in Accrued Wages and Benefits	(4,020)	0	0	(4,020)
Increase in Intergovernmental Payables	573	0	0	573
Decrease in Deferred Revenue	(3,628)	0	0	(3,628)
Increase in Compensated Absences	8,950	0	0	8,950
Total Adjustments	<u>81,350</u>	<u>0</u>	<u>(3,663)</u>	<u>77,687</u>
Net Cash Used for Operating Activities	<u>(\$135,082)</u>	<u>\$0</u>	<u>(\$2,592)</u>	<u>(\$137,674)</u>

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

EATON CITY SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 90 non-certified and approximately 149 certified teaching personnel and administrative employees providing education to 2,394 students.

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

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

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

B. Basis of Presentation - Fund Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types and account groups are used by the District:

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

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

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

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

C. Basis of Accounting

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

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. The accrual basis of accounting is followed by the proprietary funds.

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. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Current property taxes measurable at June 30, 2002, of which are not intended to finance fiscal 2002 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, 2002 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.

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. 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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

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

D. Budgetary Process

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the Board of Education.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 2002.

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

4. Encumbrances

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$804,071	(\$136,507)	\$29,007,072	(\$860,357)
Increase (Decrease):				
Accrued Revenues at June 30, 2002, received during FY 2003	(941,637)	(119,687)	(44,996)	(461,520)
Accrued Revenues at June 30, 2001, received during FY 2002	992,278	39,669	7,322	0
Accrued Expenditures at June 30, 2002, paid during FY 2003	1,682,295	157,031	0	531,390
Accrued Expenditures at June 30, 2001, paid during FY 2002	(1,642,766)	(59,450)	0	(28,804)
FY 2002 Prepaids for FY 2003	(126,227)	0	0	0
Note Proceeds	0	0	0	28,200,000
Encumbrances Outstanding at June 30, 2002	(552,968)	(64,365)	0	(2,968,813)
Budget Basis	<u>\$215,046</u>	<u>(\$183,309)</u>	<u>\$28,969,398</u>	<u>\$24,411,896</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

During fiscal year 2002, cash and cash equivalents included amounts in demand deposits, short-term certificates of deposit with original maturities of three months or less, repurchase agreements and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

The District pools its cash for investment and resource management purposes. Each fund's cash and cash equivalents on the balance sheet represents the balance on hand as if each fund maintained its own cash account. See Note 4, "Cash, Cash Equivalents and Investments."

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost. See Note 4, "Cash, Cash Equivalents and Investments."

The District had invested funds in the State Treasury Asset Reserve of Ohio during 2002. 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, 2002.

G. Inventory

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

H. Fixed Assets and Depreciation

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

1. Property, Plant and Equipment - General Governmental Purposes

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

1. Property, Plant and Equipment - General Governmental Purposes (Continued)

General fixed asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

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

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost for assets not purchased in recent years), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

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

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

I. Long-Term Obligations

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

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

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the termination method. Employees may earn 15 days of sick leave per year up to a maximum of 275 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 68.75 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability. The remaining pension liability, if any, is recorded in the General Long-Term Obligations Account Group for governmental funds.

L. Interfund Transactions

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

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

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

M. Restricted Assets

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

N. Reservations of Fund Balance

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Total Columns on Combined Financial Statements - Overview

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

NOTE 2 - PRIOR PERIOD ADJUSTMENTS

The District restated its proprietary fixed assets due to an accounting error in the calculation of accumulated depreciation. This restatement resulted in the following changes to the June 30, 2001 retained earnings balances in the enterprise funds and nonexpendable trust fund:

	Enterprise Funds	Nonexpendable Trust Fund
Retained Earnings at 6/30/01 (as reported)	\$103,208	\$163,803
Fixed Asset Restatement	14,394	753
Retained Earnings at 6/30/01 (restated)	<u>\$117,602</u>	<u>\$164,556</u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2002 of \$10,281 in the Chapter One Fund and \$738 in the Federal Grants Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficit of \$635,426 in the Building Fund (capital projects fund) arises from the recognition of general obligation notes payable under the modified accrual basis of accounting. Under the budgetary basis of accounting, proceeds from the sale of notes are recognized as revenue and expenditures are recognized when paid, therefore, a deficit does not exist. Deficits do not exist under the cash basis of accounting.

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

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

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

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

Deposits:

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

Investments:

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

A. Deposits

At year end the carrying amount of the District’s deposits was \$37,067,872 and the bank balance was \$37,267,645. Not included in the bank balance is \$360, which represents cash on hand held by the District. Federal depository insurance covered \$213,293 of the bank balance, \$1,770,000 was classified as Category 1 and \$35,284,352 was classified as Category 3.

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

B. Investments

The District's investments at June 30, 2002 were as follows:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Category 3</u>	Carrying Amount/ <u>Fair Value</u>
Repurchase Agreement	\$283,210	N/A	\$283,210
Federal Securities	N/A	22,065,993	22,065,994
Total Categorized	283,210	22,065,993	22,349,204
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	755,547
Money Market Mutual Funds	N/A	N/A	2,796,147
Total Non-Categorized	N/A	N/A	3,551,694
Total Investments	<u>\$283,210</u>	<u>\$22,065,993</u>	<u>\$25,900,898</u>

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$40,902,776	\$22,065,994
Investments:		
Repurchase Agreement	(283,210)	283,210
STAR Ohio	(755,547)	755,547
Money Market Mutual Funds	(2,796,147)	2,796,147
Per GASB Statement No. 3	<u>\$37,067,872</u>	<u>\$25,900,898</u>

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 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

NOTE 5 - PROPERTY TAXES (Continued)

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 City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2002 receipts were based are:

	2001 Second Half <u>Collections</u>	2002 First Half <u>Collections</u>
Agricultural/Residential and Other Real Estate	\$192,702,190	\$196,080,850
Public Utility Personal	12,192,640	9,782,910
Tangible Personal Property	<u>39,765,940</u>	<u>42,813,680</u>
Total Assessed Value	<u>\$244,660,770</u>	<u>\$248,677,440</u>
Tax rate per \$1,000 of assessed valuation	\$35.68	\$41.18

NOTE 6 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

NOTE 7 - INTERFUND BALANCES

Individual interfund receivable and payable balances at June 30, 2002, are as follows:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$106,508	\$0
Special Revenue Fund:		
Title VI-B Fund	<u>0</u>	<u>106,508</u>
Totals	<u>\$106,508</u>	<u>\$106,508</u>

NOTE 8 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds at June 30, 2002:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$164
Special Revenue Fund:		
Federal Grants Fund	164	0
Total All Funds	\$164	\$164

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets at June 30, 2002:

Class	June 30, 2001	Additions	Deletions	June 30, 2002
Land and Improvements	\$214,035	\$457,670	\$0	\$671,705
Buildings and Improvements	4,474,683	118,097	0	4,592,780
Machinery and Equipment	2,917,510	279,975	(149,198)	3,048,287
Vehicles	1,623,695	259,178	(245,613)	1,637,260
Totals	\$9,229,923	\$1,114,920	(\$394,811)	\$9,950,032

B. Proprietary Fixed Assets

Summary by Category at June 30, 2002:

Category	Historical Cost	Accumulated Depreciation	Book Value
Enterprise	\$235,739	(\$150,846)	\$84,893
Total Property, Plant and Equipment	\$235,739	(\$150,846)	\$84,893

Category	Historical Cost	Accumulated Depreciation	Book Value
Fiduciary	\$3,947	(\$1,961)	\$1,986
Total Property, Plant and Equipment	\$3,947	(\$1,961)	\$1,986

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

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

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2001, (latest information available) 4.2% was allocated to fund the pension benefit and 9.8% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$276,216, \$264,462, and \$257,826, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2001 employer contribution rate (latest information available) that was used to fund health care for the year 2001 was 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2002, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$193,351.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available) were \$161,439,934 and the target level was \$242.2 million. Net assets available for payment of benefits at June 30, 2001 was \$315.7 million.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2001, (latest information available) 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$984,576, \$948,504, and \$883,512, respectively, which were equal to the required contributions for each year.

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

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, (latest information available) the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$316,471 for the District. The balance of the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, the net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

NOTE 11 - NOTES PAYABLE

Notes Payable activity of the District for the year ended June 30, 2002, was as follows:

		Balance			Balance
		June 30, 2001	Additions	Deletions	June 30, 2002
2.36%	School Improvement	\$0	\$10,000,000	\$0	\$10,000,000
1.98%	School Improvement	0	18,200,000	0	18,200,000
	Totals	\$0	\$28,200,000	\$0	\$28,200,000

NOTE 12 – OPERATING LEASE

The District is the lessee for an operating lease with Ancillary Medical Investments, Inc. for school administration space. The general leasing agreement states that the lessee agrees to pay the lessor, monthly in advance, for 12 months, a monthly payment of \$800. Current rental costs for the fiscal year ended June 30, 2002, were \$9,600.

NOTE 13 - COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2002, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	Sick Leave	Vacation	Total
Liability	\$1,050,539	\$44,839	\$1,095,378

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

NOTE 14 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the bonds, intergovernmental payable, and compensated absences of the District for the year ended June 30, 2002 is as follows:

		Balance June 30, 2001	Issued (Retired)	Balance June 30, 2002
General Long-Term Debt:				
(General Obligation Bonds)				
1995	Energy Conservation Project 5.15 - 6.00%	\$205,000	(\$45,000)	\$160,000
1989	School Improvement 6.00 - 7.20%	1,495,000	(135,000)	1,360,000
2002	School Improvement 2.25 - 5.75%	0	28,200,000	28,200,000
	Total General Long-Term Debt	1,700,000	28,020,000	29,720,000
Other General Long-Term Obligations:				
	Intergovernmental Payable - Accrued Pension	85,860	5,788	91,648
	Compensated Absences	871,980	223,398	1,095,378
	Total Other General Long-Term Obligations	957,840	229,186	1,187,026
	Total General Long-Term Debt and Other General Long-Term Obligations	\$2,657,840	\$28,249,186	\$30,907,026

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, 2002 follows:

Years	General Obligation Bonds		
	Principal	Interest	Total
2003	\$220,000	\$1,680,585	\$1,900,585
2004	185,000	1,442,629	1,627,629
2005	315,000	1,429,175	1,744,175
2006	305,000	1,412,149	1,717,149
2007	320,000	1,396,679	1,716,679
2008 - 2012	3,095,000	6,605,783	9,700,783
2013 - 2017	2,000,000	8,406,609	10,406,609
2018 - 2030	23,280,000	8,918,609	32,198,609
Totals	\$29,720,000	\$31,292,218	\$61,012,218

NOTE 15 – 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, 2002, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 2001	\$0	\$76,570	\$43,754	\$120,324
Current Year Set-Aside Requirement	278,042	278,042	0	556,084
Reduction Authorized by Legislative Restrictions	0	0	0	0
Qualifying Disbursements	(245,630)	(240,591)	0	(486,221)
Total	<u>\$32,412</u>	<u>\$114,021</u>	<u>\$43,754</u>	<u>\$190,187</u>
Cash Balance Carried Forward to FY 2003	<u>\$32,412</u>	<u>\$114,021</u>	<u>\$43,754</u>	<u>\$190,187</u>
Amount Restricted for Textbooks				\$32,412
Amount Restricted for Capital Acquisition				114,021
Amount Restricted for Budget Stabilization				43,754
Total Restricted Assets				<u>\$190,187</u>

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three Enterprise Funds to account for the operation of Food Services, Uniform School Supply Sales and a Rotary Fund. The key financial information for the year ended June 30, 2002 for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Rotary	Total
Operating Revenues	\$420,083	\$116,028	\$11	\$536,122
Depreciation Expense	12,813	0	0	12,813
Operating Income (Loss)	(220,875)	5,501	(1,058)	(216,432)
Net Income (Loss)	5,184	5,508	(1,058)	9,634
Property, Plant and Equipment:				
Additions	19,730	0	0	19,730
Disposals	5,716	0	0	5,716
Operating Grants	157,922	0	0	157,922
Total Assets	248,448	22,428	1,071	271,947
Net Working Capital	76,816	22,428	1,071	100,315
Total Equity	103,737	22,428	1,071	127,236

NOTE 17 - RISK MANAGEMENT

A. Public Entity Risk Pool

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

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

B. Other Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2002 the District contracted with Nationwide Insurance Company for various insurance coverages, as follows:

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

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

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

NOTE 18 - 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.

NOTE 19 - 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, 2002.

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, 2002.

C. State School Funding

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

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

EATON CITY SCHOOL DISTRICT, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY CATEGORY
JUNE 30, 2002

Function and Activity	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Vehicles	Total
Instruction	\$0	\$243,434	\$1,737,459	\$12,559	\$1,993,452
Support Services:					
Pupils	0	0	3,903	0	3,903
Instructional Staff	0	0	623,490	0	623,490
Board of Education	0	0	301	0	301
Administration	0	0	293,395	0	293,395
Operation and					
Maintenance of Plant	2,115	20,522	106,999	104,491	234,127
Pupil Transportation	0	0	45,578	1,506,311	1,551,889
Central	0	73,200	7,559	0	80,759
Extracurricular Activities	0	0	95,159	13,899	109,058
Site Improvement	511,670	479,451	134,444	0	1,125,565
Other	157,920	3,776,173	0	0	3,934,093
Total General Fixed Assets	<u>\$671,705</u>	<u>\$4,592,780</u>	<u>\$3,048,287</u>	<u>\$1,637,260</u>	<u>\$9,950,032</u>

EATON CITY SCHOOL DISTRICT, OHIO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Function and Activity	June 30, 2001	Transfers	Additions	Deletions	June 30, 2002
Instruction	\$1,952,127	\$0	\$151,526	(\$110,201)	\$1,993,452
Support Services:					
Pupils	3,413	0	490	0	3,903
Instructional Staff	573,798	0	51,391	(1,699)	623,490
Board of Education	301	0	0	0	301
Administration	292,791	0	19,473	(18,869)	293,395
Operation and Maintenance of Plant	200,677	0	46,745	(13,295)	234,127
Pupil Transportation	1,554,864	0	245,337	(248,312)	1,551,889
Central	78,874	0	1,885	0	80,759
Extracurricular Activities	103,939	0	7,554	(2,435)	109,058
Site Improvement	605,184	0	520,381	0	1,125,565
Other	3,863,955	0	70,138	0	3,934,093
Total General Fixed Assets	\$9,229,923	\$0	\$1,114,920	(\$394,811)	\$9,950,032

EATON CITY SCHOOL DISTRICT, OHIO
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Balance June 30, 2001	Additions	Deductions	Balance June 30, 2002
<u>District Agency Fund</u>				
Assets:				
Cash and Cash Equivalents	\$28,197	\$56,647	(\$58,222)	\$26,622
Total Assets	<u>\$28,197</u>	<u>\$56,647</u>	<u>(\$58,222)</u>	<u>\$26,622</u>
Liabilities:				
Due to Students	\$28,197	\$56,647	(\$58,222)	\$26,622
Total Liabilities	<u>\$28,197</u>	<u>\$56,647</u>	<u>(\$58,222)</u>	<u>\$26,622</u>
<u>Student Managed Activity Fund</u>				
Assets:				
Cash and Cash Equivalents	\$45,358	\$106,820	(\$106,603)	\$45,575
Accounts Receivable	641	0	(641)	0
Total Assets	<u>\$45,999</u>	<u>\$106,820</u>	<u>(\$107,244)</u>	<u>\$45,575</u>
Liabilities:				
Accounts Payable	\$675	\$112	(\$675)	\$112
Intergovernmental Payables	243	1,567	(243)	1,567
Due to Students	45,081	105,141	(106,326)	43,896
Total Liabilities	<u>\$45,999</u>	<u>\$106,820</u>	<u>(\$107,244)</u>	<u>\$45,575</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$73,555	\$163,467	(\$164,825)	\$72,197
Accounts Receivable	641	0	(641)	0
Total Assets	<u>\$74,196</u>	<u>\$163,467</u>	<u>(\$165,466)</u>	<u>\$72,197</u>
Liabilities:				
Accounts Payable	\$675	\$112	(\$675)	\$112
Intergovernmental Payables	243	1,567	(243)	1,567
Due to Students	73,278	161,788	(164,548)	70,518
Total Liabilities	<u>\$74,196</u>	<u>\$163,467</u>	<u>(\$165,466)</u>	<u>\$72,197</u>

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**EATON CITY SCHOOL DISTRICT
PREBLE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$59,066	\$0	\$64,922
National School Breakfast Program	043935-05PU-2002 043935-05PU-2001	10.553	16,597 1,854 <u>18,451</u>		16,597 1,854 <u>18,451</u>	
National School Lunch Program	043935 -LLP4-2002 043935 -LLP4-2001	10.555	114,528 16,437 <u>130,965</u>		114,528 16,437 <u>130,965</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>149,416</u>	<u>59,066</u>	<u>149,416</u>	<u>64,922</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	043935-6BSF-2002-P	84.027	45,646		152,154	
Special Education - Preschool Grant	043935-PGS1-2002-P 043935-PGS1-2001-P	84.173	4,993		3,229 944 <u>4,173</u>	
Total Special Education-Preschool Grant			<u>4,993</u>		<u>4,173</u>	
Total Special Education Cluster			<u>50,639</u>		<u>156,327</u>	
Grants to Local Educational Agencies (ESEA Title I)	043935 -C1S1-2002 043935-C1SD-2002 043935 -C1S1-2001 043935-C1SD-2001	84.010	176,911 7,012 30,130 <u>9,241</u>		160,061 6,231 50,242 <u>2,417</u>	
Total ESEA Title I			<u>223,294</u>		<u>218,951</u>	
Drug Free Schools	043935-DRS1-2002	84.186	9,021		9,021	
Eisenhower Professional Development Grant	043935-MSS1-2002	84.281	10,542		10,542	
Innovative Education Program (ESEA Title VI)	043935-C2S1-2002 043935-C2S1-2001	84.298	11,888		11,888 462 <u>12,350</u>	
Total ESEA Title VI			<u>11,888</u>		<u>12,350</u>	
State Improvement Grant	043935-STSI-2001	84.323	29,700		46,271	
Class Size Reduction	043935-CRS1-2002 043935-CRS1-2001	84.340	48,725 <u>48,725</u>		38,119 7,528 <u>45,647</u>	
Total Department of Education			<u>383,809</u>		<u>499,109</u>	
Totals			<u>\$533,225</u>	<u>\$59,066</u>	<u>\$648,525</u>	<u>\$64,922</u>

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

**EATON CITY SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Federal cash receipts are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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



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

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

To the Board of Education:

We have audited the financial statements of Eaton City School District, Preble County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated December 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 19, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 19, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

December 19, 2002



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

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

To the Board of Education:

Compliance

We have audited the compliance of Eaton City School District, Preble County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2002.

Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 19, 2002

**EATON CITY SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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EATON CITY SCHOOL DISTRICT

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 2, 2003**