



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, 2009, 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, 2009, 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 11, 2010, 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 11, 2010

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009**

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, 2009. 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 2009 are as follows:

- ❑ In total, net assets increased \$1,368,480. Net assets of governmental activities increased \$1,371,682, which represents a 9.4% increase from 2008. Net assets of business-type activities decreased \$3,202 or 1.9% from 2008.
- ❑ General revenues accounted for \$20,934,287 in revenue or 93.3% of all revenues for governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,517,661 or 6.7% of total governmental revenues of \$22,451,948.
- ❑ The District had \$21,080,266 in expenses related to governmental activities; only \$1,517,661 of these expenses was offset by program specific charges for services, grants or contributions. General revenues of \$20,934,287 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$19,954,267 in revenues and \$18,332,645 in expenditures. The general fund's fund balance increased \$1,647,693 to \$11,820,444.
- ❑ Net assets for the enterprise fund decreased \$18,184. This was attributable to decreased sales revenues combined with increased costs associated with food supplies and personal services.

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, 2009***

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, 2009**

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 2009 compared to 2008.

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$21,299,005	\$20,835,727	\$170,762	\$161,727	\$21,469,767	\$20,997,454
Capital assets, Net	31,470,926	31,643,165	126,922	129,983	31,597,848	31,773,148
Total assets	<u>52,769,931</u>	<u>52,478,892</u>	<u>297,684</u>	<u>291,710</u>	<u>53,067,615</u>	<u>52,770,602</u>
Long-term debt outstanding	30,171,624	30,396,479	39,412	35,314	30,211,036	30,431,793
Other liabilities	6,586,205	7,441,993	89,565	84,487	6,675,770	7,526,480
Total liabilities	<u>36,757,829</u>	<u>37,838,472</u>	<u>128,977</u>	<u>119,801</u>	<u>36,886,806</u>	<u>37,958,273</u>
Net assets						
Invested in capital assets, net of related debt	4,089,599	3,668,155	126,922	129,983	4,216,521	3,798,138
Restricted	3,026,173	3,223,248	0	0	3,026,173	3,223,248
Unrestricted	8,896,330	7,749,017	41,785	41,926	8,938,115	7,790,943
Total net assets	<u>\$16,012,102</u>	<u>\$14,640,420</u>	<u>\$168,707</u>	<u>\$171,909</u>	<u>\$16,180,809</u>	<u>\$14,812,329</u>

The restricted net assets of the District remained stable during the 2009 fiscal year decreasing by about 6% from 2008 levels. Decreased funds in several special revenue funds accounted for the decrease in restricted assets.

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EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2009 compared to 2008:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for Services and Sales	\$654,153	\$688,172	\$518,129	\$555,810	\$1,172,282	\$1,243,982
Operating Grants and Contributions	863,508	1,038,357	366,022	338,927	1,229,530	1,377,284
General revenues:						
Property and Income Taxes	10,606,483	11,593,202	0	0	10,606,483	11,593,202
Grants and Entitlements	9,822,321	9,052,957	0	0	9,822,321	9,052,957
Other	505,483	664,855	0	0	505,483	664,855
Total revenues	<u>22,451,948</u>	<u>23,037,543</u>	<u>884,151</u>	<u>894,737</u>	<u>23,336,099</u>	<u>23,932,280</u>
Program Expenses						
Instruction	12,093,136	11,483,681	0	0	12,093,136	11,483,681
Support Services:						
Pupils	909,468	893,083	0	0	909,468	893,083
Instructional Staff	494,050	501,295	0	0	494,050	501,295
Board of Education	16,830	20,055	0	0	16,830	20,055
Administration	1,613,166	1,683,808	0	0	1,613,166	1,683,808
Fiscal Services	629,400	634,650	0	0	629,400	634,650
Business	2,407	5,668	0	0	2,407	5,668
Operation and Maintenance of Plant	2,021,257	1,818,452	0	0	2,021,257	1,818,452
Pupil Transportation	1,126,717	1,159,793	0	0	1,126,717	1,159,793
Central	131,613	94,819	0	0	131,613	94,819
Community Services	5,939	14,083	0	0	5,939	14,083
Extracurricular Activities	680,213	713,504	0	0	680,213	713,504
Debt Service:						
Interest and Fiscal Charges	1,356,070	1,346,174	0	0	1,356,070	1,346,174
Food Service	0	0	887,353	878,047	887,353	878,047
Total expenses	<u>21,080,266</u>	<u>20,369,065</u>	<u>887,353</u>	<u>878,047</u>	<u>21,967,619</u>	<u>21,247,112</u>
Total Change in Net Assets	<u>1,371,682</u>	<u>2,668,478</u>	<u>(3,202)</u>	<u>16,690</u>	<u>1,368,480</u>	<u>2,685,168</u>
Beginning 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>
Ending Net Assets	<u><u>\$16,012,102</u></u>	<u><u>\$14,640,420</u></u>	<u><u>\$168,707</u></u>	<u><u>\$171,909</u></u>	<u><u>\$16,180,809</u></u>	<u><u>\$14,812,329</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,371,682. The District's attempt to control expenditure increases was successful in 2009, 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.

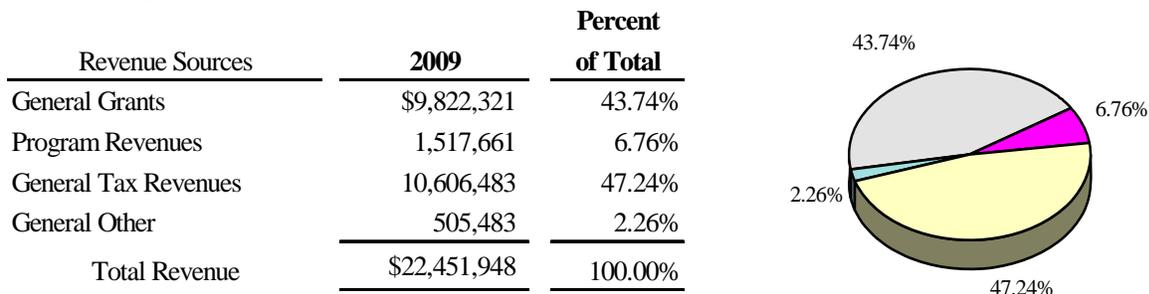
EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009**

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 47.24% of revenues for governmental activities for Eaton Community Schools in fiscal year 2009. The District's reliance upon tax revenues is demonstrated by the following graph:



Business-Type Activities

Net assets of the business-type activities decreased \$18,184. This decrease was caused as sales fell slightly when compared to 2008, combined with increasing personal and supply costs.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$14,111,754, which is above last year's balance of \$12,494,489. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2009 and 2008.

	<u>Fund Balance June 30, 2009</u>	<u>Fund Balance June 30, 2008</u>	<u>Increase (Decrease)</u>
General	\$11,820,444	\$10,172,751	\$1,647,693
Bond Retirement	1,316,925	1,169,254	147,671
Other Governmental	974,385	1,152,484	(178,099)
Total	\$14,111,754	\$12,494,489	\$1,617,265

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009**

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:

	2009	2008	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$9,443,146	\$9,742,100	(\$298,954)
Tuition	215,348	266,387	(51,039)
Transportation Fees	9,956	3,000	6,956
Investment Earnings	297,601	463,533	(165,932)
Extracurricular Activities	7,352	9,157	(1,805)
Class Materials and Fees	136,396	124,238	12,158
Intermediate Sources	29,805	26,366	3,439
Intergovernmental - State	9,693,753	8,936,589	757,164
All Other Revenue	120,910	67,285	53,625
Total	\$19,954,267	\$19,638,655	\$315,612

General Fund revenues in 2009 increased by 1.6% mostly due to increased revenues from the State.

	2009	2008	Increase
	Expenditures	Expenditures	(Decrease)
Instruction	\$10,959,850	\$10,047,873	\$911,977
Supporting Services:			
Pupils	886,354	869,415	16,939
Instructional Staff	515,449	436,446	79,003
Board of Education	16,830	20,055	(3,225)
Administration	1,539,541	1,585,955	(46,414)
Fiscal Services	581,143	586,283	(5,140)
Business	2,407	5,668	(3,261)
Operation and Maintenance of Plant	1,866,438	1,696,917	169,521
Pupil Transportation	1,242,463	1,128,942	113,521
Central	112,240	74,755	37,485
Community Service	5,939	14,083	(8,144)
Extracurricular Activities	379,679	404,874	(25,195)
Capital Outlay	224,312	27,742	196,570
Total	\$18,332,645	\$16,899,008	\$1,433,637

The expenditures increased by \$1,433,637 compared to the prior year mostly due to increased instructional costs related to salaries, benefits and supplies costs.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009**

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 2009, the District amended its General Fund budget several times, none significant.

General Fund budget basis revenue was \$19.8 million, which was above original budget estimate of \$17.6 million. The District amended the budget to account for higher State Monies. The General Fund had an adequate fund balance to cover expenditures.

Bond Retirement Fund - The District's Bond Retirement fund balance increased by \$147,671, or 12.63%. Increased delinquent tax collections led to this increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009, the District had \$31,597,848 net of accumulated depreciation invested in land, buildings, machinery, equipment and vehicles. Of this total, \$31,470,926 was related to governmental activities and \$126,922 to the business-type activities. The following tables show fiscal year 2009 and 2008 balances:

	Governmental Activities		Increase (Decrease)
	2009	2008	
Land	\$606,919	\$606,919	\$0
Land Improvements	1,451,917	1,434,339	17,578
Buildings and Improvements	31,882,097	31,530,438	351,659
Machinery and Equipment	5,564,211	5,303,341	260,870
Vehicles	1,584,988	1,646,803	(61,815)
Less: Accumulated Depreciation	(9,619,206)	(8,878,675)	(740,531)
Totals	\$31,470,926	\$31,643,165	(\$172,239)

	Business-Type Activities		Increase (Decrease)
	2009	2008	
Land	\$2,500	\$2,500	\$0
Buildings	162,766	162,766	0
Machinery and Equipment	235,972	232,378	3,594
Less: Accumulated Depreciation	(274,316)	(267,661)	(6,655)
Totals	\$126,922	\$129,983	(\$3,061)

The largest increase occurred in buildings as the District updated the roof on the middle school.

Additional information on the District's capital assets can be found in Note 6.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009**

Unaudited

Debt

At June 30, 2009, the District had \$27.4 million in bonds outstanding, \$660,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2009:

	<u>2009</u>	<u>2008</u>
Governmental Activities:		
General Obligation Bonds:		
Serial Bonds	\$19,565,000	\$20,150,000
Term Bonds	5,995,000	5,995,000
Capital Appreciation Bonds	1,584,985	1,584,985
Premium	1,276,019	1,336,782
Deferred Loss on Refunding	<u>(1,039,677)</u>	<u>(1,091,757)</u>
Total General Obligation Bonds	27,381,327	27,975,010
Interest Accretion	1,189,865	916,128
Compensated Absences	<u>1,600,432</u>	<u>1,505,341</u>
Total Governmental Activities	30,171,624	30,396,479
Business-Type Activities:		
Compensated Absences	<u>39,412</u>	<u>35,314</u>
Totals	<u><u>\$30,211,036</u></u>	<u><u>\$30,431,793</u></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, 2009, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 9.

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, 2009***

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 9,757,496	\$ 147,183	\$ 9,904,679
Investments	2,985,837	0	2,985,837
Receivables:			
Taxes	7,058,720	0	7,058,720
Accounts	1,101	181	1,282
Intergovernmental	120,300	51	120,351
Interest	2,223	31	2,254
Internal Balances	(14,982)	14,982	0
Inventory of Supplies at Cost	149,553	8,334	157,887
Restricted Assets:			
Cash and Cash Equivalents	999,189	0	999,189
Unamortized Bond Issuance Costs	239,568	0	239,568
Capital Assets not Being Depreciated	606,919	0	606,919
Capital Assets being Depreciated, Net	30,864,007	126,922	30,990,929
Total Assets	52,769,931	297,684	53,067,615
Liabilities:			
Accounts Payable	65,106	40	65,146
Accrued Wages and Benefits	1,354,556	52,863	1,407,419
Intergovernmental Payable	442,217	36,662	478,879
Deferred Revenue - Taxes	4,633,379	0	4,633,379
Accrued Interest Payable	90,947	0	90,947
Long Term Liabilities:			
Due Within One Year	742,278	0	742,278
Due in More Than One Year	29,429,346	39,412	29,468,758
Total Liabilities	36,757,829	128,977	36,886,806
Net Assets:			
Invested in Capital Assets, Net of Related Debt	4,089,599	126,922	4,216,521
Restricted For:			
Capital Projects	814,052	0	814,052
Debt Service	1,263,859	0	1,263,859
Other Purposes	948,262	0	948,262
Unrestricted	8,896,330	41,785	8,938,115
Total Net Assets	\$ 16,012,102	\$ 168,707	\$ 16,180,809

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Statement of Activities **For the Fiscal Year Ended June 30, 2009**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 12,093,136	\$ 351,744	\$ 801,305	\$ 0
Support Services:				
Pupils	909,468	0	6,314	0
Instructional Staff	494,050	0	8,002	0
Board of Education	16,830	0	0	0
Administration	1,613,166	0	12,473	0
Fiscal Services	629,400	0	0	0
Business	2,407	0	0	0
Operation and Maintenance of Plant	2,021,257	16,145	1,889	0
Pupil Transportation	1,126,717	9,956	21,525	0
Central	131,613	0	12,000	0
Community Services	5,939	0	0	0
Extracurricular Activities	680,213	276,308	0	0
Interest and Fiscal Charges	1,356,070	0	0	0
Total Governmental Activities	21,080,266	654,153	863,508	0
Business-Type Activities:				
Food Service	887,353	518,129	366,022	0
Total Business-Type Activities	887,353	518,129	366,022	0
Totals	\$ 21,967,619	\$ 1,172,282	\$ 1,229,530	\$ 0

General Revenues

Property Taxes Levied for:

 General Purposes

 Debt Service

Income Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (10,940,087)	\$ 0	\$ (10,940,087)
(903,154)	0	(903,154)
(486,048)	0	(486,048)
(16,830)	0	(16,830)
(1,600,693)	0	(1,600,693)
(629,400)	0	(629,400)
(2,407)	0	(2,407)
(2,003,223)	0	(2,003,223)
(1,095,236)	0	(1,095,236)
(119,613)	0	(119,613)
(5,939)	0	(5,939)
(403,905)	0	(403,905)
(1,356,070)	0	(1,356,070)
(19,562,605)	0	(19,562,605)
0	(3,202)	(3,202)
0	(3,202)	(3,202)
(19,562,605)	(3,202)	(19,565,807)
5,031,352	0	5,031,352
1,540,712	0	1,540,712
4,034,419	0	4,034,419
9,822,321	0	9,822,321
305,865	0	305,865
199,618	0	199,618
20,934,287	0	20,934,287
1,371,682	(3,202)	1,368,480
14,640,420	171,909	14,812,329
\$ 16,012,102	\$ 168,707	\$ 16,180,809

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Balance Sheet Governmental Funds June 30, 2009

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 7,844,511	\$ 863,889	\$ 839,356	\$ 9,547,756
Investments	2,556,190	247,716	181,931	2,985,837
Receivables:				
Taxes	5,505,567	1,553,153	0	7,058,720
Accounts	1,101	0	0	1,101
Intergovernmental	0	0	120,300	120,300
Interest	2,073	0	150	2,223
Interfund Loan Receivable	124,500	0	0	124,500
Inventory Held for Resale	149,553	0	0	149,553
Restricted Assets:				
Cash and Cash Equivalents	999,189	0	0	999,189
Total Assets	\$ 17,182,684	\$ 2,664,758	\$ 1,141,737	\$ 20,989,179
Liabilities:				
Accounts Payable	51,020	0	14,086	65,106
Accrued Wages and Benefits	1,326,532	0	28,024	1,354,556
Intergovernmental Payable	441,475	0	742	442,217
Interfund Loans Payable	0	0	124,500	124,500
Deferred Revenue	3,543,213	1,347,833	69,222	4,960,268
Total Liabilities	5,362,240	1,347,833	236,574	6,946,647
Fund Balances:				
Reserved for Encumbrances	124,679	0	62,780	187,459
Reserved for Supplies Inventory	149,553	0	0	149,553
Reserved for Debt Service	0	1,194,364	0	1,194,364
Reserved for Property Taxes	403,660	122,561	0	526,221
Statutory Reserves	999,189	0	0	999,189
Unreserved, Undesignated in:				
General Fund	10,143,363	0	0	10,143,363
Special Revenue Funds	0	0	43,581	43,581
Capital Projects Funds	0	0	798,802	798,802
Total Fund Balances	11,820,444	1,316,925	905,163	14,042,532
Total Liabilities and Fund Balances	\$ 17,182,684	\$ 2,664,758	\$ 1,141,737	\$ 20,989,179

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, 2009

Total Governmental Fund Balances \$ 14,042,532

***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. 31,470,926

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 326,889

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	(27,144,985)	
Premium on Bond Refunding	(1,276,019)	
Interest Accretion	(1,189,865)	
Deferred Loss on Refundings	1,039,677	
Unamortized Bond Issuance Costs	239,568	
Compensated Absences Payable	(1,600,432)	
Accrued Interest Payable	<u>(90,947)</u>	(30,023,003)

The internal service funds are used by management to
charge the costs of services to individual funds. The assets
and liabilities of the internal service funds are included in
governmental activities in the statement of net assets.

194,758

Net Assets of Governmental Activities

\$ 16,012,102

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, 2009

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 9,443,146	\$ 1,648,047	\$ 0	\$ 11,091,193
Tuition	215,348	0	0	215,348
Transportation Fees	9,956	0	0	9,956
Investment Earnings	297,601	0	8,264	305,865
Extracurricular Activities	7,352	0	268,956	276,308
Class Materials and Fees	136,396	0	0	136,396
Intermediate Sources	29,805	0	0	29,805
Intergovernmental - State	9,693,753	211,431	61,519	9,966,703
Intergovernmental - Federal	0	0	649,904	649,904
All Other Revenue	120,910	0	65,048	185,958
Total Revenue	19,954,267	1,859,478	1,053,691	22,867,436
Expenditures:				
Current:				
Instruction	10,959,850	0	719,490	11,679,340
Supporting Services:				
Pupils	886,354	0	14,400	900,754
Instructional Staff	515,449	0	11,675	527,124
Board of Education	16,830	0	0	16,830
Administration	1,539,541	0	103,216	1,642,757
Fiscal Services	581,143	44,038	0	625,181
Business	2,407	0	0	2,407
Operation and Maintenance of Plant	1,866,438	0	5,267	1,871,705
Pupil Transportation	1,242,463	0	0	1,242,463
Central	112,240	0	18,371	130,611
Community Services	5,939	0	0	5,939
Extracurricular Activities	379,679	0	262,119	641,798
Capital Outlay	224,312	0	166,699	391,011
Debt Service:				
Principal Retirement	0	585,000	0	585,000
Interest and Fiscal Charges	0	1,082,769	0	1,082,769
Total Expenditures	18,332,645	1,711,807	1,301,237	21,345,689

EATON COMMUNITY SCHOOL DISTRICT, OHIO

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over Expenditures	1,621,622	147,671	(247,546)	1,521,747
Other Financing Sources (Uses):				
Sale of Capital Assets	13,541	0	0	13,541
Transfers In	0	0	225	225
Transfers Out	(225)	0	0	(225)
Total Other Financing Sources (Uses)	<u>13,316</u>	<u>0</u>	<u>225</u>	<u>13,541</u>
Net Change in Fund Balance	1,634,938	147,671	(247,321)	1,535,288
Fund Balances (Deficits) at Beginning of Year	10,172,751	1,169,254	1,152,484	12,494,489
Increase (Decrease) in Inventory Reserve	12,755	0	0	12,755
Fund Balances (Deficits) End of Year	<u>\$ 11,820,444</u>	<u>\$ 1,316,925</u>	<u>\$ 905,163</u>	<u>\$ 14,042,532</u>

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, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 1,535,288

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	827,228	
Depreciation Expense	<u>(995,285)</u>	(168,057)

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 gains arising from the disposal of capital assets. Conversely, the governmental funds do not report any gain on the disposal of capital assets.	(4,182)
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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. (415,488)

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	585,000	
Amortization of Bond Premium	60,763	
Interest Accretion Expense	(273,737)	
Amortization of Unamortized Bond Issuance Costs	(11,408)	
Deferred Loss on Early Retirement of Debt	<u>(52,080)</u>	308,538

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 3,161

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	(95,091)	
Change in Inventory	<u>12,755</u>	<u>(82,336)</u>

EATON COMMUNITY SCHOOL DISTRICT, OHIO

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

194,758

Change in Net Assets of Governmental Activities

\$ 1,371,682

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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 9,190,770	\$ 9,366,175	\$ 9,330,242	\$ (35,933)
Tuition	228,264	216,177	215,348	(829)
Transportation Fees	7,915	9,300	9,264	(36)
Investment Earnings	394,679	313,988	313,481	(507)
Extracurricular Activities	7,846	7,380	7,352	(28)
Class Material and Fees	106,458	136,921	136,396	(525)
Intermediate Sources	22,593	29,920	29,805	(115)
Intergovernmental - State	7,657,666	9,731,087	9,693,753	(37,334)
All Other Revenues	156,687	121,155	120,690	(465)
Total Revenues	<u>17,772,878</u>	<u>19,932,103</u>	<u>19,856,331</u>	<u>(75,772)</u>
Expenditures:				
Current:				
Instruction	11,427,106	11,559,480	11,000,434	559,046
Support Services:				
Pupils	922,552	945,712	888,221	57,491
Instructional Staff	531,121	625,437	523,591	101,846
Board of Education	17,083	31,621	16,457	15,164
Administration	1,569,119	1,646,491	1,543,797	102,694
Fiscal Services	605,233	640,130	580,125	60,005
Business	2,474	5,945	2,359	3,586
Operation and Maintenance of Plant	1,898,616	2,031,227	1,926,370	104,857
Pupil Transportation	1,208,934	1,320,150	1,273,617	46,533
Central	113,313	140,036	100,567	39,469
Community Services	(379)	1,665	5,939	(4,274)
Extracurricular Activities	396,105	415,227	378,384	36,843
Capital Outlay	234,023	228,814	224,312	4,502
Total Expenditures	<u>18,925,300</u>	<u>19,591,935</u>	<u>18,464,173</u>	<u>1,127,762</u>

EATON COMMUNITY SCHOOL DISTRICT, OHIO

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,152,422)	340,168	1,392,158	1,051,990
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	0	13,541	13,541	0
Transfers Out	(225)	(226)	(225)	1
Advances In	51,000	69,682	69,682	0
Advances Out	(184,500)	(64,900)	(184,500)	(119,600)
Refund of Prior Year's Receipts	(62)	(100)	(62)	38
Total Other Financing Sources (Uses):	(133,787)	17,997	(101,564)	(119,561)
Net Change in Fund Balance	(1,286,209)	358,165	1,290,594	932,429
Fund Balance at Beginning of Year	9,503,632	9,503,632	9,503,632	0
Prior Year Encumbrances	415,107	415,107	415,107	0
Fund Balance at End of Year	\$ 8,632,530	\$ 10,276,904	\$ 11,209,333	\$ 932,429

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Statement of Net Assets
Proprietary Fund
June 30, 2009***

	Business-Type Activities <u>Enterprise Fund</u>	Governmental Activities - Internal Service Funds <u>Funds</u>
Assets:		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 147,183	\$ 209,740
Receivables:		
Accounts	181	0
Intergovernmental	51	0
Interest	31	0
Inventory of Supplies at Cost	8,334	0
<i>Total Current Assets</i>	<u>155,780</u>	<u>209,740</u>
<i>Non Current Assets:</i>		
Capital Assets, Net	<u>126,922</u>	<u>0</u>
Total Assets	<u>282,702</u>	<u>209,740</u>
Liabilities:		
<i>Current Liabilities:</i>		
Accounts Payable	40	0
Accrued Wages and Benefits	52,863	0
Intergovernmental Payable	36,662	0
<i>Total Current Liabilities</i>	<u>89,565</u>	<u>0</u>
<i>Long Term Liabilities:</i>		
Compensated Absences Payable	<u>39,412</u>	<u>0</u>
Total Liabilities	<u>128,977</u>	<u>0</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	126,922	0
Unrestricted	26,803	209,740
Total Net Assets	<u>\$ 153,725</u>	<u>\$ 209,740</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, 2009

	Business-Type Activities <u>Enterprise Fund</u>	Governmental Activities - Internal Service Funds <u>Funds</u>
Operating Revenues:		
Sales	\$ 517,653	\$ 0
Interfund Charges	<u>0</u>	<u>309,740</u>
Total Operating Revenues	<u>517,653</u>	<u>309,740</u>
Operating Expenses:		
Salaries and Wages	310,610	0
Fringe Benefits	187,833	0
Contractual Services	6,499	0
Supplies and Materials	389,700	0
Depreciation	7,020	0
Other Operating Expenses	<u>673</u>	<u>100,000</u>
Total Operating Expenses	<u>902,335</u>	<u>100,000</u>
Operating Income (Loss)	(384,682)	209,740
Nonoperating Revenue (Expenses):		
Operating Grants	366,022	0
Investment Earnings	(199)	0
Loss on Disposal of Capital Assets	<u>675</u>	<u>0</u>
Total Nonoperating Revenues (Expenses)	<u>366,498</u>	<u>0</u>
Transfers:		
Change in Net Assets	(18,184)	209,740
Net Assets Beginning of Year	<u>171,909</u>	<u>0</u>
Net Assets End of Year	<u>\$ 153,725</u>	<u>\$ 209,740</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, 2009

	<u>Business-Type Activities</u> Enterprise Fund	<u>Governmental Activities</u> Internal Service Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$517,553	\$0
Cash Received from Interfund Payments	0	309,740
Cash Payments for Goods and Services	(312,632)	(100,000)
Cash Payments to Employees for Services and Benefits	(489,212)	0
Net Cash Used for Operating Activities	<u>(284,291)</u>	<u>209,740</u>
<u>Cash Flows from Noncapital Financing Activities:</u>		
Operating Grants Received	283,964	0
Net Cash Provided by Noncapital Financing Activities	<u>283,964</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Equipment	(4,294)	0
Sale of Capital Assets	1,010	0
Net Cash Provided by Capital and Related Financing Activities	<u>(3,284)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>		
Receipts of Interest	0	0
Sale of Investments	134,759	0
Net Cash Provided by Investing Activities	<u>134,759</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	131,148	209,740
Cash and Cash Equivalents at Beginning of Year	16,035	0
Cash and Cash Equivalents at End of Year	<u>\$147,183</u>	<u>\$209,740</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Used for Operating Activities:</u>		
Operating Income (Loss)	(\$384,682)	\$209,740
Adjustments to Reconcile Operating Loss to		
Net Cash Used for Operating Activities:		
Depreciation Expense	7,020	0
Donated Commodities Used During the Year	82,007	0
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(100)	0
Decrease in Inventory	2,288	0
Decrease in Accounts Payable	(55)	0
Decrease in Accrued Wages and Benefits	4,446	0
Increase in Intergovernmental Payables	687	0
Increase in Compensated Absences	4,098	0
Total Adjustments	<u>100,391</u>	<u>0</u>
Net Cash Used for Operating Activities	<u>(\$284,291)</u>	<u>\$209,740</u>

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Statement of Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust Funds	Agency Funds	Total
Assets:			
Cash and Cash Equivalents	\$ 120,221	\$ 73,365	\$ 193,586
Investments	34,472	0	34,472
Receivables:			
Interest	27	0	27
Capital Assets, Net	1,376	0	1,376
Total Assets	<u>156,096</u>	<u>73,365</u>	<u>229,461</u>
Liabilities:			
Due to Students	0	73,365	73,365
Total Liabilities	<u>0</u>	<u>73,365</u>	<u>73,365</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	2,645	0	2,645
Held in Trust	153,451	0	153,451
Total Net Assets	<u>\$ 156,096</u>	<u>\$ 0</u>	<u>\$ 156,096</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, 2009

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions:	
Sales	\$ 564
Private Donations	<u>6,443</u>
Total Contributions	<u>7,007</u>
Investment Earnings:	
Interest	2,117
Net Decrease in the Fair Value of Investments	<u>(186)</u>
Total Investment Earnings	<u>1,931</u>
Total Additions	<u>8,938</u>
Deductions:	
Administrative Expenses	2,754
Community Gifts, Awards and Scholarships	<u>10,069</u>
Total Deductions	<u>12,823</u>
Change in Net Assets	(3,885)
Net Assets at Beginning of Year	<u>159,981</u>
Net Assets End of Year	<u>\$ 156,096</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, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 86 non-certified and approximately 136 certified teaching personnel and administrative employees providing education to 2,277 students.

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

Eaton Community School District participates in two jointly governed organizations, the Southwestern Ohio Computer Association (SWOCA) and the Southwestern Ohio Educational Purchasing Council (SOEPC). SWOCA provides the data processing services needed by the participating school districts. Butler Tech serves as the fiscal agent. SOEPC obtains prices for quality merchandise and services for participating school districts. See Note 12 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, 2009

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, 2009

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, 2009

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, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Current property taxes measurable at June 30, 2009, of which are not intended to finance fiscal 2009 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, 2009 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, 2009

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 2009.

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, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

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

5. Basis of Budgeting

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

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	\$1,634,938
Increase (Decrease):	
Accrued Revenues at June 30, 2009 received during FY 2010	(2,110,338)
Accrued Revenues at June 30, 2008 received during FY 2009	1,897,584
Accrued Expenditures at June 30, 2009 paid during FY 2010	1,819,027
Accrued Expenditures at June 30, 2008 paid during FY 2009	(1,780,370)
Encumbrances Outstanding	(170,247)
Budget Basis	\$1,290,594

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2009, 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 3, "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 2009, investment purchases were limited to Star Ohio and Commercial Paper. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts, which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the financial statements. See Note 3, "Cash, Cash Equivalents and Investments."

The District had invested funds in the State Treasury Asset Reserve of Ohio during 2009. 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, 2009.

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, 2009

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, 2009**

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, 2009

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, 2009

NOTE 2 – ACCOUNTABILITY

Fund Deficit - The respective fund deficit at June 30, 2009 of \$46,534 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 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

A. Deposits

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

At year end the carrying amount of the District's deposits was \$7,104,199 and the bank balance was \$7,156,164. Not included in the bank balance is \$250, which represents cash on hand held by the District. Federal Depository Insurance covered \$505,602 of the bank balance and \$6,650,562 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, 2009**

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits (Continued)

	Balance
Uninsured and collateralized with securities held by the pledging institution's collateral pool not in the District's name	\$6,650,562
Total Balance	\$6,650,562

B. Investments

The District's investments at June 30, 2009 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years) less than 1
STAR Ohio	\$5,993,255	AAAm ¹	\$5,993,255
FNMA	1,020,309	AAA ¹	1,020,309
Total Investments	\$7,013,564		\$7,013,564

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	\$11,097,454	\$3,020,309
Certificates of Deposit (with maturities of less than 3 months)	2,000,000	(2,000,000)
STAR Ohio	(5,993,255)	5,993,255
Per GASB Statement No. 3	\$7,104,199	\$7,013,564

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2009 were levied after October 1, 2008 on assessed values as of January 1, 2008, 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 2009 receipts were based are:

	2008 Second Half Collections	2009 First Half Collections
Agricultural/Residential and Other Real Estate	\$257,406,960	\$272,740,920
Public Utility Personal	7,182,660	7,211,060
Tangible Personal Property	23,010,718	0
Total Assessed Value	<u>\$287,600,338</u>	<u>\$279,951,980</u>
Tax rate per \$1,000 of assessed valuation	\$38.60	\$38.60

NOTE 5 - RECEIVABLES

Receivables at June 30, 2009 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, 2009**

NOTE 6 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2009:

Historical Cost:

Class	June 30, 2008	Additions	Deletions	June 30, 2009
<i>Capital assets not being depreciated:</i>				
Land	\$606,919	\$0	\$0	\$606,919
<i>Capital assets being depreciated:</i>				
Land Improvements	1,434,339	17,578	0	1,451,917
Buildings and Improvements	31,530,438	351,659	0	31,882,097
Machinery and Equipment	5,303,341	269,823	(8,953)	5,564,211
Vehicles	1,646,803	188,167	(249,982)	1,584,988
Total Cost	<u>\$40,521,840</u>	<u>\$827,227</u>	<u>(\$258,935)</u>	<u>\$41,090,132</u>

Accumulated Depreciation:

Class	June 30, 2008	Additions	Deletions	June 30, 2009
Land Improvements	(\$470,334)	(\$65,765)	\$0	(\$536,099)
Buildings and Improvements	(3,708,537)	(368,128)	0	(4,076,665)
Machinery and Equipment	(3,618,144)	(426,670)	8,953	(4,035,861)
Vehicles	(1,081,660)	(134,721)	245,800	(970,581)
Total Depreciation	<u>(\$8,878,675)</u>	<u>(\$995,284) *</u>	<u>\$254,753</u>	<u>(\$9,619,206)</u>
Net Value:	<u>\$31,643,165</u>			<u>\$31,470,926</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$561,033
Support Services:	
Pupils	5,778
Instructional Staff	52,297
Administration	34,564
Fiscal Services	4,691
Operations & Maintenance of Plant	167,541
Pupil Transportation	119,348
Central	2,526
Extracurricular Activities	47,506
Total Depreciation Expense	<u>\$995,284</u>

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 6 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at June 30, 2009:

Historical Cost:

<u>Class</u>	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</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	232,378	4,294	(700)	235,972
Total Cost	<u>\$397,644</u>	<u>\$4,294</u>	<u>(\$700)</u>	<u>\$401,238</u>

Accumulated Depreciation:

<u>Class</u>	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Buildings	(\$71,203)	(\$1,808)	\$0	(\$73,011)
Machinery and Equipment	(196,458)	(5,212)	365	(201,305)
Total Depreciation	<u>(\$267,661)</u>	<u>(\$7,020)</u>	<u>\$365</u>	<u>(\$274,316)</u>
<i>Net Value:</i>	<u>\$129,983</u>			<u>\$126,922</u>

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EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 7 - 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 2009, 9.09 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, 2009, 2008 and 2007 were \$211,491, \$206,336 and \$255,403 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.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, 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 2008, 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, 2009, 2008, and 2007 were \$1,068,511, \$1,009,153, and \$998,879 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2009 were \$3,076 made by the District and \$2,930 made by the plan members.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 8 - 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 105(e). For 2009, 4.16 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 2009, 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, 2009, 2008, and 2007 were \$149,487, \$129,111, and \$118,264 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 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$15,356, \$14,867, and \$17,367 respectively; which were equal to the required contributions for each year.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, 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, 2009, 2008, and 2007 were \$82,193, \$77,627, and \$76,837 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, 2009

NOTE 9 - 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, 2009 is as follows:

		Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009	Amount Due Within One Year	
Governmental Activities:							
General Obligation Bonds:							
2002	School Improvement						
	Serial Bonds	4.00-4.25%	\$2,765,000	\$0	(\$370,000)	\$2,395,000	\$490,000
	Capital Appreciation Bonds	8.26%	1,249,985	0	0	1,249,985	0
	Net 2002 Bonds		4,014,985	0	(370,000)	3,644,985	490,000
2005	School Improvement Refunding	2.50-5.00%	585,000	0	(140,000)	445,000	145,000
	Deferred Loss on Refunding		(12,000)	0	3,000	(9,000)	0
	Net 2005 Refunding Bonds		573,000	0	(137,000)	436,000	145,000
2007	School Improvement Refunding Series						
	Serial Bonds		16,800,000	0	(75,000)	16,725,000	25,000
	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		1,336,782	0	(60,763)	1,276,019	0
	Deferred Loss on Refunding		(1,079,757)	0	49,080	(1,030,677)	0
	Net 2007 Refunding Bonds		23,387,025	0	(86,683)	23,300,342	25,000
	Total General Obligation Bonds		27,975,010	0	(593,683)	27,381,327	660,000
2002	Interest Accretion	8.26%	798,944	172,822	0	971,766	0
2007	Interest Accretion	8.26%	117,184	100,914	0	218,098	0
	Total Interest Accretion		916,128	273,736	0	1,189,864	0
	Compensated Absences		1,505,341	531,738	(436,646)	1,600,433	82,278
	Total Governmental Activities		30,396,479	805,474	(1,030,329)	30,171,624	742,278
Business-Type Activities:							
	Compensated Absences		35,314	11,650	(7,552)	39,412	0
	Total Long-Term Obligations		\$30,431,793	\$817,124	(\$1,037,881)	\$30,211,036	\$742,278

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 9 - 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, 2009 follows:

General Obligation Bonds			
(Includes Serial, Term, and Capital Appreciation Bonds)			
Years	Principal	Interest	Total
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	431,548	1,434,008	1,865,556
2015-2019	1,598,437	8,689,243	10,287,680
2020-2024	6,610,000	5,322,104	11,932,104
2025-2029	12,405,000	2,049,174	14,454,174
2030	3,090,000	65,663	3,155,663
Totals	\$27,144,985	\$21,661,642	\$48,806,627

B. Defeasance of General Obligation Debt

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

The net proceeds of the 2005 School Improvement General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$485,000 at June 30, 2009, 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, 2009**

NOTE 10 - 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, 2009, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2008	\$146,140	\$929,870	\$1,076,010
Current Year Set-Aside Requirement	351,724	351,724	703,448
Qualifying Disbursements	<u>(328,642)</u>	<u>(451,627)</u>	<u>(780,269)</u>
Total	<u>\$169,222</u>	<u>\$829,967</u>	<u>\$999,189</u>
Cash Balance Carried Forward to FY 2010	<u>\$169,222</u>	<u>\$829,967</u>	<u>\$999,189</u>
Amount Restricted for Textbooks			\$169,222
Amount Restricted for Capital Acquisition			<u>829,967</u>
Total Restricted Assets			<u>\$999,189</u>

NOTE 11 - 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, 2009

NOTE 11 - 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 2009, 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 12 - 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 2009, the District paid \$44,929 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, 2009

NOTE 12- JOINTLY GOVERNED ORGANIZATION (Continued)

Payments to SOEPC are made from the general fund. During fiscal year 2009, the School District paid \$3,102 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 13 – RELATED PARTY TRANSACTIONS

Randy Titkemeyer, teacher, owns TNT Greenhouse. The District paid \$4,084 to TNT Greenhouse during the 2009 fiscal year.

Richard McKinney, Board Member, own Sunshine Sports. The District paid \$1,800 to Sunshine Sports during the fiscal year.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 14 - 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, 2009.

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, 2009.

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**EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

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>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program		10.555		\$42,370		\$42,370
Cash Assistance:						
National School Breakfast Program		10.553	\$39,611		\$39,611	
			39,611		39,611	
National School Lunch Program		10.555	237,416		237,416	
			237,416		237,416	
Total Nutrition Cluster			277,027	42,370	277,027	42,370
Total U.S. Department of Agriculture			277,027	42,370	277,027	42,370
<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)	2009	84.027	329,053		379,678	
	2008	84.027	7,816			
Special Education - Preschool Grant	2009	84.173	4,084		4,537	
Total Special Education Cluster			340,953		384,215	
Grants to Local Educational Agencies (ESEA Title I)	2009	84.010	190,631		216,699	
	2008	84.010			22,811	
Total ESEA Title I			190,631		239,510	
Drug Free Schools	2008	84.186	6,314		6,314	
Title II Part D	2009	84.318	1,723		1,723	
	2008	84.318	1,641			
Total Title II Part D			3,364		1,723	
Innovative Education Program (ESEA Title VI)	2009	84.298	1,677		1,677	
	2008	84.298	1,983		1,983	
			3,660		3,660	
Title II Part A	2009	84.367	68,574		73,078	
	2008	84.367	8,848		9,653	
Total Title II Part A			77,422		82,731	
Total U.S. Department of Education			622,344		718,153	
<u>U.S. Department of Homeland Security</u>						
<i>Passed Through Ohio Emergency Management Agency:</i>						
Disaster Grants - Public Safety		97.036	4,809		4,809	
Total U.S. Department of Homeland Security			4,809		4,809	
Total			\$ 904,180	\$ 42,370	\$ 999,989	\$ 42,370

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, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 11, 2010. 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.

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.

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.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated February 11, 2010.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 11, 2010.

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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 11, 2010



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 each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 each of its major federal programs for the year ended June 30, 2009.

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 11, 2010

**EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

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)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(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 Nutrition Cluster: CFDA #10.553 & 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2009**

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

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Mary Taylor, CPA

Auditor of State

Independent Accountant's Report on Applying Agreed-Upon Procedures

Priscilla Dodson, Treasurer
Eaton Community School District
312 North Barron Street
Eaton, Ohio 45320

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Eaton Community School District, Preble County, Ohio, (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on March 10, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;

- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 11, 2010



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 4, 2010