



Dave Yost • Auditor of State



**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

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EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY

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# Dave Yost • 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 the Eaton Community School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2012, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash 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, 2012, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 1 describes.

For the year ended June 30, 2012, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and presented their financial statements on a comprehensive accounting basis other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012, 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.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The federal awards receipts and expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

December 3, 2012

# ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012***

***Unaudited***

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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, 2012. 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 2012 are as follows:**

- ❑ In total, net assets increased \$4,180,184. Net assets of governmental activities increased \$4,178,636, which represents a 16.2% increase from 2011. Net assets of business-type activities increased \$1,548 or 0.8% from 2011.
- ❑ General receipts accounted for \$20,964,316 or 69.2% of all receipts for governmental activities. Program specific receipts in the form of charges for services and grants and contributions accounted for \$9,318,010 or 30.8% of total governmental receipts of \$30,282,326.
- ❑ The District had \$26,103,690 in disbursements related to governmental activities; \$9,318,010 of these disbursements were offset by program specific charges for services and operating grants or contributions. General receipts of \$20,964,316 and net assets were adequate to provide for these programs. Capital grants and contributions of \$7,545,077 are being used for school facilities construction.
- ❑ Among major funds, the General Fund had \$19,111,276 in receipts and \$18,575,070 in disbursements. The General Fund's fund balance increased \$516,415 to \$12,539,542.
- ❑ Net assets for the enterprise fund remained steady with an increase of \$104.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

### **Report Components**

The statement of net assets and the statement of activities provide information about the modified cash activities of the District as a whole. Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. The notes to the financial statements are an integral part of the District's government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

# ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012***

***Unaudited***

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## **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

## **Government-Wide Statements**

The statement of net assets and the statement of activities reflect how the District did financially during 2012, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts and interest are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts. These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

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 costs 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.



## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

**Unaudited**

**Governmental Funds** – Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. 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.

**Proprietary Funds** – When the District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. When the services are provided to other departments of the District, the service is reported as an internal service fund.

**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 2012 compared to 2011.

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	2012	Restated 2011	2012	Restated 2011	2012	Restated 2011
Cash and Investments	\$29,996,890	\$25,818,254	\$207,693	\$206,145	\$30,204,583	\$26,024,399
<b>Total assets</b>	<b>29,996,890</b>	<b>25,818,254</b>	<b>207,693</b>	<b>206,145</b>	<b>30,204,583</b>	<b>26,024,399</b>
Net assets						
Restricted	19,407,855	14,935,346	0	0	19,407,855	14,935,346
Unrestricted	10,589,035	10,882,908	207,693	206,145	10,796,728	11,089,053
<b>Total net assets</b>	<b>\$29,996,890</b>	<b>\$25,818,254</b>	<b>\$207,693</b>	<b>\$206,145</b>	<b>\$30,204,583</b>	<b>\$26,024,399</b>

The District's net assets increased 16%. The largest contributing factor to this change is \$7.7 million in receipts from the Ohio School Facilities Commission, which is restricted for the purpose of constructing new school buildings. The government-wide unrestricted net assets of \$10,796,728 may be used to meet the District's ongoing obligations to citizens and creditors.

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2012 compared to 2011:

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	2012	Restated 2011	2012	Restated 2011	2012	Restated 2011
<b>Receipts</b>						
Program Receipts:						
Charges for Services and Sales	\$653,136	\$648,822	\$460,662	\$474,677	\$1,113,798	\$1,123,499
Operating Grants and Contributions	1,119,797	1,873,724	488,202	446,190	1,607,999	2,319,914
Capital Grants and Contributions	7,545,077	5,222,346	0	0	7,545,077	5,222,346
<b>Total Program Receipts</b>	<u>9,318,010</u>	<u>7,744,892</u>	<u>948,864</u>	<u>920,867</u>	<u>10,266,874</u>	<u>8,665,759</u>
General revenues:						
Property Taxes	7,171,337	6,975,615	0	0	7,171,337	6,975,615
Income Taxes	3,870,343	3,710,036	0	0	3,870,343	3,710,036
Grants and Entitlements	9,682,591	9,387,010	0	0	9,682,591	9,387,010
Debt Issuance	0	8,880,000	0	0	0	8,880,000
Other	240,045	199,330	0	0	240,045	199,330
<b>Total General Receipts</b>	<u>20,964,316</u>	<u>29,151,991</u>	<u>0</u>	<u>0</u>	<u>20,964,316</u>	<u>29,151,991</u>
<b>Total Receipts</b>	<u>30,282,326</u>	<u>36,896,883</u>	<u>948,864</u>	<u>920,867</u>	<u>31,231,190</u>	<u>37,817,750</u>
<b>Program Disbursements</b>						
Instruction	11,386,846	11,792,447	0	0	11,386,846	11,792,447
Support Services:						
Pupils	1,093,281	1,233,378	0	0	1,093,281	1,233,378
Instructional Staff	895,915	855,344	0	0	895,915	855,344
Board of Education	24,117	28,081	0	0	24,117	28,081
Administration	1,636,383	1,631,243	0	0	1,636,383	1,631,243
Fiscal Services	635,618	624,144	0	0	635,618	624,144
Business	2,728	3,631	0	0	2,728	3,631
Operation and Maintenance of Plant	1,718,809	2,021,720	0	0	1,718,809	2,021,720
Pupil Transportation	1,499,265	1,331,047	0	0	1,499,265	1,331,047
Central	231,881	250,753	0	0	231,881	250,753
Non-Instructional Services	1,395	0	0	0	1,395	0
Extracurricular Activities	685,630	688,245	0	0	685,630	688,245
Capital Outlay	4,005,576	2,661,965	0	0	4,005,576	2,661,965
Debt Service:						
Principal	775,000	715,000	0	0	775,000	715,000
Interest and Fiscal Charges	1,511,246	1,608,519	0	0	1,511,246	1,608,519
Food Service	0	0	947,316	892,800	947,316	892,800
<b>Total Disbursements</b>	<u>26,103,690</u>	<u>25,445,517</u>	<u>947,316</u>	<u>892,800</u>	<u>27,051,006</u>	<u>26,338,317</u>
<b>Total Change in Net Assets</b>	<u>4,178,636</u>	<u>11,451,366</u>	<u>1,548</u>	<u>28,067</u>	<u>4,180,184</u>	<u>11,479,433</u>
Beginning Net Assets	<u>25,818,254</u>	<u>14,366,888</u>	<u>206,145</u>	<u>178,078</u>	<u>26,024,399</u>	<u>14,544,966</u>
<b>Ending Net Assets</b>	<u>\$29,996,890</u>	<u>\$25,818,254</u>	<u>\$207,693</u>	<u>\$206,145</u>	<u>\$30,204,583</u>	<u>\$26,024,399</u>

### **Governmental Activities**

Net assets of the District's governmental activities increased \$4,178,636. The increase in net assets is the result of an Ohio School Facilities Commission Grant given to the District for the construction of two new school buildings. Capital Grants and Capital Outlay increased because the construction began mid-fiscal year 2011 and a greater portion of the project was constructed in fiscal year 2012.

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

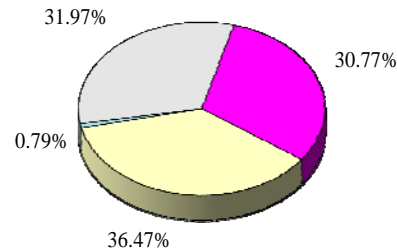
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

**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 36.47% of receipts for governmental activities for Eaton Community Schools in fiscal year 2012. The District's reliance upon tax receipts is demonstrated by the following graph:

Revenue Sources	2012	Percent of Total
General Grants	\$9,682,591	31.97%
Program Revenues	9,318,010	30.77%
General Tax Revenues	11,041,680	36.47%
General Other	240,045	0.79%
Total Revenue	<u>\$30,282,326</u>	<u>100.00%</u>



### **Business-Type Activities**

Net assets of the business-type activities increased \$1,548. The District had no significant changes in receipts or disbursements.

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$29,846,901, which is above last year's balance of \$25,689,387. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Restated Fund Balance June 30, 2011	Increase (Decrease)
General	\$12,539,542	\$12,023,127	\$516,415
Bond Retirement	1,641,475	1,218,703	422,772
Classroom Facilities	13,010,736	8,617,963	4,392,773
Other Governmental	2,655,148	3,829,594	(1,174,446)
Total	<u>\$29,846,901</u>	<u>\$25,689,387</u>	<u>\$4,157,514</u>

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

**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:

	<b>2012</b>	<b>Restated</b>	<b>Increase</b>
	<b>Receipts</b>	<b>2011</b>	<b>(Decrease)</b>
	<b>Receipts</b>	<b>Receipts</b>	<b>(Decrease)</b>
Taxes	\$8,823,462	\$8,767,359	\$56,103
Tuition	219,141	222,441	(3,300)
Transportation Fees	12,022	9,497	2,525
Investment Earnings	49,377	78,484	(29,107)
Extracurricular Activities	33,732	35,328	(1,596)
Class Materials and Fees	66,910	66,815	95
Intermediate Sources	29,198	26,721	2,477
Intergovernmental - State	9,040,939	8,926,075	114,864
Intergovernmental - Federal	109,620	31,668	77,952
All Other Revenue	726,875	69,747	657,128
<b>Total</b>	<b>\$19,111,276</b>	<b>\$18,234,135</b>	<b>\$877,141</b>

General Fund receipts in 2012 increased by 4.8%. The increase is the result of an increase in school district income tax collections. The increase in All Other Revenue is the result of donations for the construction of a new auditorium.

	<b>2012</b>	<b>Restated</b>	<b>Increase</b>
	<b>Disbursements</b>	<b>2011</b>	<b>(Decrease)</b>
	<b>Disbursements</b>	<b>Disbursements</b>	<b>(Decrease)</b>
Instruction	\$10,382,431	\$10,549,892	(\$167,461)
Supporting Services:			
Pupils	1,073,234	1,075,221	(1,987)
Instructional Staff	821,103	829,235	(8,132)
Board of Education	24,117	27,177	(3,060)
Administration	1,622,643	1,620,337	2,306
Fiscal Services	571,960	570,483	1,477
Business	2,728	3,631	(903)
Operation and Maintenance of Plant	1,713,306	1,557,127	156,179
Pupil Transportation	1,501,389	1,325,712	175,677
Central	222,611	221,081	1,530
Non-Instructional Services	1,395	0	1,395
Extracurricular Activities	378,819	385,362	(6,543)
Capital Outlay	139,381	211,513	(72,132)
Debt Service			
Interest and Fiscal Charges	119,953	81,209	38,744
<b>Total</b>	<b>\$18,575,070</b>	<b>\$18,457,980</b>	<b>\$117,090</b>

The disbursements increased by \$117,090 compared to the prior year as a result of an increase in benefits –health insurance premiums increased for staff and the District. The increase in Operation and Maintenance of Plant was due to an increase in fuel charges on materials and supplies and parking lot repairs. The increase in Pupil Transportation was a result of fuel and oil price increases. These increases were somewhat offset by the decrease in Instruction due to the hiring of new staff at lower salaries to replace staff retirements in fiscal year 2011.

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012***

***Unaudited***

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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 2012, the District amended its General Fund budget several times, none significant.

General Fund budget basis receipts were \$20.0 million, which was higher than the original budget estimate of \$19.0 million. The District amended the budget to account for tax collections and State Monies. The General Fund had an adequate fund balance to cover disbursements.

*Bond Retirement Fund* - The District's Bond Retirement fund balance increased by \$422,772, or 35.0%. Increased tax collections led to this increase.

*Classroom Facilities Fund* - The District's Classroom Facilities Fund increased by \$4,392,773 or 51.0%. The fund received state grant monies for the construction of two new buildings.

### **DEBT ADMINISTRATION**

At June 30, 2012, the District had \$34.1 million in bonds outstanding, \$860,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2012:

	<u>2012</u>	<u>2011</u>
Governmental Activities:		
General Obligation Bonds:		
Serial Bonds	\$17,415,000	\$18,190,000
Term Bonds	5,995,000	5,995,000
Capital Appreciation Bonds	1,584,985	1,584,985
Premium	1,093,731	1,154,494
Deferred Loss on Refunding	(883,438)	(935,517)
Total General Obligation Bonds	<u>25,205,278</u>	<u>25,988,962</u>
Interest Accretion	2,259,965	1,854,928
Build America Bonds	3,770,000	3,770,000
Qualified School Construction Bonds	<u>5,110,000</u>	<u>5,110,000</u>
Total Governmental Activities	<u>\$36,345,243</u>	<u>\$36,723,890</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, 2012, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 11.

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012***

***Unaudited***

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### **ECONOMIC FACTORS**

The District began receiving new property tax collections in the second half of fiscal year 2011 for capital facilities maintenance and bond retirement.

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**

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### **Statement of Net Assets – Modified Cash Basis June 30, 2012**

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 17,870,408	\$ 207,693	\$ 18,078,101
Investments	10,682,535	0	10,682,535
Restricted Assets:			
Cash and Cash Equivalents	1,343,947	0	1,343,947
Investments	100,000	0	100,000
<b>Total Assets</b>	<u>29,996,890</u>	<u>207,693</u>	<u>30,204,583</u>
 <b>Net Assets:</b>			
Restricted For:			
Capital Projects	15,362,452	0	15,362,452
Debt Service	1,741,475	0	1,741,475
Other Purposes	2,303,928	0	2,303,928
Unrestricted	<u>10,589,035</u>	<u>207,693</u>	<u>10,796,728</u>
<b>Total Net Assets</b>	<u>\$ 29,996,890</u>	<u>\$ 207,693</u>	<u>\$ 30,204,583</u>

See accompanying notes to the basic financial statements

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

### ***Statement of Activities – Modified Cash Basis For the Fiscal Year Ended June 30, 2012***

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 11,386,846	\$ 286,051	\$ 982,809	\$ 7,545,077
Support Services:				
Pupils	1,093,281	0	20,691	0
Instructional Staff	895,915	0	75,633	0
Board of Education	24,117	0	0	0
Administration	1,636,383	0	15,946	0
Fiscal Services	635,618	0	0	0
Business	2,728	0	0	0
Operation and Maintenance of Plant	1,718,809	16,452	0	0
Pupil Transportation	1,499,265	12,022	14,448	0
Central	231,881	0	10,270	0
Non-Instructional Services	1,395	0	0	0
Extracurricular Activities	685,630	338,611	0	0
Capital Outlay	4,005,576	0	0	0
Debt Service:				
Principal Retirement	775,000	0	0	0
Interest and Fiscal Charges	1,511,246	0	0	0
<b>Total Governmental Activities</b>	26,103,690	653,136	1,119,797	7,545,077
<b>Business-Type Activities:</b>				
Food Service	947,316	460,662	488,202	0
<b>Total Business-Type Activities</b>	947,316	460,662	488,202	0
<b>Totals</b>	\$ 27,051,006	\$ 1,113,798	\$ 1,607,999	\$ 7,545,077

#### **General Cash Receipts**

Property Taxes Levied for:

    General Purposes

    Special Revenue

    Debt Service

Income Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Cash Receipts

Change in Net Assets

Net Assets Beginning of Year, Restated

Net Assets End of Year

See accompanying notes to the basic financial statements



## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

Net (Disbursements) Receipts  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,572,909)	\$ 0	\$ (2,572,909)
(1,072,590)	0	(1,072,590)
(820,282)	0	(820,282)
(24,117)	0	(24,117)
(1,620,437)	0	(1,620,437)
(635,618)	0	(635,618)
(2,728)	0	(2,728)
(1,702,357)	0	(1,702,357)
(1,472,795)	0	(1,472,795)
(221,611)	0	(221,611)
(1,395)	0	(1,395)
(347,019)	0	(347,019)
(4,005,576)	0	(4,005,576)
(775,000)	0	(775,000)
<u>(1,511,246)</u>	<u>0</u>	<u>(1,511,246)</u>
<u>(16,785,680)</u>	<u>0</u>	<u>(16,785,680)</u>
<u>0</u>	<u>1,548</u>	<u>1,548</u>
<u>0</u>	<u>1,548</u>	<u>1,548</u>
<u>(16,785,680)</u>	<u>1,548</u>	<u>(16,784,132)</u>
4,953,119	0	4,953,119
120,376	0	120,376
2,097,842	0	2,097,842
3,870,343	0	3,870,343
9,682,591	0	9,682,591
64,015	0	64,015
<u>176,030</u>	<u>0</u>	<u>176,030</u>
<u>20,964,316</u>	<u>0</u>	<u>20,964,316</u>
4,178,636	1,548	4,180,184
<u>25,818,254</u>	<u>206,145</u>	<u>26,024,399</u>
<u>\$ 29,996,890</u>	<u>\$ 207,693</u>	<u>\$ 30,204,583</u>

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

***Statement of Assets and Fund Balances – Modified Cash Basis  
Governmental Funds  
June 30, 2012***

	General	Bond Retirement	Classroom Facility	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 5,104,143	\$ 1,641,475	\$ 10,667,250	\$ 307,551	\$ 17,720,419
Investments	5,991,452	0	2,343,486	2,347,597	10,682,535
Restricted Assets:					
Cash and Cash Equivalents	1,343,947	0	0	0	1,343,947
Investments	100,000	0	0	0	100,000
<b>Total Assets</b>	<b>\$ 12,539,542</b>	<b>\$ 1,641,475</b>	<b>\$ 13,010,736</b>	<b>\$ 2,655,148</b>	<b>\$ 29,846,901</b>
<b>Fund Balances:</b>					
Restricted	\$ 2,035,280	\$ 1,641,475	\$ 13,010,736	\$ 2,720,364	\$ 19,407,855
Committed	176,795	0	0	0	176,795
Assigned	1,115,280	0	0	0	1,115,280
Unassigned	9,212,187	0	0	(65,216)	9,146,971
<b>Total Fund Balances</b>	<b>\$ 12,539,542</b>	<b>\$ 1,641,475</b>	<b>\$ 13,010,736</b>	<b>\$ 2,655,148</b>	<b>\$ 29,846,901</b>

See accompanying notes to the basic financial statements

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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### ***Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – Modified Cash Basis June 30, 2012***

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**Total Governmental Fund Balances** \$ 29,846,901

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

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.

149,989

***Net Assets of Governmental Activities***

\$ 29,996,890

See accompanying notes to the basic financial statements

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

### **Statement of Receipts, Disbursements and Changes in Fund Balances Governmental Funds – Modified Cash Basis For the Fiscal Year Ended June 30, 2012**

	General	Bond Retirement	Classroom Facility	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Taxes	\$ 8,823,462	\$ 2,097,842	\$ 0	\$ 120,376	\$ 11,041,680
Tuition	219,141	0	0	0	219,141
Transportation Fees	12,022	0	0	0	12,022
Investment Earnings	49,377	0	9,521	5,117	64,015
Extracurricular Activities	33,732	0	0	304,879	338,611
Class Materials and Fees	66,910	0	0	0	66,910
Intermediate Sources	29,198	0	0	0	29,198
Intergovernmental - State	9,040,939	315,927	6,964,748	46,864	16,368,478
Intergovernmental - Federal	109,620	236,003	0	1,053,035	1,398,658
All Other Receipts	726,875	0	0	16,130	743,005
<b>Total Receipts</b>	<b>19,111,276</b>	<b>2,649,772</b>	<b>6,974,269</b>	<b>1,546,401</b>	<b>30,281,718</b>
<b>Disbursements:</b>					
Current:					
Instruction	10,382,431	0	0	1,016,613	11,399,044
Supporting Services:					
Pupils	1,073,234	0	0	20,691	1,093,925
Instructional Staff	821,103	0	0	75,633	896,736
Board of Education	24,117	0	0	0	24,117
Administration	1,622,643	0	0	15,946	1,638,589
Fiscal Services	571,960	60,707	0	3,503	636,170
Business	2,728	0	0	0	2,728
Operation and Maintenance of Plant	1,713,306	0	0	7,712	1,721,018
Pupil Transportation	1,501,389	0	0	0	1,501,389
Central	222,611	0	0	9,454	232,065
Non-Instructional Services	1,395	0	0	0	1,395
Extracurricular Activities	378,819	0	0	306,995	685,814
Capital Outlay	139,381	0	3,348,302	517,893	4,005,576
Debt Service:					
Principal Retirement	0	775,000	0	0	775,000
Interest and Fiscal Charges	119,953	1,391,293	0	0	1,511,246
<b>Total Disbursements</b>	<b>18,575,070</b>	<b>2,227,000</b>	<b>3,348,302</b>	<b>1,974,440</b>	<b>26,124,812</b>

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

	General	Bond Retirement	Classroom Facility	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Receipts Over Disbursements	536,206	422,772	3,625,967	(428,039)	4,156,906
<b>Other Financing Sources (Uses):</b>					
Sale of Capital Assets	608	0	0	0	608
Transfers In	0	0	766,806	0	766,806
Transfers Out	(26,730)	0	0	(740,076)	(766,806)
Advances In	126,331	0	0	60,000	186,331
Advances Out	(120,000)	0	0	(66,331)	(186,331)
<b>Total Other Financing Sources (Uses)</b>	<b>(19,791)</b>	<b>0</b>	<b>766,806</b>	<b>(746,407)</b>	<b>608</b>
Net Change in Fund Balance	516,415	422,772	4,392,773	(1,174,446)	4,157,514
<b>Fund Balances at Beginning of Year, Restated</b>	<b>12,023,127</b>	<b>1,218,703</b>	<b>8,617,963</b>	<b>3,829,594</b>	<b>25,689,387</b>
<b>Fund Balances End of Year</b>	<b>\$ 12,539,542</b>	<b>\$ 1,641,475</b>	<b>\$ 13,010,736</b>	<b>\$ 2,655,148</b>	<b>\$ 29,846,901</b>

See accompanying notes to the basic financial statements

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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***Reconciliation of the Statement of Receipts, Disbursements and  
Changes in Fund Balances of Governmental Funds  
To the Statement of Activities – Modified Cash Basis  
For the Fiscal Year Ended June 30, 2012***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 4,157,514

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

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.

21,122

***Change in Net Assets of Governmental Activities***

\$ 4,178,636

See accompanying notes to the basic financial statements

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## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Statement of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual (Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts:</b>				
Local Sources:				
Taxes	\$ 8,091,254	\$ 8,823,462	\$ 8,823,462	\$ 0
Tuition	222,441	219,141	219,141	0
Transportation Fees	11,497	12,022	12,022	0
Investment Earnings	78,484	49,377	49,377	0
Extracurricular Activities	5,398	3,947	3,947	0
Class Material and Fees	66,814	66,910	66,910	0
Intermediate Sources	26,721	29,198	29,198	0
Intergovernmental - State	8,926,076	9,040,939	9,040,939	0
Intergovernmental - Federal	31,668	109,620	109,620	0
All Other Receipts	97,830	685,661	685,661	0
Total Receipts	17,558,183	19,040,277	19,040,277	0
<b>Disbursements:</b>				
Current:				
Instruction	10,866,870	10,387,977	10,387,977	0
Support Services:				
Pupils	1,113,745	1,070,593	1,070,593	0
Instructional Staff	853,277	824,121	824,121	0
Board of Education	22,950	24,117	24,117	0
Administration	1,546,561	1,565,970	1,565,970	0
Fiscal Services	521,765	572,195	572,195	0
Business	2,724	2,728	2,728	0
Operation and Maintenance of Plant	1,996,210	1,813,002	1,813,002	0
Pupil Transportation	1,351,138	1,501,989	1,501,989	0
Central	414,988	225,211	225,211	0
Non-Instructional Services	0	1,395	1,395	0
Extracurricular Activities	389,443	378,819	378,819	0
Capital Outlay	1,224,173	1,122,951	1,122,951	0
Debt Service:				
Principal Retirement	0	100,000	0	100,000
Interest and Fiscal Charges	60,907	119,953	119,953	0
Total Disbursements	20,364,751	19,711,021	19,611,021	100,000



## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(2,806,568)	(670,744)	(570,744)	100,000
<b>Other Financing Sources (Uses):</b>				
Proceeds from the Sale of Capital Assets	1,593	608	608	0
Sale of Bonds	2,897	0	0	0
Transfers In	720,000	806,426	806,426	0
Transfers Out	(720,000)	(833,156)	(833,156)	0
Advances In	761,921	126,331	126,331	0
Advances Out	(120,000)	(120,000)	(120,000)	0
Total Other Financing Sources (Uses):	<u>646,411</u>	<u>(19,791)</u>	<u>(19,791)</u>	<u>0</u>
Net Change in Fund Balance	(2,160,157)	(690,535)	(590,535)	100,000
Fund Balance at Beginning of Year	11,675,346	11,675,346	11,675,346	0
Prior Year Encumbrances	<u>275,723</u>	<u>275,723</u>	<u>275,723</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 9,790,912</u>	<u>\$ 11,260,534</u>	<u>\$ 11,360,534</u>	<u>\$ 100,000</u>

See accompanying notes to the basic financial statements

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Statement of Fund Net Assets – Modified Cash Basis**  
**Proprietary Fund**  
**June 30, 2012**

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	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
<b>Assets:</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 206,249	\$ 151,433
<b>Total Assets</b>	<u>206,249</u>	<u>151,433</u>
<b>Net Assets:</b>		
Unrestricted	<u>206,249</u>	<u>151,433</u>
<b>Total Net Assets</b>	<u>\$ 206,249</u>	<u>\$ 151,433</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>1,444</u>	
Total Net Assets of Business Type Activities	<u>\$ 207,693</u>	

See accompanying notes to the basic financial statements

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

***Statement of Receipts, Disbursements and Changes in Fund Net Assets – Modified Cash Basis  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2012***

	<u>Business-Type Activities Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Food Service</u>	<u>Fund</u>
<b>Operating Receipts:</b>		
Sales	\$ 460,430	\$ 0
Interfund Charges	0	122,566
<b>Total Operating Receipts</b>	<u>460,430</u>	<u>122,566</u>
<b>Operating Disbursements:</b>		
Salaries and Wages	323,697	0
Fringe Benefits	198,925	0
Contractual Services	10,983	0
Supplies and Materials	413,869	0
Other Operating Disbursements	882	100,000
Capital Outlay	404	0
<b>Total Operating Disbursements</b>	<u>948,760</u>	<u>100,000</u>
Operating Income (Loss)	(488,330)	22,566
<b>Nonoperating Receipts (Disbursements):</b>		
Operating Grants	488,202	0
Investment Earnings	232	0
<b>Total Nonoperating Receipts (Disbursements)</b>	<u>488,434</u>	<u>0</u>
Income before Advances	104	22,566
Advances In	60,000	0
Advances Out	<u>(60,000)</u>	<u>0</u>
Change in Net Assets	104	22,566
Net Assets Beginning of Year, Restated	<u>206,145</u>	<u>128,867</u>
Net Assets End of Year	<u>\$ 206,249</u>	<u>\$ 151,433</u>
Change in Net Assets of Enterprise Funds	\$ 104	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>1,444</u>	
Change in Net Assets of Business Type Activities	<u>\$ 1,548</u>	

See accompanying notes to the basic financial statements

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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***Statement of Net Assets – Modified Cash Basis  
Fiduciary Funds  
June 30, 2012***

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	Private Purpose Trust Funds	Agency Funds	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 125,007	\$ 59,049	\$ 184,056
<b>Total Assets</b>	<u>125,007</u>	<u>59,049</u>	<u>184,056</u>
<b>Net Assets:</b>			
Held in Trust for Scholarships	125,007	0	125,007
Held on Behalf of:			
Others	0	14,849	14,849
Students	0	44,200	44,200
<b>Total Net Assets</b>	<u>\$ 125,007</u>	<u>\$ 59,049</u>	<u>\$ 184,056</u>

See accompanying notes to the basic financial statements

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Statement of Changes in Net Assets – Modified Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2012**

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	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 3,928
Total Contributions	<u>3,928</u>
Investment Earnings:	
Interest	<u>165</u>
Total Additions	<u>4,093</u>
<b>Deductions:</b>	
Administrative Expenses	1,999
Community Gifts, Awards and Scholarships	<u>5,950</u>
Total Deductions	<u>7,949</u>
Change in Net Assets	(3,856)
Net Assets at Beginning of Year	<u>128,863</u>
Net Assets End of Year	<u>\$ 125,007</u>

See accompanying notes to the basic financial statements

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# ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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

#### **A. Reporting Entity**

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 90 non-certified and approximately 139 certified teaching personnel and administrative employees providing education to 2,242 students.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Eaton Community School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. The District has no component units.

Eaton Community School District participates in three jointly governed organizations, the Southwestern Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SOEPC) and the Educational Regional Service System (ERSS). 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. ERSS provides support services to improve student achievement. See Note 14 for additional information.

As discussed further in the Basis of Accounting Portion of this note, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. The following is a summary of its significant accounting policies.

# ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **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. The various funds are summarized by type in the basic financial statements.

The following fund types are used by the District:

***Governmental Funds*** - The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. 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.

**Classroom Facilities Fund** - This fund is used for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

***Proprietary Funds*** - The District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

**Enterprise Fund** - This fund is used to account for food service operations for which a fee is charged to external users for goods or services.

**Internal Service Fund** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund, the Employee Benefits HRA Fund, accounts for the accumulation and allocation of costs associated with the employee Health Reimbursement Account plan.



# ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **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. The District’s agency funds account for various student-managed activity programs and the District’s Section 125 Cafeteria Plan.

#### **C. Basis of Presentation – Financial Statements**

The District’s basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***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” receipts and disbursements. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District’s governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program’s goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District’s general receipts.

***Fund Financial Statements*** – During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. 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***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **D. Basis of Accounting**

The District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

#### **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.

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 disbursements 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 2012.

# ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **E. Budgetary Process (Continued)**

##### **3. Appropriations**

A temporary appropriation measure to control disbursements 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 Receipts, Disbursements, 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.

##### **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.

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# ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **E. Budgetary Process** (Continued)

##### **5. Basis of Budgeting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis statements for the General Fund:

Net Change in Fund Balance	General Fund
Cash Basis (as reported)	\$516,415
Perspective Difference-	
Budgeted Special Revenue Funds reclassified as General Fund	3,164
Encumbrances Outstanding	<u>(1,110,114)</u>
Budget Basis	<u><u>(\$590,535)</u></u>

#### **F. Cash and Cash Equivalents**

During fiscal year 2012, cash and cash equivalents included amounts in demand deposits, short-term federal agency discount notes 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. See Note 5, “Cash, Cash Equivalents and Investments.”

#### **G. Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. During fiscal year 2012, investment purchases were limited to certificates of deposit, STAR Ohio and federal agency securities. The District records all its investments at cost except for STAR Ohio. See Note 5, “Cash, Cash Equivalents and Investments.”

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **G. Investments** (Continued)

The District had invested funds in the State Treasury Asset Reserve of Ohio during 2012. 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, 2012.

##### **H. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

##### **I. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

##### **J. Long-Term Obligations**

The District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

##### **K. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.

##### **L. Net 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 a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***Restricted*** – The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District Board of Education.

***Unassigned*** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **N. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. The employer contributions include portions for pension benefits and for postretirement health care benefits.

##### **O. Interfund Receivables/Payable**

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

##### **P. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented on the financial statements.

##### **Q. 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 capital assets.

##### **R. Operating Receipts and Disbursements**

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**NOTE 2 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF NET ASSETS/FUND BALANCE**

For fiscal year 2012, the District ceased to report using generally accepted accounting principles and reported on the modified cash basis as described in Note 1.

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the District as they were previously reported. The effects on net assets of governmental activities are also presented.

	General Fund	Bond Retirement Fund	Classroom Facility Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance, June 30, 2011 as reported	\$12,425,571	\$1,477,666	\$8,466,266	\$3,826,306	\$26,195,809
Eliminations:					
Asset Accruals	(6,708,228)	(1,948,012)	(17,552,409)	(137,679)	(26,346,328)
Inventory	(158,341)	0	0	0	(158,341)
Interfunds	(6,331)	0	0	6,331	0
Deferred Revenue	4,716,062	1,689,049	17,552,191	69,769	24,027,071
Liability Accruals	1,754,394	0	151,915	64,867	1,971,176
Fund Balance, June 30, 2011 as restated	<u>\$12,023,127</u>	<u>\$1,218,703</u>	<u>\$8,617,963</u>	<u>\$3,829,594</u>	<u>\$25,689,387</u>

	Governmental Activities
Net Assets, June 30, 2011 as reported	\$39,004,520
Eliminations:	
Asset Accruals	(26,346,328)
Inventory	(158,341)
Internal Balance	10,070
Deferred Charges	(446,396)
Capital Assets	(33,163,266)
Liability Accruals	2,098,618
Deferred Revenue	6,311,290
Long-term Liabilities	38,508,087
Net Assets, June 30, 2011 as restated	<u>\$25,818,254</u>



**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**NOTE 2 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF NET ASSETS/FUND BALANCE (Continued)**

	Business-Type Activities	Entity-wide Business-Type Activities
Net Assets, June 30, 2011 as reported	\$198,034	\$208,104
Eliminations:		
Asset Accruals	(195)	(195)
Inventory	(6,445)	(6,445)
Capital Assets	(114,762)	(114,762)
Internal Balance	0	(10,070)
Liability Accruals	78,827	78,827
Long-Term Liabilities	50,686	50,686
Net Assets, June 30, 2011 as restated	\$206,145	\$206,145

**NOTE 3 - COMPLIANCE**

**Fund Deficit** – As of June 30, 2012, the following funds had cash deficits: \$29,733 in the Education Jobs Fund, \$25,578 in the IDEA Part B Fund and \$9,905 in the Improving Teacher Quality Fund.

**Financial Reporting** - Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 4 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Restricted:					
Budget Stabilization	\$1,343,947	\$0	\$0	\$0	\$1,343,947
Career Tech	18,373	0	0	0	18,373
Classroom Facilities Maintenance	0	0	0	261,593	261,593
Extracurricular Activities	0	0	0	67,566	67,566
Race to the Top	0	0	0	16,997	16,997
At-Risk Students	0	0	0	11,000	11,000
Targeted Academic Assistance	0	0	0	11,492	11,492
Debt Service Payments	100,000	1,641,475	0	0	1,741,475
Capital Improvements	572,960	0	13,010,736	2,351,716	15,935,412
<b>Total Restricted</b>	<b>2,035,280</b>	<b>1,641,475</b>	<b>13,010,736</b>	<b>2,720,364</b>	<b>19,407,855</b>
Committed:					
Textbook and Instruction Support	176,795	0	0	0	176,795
<b>Total Committed</b>	<b>176,795</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>176,795</b>
Assigned:					
Encumbrances	1,110,114	0	0	0	1,110,114
Debt Service Payments	5,166	0	0	0	5,166
<b>Total Assigned</b>	<b>1,115,280</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,115,280</b>
Unassigned	9,212,187	0	0	(65,216)	9,146,971
<b>Total Fund Balances</b>	<b>\$12,539,542</b>	<b>\$1,641,475</b>	<b>\$13,010,736</b>	<b>\$2,655,148</b>	<b>\$29,846,901</b>

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 5 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

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

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012***

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**NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**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 \$15,461,590 and the bank balance was \$15,497,597. Not included in the bank balance is \$475, which represents cash on hand held by the District. Federal Depository Insurance covered \$576,233 of the bank balance and \$14,921,364 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's collateral pool not in the District's name	<u>\$14,921,364</u>
Total Balance	<u><u>\$14,921,364</u></u>

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

#### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

##### **B. Investments**

The District's investments at June 30, 2012 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3 years	3-5 years
STAR Ohio	\$4,074,048	AAAm <sup>2</sup>	\$4,074,048	\$0	\$0
FHLB Note	3,368,895	a Aaa <sup>1</sup> , AA <sup>2</sup>	864,478	2,504,417	0
FFCB Notes	549,785	Aaa <sup>1</sup> , AA <sup>2</sup>	0	549,785	0
FNMA Note	1,464,103	b Aaa <sup>1</sup> , AA <sup>2</sup>	889,304	0	574,799
FNMA Discount Note	169,991	P-1 <sup>1</sup> , A-1+ <sup>2</sup>	169,991	0	0
General Electric Capital Corp	883,363	P-1 <sup>1</sup> , A-1+ <sup>2</sup>	883,363	0	0
Toyota Motor Credit	3,842,377	P-1 <sup>1</sup> , A-1+ <sup>2</sup>	3,842,377	0	0
United States Treasury Note	574,012	Aaa <sup>1</sup> , AA <sup>2</sup>	0	574,012	0
Total Investments	<u>\$14,926,574</u>		<u>\$10,723,561</u>	<u>\$3,628,214</u>	<u>\$574,799</u>

<sup>1</sup> Moody's Investor Service

<sup>2</sup> Standard & Poor's

<sup>a</sup> \$575,000 FHLB Notes were called on July 16, 2012.

<sup>b</sup> \$574,799 and \$575,000 FNMA Notes are callable on October 26, 2012 and November 29, 2012.

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The District has no policy that limits investment purchases beyond the requirements of the Ohio Revised Code.

*Investment Credit Risk* – The District has no investment policy that limits its investment choices other than the limitation of State statute for “interim” funds described previously.

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 22.6% are FHLB, 3.7% are FFCB, 9.8% are FNMA, 1.1% are FNMA Discount Notes, 5.9% are General Electric Capital Corp, 25.7% are Toyota Motor Credit, and 3.9% are United States Treasury Notes.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District. The District has no policy on custodial credit risk and is governed by Ohio Revised Code as described under Deposits.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**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.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$19,606,104	\$10,782,535
Certificates of Deposit (with maturities of less than 3 months)	100,000	(100,000)
FNMA Discount Notes (with maturities of less than 3 months)	(169,991)	169,991
STAR Ohio	(4,074,048)	4,074,048
Per GASB Statement No. 3	<u>\$15,462,065</u>	<u>\$14,926,574</u>

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## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Preble County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2012 receipts were based are:

	2011 Second Half Collections	2012 First Half Collections
Agricultural/Residential and Other Real Estate	\$276,450,890	\$274,337,980
Public Utility Personal	7,348,100	7,534,880
Total Assessed Value	<u>\$283,798,990</u>	<u>\$281,872,860</u>
Tax rate per \$1,000 of assessed valuation	\$41.30	\$41.80

#### **NOTE 7 - INCOME TAXES**

The District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. The tax was effective in 1993 and 0.75 percent will expire on December 31, 2015. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

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**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012***

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**NOTE 8 - INTERFUND ACTIVITY**

**A. Transfers**

Following is a summary of operating transfers in and out for all funds for fiscal year 2012:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$0	\$26,730
Classroom Facility Fund	766,806	0
Nonmajor Governmental Funds	0	740,076
Total All Funds	<u>\$766,806</u>	<u>\$766,806</u>

Transfers from the General Fund and from Other Governmental Funds were used to provide additional resources for the District's Classroom Facility Fund.

**B. Advances**

Following is a summary of advances in and out for all funds at June 30, 2012:

	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$126,331	\$120,000
Nonmajor Governmental Funds	60,000	66,331
Total Governmental Funds	<u>186,331</u>	<u>186,331</u>
Food Service Fund	60,000	60,000
Totals	<u>\$246,331</u>	<u>\$246,331</u>

Advances are used to temporarily provide operating resources to funds with the expectation the resources will be repaid once monies are available in the funds receiving the advance.

**NOTE 9- 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. That report can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.



## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)**

##### **A. School Employee Retirement System (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$343,913, \$312,497 and \$309,480 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](http://www.strsoh.org).

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

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 9- DEFINED BENEFIT PENSION PLANS**

##### **B. State Teachers Retirement System** (Continued)

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, 2012, 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 2010, 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,147,235, \$1,181,265, and \$1,121,072 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2012 were \$23,081 made by the District and \$16,486 made by the plan members.

##### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

#### **NOTE 10 - 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 (SERS) 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 SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **A. School Employee Retirement System (Continued)**

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 2012, 0.55 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 2012, 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, 2012, 2011, and 2010 were \$53,385, \$75,460, and \$66,821 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 2012, 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, 2012, 2011, and 2010 were \$20,310, \$20,110, and \$15,983 respectively; which were equal to the required contributions for each year.

##### **B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 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 2012, 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, 2012, 2011, and 2010 were \$88,249, \$90,867, and \$86,236 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, 2012***

#### **NOTE 11 - LONG-TERM DEBT OBLIGATIONS**

Detail of the changes in the bonds of the District for the year ended June 30, 2012 is as follows:

		Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012	Amount Due Within One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
2002	School Improvement					
	Serial Bonds	4.00-4.25%	\$1,360,000	\$0	(\$610,000)	\$750,000
	Capital Appreciation Bonds	8.26%	1,249,985	0	0	1,249,985
	Net 2002 Bonds		2,609,985	0	(610,000)	1,999,985
						750,000
2005	School Improvement Refunding	2.50-5.00%	155,000	0	(155,000)	0
	Deferred Loss on Refunding		(3,000)	0	3,000	0
	Net 2005 Refunding Bonds		152,000	0	(152,000)	0
2007	School Improvement Refunding Series					
	Serial Bonds		16,675,000	0	(10,000)	16,665,000
	Term Bonds		5,995,000	0	0	5,995,000
	Capital Appreciation Bonds		335,000	0	0	335,000
	Premium on Bond Refunding		1,154,494	0	(60,763)	1,093,731
	Deferred Loss on Refunding		(932,517)	0	49,079	(883,438)
	Net 2007 Refunding Bonds		23,226,977	0	(21,684)	23,205,293
	Total General Obligation Bonds		25,988,962	0	(783,684)	25,205,278
						860,000
2002	Interest Accretion	8.26%	1,362,371	220,346	0	1,582,717
2007	Interest Accretion	8.26%	492,557	184,691	0	677,248
	Total Interest Accretion		1,854,928	405,037	0	2,259,965
						0
Build American Bonds:						
2011	School Improvement	6.02%	3,770,000	0	0	3,770,000
Qualified School Construction Bonds:						
2011	School Improvement	5.39%	3,080,000	0	0	3,080,000
2011	School Energy Conservation Improvement	5.909%	2,030,000	0	0	2,030,000
	Total Governmental Activities		\$36,723,890	\$405,037	(\$783,684)	\$36,345,243
						\$860,000

## **EATON COMMUNITY SCHOOL DISTRICT, OHIO**

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012**

#### **NOTE 11 - LONG-TERM DEBT 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, 2012 follows:

Years	General Obligation Bonds (Includes Serial, Term, and Capital Appreciation Bonds)			Build America Bonds School Improvement		
	Principal	Interest	Total	Principal	Interest	Total
	2013	\$860,000	\$978,806	\$1,838,806	\$0	\$227,256
2014	431,548	1,434,008	1,865,556	0	227,256	227,256
2015	424,538	1,476,318	1,900,856	0	227,255	227,255
2016	472,389	1,578,067	2,050,456	0	227,255	227,255
2017	466,510	1,617,746	2,084,256	0	227,256	227,256
2018-2022	3,300,000	7,889,380	11,189,380	0	1,136,278	1,136,278
2023-2027	10,310,000	2,993,046	13,303,046	0	1,136,278	1,136,278
2028-2032	8,730,000	571,627	9,301,627	1,325,000	1,000,798	2,325,798
2033-2037	0	0	0	2,445,000	377,202	2,822,202
<b>Totals</b>	<b>\$24,994,985</b>	<b>\$18,538,998</b>	<b>\$43,533,983</b>	<b>\$3,770,000</b>	<b>\$4,786,834</b>	<b>\$8,556,834</b>

Years	Qualified School Construction Bonds School Improvement			Qualified School Construction Bonds School Energy Conservation Improvement		
	Principal	Interest	Total	Principal	Interest	Total
	2013	\$0	\$166,012	\$166,012	\$0	\$119,953
2014	0	166,012	166,012	0	119,953	119,953
2015	0	166,012	166,012	0	119,953	119,953
2016	0	166,012	166,012	0	119,952	119,952
2017	0	166,012	166,012	0	119,953	119,953
2018-2022	0	830,060	830,060	0	599,763	599,763
2023-2027	0	830,060	830,060	2,030,000	419,834	2,449,834
2028	3,080,000	38,736	3,118,736	0	0	0
<b>Totals</b>	<b>\$3,080,000</b>	<b>\$2,528,916</b>	<b>\$5,608,916</b>	<b>\$2,030,000</b>	<b>\$1,619,361</b>	<b>\$3,649,361</b>

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012***

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**NOTE 12 - 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, 2012, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside Cash Balance as of June 30, 2011	\$1,189,710
Current Year Set-Aside Requirement	383,041
Qualifying Disbursements	(228,804)
Cash Balance Carried Forward to FY 2013	<u>\$1,343,947</u>
Amount Restricted for Capital Acquisition	<u>\$1,343,947</u>

**NOTE 13 - 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***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 13 - 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 2012, 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 14 - JOINTLY GOVERNED ORGANIZATION**

The Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 30 school districts. During fiscal year 2012, the District paid \$50,371 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***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 14- JOINTLY GOVERNED ORGANIZATION (Continued)**

Payments to SOEPC are made from the General Fund. During fiscal year 2012, the District paid \$1,218 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 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 15 – CONSTRUCTION COMMITMENTS**

As of June 30, 2012, the District had the following commitments with respect to capital improvements:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>
New Elementary School Construction	\$6,416,900
New Middle School Construction	3,483,057



## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 16 - CONTINGENCIES**

##### **A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

##### **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, 2012.

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**EATON COMMUNITY SCHOOLS  
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution): National School Lunch Program	2012	10.555		\$71,354		\$71,354
Cash Assistance: National School Breakfast Program	2012	10.553	\$85,824		\$85,824	
National School Lunch Program	2012	10.555	322,220		322,220	
Total Child Nutrition Cluster			408,044	71,354	408,044	71,354
Total U.S. Department of Agriculture			408,044	71,354	408,044	71,354
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2012	84.027	386,930		412,508	
ARRA - Special Education - Grants to States	2011	84.391	13,476		7,961	
Total Special Education Grants to States			400,406		420,469	
Special Education - Preschool Grants	2012	84.173	4,415		4,415	
Total Special Education Cluster			404,821		424,884	
Title I Grants to Local Educational Agencies	2012	84.010	221,109		209,618	
	2011	84.010	27,546		24,601	
	2011	84.010	(3,431)		-	
School Improvement Sub A	2012	84.010	11,000		-	
	2011	84.010	-		2,585	
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	-		7,775	
Total Title I Grants to Local Educational Agencies			256,224		244,579	
Education Technology State Grants	2012	84.318	2,254		2,254	
Education Technology State Grants	2011	84.318	816		-	
Total Education Technology State Grants			3,070		2,254	
Improving Teacher Quality State Grants	2012	84.367	49,940		59,845	
	2011	84.367	10,458		13,768	
Total Improving Teacher Quality State Grants			60,398		73,613	
ARRA - Race to the Top	2011	84.395	39,534		25,937	
Education Jobs	2011	84.410	288,988		359,871	
Total U.S. Department of Education			1,053,035	-	1,131,138	-
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$1,461,079</b>	<b>\$71,354</b>	<b>\$1,539,182</b>	<b>\$71,354</b>

*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, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - MATCHING REQUIREMENTS**

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

**NOTE E - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2011 to 2012 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2011 to 2012</u>
Title I Grants to Local Educational Agencies	84.010	\$3,431



# Dave Yost • 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, each major fund, and the aggregate remaining fund information of the Eaton Community School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2012, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management letter in a separate letter dated December 3, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

December 3, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of the Eaton Community School District's major federal programs for the year ended June 30, 2012. 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 opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

In our opinion, the Eaton Community School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### 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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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 others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

December 3, 2012



**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Education Jobs, CFDA #84.410 Special Education Cluster: Special Education-Grants to States, CFDA # 84.027, 84.391; Special Education-Preschool Grant, CFDA # 84.173 Nutrition Cluster: School Breakfast Program, CFDA # 10.553 National School Lunch, CFDA # 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2012-01**

**Noncompliance Citation**

**Ohio Revised Code, § 117.38**, provides, in part, that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Revised Code 117.38.

**Ohio Administrative Code, §117-2-03(B)**, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosure that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**Officials' Response:**

Officials did not provide a response to this finding.

**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, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	American Recovery and Reinvestment Act of 2009, Section 1512(b) & (c), failure to report vendors receiving single payments of more than \$25,000.	N/A	Finding No Longer Valid. Testing was not required in FY12.

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# Dave Yost • 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  
DECEMBER 20, 2012**