



Dave Yost • Auditor of State

**EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eaton Community School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 1 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2014, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

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. We draw attention to Note 1 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2014

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EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014***

Unaudited

The discussion and analysis of Eaton Community School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- ❑ In total, net position decreased \$5,645,106. Net position of governmental activities decreased \$5,682,126, which represents a 27.0% decrease from 2013. Net position of business-type activities increased \$37,020 or 21.5% from 2013.
- ❑ General receipts accounted for \$22,893,597 or 82.4% of all receipts for governmental activities. Program specific receipts in the form of charges for services and grants and contributions accounted for \$4,884,443 or 17.6% of total governmental receipts of \$27,778,040.
- ❑ The District had \$33,460,166 in disbursements related to governmental activities; \$4,884,443 of these disbursements were offset by program specific charges for services and operating grants or contributions. General receipts of \$22,893,597 and net position were adequate to provide for these programs. Capital grants and contributions of \$3,145,040 are being used for school facilities construction.
- ❑ Among major funds, the General Fund had \$19,970,239 in receipts and \$21,277,865 in disbursements. The General Fund's fund balance decreased \$2,573,102 to \$9,624,027.
- ❑ Net position for the enterprise fund increased \$43,415.

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 position 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

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014***

Unaudited

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 position and the statement of activities reflect how the District did financially during 2014, within the limitations of modified cash basis accounting. The statement of net position 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, 2014**

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 Position 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 Position and Changes in Fiduciary Net Position. 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 position for 2014 compared to 2013.

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Cash and Investments	\$15,352,196	\$21,034,322	\$209,383	\$172,363	\$15,561,579	\$21,206,685
Total assets	15,352,196	21,034,322	209,383	172,363	15,561,579	21,206,685
Net position						
Restricted	6,808,904	11,307,224	0	0	6,808,904	11,307,224
Unrestricted	8,543,292	9,727,098	209,383	172,363	8,752,675	9,899,461
Total net position	\$15,352,196	\$21,034,322	\$209,383	\$172,363	\$15,561,579	\$21,206,685

The District's net position decreased 27%. The largest contributing factor to this change is that the District spent grant money received the previous year from Ohio School Facilities Commission, which is restricted for the purpose of constructing new school buildings. The government-wide unrestricted net position of \$8,752,675 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, 2014**

Unaudited

Changes in Net Position – The following table shows the changes in net position for the fiscal year 2014 compared to 2013:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Receipts						
Program Receipts:						
Charges for Services and Sales	\$725,361	\$594,946	\$357,835	\$371,310	\$1,083,196	\$966,256
Operating Grants and Contributions	1,014,042	997,658	486,709	464,563	1,500,751	1,462,221
Capital Grants and Contributions	3,145,040	15,647,951	0	0	3,145,040	15,647,951
Total Program Receipts	4,884,443	17,240,555	844,544	835,873	5,728,987	18,076,428
General revenues:						
Property Taxes	8,021,324	7,157,254	0	0	8,021,324	7,157,254
Income Taxes	4,239,573	3,991,789	0	0	4,239,573	3,991,789
Grants and Entitlements	10,170,822	9,529,799	0	0	10,170,822	9,529,799
Other	461,878	325,920	0	0	461,878	325,920
Total General Receipts	22,893,597	21,004,762	0	0	22,893,597	21,004,762
Total Receipts	27,778,040	38,245,317	844,544	835,873	28,622,584	39,081,190
Program Disbursements						
Instruction	12,955,311	11,719,209	0	0	12,955,311	11,719,209
Support Services:						
Pupils	1,242,019	1,117,275	0	0	1,242,019	1,117,275
Instructional Staff	304,891	771,907	0	0	304,891	771,907
Board of Education	23,534	23,396	0	0	23,534	23,396
Administration	1,730,139	1,597,208	0	0	1,730,139	1,597,208
Fiscal Services	728,485	661,617	0	0	728,485	661,617
Business	157	2,708	0	0	157	2,708
Operation and Maintenance of Plant	2,124,853	1,640,087	0	0	2,124,853	1,640,087
Pupil Transportation	1,344,106	1,332,680	0	0	1,344,106	1,332,680
Central	255,943	214,558	0	0	255,943	214,558
Non-Instructional Services	574	0	0	0	574	0
Extracurricular Activities	682,652	699,642	0	0	682,652	699,642
Capital Outlay	9,688,725	25,092,446	0	0	9,688,725	25,092,446
Debt Service:						
Principal	925,000	860,000	0	0	925,000	860,000
Interest and Fiscal Charges	1,453,777	1,475,152	0	0	1,453,777	1,475,152
Food Service	0	0	807,524	871,203	807,524	871,203
Total Disbursements	33,460,166	47,207,885	807,524	871,203	34,267,690	48,079,088
Total Change in Net Position	(5,682,126)	(8,962,568)	37,020	(35,330)	(5,645,106)	(8,997,898)
Beginning Net Position	21,034,322	29,996,890	172,363	207,693	21,206,685	30,204,583
Ending Net Position	\$15,352,196	\$21,034,322	\$209,383	\$172,363	\$15,561,579	\$21,206,685

Governmental Activities

Net position of the District's governmental activities decreased \$5,682,126. The decrease in net position is the result of the construction of two new school buildings which is partially being funded by an Ohio School Facilities Commission Grant. Capital Outlay and Capital Grants decreased because the greater portion of the project was constructed in fiscal year 2013.

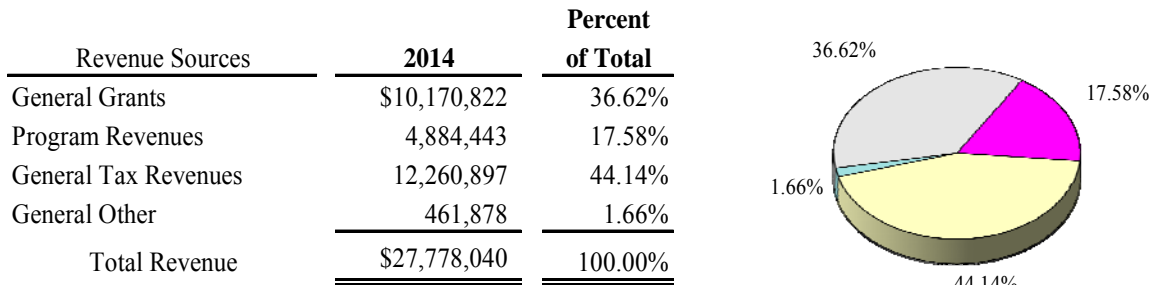
EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014***

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 44.14% of receipts for governmental activities for Eaton Community Schools in fiscal year 2014. The District's reliance upon tax receipts is demonstrated by the following graph:



Business-Type Activities

Net position of the business-type activities increased \$37,020. The 21% increase in net position is a result of a reduction in personal services due to the sharing of a manager with the Transportation Department.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$15,289,417, which is below last year's balance of \$20,977,938. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2014 and 2013.

	<u>Fund Balance June 30, 2014</u>	<u>Fund Balance June 30, 2013</u>	<u>Increase (Decrease)</u>
General	\$9,624,027	\$12,197,129	(\$2,573,102)
Bond Retirement	3,053,738	2,167,702	886,036
Classroom Facilities	810,548	5,825,406	(5,014,858)
Athletic, Arts and Wellness			
Capital Project	526,863	325,496	201,367
Other Governmental	1,274,241	462,205	812,036
Total	<u>\$15,289,417</u>	<u>\$20,977,938</u>	<u>(\$5,688,521)</u>

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014***

Unaudited

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

	2014	2013	Increase
	Receipts	Receipts	(Decrease)
Taxes	\$9,512,087	\$8,778,580	\$733,507
Tuition	335,886	227,647	108,239
Transportation Fees	3,298	5,510	(2,212)
Investment Earnings	29,104	28,801	303
Extracurricular Activities	29,292	31,828	(2,536)
Class Materials and Fees	57,480	57,941	(461)
Intermediate Sources	38,397	30,806	7,591
Intergovernmental - State	9,617,004	8,864,517	752,487
Intergovernmental - Federal	101,727	104,852	(3,125)
Contributions and Donations	43,166	74,992	(31,826)
All Other Revenue	202,798	85,733	117,065
Total	\$19,970,239	\$18,291,207	\$1,679,032

General Fund receipts in 2014 increased by 9.2%. The increase is the result of funding for All- day Kindergarten beginning in fiscal year 2014.

	2014	2013	Increase
	Disbursements	Disbursements	(Decrease)
Instruction	\$12,066,632	\$10,674,589	\$1,392,043
Supporting Services:			
Pupils	1,239,163	1,108,083	131,080
Instructional Staff	267,234	768,270	(501,036)
Board of Education	23,534	23,396	138
Administration	1,692,181	1,587,431	104,750
Fiscal Services	649,095	587,491	61,604
Business	157	2,708	(2,551)
Operation and Maintenance of Plant	2,010,309	1,627,421	382,888
Pupil Transportation	1,334,691	1,323,265	11,426
Central	247,927	213,742	34,185
Non-Instructional Services	574	0	574
Extracurricular Activities	405,659	375,743	29,916
Capital Outlay	1,220,756	313,339	907,417
Debt Service			
Interest and Fiscal Charges	119,953	119,953	0
Total	\$21,277,865	\$18,725,431	\$2,552,434

General Fund disbursements increased by 13.6% compared to the prior year as a result of price increases in instructional materials and operations of Plant and Maintenance costs. Capital Outlay increased because the District purchased a new building for the Board Office. These increases were somewhat offset by the decrease in Instructional Staff which was due to the second year of staff buyout allowing for hiring of lower paid employees to replace the retirees

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

Unaudited

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

During the course of fiscal year 2014, the District amended its General Fund budget several times. The 45% increase in the final budget was the result of unknown construction costs, transportation fuel and supplies, and several unknown retirees-severance payments.

General Fund budget basis receipts of \$21.1 million, increased from the original budget estimate of \$14.3 million. The District amended the budget to account for all-day Kindergarten revenue, additional tax collections and advances and transfers and additional State Funding within the General Fund.

Bond Retirement Fund - The District's Bond Retirement Fund balance increased by \$886,036, or 40.1%. Increased tax collections designated for the Bond Retirement Fund led to this increase.

Classroom Facilities Fund - The District's Classroom Facilities Fund decreased by \$5,014,858. The fund spent state grant monies and bond proceeds received in earlier years for the construction of two new buildings.

Athletic, Arts and Wellness Capital Project Fund - The District's Athletic, Arts and Wellness Capital Project Fund increased by \$201,367. The fund received an advance from the General Fund.

DEBT ADMINISTRATION

At June 30, 2014, the District had \$33.6 million in bonds outstanding, \$965,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2014:

	2014	2013
Governmental Activities:		
General Obligation Bonds:		
Serial Bonds	\$16,440,000	\$16,555,000
Term Bonds	5,995,000	5,995,000
Capital Appreciation Bonds	1,268,437	1,584,985
Premium	972,205	1,032,968
Total General Obligation Bonds	<u>24,675,642</u>	<u>25,167,953</u>
Interest Accretion	2,733,356	2,724,826
Build America Bonds	3,770,000	3,770,000
Qualified School Construction Bonds	5,110,000	5,110,000
Total Governmental Activities	<u>\$36,288,998</u>	<u>\$36,772,779</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, 2014, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 10.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014***

Unaudited

ECONOMIC FACTORS

The District received significant donations from the community for partial construction of a new auditorium.

Through donations to the Athletic Arts and Wellness at Eaton National Bank (now LCNB) and the St Clair Foundation, the District was able to complete Phase I of the new Athletic, Arts and Wellness complex. Donations are coming in to Eaton National Bank (now LCNB) for Phase II which includes construction of a baseball field and softball diamonds.

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

REQUESTS FOR INFORMATION

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Statement of Net Position – Modified Cash Basis June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 7,534,219	\$ 209,383	\$ 7,743,602
Investments	5,837,100	0	5,837,100
Restricted Assets:			
Cash and Cash Equivalents	1,380,877	0	1,380,877
Investments	600,000	0	600,000
Total Assets	15,352,196	209,383	15,561,579
Net Position:			
Restricted For:			
Capital Projects	1,338,417	0	1,338,417
Debt Service	3,423,738	0	3,423,738
Other Purposes	2,046,749	0	2,046,749
Unrestricted	8,543,292	209,383	8,752,675
Total Net Position	\$ 15,352,196	\$ 209,383	\$ 15,561,579

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, 2014

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 12,955,311	\$ 393,366	\$ 944,641	\$ 0
Support Services:				
Pupils	1,242,019	0	0	0
Instructional Staff	304,891	0	34,020	0
Board of Education	23,534	0	0	0
Administration	1,730,139	0	28,181	0
Fiscal Services	728,485	0	0	0
Business	157	0	0	0
Operation and Maintenance of Plant	2,124,853	30,708	0	0
Pupil Transportation	1,344,106	3,298	0	0
Central	255,943	0	7,200	0
Non-Instructional Services	574	0	0	0
Extracurricular Activities	682,652	297,989	0	0
Capital Outlay	9,688,725	0	0	3,145,040
Debt Service:				
Principal Retirement	925,000	0	0	0
Interest and Fiscal Charges	1,453,777	0	0	0
Total Governmental Activities	<u>33,460,166</u>	<u>725,361</u>	<u>1,014,042</u>	<u>3,145,040</u>
Business-Type Activities:				
Food Service	807,524	357,835	486,709	0
Total Business-Type Activities	<u>807,524</u>	<u>357,835</u>	<u>486,709</u>	<u>0</u>
Totals	<u>\$ 34,267,690</u>	<u>\$ 1,083,196</u>	<u>\$ 1,500,751</u>	<u>\$ 3,145,040</u>

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 Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Net (Disbursements) Receipts and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (11,617,304)	\$ 0	\$ (11,617,304)
(1,242,019)	0	(1,242,019)
(270,871)	0	(270,871)
(23,534)	0	(23,534)
(1,701,958)	0	(1,701,958)
(728,485)	0	(728,485)
(157)	0	(157)
(2,094,145)	0	(2,094,145)
(1,340,808)	0	(1,340,808)
(248,743)	0	(248,743)
(574)	0	(574)
(384,663)	0	(384,663)
(6,543,685)	0	(6,543,685)
(925,000)	0	(925,000)
(1,453,777)	0	(1,453,777)
(28,575,723)	0	(28,575,723)
0	37,020	37,020
0	37,020	37,020
(28,575,723)	37,020	(28,538,703)
5,272,514	0	5,272,514
127,260	0	127,260
2,621,550	0	2,621,550
4,239,573	0	4,239,573
10,170,822	0	10,170,822
29,767	0	29,767
432,111	0	432,111
22,893,597	0	22,893,597
(5,682,126)	37,020	(5,645,106)
21,034,322	172,363	21,206,685
\$ 15,352,196	\$ 209,383	\$ 15,561,579

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Statement of Assets and Fund Balances – Modified Cash Basis
Governmental Funds
June 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facility</u>
Assets:			
Cash and Cash Equivalents	\$ 2,036,050	\$ 2,823,738	\$ 810,548
Investments	5,837,100	0	0
Restricted Assets:			
Cash and Cash Equivalents	1,380,877	0	0
Investments	370,000	230,000	0
Total Assets	<u>\$ 9,624,027</u>	<u>\$ 3,053,738</u>	<u>\$ 810,548</u>
Fund Balances:			
Restricted	1,831,639	3,053,738	810,548
Committed	317,060	0	0
Assigned	1,504,736	0	0
Unassigned	5,970,592	0	0
Total Fund Balances	<u>\$ 9,624,027</u>	<u>\$ 3,053,738</u>	<u>\$ 810,548</u>

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

	Athletic, Arts and Wellness Capital Project	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 526,863	\$ 1,274,241	\$ 7,471,440
Investments	0	0	5,837,100
Restricted Assets:			
Cash and Cash Equivalents	0	0	1,380,877
Investments	0	0	600,000
Total Assets	\$ 526,863	\$ 1,274,241	\$ 15,289,417
 Fund Balances:			
Restricted	526,863	614,877	6,837,665
Committed	0	688,125	1,005,185
Assigned	0	0	1,504,736
Unassigned	0	(28,761)	5,941,831
Total Fund Balances	\$ 526,863	\$ 1,274,241	\$ 15,289,417

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – Modified Cash Basis June 30, 2014

Total Governmental Fund Balances	\$ 15,289,417
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*Amounts reported for governmental activities in the
statement of net position are different because*

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

<u>62,779</u>

Net Position of Governmental Activities

<u>\$ 15,352,196</u>

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 Balances Governmental Funds – Modified Cash Basis For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Classroom Facility	Athletic, Arts and Wellness Capital Project	Other Governmental Funds	Total Governmental Funds
Receipts:						
Taxes	\$ 9,512,087	\$ 2,621,550	\$ 0	\$ 0	\$ 127,260	\$ 12,260,897
Tuition	335,886	0	0	0	0	335,886
Transportation Fees	3,298	0	0	0	0	3,298
Investment Earnings	29,104	0	661	0	2	29,767
Extracurricular Activities	29,292	0	0	0	268,697	297,989
Class Materials and Fees	57,480	0	0	0	0	57,480
Intermediate Sources	38,397	0	0	0	0	38,397
Intergovernmental - State	9,617,004	377,700	300,567	0	46,932	10,342,203
Intergovernmental - Federal	101,727	219,012	0	0	822,489	1,143,228
Contributions and Donations	43,166	0	0	2,813,223	22,069	2,878,458
All Other Receipts	202,798	0	0	0	2,318	205,116
Total Receipts	<u>19,970,239</u>	<u>3,218,262</u>	<u>301,228</u>	<u>2,813,223</u>	<u>1,289,767</u>	<u>27,592,719</u>
Disbursements:						
Current:						
Instruction	12,066,632	0	0	0	834,630	12,901,262
Supporting Services:						
Pupils	1,239,163	0	0	0	0	1,239,163
Instructional Staff	267,234	0	0	0	34,020	301,254
Board of Education	23,534	0	0	0	0	23,534
Administration	1,692,181	0	0	0	28,181	1,720,362
Fiscal Services	649,095	73,402	0	0	3,540	726,037
Business	157	0	0	0	0	157
Operation and Maintenance of Plant	2,010,309	0	0	0	104,753	2,115,062
Pupil Transportation	1,334,691	0	0	0	0	1,334,691
Central	247,927	0	0	0	7,200	255,127
Non-Instructional Services	574	0	0	0	0	574
Extracurricular Activities	405,659	0	0	0	276,177	681,836
Capital Outlay	1,220,756	0	5,316,086	3,111,856	40,027	9,688,725
Debt Service:						
Principal Retirement	0	925,000	0	0	0	925,000
Interest and Fiscal Charges	119,953	1,333,824	0	0	0	1,453,777
Total Disbursements	<u>21,277,865</u>	<u>2,332,226</u>	<u>5,316,086</u>	<u>3,111,856</u>	<u>1,328,528</u>	<u>33,366,561</u>
Excess (Deficiency) of Receipts Over Disbursements	(1,307,626)	886,036	(5,014,858)	(298,633)	(38,761)	(5,773,842)

EATON COMMUNITY SCHOOL DISTRICT, OHIO

	General	Bond Retirement	Classroom Facility	Athletic, Arts and Wellness Capital Project	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):						
Sale of Capital Assets	184,321	0	0	0	1,000	185,321
Transfers In	0	0	0	0	700,286	700,286
Transfers Out	(800,286)	0	0	0	0	(800,286)
Advances In	120,000	0	0	500,000	209,511	829,511
Advances Out	(769,511)	0	0	0	(60,000)	(829,511)
Total Other Financing Sources (Uses)	<u>(1,265,476)</u>	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>850,797</u>	<u>85,321</u>
Net Change in Fund Balance	(2,573,102)	886,036	(5,014,858)	201,367	812,036	(5,688,521)
Fund Balances at Beginning of Year	<u>12,197,129</u>	<u>2,167,702</u>	<u>5,825,406</u>	<u>325,496</u>	<u>462,205</u>	<u>20,977,938</u>
Fund Balances End of Year	<u>\$ 9,624,027</u>	<u>\$ 3,053,738</u>	<u>\$ 810,548</u>	<u>\$ 526,863</u>	<u>\$ 1,274,241</u>	<u>\$ 15,289,417</u>

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

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, 2014

Net Change in Fund Balances - Total Governmental Funds \$(5,688,521)

***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 disbursements and related internal service fund revenues are eliminated. The net receipts (disbursements) of the internal service funds are allocated among the governmental activities.

6,395

Change in Net Position of Governmental Activities

\$(5,682,126)

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, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts:				
Local Sources:				
Taxes	\$ 6,583,935	\$9,512,087	\$9,512,087	\$ 0
Tuition	161,675	335,886	335,886	0
Transportation Fees	4,132	3,298	3,298	0
Investment Earnings	20,588	22,800	29,104	6,304
Extracurricular Activities	3,518	1,694	1,694	0
Class Material and Fees	43,318	57,480	57,480	0
Intermediate Sources	23,105	38,397	38,397	0
Intergovernmental - State	6,403,085	9,617,004	9,617,004	0
Intergovernmental - Federal	78,639	101,727	101,727	0
Contributions and Donations	40,507	31,250	31,250	0
All Other Receipts	67,348	149,951	187,635	37,684
Total Receipts	<u>13,429,850</u>	<u>19,871,574</u>	<u>19,915,562</u>	<u>43,988</u>
Disbursements:				
Current:				
Instruction	8,524,436	12,259,214	12,259,214	0
Support Services:				
Pupils	812,485	1,258,881	1,258,881	0
Instructional Staff	672,480	267,575	267,575	0
Board of Education	17,860	23,534	23,534	0
Administration	1,072,497	1,674,265	1,674,265	0
Fiscal Services	438,470	650,960	650,960	0
Business	2,012	157	157	0
Operation and Maintenance of Plant	1,689,813	2,162,922	2,162,922	0
Pupil Transportation	1,069,082	1,344,155	1,344,155	0
Central	222,614	264,322	264,322	0
Non-Instructional Services	0	574	574	0
Extracurricular Activities	279,663	405,659	405,659	0
Capital Outlay	1,706,607	2,241,251	2,241,251	0
Debt Service:				
Principal Retirement	101,250	135,000	0	135,000
Interest and Fiscal Charges	89,965	119,953	119,953	0
Total Disbursements	<u>16,699,234</u>	<u>22,808,422</u>	<u>22,673,422</u>	<u>135,000</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(3,269,384)	(2,936,848)	(2,757,860)	178,988

EATON COMMUNITY SCHOOL DISTRICT, OHIO

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	3,974	184,321	184,321	0
Transfers In	687,614	926,453	926,453	0
Transfers Out	(672,335)	(1,726,739)	(1,726,739)	0
Advances In	180,000	120,000	120,000	0
Advances Out	(90,000)	(769,511)	(769,511)	0
Total Other Financing Sources (Uses):	109,253	(1,265,476)	(1,265,476)	0
Net Change in Fund Balance	(3,160,131)	(4,202,324)	(4,023,336)	178,988
Fund Balance at Beginning of Year	10,188,969	10,188,969	10,188,969	0
Prior Year Encumbrances	1,935,036	1,935,036	1,935,036	0
Fund Balance at End of Year	\$ 8,963,874	\$7,921,681	\$8,100,669	\$ 178,988

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Statement of Fund Net Position – Modified Cash Basis
Proprietary Fund
June 30, 2014**

	<u>Business-Type Activities Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets:		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 220,729	\$ 51,433
Total Assets	<u>220,729</u>	<u>51,433</u>
Net Position:		
Unrestricted	220,729	51,433
Total Net Position	<u>\$ 220,729</u>	<u>\$ 51,433</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(11,346)	
Total Net Assets of Business Type Activities	<u>\$ 209,383</u>	

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Statement of Receipts, Disbursements and Changes in Fund Net Position – Modified Cash Basis

Proprietary Fund

For the Fiscal Year Ended June 30, 2014

	Business-Type Activities Enterprise Funds	Governmental Activities -
	Food Service	Internal Service Fund
Operating Receipts:		
Sales	\$ 352,597	\$ 0
Total Operating Receipts	<u>352,597</u>	<u>0</u>
Operating Disbursements:		
Salaries and Wages	275,163	0
Fringe Benefits	149,292	0
Contractual Services	9,722	0
Supplies and Materials	366,376	0
Other Operating Disbursements	576	100,000
Total Operating Disbursements	<u>801,129</u>	<u>100,000</u>
Operating Income (Loss)	(448,532)	(100,000)
Nonoperating Receipts (Disbursements):		
Operating Grants	486,709	0
Investment Earnings	38	0
Loss on Disposal of Capital Assets	5,200	0
Total Nonoperating Receipts (Disbursements)	<u>491,947</u>	<u>0</u>
Income (Loss) before Transfers and Advances	43,415	(100,000)
Transfers In	0	100,000
Advances In	60,000	0
Advances Out	(60,000)	0
Change in Net Position	43,415	0
Net Position Beginning of Year	177,314	51,433
Net Position End of Year	<u>\$ 220,729</u>	<u>\$ 51,433</u>
Change in Net Assets of Enterprise Funds	\$ 43,415	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(6,395)	
Change in Net Assets of Business Type Activities	<u>\$ 37,020</u>	

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Statement of Net Position – Modified Cash Basis
Fiduciary Funds
June 30, 2014**

	Private Purpose Trust Funds	Agency Funds	Total
Assets:			
Cash and Cash Equivalents	\$ 115,141	\$ 59,994	\$ 175,135
Total Assets	<u>115,141</u>	<u>59,994</u>	<u>175,135</u>
Net Position:			
Held in Trust for Scholarships	115,141	0	115,141
Held on Behalf of:			
Others	0	12,506	12,506
Students	0	47,488	47,488
Total Net Position	<u>\$ 115,141</u>	<u>\$ 59,994</u>	<u>\$ 175,135</u>

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Statement of Changes in Net Position – Modified Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014**

	Private Purpose Trust Funds
Additions:	
Contributions:	
Private Donations	\$ 4,017
Investment Earnings:	
Interest	30
Total Additions	<u>4,047</u>
Deductions:	
Administrative Expenses	1,866
Community Gifts, Awards and Scholarships	9,253
Total Deductions	<u>11,119</u>
Change in Net Position	(7,072)
Net Position at Beginning of Year	<u>122,213</u>
Net Position End of Year	<u><u>\$ 115,141</u></u>

See accompanying notes to the basic financial statements

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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 133 certified teaching personnel and administrative employees providing education to 2,207 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 13 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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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.

Athletic, Arts and Wellness Capital Project Fund - This fund is used for contributions and reimbursements received and expended in connection with the Athletic, Arts and Wellness projects which include an athletic complex, with wellness center and baseball and soccer fields.

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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. 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 position 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 Position 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 position 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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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 2014.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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:

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
Cash Basis (as reported)	(\$2,573,102)
Perspective Difference- Budgeted Special Revenue Funds reclassified as General Fund	(1,940)
Encumbrances Outstanding	<u>(1,448,294)</u>
Budget Basis	<u><u>(\$4,023,336)</u></u>

F. Cash and Cash Equivalents

During fiscal year 2014, 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 also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully selected FDIC-insured banks via a single, convenient account. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits. The District pools its cash for investment and resource management purposes. See Note 4, “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.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments (Continued)

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. During fiscal year 2014, 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 4, "Cash, Cash Equivalents and Investments."

The District had invested funds in the State Treasury Asset Reserve of Ohio during 2014. 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, 2014.

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 Position

Net position is 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 position are available.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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 and by debt covenants for a sinking fund.

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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 2 - COMPLIANCE

Fund Deficit – As of June 30, 2014, the following fund had a cash deficit: \$28,761 in the Title I 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 position /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.

NOTE 3 – 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:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Athletic, Arts and Wellness Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:						
Capital Acquisition	\$1,380,877	\$0	\$0	\$0	\$0	\$1,380,877
Career Tech	30,278	0	0	0	0	30,278
Classroom Facilities Maintenance	0	0	0	0	476,692	476,692
Extracurricular Activities	0	0	0	0	105,287	105,287
Race to the Top	0	0	0	0	3,400	3,400
Special Education	0	0	0	0	28,329	28,329
Improving Teacher Quality	0	0	0	0	163	163
Debt Service Payments	370,000	3,053,738	0	0	0	3,423,738
Capital Improvements	50,484	0	810,548	526,863	1,006	1,388,901
Total Restricted	<u>1,831,639</u>	<u>3,053,738</u>	<u>810,548</u>	<u>526,863</u>	<u>614,877</u>	<u>6,837,665</u>
Committed:						
Textbook and Instruction Support	317,060	0	0	0	0	317,060
Capital Improvements	0	0	0	0	688,125	688,125
Total Committed	<u>317,060</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>688,125</u>	<u>1,005,185</u>
Assigned:						
Projected Budgetary Deficit	1,194,808	0	0	0	0	1,194,808
Encumbrances	267,264	0	0	0	0	267,264
Debt Service Payments	42,664	0	0	0	0	42,664
Total Assigned	<u>1,504,736</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,504,736</u>
Unassigned	5,970,592	0	0	0	(28,761)	5,941,831
Total Fund Balances	<u>\$9,624,027</u>	<u>\$3,053,738</u>	<u>\$810,548</u>	<u>\$526,863</u>	<u>\$1,274,241</u>	<u>\$15,289,417</u>

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014***

NOTE 4 - 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 \$7,212,763 and the bank balance was \$7,547,471. Not included in the bank balance is \$500, which represents cash on hand held by the District. Federal Depository Insurance covered \$654,879 of the bank balance and \$6,892,592 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>\$6,892,592</u>
Total Balance	<u><u>\$6,892,592</u></u>

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

B. Investments

The District's investments at June 30, 2014 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)			
			less than 1	1-3 years	3-5 years	greater than 5
STAR Ohio	\$2,001,851	AAAm ²	\$2,001,851	\$0	\$0	\$0
FHLB Note	1,967,721 ^a	Aaa ¹ , AA+ ²	450,000	1,517,721	0	0
FFCB Notes	270,000	Aaa ¹ , AA ²	0	0	0	270,000
FNMA Note	1,694,868 ^b	Aaa ¹ , AA+ ²	0	1,172,942	521,926	0
FHLMC Note	1,874,532	Aaa ¹ , AA+ ²	575,000	1,069,532	0	230,000
US Bank Commercial Paper	185,000	P-1 ¹ , A-1+ ²	185,000	0	0	0
United States Treasury Note	529,979	Aaa ¹ , AA+ ²	0	529,979	0	0
Total Investments	<u>\$8,523,951</u>		<u>\$3,211,851</u>	<u>\$4,290,174</u>	<u>\$521,926</u>	<u>\$500,000</u>

¹ Moody's Investor Service

² Standard & Poor's

^a \$565,000, 450,000, and \$428,571 FHLB Notes are callable on August 19, 26 and 28, 2014, respectively.

^b A \$575,000 FNMA Note is callable on August 21, 2014.

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, 23.1% are FHLB, 3.2% are FFCB, 19.9% are FNMA, 22.0% are FHLMC, 2.2% are US Bank Commercial Paper and 6.2% 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

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014***

NOTE 4 - 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	\$9,299,614	\$6,437,100
Certificates of Deposit (with maturities of more than 3 months)	100,000	(100,000)
US Bank Commercial Paper (with maturities of less than 3 months)	(185,000)	185,000
STAR Ohio	(2,001,851)	2,001,851
Per GASB Statement No. 3	<u>\$7,212,763</u>	<u>\$8,523,951</u>

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EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 5 - 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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 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, 2014, are available to finance fiscal year 2014 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 2014 receipts were based are:

	2013 Second Half Collections	2014 First Half Collections
Agricultural/Residential and Other Real Estate	\$272,460,070	\$272,148,270
Public Utility Personal	9,518,840	8,896,220
Total Assessed Value	<u>\$281,978,910</u>	<u>\$281,044,490</u>
Tax rate per \$1,000 of assessed valuation	\$43.20	\$43.20

NOTE 6 - 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.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

NOTE 7 - INTERFUND ACTIVITY

A. Transfers

Following is a summary of operating transfers in and out for all funds for fiscal year 2014:

Fund	Transfers In	Transfers Out
General Fund	\$0	\$800,286
Nonmajor Governmental Funds	700,286	0
Internal Service Fund	100,000	0
Total All Funds	<u>\$800,286</u>	<u>\$800,286</u>

Transfers from the General Fund were used to provide additional resources for the nonmajor governmental funds and the internal service fund.

B. Advances

Following is a summary of advances in and out for all funds at June 30, 2014:

	Advances In	Advances Out
General Fund	\$120,000	\$769,511
Athletic, Arts and Wellness		
Capital Project Fund	500,000	0
Nonmajor Governmental Funds	<u>209,511</u>	<u>60,000</u>
Total Governmental Funds	829,511	829,511
Food Service Fund	<u>60,000</u>	<u>60,000</u>
Totals	<u>\$889,511</u>	<u>\$889,511</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 8- DEFINED BENEFIT PENSION PLANS

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

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, www.ohsers.org under Employers/Audit Resources.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 8- 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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 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, 2014, 2013 and 2012 were \$358,668, \$350,034 and \$343,913 respectively, which were equal to the required contributions for each year.

B. State Teachers Retirement System

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

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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)

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, 2014, plan members were required to contribute 11 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 2013, 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 14 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, 2014, 2013, and 2012 were \$1,051,429, \$1,059,195 and \$1,147,235 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2014 were \$27,321 made by the District and \$21,466 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, 2014, one member of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (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, Medicare Advantage, 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 under Employers/Audit Resources.

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 2014, 0.14 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 2014, this amount was \$20,525.

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, 2014, 2013, and 2012 were \$47,248, \$47,690, and \$53,385 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 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$20,808, \$19,773, and \$20,310 respectively; which were equal to the required contributions for each year.

B. State Teachers Retirement System

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System (Continued)

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 2014, 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, 2014, 2013, and 2012 were \$80,879, \$81,477, and \$88,249 respectively; which were equal to the required contributions for each year.

NOTE 10 - LONG-TERM DEBT OBLIGATIONS

Detail of the changes in the bonds of the District for the year ended June 30, 2014 is as follows:

			Balance			Balance	Amount Due
			June 30, 2013	Additions	Deductions	June 30, 2014	Within One Year
Governmental Activities:							
General Obligation Bonds:							
2002	School Improvement						
	Capital Appreciation Bonds	8.26%	\$1,249,985	\$0	(\$316,548)	\$933,437	\$304,538
2007	School Improvement Refunding Series						
	Serial Bonds		16,555,000	0	(115,000)	16,440,000	120,000
	Term Bonds		5,995,000	0	0	5,995,000	0
	Capital Appreciation Bonds		335,000	0	0	335,000	0
	Premium on Bond Refunding		1,032,968	0	(60,763)	972,205	0
	Net 2007 Refunding Bonds		<u>23,917,968</u>	<u>0</u>	<u>(175,763)</u>	<u>23,742,205</u>	<u>120,000</u>
	Total General Obligation Bonds		25,167,953	0	(492,311)	24,675,642	424,538
2002	Interest Accretion	8.26%	1,821,642	225,615	(493,452)	1,553,805	540,462
2007	Interest Accretion	8.26%	903,184	276,367	0	1,179,551	0
	Total Interest Accretion		<u>2,724,826</u>	<u>501,982</u>	<u>(493,452)</u>	<u>2,733,356</u>	<u>540,462</u>
Build America Bonds:							
2011	School Improvement	6.02%	3,770,000	0	0	3,770,000	0
Qualified School Construction Bonds:							
2011	School Improvement	5.39%	3,080,000	0	0	3,080,000	0
2011	School Energy Conservation Improvement	5.909%	<u>2,030,000</u>	<u>0</u>	<u>0</u>	<u>2,030,000</u>	<u>0</u>
	Total Governmental Activities		<u>\$36,772,779</u>	<u>\$501,982</u>	<u>(\$985,763)</u>	<u>\$36,288,998</u>	<u>\$965,000</u>

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 10 - 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, 2014 follows:

Years	General Obligation Bonds (Includes Serial, Term, and Capital Appreciation Bonds)			Build America Bonds School Improvement		
	Principal	Interest	Total	Principal	Interest	Total
	2015	\$424,538	\$1,476,318	\$1,900,856	\$0	\$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	120,000	1,926,056	2,046,056	0	227,256	227,256
2019	115,000	2,091,056	2,206,056	0	227,256	227,256
2020-2024	6,610,000	5,322,104	11,932,104	0	1,136,278	1,136,278
2025-2029	12,405,000	2,049,174	14,454,174	240,000	1,129,044	1,369,044
2030-2034	3,090,000	65,663	3,155,663	2,015,000	792,832	2,807,832
2035-2037	0	0	0	1,515,000	137,890	1,652,890
Totals	\$23,703,437	\$16,126,184	\$39,829,621	\$3,770,000	\$4,332,322	\$8,102,322

Years	Qualified School Construction Bonds School Improvement			Qualified School Construction Bonds School Energy Conservation Improvement		
	Principal	Interest	Total	Principal	Interest	Total
	2015	\$0	\$166,012	\$166,012	\$0	\$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	0	166,012	166,012	0	119,953	119,953
2019	0	166,012	166,012	0	119,953	119,953
2020-2024	0	830,060	830,060	0	599,763	599,763
2025-2028	3,080,000	536,772	3,616,772	2,030,000	179,928	2,209,928
Totals	\$3,080,000	\$2,196,892	\$5,276,892	\$2,030,000	\$1,379,455	\$3,409,455

EATON COMMUNITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014***

NOTE 11 - STATUTORY RESERVES

The District is required by state law to set aside certain General Fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2014, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside Cash Balance as of June 30, 2013	\$1,676,335
Additions	435,201
Qualifying Disbursements	(730,659)
Cash Balance Carried Forward to FY 2015	<u>\$1,380,877</u>
Amount Restricted for Capital Acquisition	<u>\$1,380,877</u>

NOTE 12 - RISK MANAGEMENT

A. Public Entity Risk Pool

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

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 12 - RISK MANAGEMENT (Continued)

B. Other Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2014, the District contracted with Indiana Insurance Company for various insurance coverages, as follows:

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

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

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

NOTE 13 - JOINTLY GOVERNED ORGANIZATION

The Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 30 school districts. During fiscal year 2014, the District paid \$54,087 to SWOCA. To obtain financial information write to SWOCA, 3603 Hamilton-Middletown Road, Hamilton, OH 45011.

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

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 13- JOINTLY GOVERNED ORGANIZATION (Continued)

Payments to SOEPC are made from the General Fund. During fiscal year 2014, the District paid \$1,248 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 14 – CONSTRUCTION COMMITMENTS

As of June 30, 2014, the District had the following commitments with respect to capital improvements:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>
New Elementary School Construction	\$224,292
New Middle School Construction	599,761

EATON COMMUNITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

NOTE 15 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, 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, 2014.

NOTE 16 – SUBSEQUENT EVENTS

In July 2014, the Board of Education authorized the issuance of \$3,770,000 in school improvement refunding bonds.

**EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2013	10.555		\$52,932		\$52,932
Cash Assistance:						
National School Breakfast Program	2013	10.553	\$73,356		\$73,356	
National School Lunch Program	2013	10.555	351,650		351,650	
Total Child Nutrition Cluster			<u>425,006</u>	<u>52,932</u>	<u>425,006</u>	<u>52,932</u>
Total U.S. Department of Agriculture			425,006	52,932	425,006	52,932
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2014	84.027	416,563		388,234	
	2013	84.027	26,248			
Total Special Education Grants to States			<u>442,811</u>		<u>388,234</u>	
Special Education - Preschool Grants	2014	84.173	4,406		4,406	
Total Special Education Cluster			447,217		392,640	
Title I Grants to Local Educational Agencies	2014	84.010	183,549		348,053	
	2013	84.010	73,359		41,546	
School Improvement Sub A	2013	84.010	4,077		224	
Total Title I Grants to Local Educational Agencies			<u>260,985</u>		<u>389,823</u>	
Improving Teacher Quality State Grants	2014	84.367	57,441		57,278	
	2013	84.367	27,239		9,905	
Total Improving Teacher Quality State Grants			<u>84,680</u>		<u>67,183</u>	
ARRA - Race to the Top	2014	84.395	16,120		30,888	
	2013	84.395	5,919		9,096	
	2014	84.395	4,400			
	2013	84.395	3,168			
			<u>29,607</u>		<u>39,984</u>	
Total U.S. Department of Education			<u>822,489</u>		<u>889,630</u>	
Total Federal Assistance			<u>\$1,247,495</u>	<u>\$52,932</u>	<u>\$1,314,636</u>	<u>\$52,932</u>

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

**EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

The 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.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eaton Community School District, Preble County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 29, 2014, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2014



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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:

Report on Compliance for the Major Federal Program

We have audited the Eaton Community School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Eaton Community School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Eaton Community School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2014

**EATON COMMUNITY SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS
--

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

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Revised Code Section 117.38 provides 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 Admin. Code § 117-2-03** further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Admin. 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 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 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. As such we recommend the District prepare its annual financial report in accordance with generally accepted accounting principles.

Officials' Response:

The Board of Education voted to take the citation to save money with the preparation and audit of the school audit.

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, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Not Corrected; re-issued as Finding 2014-001

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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
SEPTEMBER 16, 2014**