



Dave Yost • Auditor of State



**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

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PREBLE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Eaton Community School District  
Preble County  
304 Eaton Lewisburg Road  
Eaton, Ohio 45320

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying modified cash-basis financial statements of the governmental activities, 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, 2015, 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, business-type activities, each major fund, and the aggregate remaining fund information of Eaton Community School District, Preble County, Ohio, as of June 30, 2015, 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. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Federal Awards Expenditures Schedule 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.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to Management's Discussion & Analysis or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, 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 February 24, 2016, 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

February 24, 2016

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

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015***

***Unaudited***

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The discussion and analysis of Eaton Community School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:**

- ❑ In total, net position decreased \$1,378,292. Net position of governmental activities decreased \$1,403,034, which represents a 9.1% decrease from 2014. Net position of business-type activities increased \$24,742 or 11.8% from 2014.
- ❑ General receipts accounted for \$27,421,214 or 91.0% of all receipts for governmental activities. Program specific receipts in the form of charges for services and grants and contributions accounted for \$2,713,918 or 9.0% of total governmental receipts of \$30,135,132.
- ❑ The District had \$31,538,166 in disbursements related to governmental activities; \$2,713,918 of these disbursements were offset by program specific charges for services and operating grants or contributions. General receipts of \$27,421,214 and net position were adequate to provide for these programs. Capital grants and contributions of \$728,490 are being used for school facilities construction.
- ❑ Among major funds, the General Fund had \$20,700,068 in receipts and \$20,892,265 in disbursements. The General Fund's fund balance increased \$22,992 to \$9,647,019.
- ❑ Net position for the enterprise fund increased \$31,137.

## **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***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015***

***Unaudited***

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## **Basis of Accounting**

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

## **Government-Wide Statements**

The statement of net position and the statement of activities reflect how the District did financially during 2015, 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, 2015**

**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 2015 compared to 2014.

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Cash and Investments	\$13,949,162	\$15,352,196	\$234,125	\$209,383	\$14,183,287	\$15,561,579
<b>Total assets</b>	<b>13,949,162</b>	<b>15,352,196</b>	<b>234,125</b>	<b>209,383</b>	<b>14,183,287</b>	<b>15,561,579</b>
Net position						
Restricted	5,706,934	6,808,904	0	0	5,706,934	6,808,904
Unrestricted	8,242,228	8,543,292	234,125	209,383	8,476,353	8,752,675
<b>Total net position</b>	<b>\$13,949,162</b>	<b>\$15,352,196</b>	<b>\$234,125</b>	<b>\$209,383</b>	<b>\$14,183,287</b>	<b>\$15,561,579</b>

The District's net position decreased 9%. 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 \$8,476,353 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, 2015**

**Unaudited**

Changes in Net Position – The following table shows the changes in net position for the fiscal year 2015 compared to 2014:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2015	2014	2015	2014	2015	2014
<b>Receipts</b>						
Program Receipts:						
Charges for Services and Sales	\$566,420	\$725,361	\$371,171	\$357,835	\$937,591	\$1,083,196
Operating Grants and Contributions	1,419,008	1,014,042	511,058	486,709	1,930,066	1,500,751
Capital Grants and Contributions	728,490	3,145,040	0	0	728,490	3,145,040
<b>Total Program Receipts</b>	<b>2,713,918</b>	<b>4,884,443</b>	<b>882,229</b>	<b>844,544</b>	<b>3,596,147</b>	<b>5,728,987</b>
General revenues:						
Property Taxes	7,887,568	8,021,324	0	0	7,887,568	8,021,324
Income Taxes	4,247,710	4,239,573	0	0	4,247,710	4,239,573
Grants and Entitlements	10,975,072	10,170,822	0	0	10,975,072	10,170,822
Refunding Bonds Issued	3,760,000	0	0	0	3,760,000	0
Premium on Refunding Bonds	182,953	0	0	0	182,953	0
Other	367,911	461,878	0	0	367,911	461,878
<b>Total General Receipts</b>	<b>27,421,214</b>	<b>22,893,597</b>	<b>0</b>	<b>0</b>	<b>27,421,214</b>	<b>22,893,597</b>
<b>Total Receipts</b>	<b>30,135,132</b>	<b>27,778,040</b>	<b>882,229</b>	<b>844,544</b>	<b>31,017,361</b>	<b>28,622,584</b>
<b>Program Disbursements</b>						
Instruction	13,345,551	12,955,311	0	0	13,345,551	12,955,311
Support Services:						
Pupils	1,250,165	1,242,019	0	0	1,250,165	1,242,019
Instructional Staff	385,534	304,891	0	0	385,534	304,891
Board of Education	21,531	23,534	0	0	21,531	23,534
Administration	1,895,022	1,730,139	0	0	1,895,022	1,730,139
Fiscal Services	729,035	728,485	0	0	729,035	728,485
Business	0	157	0	0	0	157
Operation and Maintenance of Plant	2,038,698	2,124,853	0	0	2,038,698	2,124,853
Pupil Transportation	1,356,199	1,344,106	0	0	1,356,199	1,344,106
Central	249,364	255,943	0	0	249,364	255,943
Non-Instructional Services	3,106	574	0	0	3,106	574
Extracurricular Activities	706,484	682,652	0	0	706,484	682,652
Capital Outlay	2,735,669	9,688,725	0	0	2,735,669	9,688,725
Debt Service:						
Principal	1,595,000	925,000	0	0	1,595,000	925,000
Interest and Fiscal Charges	1,287,011	1,453,777	0	0	1,287,011	1,453,777
Bond Issuance Costs	107,933	0	0	0	107,933	0
Payment to Refunded Bond Escrow Ager	3,831,864	0	0	0	3,831,864	0
Food Service	0	0	857,487	807,524	857,487	807,524
<b>Total Disbursements</b>	<b>31,538,166</b>	<b>33,460,166</b>	<b>857,487</b>	<b>807,524</b>	<b>32,395,653</b>	<b>34,267,690</b>
<b>Total Change in Net Position</b>	<b>(1,403,034)</b>	<b>(5,682,126)</b>	<b>24,742</b>	<b>37,020</b>	<b>(1,378,292)</b>	<b>(5,645,106)</b>
Beginning Net Position	15,352,196	21,034,322	209,383	172,363	15,561,579	21,206,685
<b>Ending Net Position</b>	<b>\$13,949,162</b>	<b>\$15,352,196</b>	<b>\$234,125</b>	<b>\$209,383</b>	<b>\$14,183,287</b>	<b>\$15,561,579</b>

### **Governmental Activities**

Net position of the District's governmental activities decreased \$1,403,034. 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**

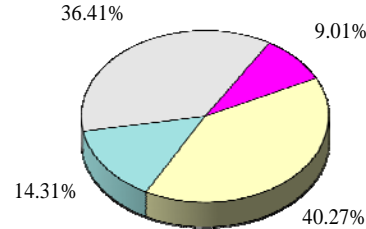
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015**

**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 40.27% of receipts for governmental activities for Eaton Community Schools in fiscal year 2015. The District's reliance upon tax receipts is demonstrated by the following graph:

Revenue Sources	2015	Percent of Total
General Grants	\$10,975,072	36.41%
Program Revenues	2,713,918	9.01%
General Tax Revenues	12,135,278	40.27%
General Other	4,310,864	14.31%
Total Revenue	<u>\$30,135,132</u>	<u>100.00%</u>



### **Business-Type Activities**

Net position of the business-type activities increased \$24,742. The 12% 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 \$13,879,988, which is below last year's balance of \$15,289,417. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2015 and 2014.

	<u>Fund Balance June 30, 2015</u>	<u>Fund Balance June 30, 2014</u>	<u>Increase (Decrease)</u>
General	\$9,647,019	\$9,624,027	\$22,992
Bond Retirement	3,397,474	3,053,738	343,736
Other Governmental	835,495	2,611,652	(1,776,157)
Total	<u>\$13,879,988</u>	<u>\$15,289,417</u>	<u>(\$1,409,429)</u>

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

***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015***

***Unaudited***

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

	<b>2015 Receipts</b>	<b>2014 Receipts</b>	<b>Increase (Decrease)</b>
Taxes	\$9,501,150	\$9,512,087	(\$10,937)
Tuition	172,393	335,886	(163,493)
Transportation Fees	1,936	3,298	(1,362)
Investment Earnings	63,835	29,104	34,731
Extracurricular Activities	32,477	29,292	3,185
Class Materials and Fees	62,327	57,480	4,847
Intermediate Sources	28,849	38,397	(9,548)
Intergovernmental - State	10,461,546	9,617,004	844,542
Intergovernmental - Federal	101,618	101,727	(109)
Contributions and Donations	4,013	43,166	(39,153)
All Other Revenue	269,924	202,798	67,126
Total	\$20,700,068	\$19,970,239	\$729,829

General Fund receipts in 2015 increased by 3.7%. The increase is the result of an increase in the funding from the State.

	<b>2015 Disbursements</b>	<b>2014 Disbursements</b>	<b>Increase (Decrease)</b>
Instruction	\$12,311,142	\$12,066,632	\$244,510
Supporting Services:			
Pupils	1,244,537	1,239,163	5,374
Instructional Staff	379,139	267,234	111,905
Board of Education	21,531	23,534	(2,003)
Administration	1,849,715	1,692,181	157,534
Fiscal Services	650,479	649,095	1,384
Business	0	157	(157)
Operation and Maintenance of Plant	1,961,775	2,010,309	(48,534)
Pupil Transportation	1,346,784	1,334,691	12,093
Central	248,548	247,927	621
Non-Instructional Services	3,106	574	2,532
Extracurricular Activities	414,308	405,659	8,649
Capital Outlay	341,248	1,220,756	(879,508)
Debt Service			
Interest and Fiscal Charges	119,953	119,953	0
Total	\$20,892,265	\$21,277,865	(\$385,600)

General Fund disbursements decreased by 1.8% compared to the prior year. Instructional Staff increased due to a credit in fiscal year 2014 for PASS program service charges that the District did not utilize. Administration increased due to a new hire and an increase in legal fees. Capital Outlay decreased because the District's building project expenditures were winding down and no new school busses were purchased.

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

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015***

***Unaudited***

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

During the course of fiscal year 2015, the District amended its General Fund budget several times. The 21% 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 \$22.4 million, increased from the original budget estimate of \$10.7 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 \$343,736, or 11.3%. Increased tax collections designated for the Bond Retirement Fund led to this increase.

### **DEBT ADMINISTRATION**

At June 30, 2015, the District had \$35.3 million in bonds outstanding, \$1,540,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2015:

	<u>2015</u>	<u>2014</u>
Governmental Activities:		
General Obligation Bonds:		
Serial Bonds	\$19,450,000	\$16,440,000
Term Bonds	5,995,000	5,995,000
Capital Appreciation Bonds	963,899	1,268,437
Premium	<u>1,076,100</u>	<u>972,205</u>
Total General Obligation Bonds	27,484,999	24,675,642
Interest Accretion	2,705,823	2,733,356
Build America Bonds	0	3,770,000
Qualified School Construction Bonds	<u>5,110,000</u>	<u>5,110,000</u>
Total Governmental Activities	<u><u>\$35,300,822</u></u>	<u><u>\$36,288,998</u></u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2015, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 11.

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

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015***

***Unaudited***

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### **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 came 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 Rachel Tait, Treasurer of Eaton Community School District.



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

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### ***Statement of Net Position – Modified Cash Basis June 30, 2015***

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	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 6,249,890	\$ 234,125	\$ 6,484,015
Investments	5,765,361	0	5,765,361
Restricted Assets:			
Cash and Cash Equivalents	1,113,825	0	1,113,825
Investments	820,086	0	820,086
<b>Total Assets</b>	<b>13,949,162</b>	<b>234,125</b>	<b>14,183,287</b>
<b>Liabilities:</b>			
Long Term Liabilities:			
<b>Net Position:</b>			
Restricted For:			
Capital Projects	27,108	0	27,108
Debt Service	3,917,675	0	3,917,675
Other Purposes	1,762,151	0	1,762,151
Unrestricted	8,242,228	234,125	8,476,353
<b>Total Net Position</b>	<b>\$ 13,949,162</b>	<b>\$ 234,125</b>	<b>\$ 14,183,287</b>

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, 2015**

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 13,345,551	\$ 234,720	\$ 1,373,520	\$ 0
Support Services:				
Pupils	1,250,165	0	0	0
Instructional Staff	385,534	0	2,758	0
Board of Education	21,531	0	0	0
Administration	1,895,022	0	35,530	0
Fiscal Services	729,035	0	0	0
Operation and Maintenance of Plant	2,038,698	44,186	0	0
Pupil Transportation	1,356,199	1,936	0	0
Central	249,364	0	7,200	0
Non-Instructional Services	3,106	0	0	0
Extracurricular Activities	706,484	285,578	0	0
Capital Outlay	2,735,669	0	0	728,490
Debt Service:				
Principal Retirement	1,595,000	0	0	0
Interest and Fiscal Charges	1,287,011	0	0	0
Payment to Refunded Bond Escrow Agent	3,831,864	0	0	0
Issuance Costs	107,933	0	0	0
<b>Total Governmental Activities</b>	<b>31,538,166</b>	<b>566,420</b>	<b>1,419,008</b>	<b>728,490</b>
<b>Business-Type Activities:</b>				
Food Service	857,487	371,171	511,058	0
<b>Total Business-Type Activities</b>	<b>857,487</b>	<b>371,171</b>	<b>511,058</b>	<b>0</b>
<b>Totals</b>	<b>\$ 32,395,653</b>	<b>\$ 937,591</b>	<b>\$ 1,930,066</b>	<b>\$ 728,490</b>

#### **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

Refunding Bonds Issued

Premium on Refunding Bonds

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
\$ (11,737,311)	\$ 0	\$ (11,737,311)
(1,250,165)	0	(1,250,165)
(382,776)	0	(382,776)
(21,531)	0	(21,531)
(1,859,492)	0	(1,859,492)
(729,035)	0	(729,035)
(1,994,512)	0	(1,994,512)
(1,354,263)	0	(1,354,263)
(242,164)	0	(242,164)
(3,106)	0	(3,106)
(420,906)	0	(420,906)
(2,007,179)	0	(2,007,179)
(1,595,000)	0	(1,595,000)
(1,287,011)	0	(1,287,011)
(3,831,864)	0	(3,831,864)
(107,933)	0	(107,933)
(28,824,248)	0	(28,824,248)
0	24,742	24,742
0	24,742	24,742
(28,824,248)	24,742	(28,799,506)
5,253,440	0	5,253,440
118,986	0	118,986
2,515,142	0	2,515,142
4,247,710	0	4,247,710
10,975,072	0	10,975,072
70,473	0	70,473
3,760,000	0	3,760,000
182,953	0	182,953
297,438	0	297,438
27,421,214	0	27,421,214
(1,403,034)	24,742	(1,378,292)
15,352,196	209,383	15,561,579
\$ 13,949,162	\$ 234,125	\$ 14,183,287

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

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***Statement of Assets and Fund Balances – Modified Cash Basis  
Governmental Funds  
June 30, 2015***

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	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,255,720	\$ 3,089,501	\$ 835,495	\$ 6,180,716
Investments	5,765,361	0	0	5,765,361
Restricted Assets:				
Cash and Cash Equivalents	1,111,120	2,705	0	1,113,825
Investments	514,818	305,268	0	820,086
<b>Total Assets</b>	<u>\$ 9,647,019</u>	<u>\$ 3,397,474</u>	<u>\$ 835,495</u>	<u>\$ 13,879,988</u>
 <b>Fund Balances:</b>				
Restricted	1,660,641	3,397,474	648,819	5,706,934
Committed	312,724	0	186,676	499,400
Assigned	960,029	0	0	960,029
Unassigned	6,713,625	0	0	6,713,625
<b>Total Fund Balances</b>	<u>\$ 9,647,019</u>	<u>\$ 3,397,474</u>	<u>\$ 835,495</u>	<u>\$ 13,879,988</u>

See accompanying notes to the basic financial statements

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

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### ***Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – Modified Cash Basis June 30, 2015***

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<b>Total Governmental Fund Balances</b>	\$ 13,879,988
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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.

69,174
<hr/>

***Net Position of Governmental Activities***

\$ 13,949,162
<hr/> <hr/>

See accompanying notes to the basic financial statements

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

### **Statement of Receipts, Disbursements and Changes in Fund Balances Governmental Funds – Modified Cash Basis For the Fiscal Year Ended June 30, 2015**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>				
Taxes	\$ 9,501,150	\$ 2,515,142	\$ 118,986	\$ 12,135,278
Tuition	172,393	0	0	172,393
Transportation Fees	1,936	0	0	1,936
Investment Earnings	63,835	6,539	99	70,473
Extracurricular Activities	32,477	0	253,101	285,578
Class Materials and Fees	62,327	0	0	62,327
Intermediate Sources	28,849	0	0	28,849
Intergovernmental - State	10,461,546	489,739	52,058	11,003,343
Intergovernmental - Federal	101,618	163,885	1,125,234	1,390,737
Contributions and Donations	4,013	0	743,649	747,662
All Other Receipts	269,924	0	22,007	291,931
<b>Total Receipts</b>	<b>20,700,068</b>	<b>3,175,305</b>	<b>2,315,134</b>	<b>26,190,507</b>
<b>Disbursements:</b>				
Current:				
Instruction	12,311,142	0	980,360	13,291,502
Supporting Services:				
Pupils	1,244,537	0	2,772	1,247,309
Instructional Staff	379,139	0	2,758	381,897
Board of Education	21,531	0	0	21,531
Administration	1,849,715	0	35,530	1,885,245
Fiscal Services	650,479	72,667	3,441	726,587
Operation and Maintenance of Plant	1,961,775	0	67,132	2,028,907
Pupil Transportation	1,346,784	0	0	1,346,784
Central	248,548	0	0	248,548
Non-Instructional Services	3,106	0	0	3,106
Extracurricular Activities	414,308	0	291,360	705,668
Capital Outlay	341,248	0	2,394,421	2,735,669
Debt Service:				
Principal Retirement	0	1,595,000	0	1,595,000
Interest and Fiscal Charges	119,953	1,167,058	0	1,287,011
Issuance Costs	0	107,933	0	107,933
<b>Total Disbursements</b>	<b>20,892,265</b>	<b>2,942,658</b>	<b>3,777,774</b>	<b>27,612,697</b>
Excess (Deficiency) of Receipts Over Disbursements	(192,197)	232,647	(1,462,640)	(1,422,190)

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	1,672	0	0	1,672
Refunding Bonds Issued	0	3,760,000	0	3,760,000
Premium on Refunding Bonds	0	182,953	0	182,953
Payment to Refunded Bond Escrow Agent	0	(3,831,864)	0	(3,831,864)
Transfers In	0	0	291,007	291,007
Transfers Out	(391,007)	0	0	(391,007)
Advances In	769,511	0	104,987	874,498
Advances Out	(164,987)	0	(709,511)	(874,498)
<b>Total Other Financing Sources (Uses)</b>	<u>215,189</u>	<u>111,089</u>	<u>(313,517)</u>	<u>12,761</u>
Net Change in Fund Balance	22,992	343,736	(1,776,157)	(1,409,429)
<b>Fund Balances at Beginning of Year</b>	<u>9,624,027</u>	<u>3,053,738</u>	<u>2,611,652</u>	<u>15,289,417</u>
<b>Fund Balances End of Year</b>	<u>\$ 9,647,019</u>	<u>\$ 3,397,474</u>	<u>\$ 835,495</u>	<u>\$ 13,879,988</u>

See accompanying notes to the basic financial statements

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**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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***Reconciliation of the Statement of Receipts, Disbursements and  
Changes in Fund Balances of Governmental Funds  
To the Statement of Activities – Modified Cash Basis  
For the Fiscal Year Ended June 30, 2015***

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Net Change in Fund Balances - Total Governmental Funds \$ (1,409,429)

***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***

\$ (1,403,034)

See accompanying notes to the basic financial statements

## ***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, 2015***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Receipts:</b>				
Local Sources:				
Taxes	\$ 4,756,044	\$ 9,501,150	\$ 9,501,150	\$ 0
Tuition	167,943	178,760	172,393	(6,367)
Transportation Fees	1,649	1,936	1,936	0
Investment Earnings	14,553	44,109	63,835	19,726
Extracurricular Activities	2,196	1,486	1,486	0
Class Material and Fees	28,740	62,640	62,327	(313)
Intermediate Sources	19,198	28,849	28,849	0
Intergovernmental - State	4,808,502	10,461,559	10,461,546	(13)
Intergovernmental - Federal	101,728	101,618	101,618	0
Contributions and Donations	15,625	50	50	0
All Other Receipts	93,830	242,579	242,581	2
Total Receipts	<u>10,010,008</u>	<u>20,624,736</u>	<u>20,637,771</u>	<u>13,035</u>
<b>Disbursements:</b>				
Current:				
Instruction	8,799,222	12,449,253	12,336,218	113,035
Support Services:				
Pupils	1,064,836	1,261,169	1,261,651	(482)
Instructional Staff	391,502	390,014	379,973	10,041
Board of Education	27,051	23,851	23,851	0
Administration	1,272,001	1,820,197	1,837,515	(17,318)
Fiscal Services	464,446	654,901	654,341	560
Business	117	0	0	0
Operation and Maintenance of Plant	2,095,557	2,052,235	2,052,043	192
Pupil Transportation	1,120,371	1,349,267	1,349,274	(7)
Central	248,338	267,831	253,323	14,508
Non-Instructional Services	574	3,084	3,106	(22)
Extracurricular Activities	303,307	403,885	414,308	(10,423)
Capital Outlay	2,433,483	1,327,975	341,748	986,227
Debt Service:				
Principal Retirement	135,000	135,000	0	135,000
Interest and Fiscal Charges	119,953	284,258	119,953	164,305
Total Disbursements	<u>18,475,758</u>	<u>22,422,920</u>	<u>21,027,304</u>	<u>1,395,616</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(8,465,750)	(1,798,184)	(389,533)	1,408,651

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Proceeds from the Sale of Capital Assets	92,160	1,674	1,672	(2)
Transfers In	488,242	967,692	967,692	0
Transfers Out	0	(1,358,699)	(1,358,699)	0
Advances In	60,000	769,511	769,511	0
Advances Out	(112,133)	(164,987)	(164,987)	0
Total Other Financing Sources (Uses):	528,269	215,191	215,189	(2)
Net Change in Fund Balance	(7,937,481)	(1,582,993)	(174,344)	1,408,649
Fund Balance at Beginning of Year	8,100,669	8,100,669	8,100,669	0
Prior Year Encumbrances	1,448,295	1,448,295	1,448,295	0
Fund Balance at End of Year	\$ 1,611,483	\$ 7,965,971	\$ 9,374,620	\$ 1,408,649

See accompanying notes to the basic financial statements

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Statement of Fund Net Position – Modified Cash Basis  
Proprietary Fund  
June 30, 2015**

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	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
	<u>Food Service</u>	<u>Fund</u>
<b>Assets:</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 251,866	\$ 51,433
<b>Total Assets</b>	<u>251,866</u>	<u>51,433</u>
<b>Net Position:</b>		
Unrestricted	251,866	51,433
<b>Total Net Position</b>	<u>\$ 251,866</u>	<u>\$ 51,433</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>(17,741)</u>	
Total Net Assets of Business Type Activities	<u>\$ 234,125</u>	

See accompanying notes to the basic financial statements

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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

**Proprietary Fund**

**For the Fiscal Year Ended June 30, 2015**

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	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
	Food Service	
<b>Operating Receipts:</b>		
Sales	\$ 371,118	\$ 0
<b>Total Operating Receipts</b>	<u>371,118</u>	<u>0</u>
<b>Operating Disbursements:</b>		
Salaries and Wages	306,581	0
Fringe Benefits	156,167	0
Contractual Services	19,562	0
Supplies and Materials	365,836	0
Other Operating Disbursements	780	100,000
Capital Outlay	2,166	0
<b>Total Operating Disbursements</b>	<u>851,092</u>	<u>100,000</u>
Operating Income (Loss)	(479,974)	(100,000)
<b>Nonoperating Receipts (Disbursements):</b>		
Operating Grants	511,058	0
Investment Earnings	53	0
<b>Total Nonoperating Receipts (Disbursements)</b>	<u>511,111</u>	<u>0</u>
Income (Loss) before Transfers and Advances	31,137	(100,000)
Transfers In	0	100,000
Advances In	60,000	0
Advances Out	(60,000)	0
Change in Net Position	31,137	0
Net Position Beginning of Year	<u>220,729</u>	<u>51,433</u>
Net Position End of Year	<u>\$ 251,866</u>	<u>\$ 51,433</u>
Change in Net Assets of Enterprise Funds	\$ 31,137	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>(6,395)</u>	
Change in Net Assets of Business Type Activities	<u>\$ 24,742</u>	

See accompanying notes to the basic financial statements

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Statement of Net Position – Modified Cash Basis  
Fiduciary Funds  
June 30, 2015**

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	Private Purpose Trust Funds	Agency Funds	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 51,408	\$ 61,613	\$ 113,021
<b>Total Assets</b>	<u>51,408</u>	<u>61,613</u>	<u>113,021</u>
<b>Net Position:</b>			
Held in Trust for Scholarships	51,408	0	51,408
Held on Behalf of:			
Others	0	11,145	11,145
Students	0	50,468	50,468
<b>Total Net Position</b>	<u>\$ 51,408</u>	<u>\$ 61,613</u>	<u>\$ 113,021</u>

See accompanying notes to the basic financial statements

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Statement of Changes in Net Position – Modified Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2015**

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	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 1,152
Investment Earnings:	
Interest	<u>21</u>
Total Investment Earnings	<u>21</u>
Total Additions	<u>1,173</u>
<b>Deductions:</b>	
Administrative Expenses	178
Community Gifts, Awards and Scholarships	8,200
Refund of Contributions	<u>56,528</u>
Total Deductions	<u>64,906</u>
Change in Net Position	(63,733)
Net Position at Beginning of Year	<u>115,141</u>
Net Position End of Year	<u>\$ 51,408</u>

See accompanying notes to the basic financial statements

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

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

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

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 98 non-certified and approximately 125 certified teaching personnel and 8 administrative employees providing education to 2,317 students.

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

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

Eaton Community School District participates in three jointly governed organizations, the Southwestern Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SOEPC) and the Educational Regional Service System (ERSS). SWOCA provides the data processing services needed by the participating school districts. Butler Tech serves as the fiscal agent. SOEPC obtains prices for quality merchandise and services for participating school districts. ERSS provides support services to improve student achievement. See Note 14 for additional information.

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



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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

##### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The various funds are summarized by type in the basic financial statements.

The following fund types are used by the District:

***Governmental Funds*** - The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

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

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

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

##### **B. Basis of Presentation - Fund Accounting** (Continued)

***Fiduciary Funds*** – Fiduciary fund reporting focuses on net 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***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

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

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

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

#### **E. Budgetary Process**

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

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

##### **1. Tax Budget**

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

##### **2. Estimated Resources**

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated disbursements from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2015.

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

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

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

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

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

##### **4. Lapsing of Appropriations**

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

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**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015***

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

**E. Budgetary Process** (Continued)

5. Basis of Budgeting

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

	Net Change in Fund Balance
	General Fund
Cash Basis (as reported)	\$22,992
Perspective Difference- Budgeted Special Revenue Funds reclassified as General Fund	11,342
Encumbrances Outstanding	(208,678)
Budget Basis	<u>(174,344)</u>

**F. Cash and Cash Equivalents**

During fiscal year 2015, 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 5, “Cash, Cash Equivalents and Investments.”

**G. Investments**

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

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

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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### **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 2015, investment purchases were limited to certificates of deposit, STAR Ohio and federal agency securities. The District records all its investments at cost except for STAR Ohio. See Note 5, "Cash, Cash Equivalents and Investments."

The District had invested funds in the State Treasury Asset Reserve of Ohio during 2015. 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, 2015.

#### **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***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

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

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

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

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

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

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

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

##### **O. Pension Plans**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

##### **P. 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.

##### **Q. 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.

##### **R. 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.

##### **S. Operating Receipts and Disbursements**

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



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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE**

For 2015, the District implemented GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions*”, an amendment of GASB Statement No. 27

Statement No. 68 replaces the requirements of GASB Statement No. 27 and addresses accounting and financial reporting for pensions that are provided to the employees of state and local government employers through pension plans that are administered through trusts. In addition, it establishes standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses and addresses note disclosure and required supplementary information requirements.

The implementation of this GASB Statement had no impact on beginning of year fund balance/net position.

#### **NOTE 3 - COMPLIANCE**

***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.

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**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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**NOTE 4 – FUND BALANCES**

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:				
Budget Stabilization	\$1,105,737	\$0	\$0	\$1,105,737
Career Tech	2,898	0	0	2,898
Classroom Facilities Maintenance	0	0	495,171	495,171
Extracurricular Activities	0	0	111,419	111,419
Data Communications	0	0	7,200	7,200
Race to the Top	0	0	7,921	7,921
Debt Service Payments	520,201	3,397,474	0	3,917,675
Capital Improvements	31,805	0	27,108	58,913
<b>Total Restricted</b>	<b><u>1,660,641</u></b>	<b><u>3,397,474</u></b>	<b><u>648,819</u></b>	<b><u>5,706,934</u></b>
Committed:				
Textbook and Instruction Support	312,724	0	0	312,724
Capital Improvements	0	0	186,676	186,676
<b>Total Committed</b>	<b><u>312,724</u></b>	<b><u>0</u></b>	<b><u>186,676</u></b>	<b><u>499,400</u></b>
Assigned:				
Projected Budgetary Deficit	679,384	0	0	679,384
Encumbrances	176,316	0	0	176,316
Debt Service Payments	104,329	0	0	104,329
<b>Total Assigned</b>	<b><u>960,029</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>960,029</u></b>
Unassigned	6,713,625	0	0	6,713,625
<b>Total Fund Balances</b>	<b><u>\$9,647,019</u></b>	<b><u>\$3,397,474</u></b>	<b><u>\$835,495</u></b>	<b><u>\$13,879,988</u></b>

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

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

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

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

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

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

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015***

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

**A. Deposits**

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

At year end the carrying amount of the District's deposits was \$7,661,169 and the bank balance was \$7,765,618. Not included in the bank balance is \$7,500, which represents cash on hand held by the District. Federal Depository Insurance covered \$2,582,397 of the bank balance and \$5,183,221 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>\$5,183,221</u>
Total Balance	<u><u>\$5,183,221</u></u>

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

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

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

The District's investments at June 30, 2015 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	\$78,410	AAAm <sup>2</sup>	\$78,410	\$0	\$0	\$0
FHLB Note	1,607,525	a Aaa <sup>1</sup> , AA+ <sup>2</sup>	524,149	1,083,376	0	0
FFCB Notes	796,047	b Aaa <sup>1</sup> , AA <sup>2</sup>	0	0	524,947	271,100
FNMA Note	1,001,926	c Aaa <sup>1</sup> , AA+ <sup>2</sup>	0	521,926	480,000	0
FHLMC Note	2,167,607	d Aaa <sup>1</sup> , AA+ <sup>2</sup>	290,000	1,647,339	230,268	0
Bank Commercial Paper	453,645	P-1 <sup>1</sup> , A-1+ <sup>2</sup>	453,645	0	0	0
United States Treasury Note	529,979	Aaa <sup>1</sup> , AA+ <sup>2</sup>	0	529,979	0	0
Total Investments	<u>\$6,635,139</u>		<u>\$1,346,204</u>	<u>\$3,782,620</u>	<u>\$1,235,215</u>	<u>\$271,100</u>

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

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

<sup>a</sup> A \$515,000 FHLB Note is callable on September 29, 2015.

<sup>b</sup> A \$524,947 FFCB Note is callable on August 3, 2015.

<sup>c</sup> A \$480,000 FNMA Note is callable on November 27, 2015.

<sup>d</sup> \$500,000 and \$364,891 FHLMC Notes are callable on September 25, 2015 and November 27, 2015.

*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, 24.2% are FHLB, 12.0% are FFCB, 15.1% are FNMA, 32.7% are FHLMC, 6.8% are Bank Commercial Paper and 8.0% are United States Treasury Notes.

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

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015***

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

**C. Reconciliation of Cash, Cash Equivalents and Investments**

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$7,710,861	\$6,585,447
Certificates of Deposit (with maturities of more than 3 months)	318,718	(318,718)
Federal Agency Securities (with maturities of less than 3 months)	(290,000)	290,000
STAR Ohio	(78,410)	78,410
Per GASB Statement No. 3	<u>\$7,661,169</u>	<u>\$6,635,139</u>

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 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, 2015, are available to finance fiscal year 2015 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 2015 receipts were based are:

	2014 Second Half Collections	2015 First Half Collections
Agricultural/Residential and Other Real Estate	\$272,148,270	\$304,548,030
Public Utility Personal	8,896,220	9,268,740
Total Assessed Value	<u>\$281,044,490</u>	<u>\$313,816,770</u>
Tax rate per \$1,000 of assessed valuation	\$43.20	\$43.20

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

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 8 - INTERFUND ACTIVITY**

##### **A. Transfers**

Following is a summary of operating transfers in and out for all funds for fiscal year 2015:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$0	\$391,007
Nonmajor Governmental Funds	291,007	0
Internal Service Fund	100,000	0
Total All Funds	<u>\$391,007</u>	<u>\$391,007</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, 2015:

	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$769,511	\$164,987
Nonmajor Governmental Funds	104,987	709,511
Total Governmental Funds	874,498	874,498
Food Service Fund	60,000	60,000
Totals	<u>\$934,498</u>	<u>\$934,498</u>

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

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

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

***Net Pension Liability*** - For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.



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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,774,392	\$19,223,135	\$23,997,527
Proportion of the Net Pension Liability	0.094338%	0.0790310%	

#### **A. School Employee Retirement System**

***Plan Description*** – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$394,154 for fiscal year 2015.

**Actuarial Assumptions** - SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$6,811,639	\$4,774,392	\$3,060,892

**B. State Teachers Retirement System**

**Plan Description** - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

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**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015***

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

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

***Funding Policy*** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,158,228 for fiscal year 2015.

***Actuarial Assumptions*** - The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$27,520,014	\$19,223,135	\$12,206,768

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

##### **A. School Employee Retirement System**

***Plan Description*** – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. 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. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2015 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

***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 2015, 0.82 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount (\$20,450 for 2015), pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

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, 2015, 2014, and 2013 were \$70,407, \$47,248, and \$47,690 respectively; which were equal to the required contributions for each year.



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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

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

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

***Funding Policy*** – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio allocated employer contributions equal to zero percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$80,879, and \$81,477 respectively; which were equal to the required contributions for each year.

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

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

Detail of the changes in the bonds of the District for the year ended June 30, 2015 is as follows:

		Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015	Amount Due Within One Year	
<b>Governmental Activities:</b>							
General Obligation Bonds:							
2002	School Improvement						
	Capital Appreciation Bonds	8.26%	\$933,437	\$0	(\$304,538)	\$628,899	\$322,389
2007	School Improvement Refunding Series						
	Serial Bonds		16,440,000	0	(120,000)	16,320,000	150,000
	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		972,205	0	(60,763)	911,442	0
	Net 2007 Refunding Bonds		<u>23,742,205</u>	<u>0</u>	<u>(180,763)</u>	<u>23,561,442</u>	<u>150,000</u>
2014	School Improvement Refunding Series						
	Serial Bonds	1.00-4.00%	0	3,760,000	(630,000)	3,130,000	420,000
	Premium on Bond Refunding		0	182,953	(18,295)	164,658	0
	Net 2014 Refunding Bonds		<u>0</u>	<u>3,942,953</u>	<u>(648,295)</u>	<u>3,294,658</u>	<u>420,000</u>
	Total General Obligation Bonds		<u>24,675,642</u>	<u>3,942,953</u>	<u>(1,133,596)</u>	<u>27,484,999</u>	<u>892,389</u>
2002	Interest Accretion	8.26%	1,553,805	174,877	(540,462)	1,188,220	647,611
2007	Interest Accretion	8.26%	<u>1,179,551</u>	<u>338,052</u>	<u>0</u>	<u>1,517,603</u>	<u>0</u>
	Total Interest Accretion		<u>2,733,356</u>	<u>512,929</u>	<u>(540,462)</u>	<u>2,705,823</u>	<u>647,611</u>
Build America Bonds:							
2011	School Improvement	6.02%	3,770,000	0	(3,770,000)	0	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>\$36,288,998</u>	<u>\$4,455,882</u>	<u>(\$5,444,058)</u>	<u>\$35,300,822</u>	<u>\$1,540,000</u>

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

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015**

#### **NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued)**

##### **A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2015 follows:

Years	General Obligation Bonds (Includes Serial, Term, and Capital Appreciation Bonds)			Qualified School Construction Bonds School Energy Conservation Improvement		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$892,389	\$1,659,367	\$2,551,756	\$0	\$119,952	\$119,952
2017	861,510	1,690,896	2,552,406	0	119,953	119,953
2018	565,000	1,990,806	2,555,806	0	119,953	119,953
2019	530,000	2,145,131	2,675,131	0	119,953	119,953
2020	495,000	2,187,981	2,682,981	0	119,953	119,953
2021-2025	9,685,000	3,849,258	13,534,258	0	599,763	599,763
2026-2030	13,380,000	1,508,377	14,888,377	2,030,000	59,975	2,089,975
<b>Totals</b>	<b>\$26,408,899</b>	<b>\$15,031,816</b>	<b>\$41,440,715</b>	<b>\$2,030,000</b>	<b>\$1,259,502</b>	<b>\$3,289,502</b>

##### **B. Defeased Debt**

In August 2014, the District defeased \$3,770,000 of Build America School Improvement Bonds dated August 11, 2010 (the "2010 Bonds") through the issuance of \$3,760,000 of General Obligation Bonds. The net proceeds of the 2010 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$3,770,000 at June 30, 2015, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015***

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**NOTE 12 - STATUTORY RESERVES**

The District is required by state law to set aside certain General Fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2015, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside Cash Balance as of June 30, 2014	\$1,380,877
Additions	376,410
Qualifying Disbursements	(651,550)
Cash Balance Carried Forward to FY 2015	<u>\$1,105,737</u>
Amount Restricted for Capital Acquisition	<u>\$1,105,737</u>

**NOTE 13 - RISK MANAGEMENT**

**A. Public Entity Risk Pool**

*Preble County Schools Regional Council of Governments* - Eaton Community School District participates in the Preble County Regional Council of Governments (COG). The Preble County Schools Regional Council of Governments, a public entity risk pool, was formed by five local school districts and the Preble County Educational Service Center to provide medical benefits to school district participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the fund trustee for insurance coverage which is provided by 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***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **NOTE 13 - RISK MANAGEMENT (Continued)**

##### **B. Other Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2015, 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	Sexual Misconduct	\$1,000
Liberty Mutual Insurance Company	Building	\$2,500
Liberty Mutual Insurance Company	Inland Marine	\$500
Liberty Mutual Insurance Company	Crime	\$500
Liberty Mutual Insurance Company	School Board Legal Liability	\$2,500
Liberty Mutual Insurance Company	Automobile	\$1,000 Comprehensive; \$1,000 Collision

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

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

#### **NOTE 14 - JOINTLY GOVERNED ORGANIZATION**

The Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 30 school districts. During fiscal year 2015, the District paid \$69,466 to SWOCA. To obtain financial information write to SWOCA, 3603 Hamilton-Middletown Road, Hamilton, OH 45011.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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

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.

Payments to SOEPC are made from the General Fund. During fiscal year 2015, 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.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015***

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#### **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, 2015, 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, 2015.

##### **C. School Foundation**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014 - 2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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*SUPPLEMENTAL INFORMATION*

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

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### ***Schedule of District's Proportionate Share of the Net Pension Liability Current Year***

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#### **State Teachers Retirement System**

Fiscal Year	<u>2014</u>
District's proportion of the net pension liability (asset)	0.079031%
District's proportionate share of the net pension liability (asset)	\$19,223,135
District's covered-employee payroll	\$8,017,629
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	239.76%
Plan fiduciary net position as a percentage of the total pension liability	74.70%

Source: District Treasurer's Office and State Teachers Retirement System

#### **School Employees Retirement System**

Fiscal Year	<u>2014</u>
District's proportion of the net pension liability (asset)	0.094338%
District's proportionate share of the net pension liability (asset)	\$4,774,392
District's covered-employee payroll	\$2,707,010
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	176.37%
Plan fiduciary net position as a percentage of the total pension liability	71.70%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statements 68 in 2015.

Information prior to 2015 is not available.

The schedule is as of June 30, 2014 which is the measurement date of the Net Pension Liability.

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

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### ***Schedule of District Contributions Current Year***

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#### **State Teachers Retirement System**

Fiscal Year	<u>2015</u>
Contractually required contribution	\$1,158,228
Contributions in relation to the contractually required contribution	<u>1,158,228</u>
Contribution deficiency (excess)	<u>\$0</u>
District's covered-employee payroll	\$8,132,342
Contributions as a percentage of covered-employee payroll	14.24%

Source: District Treasurer's Office and State Teachers Retirement System

#### **School Employees Retirement System**

Fiscal Year	<u>2015</u>
Contractually required contribution	\$394,154
Contributions in relation to the contractually required contribution	<u>394,154</u>
Contribution deficiency (excess)	<u>\$0</u>
District's covered-employee payroll	\$2,924,915
Contributions as a percentage of covered-employee payroll	13.48%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statements 68 in 2015.  
Information prior to 2015 is not available.

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**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2015	10.555		\$57,985
Cash Assistance:				
School Breakfast Program	2015	10.553	\$72,767	
National School Lunch Program	2015	10.555	370,625	
Total Child Nutrition Cluster			<u>443,392</u>	<u>57,985</u>
Total U.S. Department of Agriculture			<u>443,392</u>	<u>57,985</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education - Grants to States	2015	84.027	410,800	
	2014	84.027	28,329	
Total Special Education Grants to States			<u>439,129</u>	
Special Education - Preschool Grants	2015	84.173	4,416	
Total Special Education Cluster			443,545	
Title I Grants to Local Educational Agencies	2015	84.010	405,438	
	2014	84.010	50,442	
Total Title I Grants to Local Educational Agencies			<u>455,880</u>	
Improving Teacher Quality State Grants	2015	84.367	62,769	
	2014	84.367	10,102	
Total Improving Teacher Quality State Grants			<u>72,871</u>	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top, Incentive Grants, Recovery Act	2015	84.395	43,624	
Total U.S. Department of Education			<u>1,015,920</u>	
Total Federal Financial Assistance			<u><u>\$1,459,312</u></u>	<u><u>\$57,985</u></u>

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

**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Eaton Community School District's (the District's) federal award programs' 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  
304 Eaton Lewisburg Road  
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 modified cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Eaton Community School District, Preble County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 24, 2016, wherein we noted the District uses a special purpose framework 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 opinion 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.

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***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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***District's Response to Finding***

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

February 24, 2016





# Dave Yost • Auditor of State

## 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  
304 Eaton Lewisburg Road  
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, 2015. 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, 2015.

**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

February 24, 2016

**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: CFDA #10.553: School Breakfast Program CFDA #10.555: National School Lunch Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2015-001**

**Noncompliance**

**Ohio Rev. Code § 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 § 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 generally accepted accounting principles. 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 report.

**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, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	<b>Ohio Rev. Code § 117.38</b> and <b>Ohio Admin. Code § 117-2-03(B)</b> - Failure to prepare financial statements in accordance with generally accepted accounting principles	No	Not Corrected; re-issued as Finding 2015-001

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# Dave Yost • Auditor of State

**EATON COMMUNITY SCHOOL DISTRICT**

**PREBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 22, 2016**