



Dave Yost • Auditor of State



**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

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EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eaton Community School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eaton Community School District, Preble County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2012, our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 24, 2012

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

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011***

***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, 2011. 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 2011 are as follows:**

- ❑ In total, net assets increased \$23,234,870. Net assets of governmental activities increased \$23,218,959, which represents a 147.1% increase from 2010. Net assets of business-type activities increased \$15,911 or 8.3% from 2010.
- ❑ General revenues accounted for \$20,686,277 in revenue or 44.89% of all revenues for governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$25,397,610 or 55.11% of total governmental revenues of \$46,083,887.
- ❑ The District had \$22,864,928 in expenses related to governmental activities; \$2,547,564 of these expenses was offset by program specific charges for services and operating grants or contributions. General revenues of \$20,686,277 and net assets were adequate to provide for these programs. Capital grants and contributions of \$22,850,046 are being used for school facilities construction.
- ❑ Among major funds, the general fund had \$18,419,759 in revenues and \$18,308,564 in expenditures. The general fund's fund balance increased \$117,149 to \$12,425,571.
- ❑ Net assets for the enterprise fund remained steady with an increase of \$19,467.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. The Government-Wide Financial Statements – These statements provide both long-term and short-term information about the District's overall financial status.
2. The Fund Financial Statements – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

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

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011***

***Unaudited***

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The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

## **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District are divided into two categories:

*Governmental Activities* – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

*Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service fund is reported as business-type activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

*Governmental Funds* – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011**

**Unaudited**

**Proprietary Funds** – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**Fiduciary Funds** – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The following table provides a summary of the District's net assets for 2011 compared to 2010.

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$52,759,249	\$24,049,532	\$222,855	\$204,091	\$52,982,104	\$24,253,623
Capital assets, Net	33,163,266	30,944,133	114,762	120,752	33,278,028	31,064,885
<b>Total assets</b>	<b>85,922,515</b>	<b>54,993,665</b>	<b>337,617</b>	<b>324,843</b>	<b>86,260,132</b>	<b>55,318,508</b>
Long-term debt outstanding	38,508,087	29,879,278	50,686	45,380	38,558,773	29,924,658
Other liabilities	8,409,908	9,328,826	78,827	87,270	8,488,735	9,416,096
<b>Total liabilities</b>	<b>46,917,995</b>	<b>39,208,104</b>	<b>129,513</b>	<b>132,650</b>	<b>47,047,508</b>	<b>39,340,754</b>
Net assets						
Invested in capital assets, net of related debt	5,488,319	4,231,489	114,762	120,752	5,603,081	4,352,241
Restricted	25,314,774	3,018,024	0	0	25,314,774	3,018,024
Unrestricted	8,201,427	8,536,048	93,342	71,441	8,294,769	8,607,489
<b>Total net assets</b>	<b>\$39,004,520</b>	<b>\$15,785,561</b>	<b>\$208,104</b>	<b>\$192,193</b>	<b>\$39,212,624</b>	<b>\$15,977,754</b>

The District's total assets and total liabilities increased significantly compared to the prior year. Assets increased by \$30.9 million or roughly 56.2%, while the liabilities increased by 19.7%, or \$7.7 million. The largest contributing factor to this change is a \$22 million grant from the Ohio School Facilities Commission and the issuance of \$8.8 million in bonds for the purpose of constructing new school buildings.

The restricted net assets of the District also increased as a result of the above mentioned grant.

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2011 compared to 2010:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues:						
Charges for Services and Sales	\$648,484	\$651,870	\$474,872	\$502,163	\$1,123,356	\$1,154,033
Operating Grants and Contributions	1,899,080	1,701,164	446,190	427,323	2,345,270	2,128,487
Capital Grants and Contributions	22,850,046	0	0	0	22,850,046	0
<b>Total Program Revenues</b>	<u>25,397,610</u>	<u>2,353,034</u>	<u>921,062</u>	<u>929,486</u>	<u>26,318,672</u>	<u>3,282,520</u>
General revenues:						
Property Taxes	7,387,648	6,284,207	0	0	7,387,648	6,284,207
Income Taxes	3,710,036	3,568,402	0	0	3,710,036	3,568,402
Grants and Entitlements	9,387,010	9,296,383	0	0	9,387,010	9,296,383
Other	201,583	192,755	0	0	201,583	192,755
<b>Total General Revenues</b>	<u>20,686,277</u>	<u>19,341,747</u>	<u>0</u>	<u>0</u>	<u>20,686,277</u>	<u>19,341,747</u>
<b>Total revenues</b>	<u>46,083,887</u>	<u>21,694,781</u>	<u>921,062</u>	<u>929,486</u>	<u>47,004,949</u>	<u>22,624,267</u>
<b>Program Expenses</b>						
Instruction	12,176,308	12,547,012	0	0	12,176,308	12,547,012
Support Services:						
Pupils	1,251,256	981,845	0	0	1,251,256	981,845
Instructional Staff	878,988	507,924	0	0	878,988	507,924
Board of Education	28,191	16,353	0	0	28,191	16,353
Administration	1,631,670	1,666,197	0	0	1,631,670	1,666,197
Fiscal Services	616,132	635,896	0	0	616,132	635,896
Business	3,639	2,503	0	0	3,639	2,503
Operation and Maintenance of Plant	2,131,029	2,082,812	0	0	2,131,029	2,082,812
Pupil Transportation	1,406,574	1,247,273	0	0	1,406,574	1,247,273
Central	245,264	196,219	0	0	245,264	196,219
Extracurricular Activities	720,206	668,036	0	0	720,206	668,036
Debt Service:						
Interest and Fiscal Charges	1,775,671	1,369,252	0	0	1,775,671	1,369,252
Food Service	0	0	905,151	906,000	905,151	906,000
<b>Total expenses</b>	<u>22,864,928</u>	<u>21,921,322</u>	<u>905,151</u>	<u>906,000</u>	<u>23,770,079</u>	<u>22,827,322</u>
<b>Total Change in Net Assets</b>	<u>23,218,959</u>	<u>(226,541)</u>	<u>15,911</u>	<u>23,486</u>	<u>23,234,870</u>	<u>(203,055)</u>
Beginning Net Assets	<u>15,785,561</u>	<u>16,012,102</u>	<u>192,193</u>	<u>168,707</u>	<u>15,977,754</u>	<u>16,180,809</u>
<b>Ending Net Assets</b>	<u>\$39,004,520</u>	<u>\$15,785,561</u>	<u>\$208,104</u>	<u>\$192,193</u>	<u>\$39,212,624</u>	<u>\$15,977,754</u>

### **Governmental Activities**

Net assets of the District's governmental activities increased \$23,218,959. The increase in net assets is the result of an Ohio School Facilities Commission Grant given to the District for the construction of two new school buildings.

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

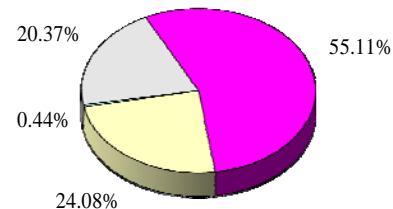
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011**

**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 24.08% of revenues for governmental activities for Eaton Community Schools in fiscal year 2011. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2011	Percent of Total
General Grants	\$9,387,010	20.37%
Program Revenues	25,397,610	55.11%
General Tax Revenues	11,097,684	24.08%
General Other	201,583	0.44%
Total Revenue	\$46,083,887	100.00%



### **Business-Type Activities**

Net assets of the business-type activities increased \$15,911. The District had no significant changes in revenues or expenses..

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

The District's governmental funds reported a combined fund balance of \$26,195,809, which is above last year's balance of \$14,330,782. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase (Decrease)
General	\$12,425,571	\$12,308,422	\$117,149
Bond Retirement	1,477,666	1,184,406	293,260
Classroom Facilities	8,466,266	0	8,466,266
Other Governmental	3,826,306	837,954	2,988,352
Total	\$26,195,809	\$14,330,782	\$11,865,027

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011**

**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>2011 Revenues</b>	<b>Restated 2010 Revenues</b>	<b>Increase (Decrease)</b>
Taxes	\$8,952,680	\$8,615,312	\$337,368
Tuition	222,441	266,590	(44,149)
Transportation Fees	9,159	8,263	896
Investment Earnings	79,125	50,331	28,794
Extracurricular Activities	35,328	39,700	(4,372)
Class Materials and Fees	66,815	77,303	(10,488)
Intermediate Sources	26,721	29,064	(2,343)
Intergovernmental - State	8,926,075	9,123,784	(197,709)
Intergovernmental - Federal	31,668	0	31,668
All Other Revenue	69,747	123,342	(53,595)
Total	\$18,419,759	\$18,333,689	\$86,070

General Fund revenues in 2011 increased by .5%. The increase in taxes is the result of an increase in property tax advances available within the period of availability. The increase in taxes is somewhat offset by a decrease in the State's Foundation grant to the District.

	<b>2011 Expenditures</b>	<b>Restated 2010 Expenditures</b>	<b>Increase (Decrease)</b>
Instruction	\$10,482,145	\$10,925,853	(\$443,708)
Supporting Services:			
Pupils	1,087,448	959,860	127,588
Instructional Staff	841,539	502,236	339,303
Board of Education	27,287	16,353	10,934
Administration	1,610,759	1,632,543	(21,784)
Fiscal Services	556,616	581,417	(24,801)
Business	3,639	2,503	1,136
Operation and Maintenance of Plant	1,514,735	1,559,071	(44,336)
Pupil Transportation	1,293,838	1,240,435	53,403
Central	211,866	168,590	43,276
Extracurricular Activities	385,970	369,188	16,782
Capital Outlay	211,513	4,534	206,979
Debt Service			
Interest and Fiscal Charges	81,209	0	81,209
Total	\$18,308,564	\$17,962,583	\$345,981

The expenditures increased by \$345,981 compared to the prior year as a result of an increase in salaries and benefits –health insurance premiums increased for staff and the district. The increase in Capital Outlay is for the project coordinator of the new building construction projects, a new roof on the Middle School and a bus purchase. These increases were somewhat offset by the decrease in Instruction due to textbooks paid from stimulus money accounted for in a special revenue fund.

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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011**

**Unaudited**

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

During the course of fiscal year 2011, the District amended its General Fund budget several times, none significant.

General Fund budget basis revenue was \$18.9 million, which was higher than the original budget estimate of \$16.6 million. The District amended the budget to account for tax collections and State Monies. The General Fund had an adequate fund balance to cover expenditures.

*Bond Retirement Fund* - The District's Bond Retirement fund balance increased by \$293,260, or 24.8%. Increased tax collections led to this increase.

*Classroom Facilities Fund* - The District's Classroom Facilities Fund issued bonds and received state grant monies for the construction of two new buildings.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of fiscal year 2011, the District had \$33,278,028 net of accumulated depreciation invested in land, buildings, machinery, equipment and vehicles. Of this total, \$33,163,266 was related to governmental activities and \$114,762 to the business-type activities. The following tables show fiscal year 2011 and 2010 balances:

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<u>2011</u>	<u>2010</u>	
Land	\$606,919	\$606,919	\$0
Construction in Progress	2,771,431	0	2,771,431
Land Improvements	1,451,917	1,451,917	0
Buildings and Improvements	32,022,752	31,886,401	136,351
Machinery and Equipment	6,060,240	5,869,989	190,251
Vehicles	1,678,565	1,661,634	16,931
Less: Accumulated Depreciation	<u>(11,428,558)</u>	<u>(10,532,727)</u>	<u>(895,831)</u>
Totals	<u>\$33,163,266</u>	<u>\$30,944,133</u>	<u>\$2,219,133</u>

	<b>Business-Type Activities</b>		<b>Increase (Decrease)</b>
	<u>2011</u>	<u>2010</u>	
Land	\$2,500	\$2,500	\$0
Buildings	162,766	162,766	0
Machinery and Equipment	235,972	235,972	0
Less: Accumulated Depreciation	<u>(286,476)</u>	<u>(280,486)</u>	<u>(5,990)</u>
Totals	<u>\$114,762</u>	<u>\$120,752</u>	<u>(\$5,990)</u>

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

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011***

***Unaudited***

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The largest increase occurred in construction in progress, the District began the design phase of two new school buildings.

Additional information on the District's capital assets can be found in Note 8.

### ***Debt***

At June 30, 2011, the District had \$34.9 million in bonds outstanding, \$875,560 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2011:

	<u>2011</u>	<u>2010</u>
Governmental Activities:		
General Obligation Bonds:		
Serial Bonds	\$18,190,000	\$18,905,000
Term Bonds	5,995,000	5,995,000
Capital Appreciation Bonds	1,584,985	1,584,985
Premium	1,154,494	1,215,256
Deferred Loss on Refunding	<u>(935,517)</u>	<u>(987,597)</u>
Total General Obligation Bonds	25,988,962	26,712,644
Interest Accretion	1,854,928	1,500,709
Build America Bonds	3,770,000	0
Qualified School Construction Bonds	5,110,000	0
Compensated Absences	<u>1,784,197</u>	<u>1,665,925</u>
Total Governmental Activities	38,508,087	29,879,278
Business-Type Activities:		
Compensated Absences	<u>50,686</u>	<u>45,380</u>
Totals	<u><u>\$38,558,773</u></u>	<u><u>\$29,924,658</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, 2011, 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.

### **ECONOMIC FACTORS**

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

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

### **REQUESTS FOR INFORMATION**

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

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

### ***Statement of Net Assets*** ***June 30, 2011***

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 10,592,044	\$ 206,145	\$ 10,798,189
Investments	13,970,106	0	13,970,106
Receivables:			
Taxes	8,740,033	0	8,740,033
Accounts	375	195	570
Intergovernmental	17,602,715	0	17,602,715
Interest	3,205	0	3,205
Internal Balances	(10,070)	10,070	0
Inventory of Supplies at Cost	158,341	6,445	164,786
Restricted Assets:			
Cash and Cash Equivalents	1,256,104	0	1,256,104
Unamortized Bond Issuance Costs	446,396	0	446,396
Capital Assets not Being Depreciated	3,378,350	2,500	3,380,850
Capital Assets being Depreciated, Net	29,784,916	112,262	29,897,178
<b>Total Assets</b>	<b>85,922,515</b>	<b>337,617</b>	<b>86,260,132</b>
<b>Liabilities:</b>			
Accounts Payable	216,059	986	217,045
Accrued Wages and Benefits	1,426,490	55,840	1,482,330
Intergovernmental Payable	328,627	22,001	350,628
Deferred Revenue - Taxes	6,311,290	0	6,311,290
Accrued Interest Payable	127,442	0	127,442
Long Term Liabilities:			
Due Within One Year	875,560	0	875,560
Due in More Than One Year	37,632,527	50,686	37,683,213
<b>Total Liabilities</b>	<b>46,917,995</b>	<b>129,513</b>	<b>47,047,508</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	5,488,319	114,762	5,603,081
Restricted For:			
Capital Projects	22,415,102	0	22,415,102
Debt Service	1,391,471	0	1,391,471
Other Purposes	1,508,201	0	1,508,201
Unrestricted	8,201,427	93,342	8,294,769
<b>Total Net Assets</b>	<b>\$ 39,004,520</b>	<b>\$ 208,104</b>	<b>\$ 39,212,624</b>

See accompanying notes to the basic financial statements

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

### **Statement of Activities For the Fiscal Year Ended June 30, 2011**

	Expenses	Program Revenues		
		Charges for Services and	Operating Grants and	Capital Grants and
<b>Governmental Activities:</b>				
Instruction	\$ 12,176,308	\$ 289,256	\$ 1,267,825	\$ 22,850,046
Support Services:				
Pupils	1,251,256	0	152,422	0
Instructional Staff	878,988	0	30,995	0
Board of Education	28,191	0	0	0
Administration	1,631,670	0	6,264	0
Fiscal Services	616,132	0	0	0
Business	3,639	0	0	0
Operation and Maintenance of Plant	2,131,029	16,314	426,566	0
Pupil Transportation	1,406,574	9,159	0	0
Central	245,264	0	15,008	0
Extracurricular Activities	720,206	333,755	0	0
Debt Service:				
Interest and Fiscal Charges	1,775,671	0	0	0
<b>Total Governmental Activities</b>	<u>22,864,928</u>	<u>648,484</u>	<u>1,899,080</u>	<u>22,850,046</u>
<b>Business-Type Activities:</b>				
Food Service	905,151	474,872	446,190	0
<b>Total Business-Type Activities</b>	<u>905,151</u>	<u>474,872</u>	<u>446,190</u>	<u>0</u>
<b>Totals</b>	<u>\$ 23,770,079</u>	<u>\$ 1,123,356</u>	<u>\$ 2,345,270</u>	<u>\$ 22,850,046</u>

#### **General Revenues**

Property Taxes Levied for:

    General Purposes

    Special Revenue

    Debt Service

Income Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements



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

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Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 12,230,819	\$ 0	\$ 12,230,819
(1,098,834)	0	(1,098,834)
(847,993)	0	(847,993)
(28,191)	0	(28,191)
(1,625,406)	0	(1,625,406)
(616,132)	0	(616,132)
(3,639)	0	(3,639)
(1,688,149)	0	(1,688,149)
(1,397,415)	0	(1,397,415)
(230,256)	0	(230,256)
(386,451)	0	(386,451)
(1,775,671)	0	(1,775,671)
2,532,682	0	2,532,682
0	15,911	15,911
0	15,911	15,911
2,532,682	15,911	2,548,593
5,295,750	0	5,295,750
95,639	0	95,639
1,996,259	0	1,996,259
3,710,036	0	3,710,036
9,387,010	0	9,387,010
96,056	0	96,056
105,527	0	105,527
20,686,277	0	20,686,277
23,218,959	15,911	23,234,870
15,785,561	192,193	15,977,754
\$ 39,004,520	\$ 208,104	\$ 39,212,624

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

### ***Balance Sheet Governmental Funds June 30, 2011***

	General	Bond Retirement	Classroom Facility	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 3,045,518	\$ 1,218,703	\$ 4,821,718	\$ 1,377,238	\$ 10,463,177
Investments	7,721,505	0	3,796,245	2,452,356	13,970,106
Receivables:					
Taxes	6,707,853	1,948,012	0	84,168	8,740,033
Accounts	375	0	0	0	375
Intergovernmental	0	0	17,550,419	52,296	17,602,715
Interest	0	0	1,990	1,215	3,205
Interfund Loan Receivable	6,331	0	0	0	6,331
Inventory Held for Resale	158,341	0	0	0	158,341
Restricted Assets:					
Cash and Cash Equivalents	1,256,104	0	0	0	1,256,104
<b>Total Assets</b>	<b>\$ 18,896,027</b>	<b>\$ 3,166,715</b>	<b>\$ 26,170,372</b>	<b>\$ 3,967,273</b>	<b>\$ 52,200,387</b>
<b>Liabilities:</b>					
Accounts Payable	38,467	0	151,915	25,677	216,059
Accrued Wages and Benefits	1,388,121	0	0	38,369	1,426,490
Intergovernmental Payable	327,806	0	0	821	328,627
Interfund Loans Payable	0	0	0	6,331	6,331
Deferred Revenue - Taxes	4,716,062	1,689,049	0	68,754	6,473,865
Deferred Revenue	0	0	17,552,191	1,015	17,553,206
<b>Total Liabilities</b>	<b>6,470,456</b>	<b>1,689,049</b>	<b>17,704,106</b>	<b>140,967</b>	<b>26,004,578</b>
<b>Fund Balances:</b>					
Nonspendable	158,341	0	0	0	158,341
Restricted	1,269,086	1,477,666	8,466,266	3,826,408	15,039,426
Assigned	1,952,610	0	0	0	1,952,610
Unassigned	9,045,534	0	0	(102)	9,045,432
<b>Total Fund Balances</b>	<b>12,425,571</b>	<b>1,477,666</b>	<b>8,466,266</b>	<b>3,826,306</b>	<b>26,195,809</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,896,027</b>	<b>\$ 3,166,715</b>	<b>\$ 26,170,372</b>	<b>\$ 3,967,273</b>	<b>\$ 52,200,387</b>

See accompanying notes to the basic financial statements

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

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### ***Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities June 30, 2011***

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**Total Governmental Fund Balances** \$ 26,195,809

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

Capital Assets used in governmental activities are not resources and therefore are not reported in the funds. 33,163,266

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 17,715,781

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds Payable	(25,769,985)	
Build America Bonds Payable	(3,770,000)	
Qualified School Construction Bonds Payable	(3,080,000)	
Energy Conservation Bonds Payable	(2,030,000)	
Premium on Bond Refunding	(1,154,494)	
Interest Accretion	(1,854,928)	
Deferred Loss on Refundings	935,517	
Unamortized Bond Issuance Costs	446,396	
Compensated Absences Payable	(1,784,197)	
Accrued Interest Payable	(127,442)	(38,189,133)

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

118,797

***Net Assets of Governmental Activities***

\$ 39,004,520

See accompanying notes to the basic financial statements

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

### ***Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2011***

	General	Bond Retirement	Classroom Facility	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 8,952,680	\$ 1,967,959	\$ 0	\$ 93,185	\$ 11,013,824
Tuition	222,441	0	0	0	222,441
Transportation Fees	9,159	0	0	0	9,159
Investment Earnings	79,125	0	7,011	7,133	93,269
Extracurricular Activities	35,328	0	0	298,427	333,755
Class Materials and Fees	66,815	0	0	0	66,815
Intermediate Sources	26,721	0	0	0	26,721
Intergovernmental - State	8,926,075	259,656	5,299,627	44,625	14,529,983
Intergovernmental - Federal	31,668	180,936	0	1,843,130	2,055,734
All Other Revenue	69,747	0	0	25,373	95,120
<b>Total Revenue</b>	<b>18,419,759</b>	<b>2,408,551</b>	<b>5,306,638</b>	<b>2,311,873</b>	<b>28,446,821</b>
<b>Expenditures:</b>					
Current:					
Instruction	10,482,145	0	0	1,195,289	11,677,434
Supporting Services:					
Pupils	1,087,448	0	0	154,051	1,241,499
Instructional Staff	841,539	0	0	23,666	865,205
Board of Education	27,287	0	0	904	28,191
Administration	1,610,759	0	0	6,264	1,617,023
Fiscal Services	556,616	50,382	0	1,945	608,943
Business	3,639	0	0	0	3,639
Operation and Maintenance of Plant	1,514,735	0	0	459,077	1,973,812
Pupil Transportation	1,293,838	0	0	0	1,293,838
Central	211,866	0	0	29,227	241,093
Extracurricular Activities	385,970	0	0	303,068	689,038
Capital Outlay	211,513	0	1,053,585	1,636,519	2,901,617
Debt Service:					
Principal Retirement	0	715,000	0	0	715,000
Interest and Fiscal Charges	81,209	1,349,909	85,983	91,418	1,608,519
<b>Total Expenditures</b>	<b>18,308,564</b>	<b>2,115,291</b>	<b>1,139,568</b>	<b>3,901,428</b>	<b>25,464,851</b>

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

	General	Bond Retirement	Classroom Facility	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	111,195	293,260	4,167,070	(1,589,555)	2,981,970
<b>Other Financing Sources (Uses):</b>					
Sale of Capital Assets	1,968	0	0	0	1,968
Sale of Bonds	2,897	0	4,299,196	4,577,907	8,880,000
<b>Total Other Financing Sources (Uses)</b>	<b>4,865</b>	<b>0</b>	<b>4,299,196</b>	<b>4,577,907</b>	<b>8,881,968</b>
Net Change in Fund Balance	116,060	293,260	8,466,266	2,988,352	11,863,938
<b>Fund Balances at Beginning of Year, restated</b>	12,308,422	1,184,406	0	837,954	14,330,782
Increase in Inventory Reserve	1,089	0	0	0	1,089
<b>Fund Balances End of Year</b>	<b>\$ 12,425,571</b>	<b>\$ 1,477,666</b>	<b>\$ 8,466,266</b>	<b>\$ 3,826,306</b>	<b>\$ 26,195,809</b>

See accompanying notes to the basic financial statements

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

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### ***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Fiscal Year Ended June 30, 2011***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 11,863,938

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	3,133,981	
Depreciation Expense	(914,383)	2,219,598

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets.

The statement of activities reports gains arising from the disposal of capital assets. Conversely, the governmental funds do not report any gain on the disposal of capital assets.		(465)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		17,637,066
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The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Issuance of Build America Bonds Payable	(3,770,000)	
Issuance of Qualified School Construction Bonds Payable	(3,080,000)	
Issuance of Energy Conservation Bonds Payable	(2,030,000)	
Deferred Bond Issuance Costs	241,755	
General Obligation Bond Principal Payment	715,000	
Amortization of Bond Premium	60,762	
Interest Accretion Expense	(354,219)	
Amortization of Unamortized Bond Issuance Costs	(23,519)	
Deferred Loss on Early Retirement of Debt	(52,080)	(8,292,301)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(39,851)
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## ***EATON COMMUNITY SCHOOL DISTRICT, OHIO***

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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	(118,272)	
Change in Inventory	<u>1,089</u>	(117,183)

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

(51,843)

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

\$ 23,218,959

See accompanying notes to the basic financial statements

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

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 7,265,684	\$ 8,767,359	\$ 8,767,359	\$ 0
Tuition	241,920	222,441	222,441	0
Transportation Fees	8,463	9,497	9,497	0
Investment Earnings	64,348	78,484	78,484	0
Extracurricular Activities	11,907	5,398	5,398	0
Class Material and Fees	64,945	66,815	66,815	0
Intermediate Sources	26,798	26,721	26,721	0
Intergovernmental - State	8,736,675	8,926,075	8,926,075	0
Intergovernmental - Federal	0	31,668	31,668	0
All Other Revenues	64,896	36,255	36,255	0
Total Revenues	<u>16,485,636</u>	<u>18,170,713</u>	<u>18,170,713</u>	<u>0</u>
<b>Expenditures:</b>				
Current:				
Instruction	10,827,965	10,594,192	10,594,192	0
Support Services:				
Pupils	1,312,787	1,077,087	1,077,087	0
Instructional Staff	836,138	835,455	835,455	0
Board of Education	22,240	27,177	27,177	0
Administration	1,761,253	1,564,922	1,564,922	0
Fiscal Services	520,346	570,483	570,483	0
Business	2,775	3,631	3,631	0
Operation and Maintenance of Plant	1,558,094	1,585,366	1,585,366	0
Pupil Transportation	1,565,901	1,502,948	1,502,948	0
Central	150,678	230,526	230,526	0
Extracurricular Activities	398,754	385,362	385,362	0
Capital Outlay	153,401	214,947	214,947	0
Debt Service:				
Interest and Fiscal Charges	33,557	81,209	81,209	0
Total Expenditures	<u>19,143,889</u>	<u>18,673,305</u>	<u>18,673,305</u>	<u>0</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(2,658,253)	(502,592)	(502,592)	0



**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Proceeds from the Sale of Capital Assets	914	1,593	1,593	0
Sale of Bonds	0	2,897	2,897	0
Advances In	138,375	761,921	761,921	0
Advances Out	(122,562)	(743,271)	(743,271)	0
Total Other Financing Sources (Uses):	16,727	23,140	23,140	0
Net Change in Fund Balance	(2,641,526)	(479,452)	(479,452)	0
Fund Balance at Beginning of Year	11,671,755	11,671,755	11,671,755	0
Prior Year Encumbrances	483,043	483,043	483,043	0
Fund Balance at End of Year	\$ 9,513,272	\$ 11,675,346	\$ 11,675,346	\$ 0

See accompanying notes to the basic financial statements

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

***Statement of Net Assets  
Proprietary Fund  
June 30, 2011***

	Business-Type Activities Food Service Fund	Governmental Activities Internal Service Funds
<b>Assets:</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 206,145	\$ 128,867
Receivables:		
Accounts	195	0
Inventory of Supplies at Cost	6,445	0
<i>Total Current Assets</i>	212,785	128,867
<i>Non Current Assets:</i>		
Capital Assets, Net	114,762	0
<b>Total Assets</b>	<b>327,547</b>	<b>128,867</b>
<b>Liabilities:</b>		
<i>Current Liabilities:</i>		
Accounts Payable	986	0
Accrued Wages and Benefits	55,840	0
Intergovernmental Payable	22,001	0
<i>Total Current Liabilities</i>	78,827	0
<i>Long Term Liabilities:</i>		
Compensated Absences Payable	50,686	0
<b>Total Liabilities</b>	<b>129,513</b>	<b>0</b>
<b>Net Assets:</b>		
Invested in Capital Assets	114,762	0
Unrestricted	83,272	128,867
<b>Total Net Assets</b>	<b>\$ 198,034</b>	<b>\$ 128,867</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	10,070	
Total Net Assets of Business Type Activities	<b>\$ 208,104</b>	

See accompanying notes to the basic financial statements

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

***Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2011***

	Business-Type Activities Food Service Fund	Governmental Activities Internal Service Funds
<b>Operating Revenues:</b>		
Sales	474,234	0
Interfund Charges	0	124,601
<b>Total Operating Revenues</b>	<b>474,234</b>	<b>124,601</b>
<b>Operating Expenses:</b>		
Salaries and Wages	325,172	0
Fringe Benefits	164,488	0
Contractual Services	10,530	0
Supplies and Materials	394,632	0
Depreciation	5,990	0
Other Operating Expenses	783	180,000
<b>Total Operating Expenses</b>	<b>901,595</b>	<b>180,000</b>
Operating Income (Loss)	(427,361)	(55,399)
<b>Nonoperating Revenue (Expenses):</b>		
Operating Grants	446,190	0
Investment Earnings	638	0
<b>Total Nonoperating Revenues (Expenses)</b>	<b>446,828</b>	<b>0</b>
<b>Transfers:</b>		
Change in Net Assets	19,467	(55,399)
Net Assets Beginning of Year	178,567	184,266
Net Assets End of Year	<b>\$ 198,034</b>	<b>\$ 128,867</b>
Change in Net Assets of Enterprise Funds	\$ 19,467	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(3,556)	
Change in Net Assets of Business Type Activities	<b>\$ 15,911</b>	

See accompanying notes to the basic financial statements

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

### ***Statement of Cash Flows***

#### ***Proprietary Fund***

***For the Fiscal Year Ended June 30, 2011***

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$474,039	\$0
Cash Received from Interfund Payments	0	124,601
Cash Payments for Goods and Services	(337,497)	(180,000)
Cash Payments to Employees for Services and Benefits	(493,680)	0
Net Cash Used for Operating Activities	(357,138)	(55,399)
<u>Cash Flows from Noncapital Financing Activities:</u>		
Operating Grants Received	384,567	0
Net Cash Provided by Noncapital Financing Activities	384,567	0
<u>Cash Flows from Investing Activities:</u>		
Receipts of Interest	638	0
Net Cash Provided by Investing Activities	638	0
Net Increase in Cash and Cash Equivalents	28,067	(55,399)
Cash and Cash Equivalents at Beginning of Year	178,078	184,266
Cash and Cash Equivalents at End of Year	\$206,145	\$128,867
<u>Reconciliation of Operating Loss to Net Cash</u>		
<u>Used for Operating Activities:</u>		
Operating Loss	(\$427,361)	(\$55,399)
Adjustments to Reconcile Operating Loss to		
Net Cash Used for Operating Activities:		
Depreciation Expense	5,990	0
Donated Commodities Used During the Year	61,623	0
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(195)	0
Decrease in Inventory	5,942	0
Increase in Accounts Payable	883	0
Increase in Accrued Wages and Benefits	3,875	0
Decrease in Intergovernmental Payables	(13,201)	0
Increase in Compensated Absences	5,306	0
Total Adjustments	70,223	0
Net Cash Used for Operating Activities	(\$357,138)	(\$55,399)

See accompanying notes to the basic financial statements

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

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***Statement of Net Assets  
Fiduciary Funds  
June 30, 2011***

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	Private Purpose Trust Funds	Agency Funds	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 128,863	\$ 55,167	\$ 184,030
Capital Assets, Net	1,074	0	1,074
<b>Total Assets</b>	<u>129,937</u>	<u>55,167</u>	<u>185,104</u>
<b>Liabilities:</b>			
Accounts Payable	42	0	42
Due to Others	0	5,295	5,295
Due to Students	0	49,872	49,872
<b>Total Liabilities</b>	<u>42</u>	<u>55,167</u>	<u>55,209</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	1,074	0	1,074
Held in Trust	128,821	0	128,821
<b>Total Net Assets</b>	<u>\$ 129,895</u>	<u>\$ 0</u>	<u>\$ 129,895</u>

See accompanying notes to the basic financial statements

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Statement of Changes in Net Assets**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2011**

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	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions:	
Private Donations	<u>5,213</u>
Total Contributions	<u>5,213</u>
Investment Earnings:	
Interest	<u>474</u>
Total Additions	<u>5,687</u>
<b>Deductions:</b>	
Administrative Expenses	1,318
Community Gifts, Awards and Scholarships	<u>21,230</u>
Total Deductions	<u>22,548</u>
Change in Net Assets	(16,861)
Net Assets at Beginning of Year	<u>146,756</u>
Net Assets End of Year	<u>\$ 129,895</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, 2011***

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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 91 non-certified and approximately 136 certified teaching personnel and administrative employees providing education to 2,267 students.

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

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

The following fund types are used by the District:

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

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

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

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

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

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

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



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

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

***Fiduciary Funds*** – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District’s own programs. The District’s two trust funds are private-purpose trusts that account for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

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

***Government-wide Financial Statements*** – The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

***Fund Financial Statements*** – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

##### **C. Basis of Presentation – Financial Statements (Continued)**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

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

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

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

##### **D. Basis of Accounting** (Continued)

Current property taxes measurable at June 30, 2011, of which are not intended to finance fiscal 2011 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2011 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds and the private-purpose trust fund. Revenues are recognized when they are earned and expenses are recognized when incurred.

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

***Revenues – Exchange and Non-exchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

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

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

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

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

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

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

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2011.

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

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

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

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

**E. Budgetary Process (Continued)**

**4. Lapsing of Appropriations**

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

**5. Basis of Budgeting**

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

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	\$116,060
Increase (Decrease):	
Accrued Revenues	
at June 30, 2011	
received during FY 2012	(1,998,497)
Accrued Revenues	
at June 30, 2010	
received during FY 2011	1,831,148
Accrued Expenditures	
at June 30, 2011	
paid during FY 2012	1,754,394
Accrued Expenditures	
at June 30, 2010	
paid during FY 2011	(1,901,311)
Perspective Difference-	
Budgeted Special Revenue Funds	
reclassified as General Fund	(5,523)
Encumbrances Outstanding	(275,723)
Budget Basis	(\$479,452)

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

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

During fiscal year 2011, cash and cash equivalents included amounts in demand deposits, short-term certificates of deposit with original maturities of three months or less, and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. The District's cash and cash equivalents represent Star Ohio investment and depository accounts. See Note 5, "Cash, Cash Equivalents and Investments."

#### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. During fiscal year 2011, investment purchases were limited to Star Ohio and United States Treasury and federal agency securities. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts, which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the financial statements. See Note 5, "Cash, Cash Equivalents and Investments."

The District had invested funds in the State Treasury Asset Reserve of Ohio during 2011. 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, 2011.

#### **H. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

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

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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, 2011***

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

##### **I. Capital Assets and Depreciation**

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

##### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$500.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

##### **2. Property, Plant and Equipment – Business Type Activities**

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost for assets not purchased in recent years), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

##### **3. Depreciation**

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	20
Buildings and Improvements	25-90
Machinery and Equipment	5-25
Vehicles	5-10

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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, 2011***

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

**J. Long-Term Obligations**

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

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

**K. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the termination method. Employees may earn 15 days of sick leave per year up to a maximum of 275 days. Upon retirement, certified employees will receive 30% of the accumulated sick leave up to a maximum of 183 days while non-certified employees will receive 25% of the accumulated sick leave up to a maximum of 62 days. For governmental funds, compensated absences are reported as an expenditure in the fund from which the individual earning the leave is paid only if the compensated absences have matured, for example, as a result of employee resignations and retirement. A corresponding liability is reflected in the account "Compensated Absences Payable." There is no such liability for "Compensated Absences Payable" for the 2011 fiscal year. In the government-wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.



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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***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 expenditures 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 expenditures 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, 2011***

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

##### **N. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability.

##### **O. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Interfund transfers between governmental funds are eliminated on the Statement of Activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

##### **P. Restricted Assets**

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

##### **Q. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

##### **R. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and tuition and fees for uniform school supplies. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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#### **NOTE 2 – ACCOUNTING CHANGE AND RESTATEMENT OF FUND BALANCES**

For fiscal year 2011, the District implemented Governmental Accounting Standard Board(GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the District’s financial statements.

The implementation of GASB Statement No. 54 resulted in the restatement of the fund balances of the General Fund and the nonmajor governmental funds as follows:

	General Fund	Nonmajor Governmental Funds
Fund Balance at June 30, 2010 as reported	\$12,241,887	\$904,489
Change in Fund Structure	66,535	(66,535)
Fund Balance at June 30, 2010 as restated	<u>\$12,308,422</u>	<u>\$837,954</u>

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

***Fund Deficit*** - The fund deficit of \$102 in the Race to the Top Fund arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on a budgetary basis. The General Fund provides transfers, upon the Board’s approval when cash is required not when accruals occur.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**NOTE 4 – FUND BALANCES**

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

Fund Balances	General Fund	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Supplies Inventory	\$158,341	\$0	\$0	\$0	\$158,341
Total Nonspendable	<u>158,341</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>158,341</u>
Restricted:					
Budget Stabilization	1,256,104	0	0	0	1,256,104
Career Tech	12,982	0	0	0	12,982
Classroom Facilities Maintenance	0	0	0	121,765	121,765
Extracurricular Activities	0	0	0	53,364	53,364
Education Jobs	0	0	0	41,150	41,150
Special Education	0	0	0	7,514	7,514
At-Risk Students	0	0	0	2,585	2,585
Targeted Academic Assistance	0	0	0	6,734	6,734
Improving Teacher Quality	0	0	0	3,651	3,651
Debt Service Payments	0	1,477,666	0	0	1,477,666
Capital Improvements	0	0	8,466,266	3,589,645	12,055,911
Total Restricted	<u>1,269,086</u>	<u>1,477,666</u>	<u>8,466,266</u>	<u>3,826,408</u>	<u>15,039,426</u>
Assigned:					
Encumbrances	247,902	0	0	0	247,902
Appropriation of Fund Balance	1,704,708	0	0	0	1,704,708
Total Assigned	<u>1,952,610</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,952,610</u>
Unassigned	9,045,534	0	0	(102)	9,045,432
Total Fund Balances	<u><u>\$12,425,571</u></u>	<u><u>\$1,477,666</u></u>	<u><u>\$8,466,266</u></u>	<u><u>\$3,826,306</u></u>	<u><u>\$26,195,809</u></u>

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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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, 2011***

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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 \$19,885,479 and the bank balance was \$20,180,760. Not included in the bank balance is \$777, which represents cash on hand held by the District. Federal Depository Insurance covered \$826,090 of the bank balance and \$19,354,670 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>\$19,354,670</u>
Total Balance	<u><u>\$19,354,670</u></u>

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

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

The District's investments at June 30, 2011 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)	
			less than 1	1-3 years
STAR Ohio	\$73,572	AAAm <sup>2</sup>	73,572	0
FHLB Note	2,279,786	a Aaa <sup>1</sup> , AAA <sup>2</sup>	649,786	1,630,000
FHLMC Notes	1,284,447	b Aaa <sup>1</sup> , AAA <sup>2</sup>	0	1,284,447
FNMA Note	319,293	Aaa <sup>1</sup> , AAA <sup>2</sup>	0	319,293
FHLB Discount Note	1,027,217	P-1 <sup>1</sup> , A-1+ <sup>2</sup>	1,027,217	0
Toyota Motor Credit	628,980	P-1 <sup>1</sup> , A-1+ <sup>2</sup>	628,980	0
United States Treasury Bill	708,878	P-1 <sup>1</sup> , A-1+ <sup>2</sup>	708,878	0
Total Investments	<u>\$6,322,173</u>		<u>\$3,088,433</u>	<u>\$3,233,740</u>

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

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

<sup>a</sup> \$470,000 FHLB called on July 20, 2011, \$635,000 called on August 28, 2011.

<sup>b</sup> \$540,000 FHLMC Notes were called on September 28, 2011.

*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, 36.1% are FHLB, 20.3% are FHLMC, 5.1% are FNMA, 16.2% are FHLB Discount Notes, 9.9% are Toyota Motor Credit, and 11.2% are United States Treasury Bills.

*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, 2011***

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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	\$12,238,323	\$13,970,106
Certificates of Deposit (with maturities of less than 3 months)	7,721,505	(7,721,505)
STAR Ohio	<u>(73,572)</u>	<u>73,572</u>
Per GASB Statement No. 3	<u>\$19,886,256</u>	<u>\$6,322,173</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, 2011***

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

Property taxes include amounts levied against all real estate and public utility property, used in business and located in the District. Real property taxes (other than public utility) collected during 2011 were levied after October 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2005. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Tangible personal property taxes have been phased out. House Bill No. 66 was to hold districts harmless by replacing a portion of the revenue lost by the District due to the phasing out of the tax. In fiscal years 2006-2009, the District was fully reimbursed for the lost revenue. In fiscal years 2010-2018, the District will not be fully reimbursed for the lost revenue.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Eaton Community School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values upon which the fiscal year 2011 receipts were based are:

	2010 Second Half Collections	2011 First Half Collections
Agricultural/Residential and Other Real Estate	\$274,516,750	\$276,450,890
Public Utility Personal	7,029,400	7,348,100
Total Assessed Value	<u>\$281,546,150</u>	<u>\$283,798,990</u>
Tax rate per \$1,000 of assessed valuation	\$38.20	\$41.30

#### **NOTE 7 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**NOTE 8 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2011:

**Historical Cost:**

Class	June 30, 2010	Additions	Deletions	June 30, 2011
<b>Capital assets not being depreciated:</b>				
Land	\$606,919	\$0	\$0	\$606,919
Construction in Progress	0	2,771,431	0	2,771,431
Subtotal	606,919	2,771,431	0	3,378,350
<b>Capital assets being depreciated:</b>				
Land Improvements	1,451,917	0	0	1,451,917
Buildings and Improvements	31,886,401	136,351	0	32,022,752
Machinery and Equipment	5,869,989	209,268	(19,017)	6,060,240
Vehicles	1,661,634	16,931	0	1,678,565
Subtotal	40,869,941	362,550	(19,017)	41,213,474
Total Cost	\$41,476,860	\$3,133,981	(\$19,017)	\$44,591,824

**Accumulated Depreciation:**

Class	June 30, 2010	Additions	Deletions	June 30, 2011
Land Improvements	(\$602,251)	(\$64,921)	\$0	(\$667,172)
Buildings and Improvements	(4,449,593)	(377,475)	0	(4,827,068)
Machinery and Equipment	(4,375,390)	(346,003)	18,552	(4,702,841)
Vehicles	(1,105,493)	(125,984)	0	(1,231,477)
Total Depreciation	(\$10,532,727)	(\$914,383) *	\$18,552	(\$11,428,558)
<b>Net Value:</b>	<b>\$30,944,133</b>			<b>\$33,163,266</b>

\* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$508,191
Support Services:	
Pupils	4,989
Instructional Staff	26,536
Administration	18,754
Fiscal Services	4,920
Operations & Maintenance of Plant	176,942
Pupil Transportation	122,145
Central	4,600
Extracurricular Activities	47,306
Total Depreciation Expense	\$914,383

**EATON COMMUNITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

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**NOTE 8 - CAPITAL ASSETS (Continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category at June 30, 2011:

***Historical Cost:***

<u>Class</u>	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$2,500	\$0	\$0	\$2,500
<b><i>Capital assets being depreciated:</i></b>				
Buildings	162,766	0	0	162,766
Machinery and Equipment	235,972	0	0	235,972
Total Cost	<u>\$401,238</u>	<u>\$0</u>	<u>\$0</u>	<u>\$401,238</u>

***Accumulated Depreciation:***

<u>Class</u>	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Buildings	(\$74,819)	(\$1,808)	\$0	(\$76,627)
Machinery and Equipment	(205,667)	(4,182)	0	(209,849)
Total Depreciation	<u>(\$280,486)</u>	<u>(\$5,990)</u>	<u>\$0</u>	<u>(\$286,476)</u>
<b><i>Net Value:</i></b>	<u>\$120,752</u>			<u>\$114,762</u>

**NOTE 9- DEFINED BENEFIT PENSION PLANS**

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

**A. School Employee Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$312,497, \$309,480 and \$211,491 respectively, which were equal to the required contributions for each year.

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,181,265, \$1,121,072, and \$1,068,511 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2011 were \$14,715 made by the District and \$10,511 made by the plan members.

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

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

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

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

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$75,460, \$66,821, and \$149,487 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$20,110, \$15,983, and \$15,356 respectively; which were equal to the required contributions for each year.

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

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$90,867, \$86,236, and \$82,193 respectively; which were equal to the required contributions for each year.

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

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

Detail of the changes in the bonds and compensated absences of the District for the year ended June 30, 2011 is as follows:

		Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Amount Due Within One Year	
<b>Governmental Activities:</b>							
General Obligation Bonds:							
2002	School Improvement						
	Serial Bonds	4.00-4.25%	\$1,905,000	\$0	(\$545,000)	\$1,360,000	\$610,000
	Capital Appreciation Bonds	8.26%	1,249,985	0	0	1,249,985	0
	Net 2002 Bonds		3,154,985	0	(545,000)	2,609,985	610,000
2005	School Improvement Refunding	2.50-5.00%	300,000	0	(145,000)	155,000	155,000
	Deferred Loss on Refunding		(6,000)	0	3,000	(3,000)	0
	Net 2005 Refunding Bonds		294,000	0	(142,000)	152,000	155,000
2007	School Improvement Refunding Series						
	Serial Bonds		16,700,000	0	(25,000)	16,675,000	10,000
	Term Bonds		5,995,000	0	0	5,995,000	0
	Capital Appreciation Bonds		335,000	0	0	335,000	0
	Premium on Bond Refunding		1,215,256	0	(60,762)	1,154,494	0
	Deferred Loss on Refunding		(981,597)	0	49,080	(932,517)	0
	Net 2007 Refunding Bonds		23,263,659	0	(36,682)	23,226,977	10,000
	Total General Obligation Bonds		26,712,644	0	(723,682)	25,988,962	775,000
2002	Interest Accretion	8.26%	1,159,164	203,207	0	1,362,371	0
2007	Interest Accretion	8.26%	341,545	151,012	0	492,557	0
	Total Interest Accretion		1,500,709	354,219	0	1,854,928	0
Build American Bonds:							
2011	School Improvement	6.02%	0	3,770,000	0	3,770,000	0
Qualified School Construction Bonds:							
2011	School Improvement	5.39%	0	3,080,000	0	3,080,000	0
2011	School Energy Conservation Improve	5.909%	0	2,030,000	0	2,030,000	0
	Compensated Absences		1,665,925	597,094	(478,822)	1,784,197	100,560
	Total Governmental Activities		29,879,278	9,831,313	(1,202,504)	38,508,087	875,560
<b>Business-Type Activities:</b>							
	Compensated Absences		45,380	14,963	(9,657)	50,686	0
	Total Long-Term Obligations		\$29,924,658	\$9,846,276	(\$1,212,161)	\$38,558,773	\$875,560

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

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2011 follows:

Years	General Obligation Bonds (Includes Serial, Term, and Capital Appreciation Bonds)			Build America Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$775,000	\$1,011,006	\$1,786,006	\$0	\$227,256	\$227,256
2013	860,000	978,806	1,838,806	0	227,256	227,256
2014	431,548	1,434,008	1,865,556	0	227,256	227,256
2015	424,538	1,476,318	1,900,856	0	227,255	227,255
2016	472,389	1,578,067	2,050,456	0	227,255	227,255
2017-2021	2,166,510	8,674,670	10,841,180	0	1,136,278	1,136,278
2022-2026	9,515,000	3,405,080	12,920,080	0	1,136,278	1,136,278
2027-2031	11,125,000	992,049	12,117,049	885,000	1,067,408	1,952,408
2032-2036	0	0	0	2,375,000	522,477	2,897,477
2037	0	0	0	510,000	15,371	525,371
<b>Totals</b>	<b>\$25,769,985</b>	<b>\$19,550,004</b>	<b>\$45,319,989</b>	<b>\$3,770,000</b>	<b>\$5,014,090</b>	<b>\$8,784,090</b>

Years	Qualified School Construction Bonds School Improvement			Qualified School Construction Bonds School Energy Conservation Improvement		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$0	\$166,012	\$166,012	\$0	\$119,953	\$119,953
2013	0	166,012	166,012	0	119,953	119,953
2014	0	166,012	166,012	0	119,953	119,953
2015	0	166,012	166,012	0	119,953	119,953
2016	0	166,012	166,012	0	119,952	119,952
2017-2021	0	830,060	830,060	0	599,763	599,763
2022-2026	0	830,060	830,060	2,030,000	539,787	2,569,787
2027-2031	3,080,000	204,748	3,284,748	0	0	0
<b>Totals</b>	<b>\$3,080,000</b>	<b>\$2,694,928</b>	<b>\$5,774,928</b>	<b>\$2,030,000</b>	<b>\$1,739,314</b>	<b>\$3,769,314</b>

##### **B. Defeasance of General Obligation Debt**

In February of 2005, the District issued \$1,000,000 of School Improvement Refunding General Obligation Bonds to defease the \$1,000,000 of General Obligation Bonds for School Improvements dated November 1, 1989. The net proceeds of the 2005 School Improvement General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$175,000 at June 30, 2011, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advanced refunding.



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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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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, 2011, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2010	\$113,989	\$1,059,323	\$1,173,312
Current Year Set-Aside Requirement	338,053	338,053	676,106
Qualifying Disbursements	<u>(385,647)</u>	<u>(207,666)</u>	<u>(593,313)</u>
Total	<u>\$66,395</u>	<u>\$1,189,710</u>	<u>\$1,256,105</u>
Cash Balance Carried Forward to FY 2011	<u>\$66,395</u>	<u>\$1,189,710</u>	<u>\$1,256,105</u>
Amount Restricted for Textbooks			\$66,395
Amount Restricted for Capital Acquisition			<u>1,189,710</u>
Total Restricted Assets			<u>\$1,256,105</u>

#### **NOTE 13 - RISK MANAGEMENT**

##### **A. Public Entity Risk Pool**

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

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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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 2011, the District contracted with Indiana Insurance Company for various insurance coverages, as follows:

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

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

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

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

The Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 30 school districts. During fiscal year 2011, the District paid \$54,604 to SWOCA. To obtain financial information write to SWOCA 3603 Hamilton-Middletown Road, Hamilton, OH 45011.

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

Payments to SOEPC are made from the general fund. During fiscal year 2011, the School District paid \$3,619 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

The School District participates in the Educational Regional Service System (ERSS) Region 10, a jointly governed organization consisting of educational entities within Clark, Darke, Greene, Miami, Montgomery, and Preble counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Montgomery County Educational Service Center, 200 S. Keowee Street, Dayton, Ohio 45402.

#### **NOTE 15 – CONSTRUCTION COMMITMENTS**

As of June 30, 2011, the District had the following commitments with respect to capital improvements:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>
LFI's Design Services	\$41,495
New Elementary School Design Services	269,915
New Middle School Design Services	402,753
District wide Energy efficiency measures	461,500

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

##### **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, 2011.

**EATON COMMUNITY SCHOOLS  
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2011	10.555		\$61,623		\$61,623
Cash Assistance:						
National School Breakfast Program	2011	10.553	\$72,674		\$72,674	
National School Lunch Program	2011	10.555	303,543		303,543	
Total Child Nutrition Cluster			376,217	61,623	376,217	61,623
Total U.S. Department of Agriculture			376,217	61,623	376,217	61,623
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2011	84.027	414,654		414,654	
ARRA - Special Education - Grants to States	2011	84.391	277,664		283,179	
	2010	84.391	(17,691)		28,712	
Total Special Education Grants to States			674,627		726,545	
Special Education - Preschool Grants	2011	84.173	4,590		4,590	
Total Special Education Cluster			679,217		731,135	
Title I Grants to Local Educational Agencies	2011	84.010	235,405		234,920	
	2010	84.010	18,232		27,571	
School Improvement Sub A	2011	84.010	30,370		14,441	
	2010	84.010	6,000		3,415	
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	94,710		86,934	
	2010	84.389	(15,384)		307	
Total Title I Grants to Local Educational Agencies			369,333		367,588	
Education Technology State Grants	2011	84.318	92		908	
Improving Teacher Quality State Grants	2011	84.367	72,170		68,860	
	2010	84.367	8,399		10,372	
Total Improving Teacher Quality State Grants			80,569		79,232	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education	2011	84.394	632,664		632,664	
ARRA - Race to the Top	2011	84.395	14,751		11,352	
Ed Jobs	2011	84.410	41,150		-	
Total U.S. Department of Education			1,817,776	-	1,822,879	-
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$2,193,993</b>	<b>\$61,623</b>	<b>\$2,199,096</b>	<b>\$61,623</b>

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

**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

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

**NOTE E – REFUND OF TITLE I SCHOOL IMPROVEMENT SUB A GRANT RECEIPTS FOR FY 2010, CFDA # 84.010**

\$6,724 of FY10 Title I School Improvement Sub A Grant, CFDA# 84.010, was refunded to the Ohio Department of Education. It is reflected as a negative receipt on the accompanying Schedule of Federal Awards.

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
Title I Grants to Local Educational Agencies	84.010	\$ 7,833
ARRA – Title I Grants to Local Educational Agencies	84.389	15,384
Title I School Improvement Sub A	84.010	5,749
ARRA – Special Education – Grants to States	84.391	17,691



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eaton Community School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 24, 2012, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 24, 2012.

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

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

**Dave Yost**  
Auditor of State

February 24, 2012





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Eaton Community School District, Preble County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Eaton Community School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Eaton Community School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-001.

### Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2011-001. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program 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.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 24, 2012.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

February 24, 2012

**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other 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>	No
<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 other significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: CFDA #84.027, #84.173, #84.391 Title I Cluster: CFDA #84.010 & #84.389 State Fiscal Stabilization: CFDA # 84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Noncompliance / Significant Deficiency – 1512 Vendor Reporting**

<b>Finding Number</b>	2011-001
<b>CFDA Title and Number</b>	ARRA-Special Education-Grants to States, CFDA #84.391 ARRA-State Fiscal Stabilization Fund, CFDA #84.394
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512(b) & (c)** requires any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. **Section 1512(c)(4)** requires detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals. Further, **Office of Management and Budget Memo M-09-21 dated June 22, 2009** states that prime recipients may choose to delegate certain reporting requirements to sub-recipients. This memo also states three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000 must be reported.

The **Ohio Department of Education’s American Recovery and Reinvestment Act Reporting Guidance** states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000. If the vendor received multiple payments less than \$25,000, even when the total of the payments exceeds \$25,000, the vendor information should *not* be reported.

During 2011, the District made the following payments exceeding \$25,000 and failed to report the payments to ODE on the 1512 ARRA Subrecipient Vendor Report:

IDEA part B ARRA:

<b>Vendor</b>	<b>Amount</b>	<b>Date</b>	<b>Quarters Not Reported</b>
Scientific Learning	\$60,750.00	October 21, 2010	2, 3, 4
Scientific Learning	\$27,000.00	January 31, 2011	3, 4

**FINDING 2011-001  
(Continued)**

State Fiscal Stabilization Fund:

<b>Vendor</b>	<b>Amount</b>	<b>Date</b>	<b>Quarters Not Reported</b>
Dayton, Power, and Light	\$35,912.05	August 19, 2010	1, 2, 3
Dayton, Power, and Light	\$41,692.60	September 20, 2010	1, 2, 3
Dayton, Power, and Light	\$30,661.94	March 17, 2011	3
McGraw and Hill	\$43,198.78	August 26, 2010	1
Pearson Education	\$59,825.61	September 20, 2010	1

Noncompliance with 1512 reporting requirements could result in temporary suspension or permanent loss of Federal Recovery funding. The District should report all vendors receiving single payments greater than \$25,000 on the ODE 1512 ARRA Subrecipient Vendor report.

**Officials' Response:**

The officials did not provide a response to this finding.

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**EATON COMMUNITY SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

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>
2010-001	Lack of oversight in the posting of financial activity.	Yes	
2010-002	American Recovery and Reinvestment Act of 2009, Section 1512(b) & (c), failure to report vendors receiving single payments of more than \$25,000.	No	Not corrected. Reissued as Finding 2011-001.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on September 12, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 24, 2012

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**EATON COMMUNITY SCHOOLS  
PREBLE COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-001	The School District will insure that all future ARRA Section 1512(b) and (c) vendor reporting will be reported correctly by incorporating the recommendation into the reporting process.	2/29/12	Priscilla Dodson

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# Dave Yost • Auditor of State

**EATON COMMUNITY SCHOOLS**

**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 13, 2012**