

Eastland-Fairfield Career & Technical Schools

Franklin County, Ohio

Single Audit

July 1, 2005 Through June 30, 2006

Fiscal Year Audited Under GAGAS: 2006

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Mary Taylor, CPA

Auditor of State

Board of Education
Eastland Fairfield Career and Technical Schools
4300 Amalgamated Place
P.O. Box 419
Groveport, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Eastland Fairfield Career and Technical Schools, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Eastland Fairfield Career and Technical Schools is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 20, 2007

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Eastland-Fairfield Career & Technical Schools
Franklin County, Ohio

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Eastland-Fairfield Career & Technical Schools
4300 Amalgamated Place, P.O. Box 419
Groveport, Ohio 43215-0419

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Eastland-Fairfield Career & Technical Schools (the School District), Franklin County, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

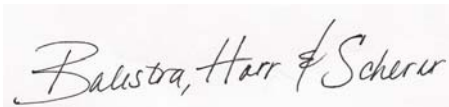
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2006 on our consideration of the School 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. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
December 28, 2006

Eastland-Fairfield Career & Technical Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Eastland-Fairfield Career & Technical Schools' (the School District) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Governmental Activities:

- The School District's assets of its governmental activities exceeded its liabilities at June 30, 2006 by \$32,145,718.
- The School District's net assets of governmental activities increased \$3,743,982, which represents a 13 percent increase from the prior year's net assets.
- General revenues of governmental activities accounted for \$18,786,729 in revenue or 88 percent of governmental activities revenues. Program specific revenues of governmental activities in the form of charges for services and sales, grants and contributions accounted for \$2,567,672 or 12 percent of total revenues of \$21,354,401.
- The School District had \$17,603,263 in expenses related to governmental activities; only \$2,567,672 of these expenses were offset by program specific charges for services, grants, or contributions.

Business-Type Activities:

- The School District's assets of its business-type activities exceeded its liabilities at June 30, 2006 by \$1,482,485.
- The School District's net assets of business-type activities decreased \$243,640.
- General revenues of business-type activities accounted for \$19,884 in revenue or 0.6 percent of business-type activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,185,236 or 99.4 percent of total revenues of \$3,205,120.
- The School District had \$3,455,916 in expenses related to adult and community education; \$3,185,236 of these expenses were offset by program specific charges for services, grants, and contributions.

Eastland-Fairfield Career & Technical Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the School District's financial situation as a whole and also give a detailed view of its financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the School District's major governmental fund with all other non-major funds presented in total in one column. The major governmental fund of the School District is the General Fund. The other major fund for the School District is the Adult Education Enterprise Fund.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The analysis of the School District as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes to those assets. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the School District's financial well-being. Some of these factors include the School District's tax base, current property tax laws in Ohio restricting revenue growth, the condition of capital assets, and required educational programs.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities.** Some of the School District's programs and services that are reported here include instruction, support services, non-instructional services, 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 School District's adult education program is reported as a business-type activity.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's only major funds are the General Fund and the Adult Education Fund.

Eastland-Fairfield Career & Technical Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS (Continued)

Governmental Funds. Most of the School 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 the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the School District as a whole.

Fiduciary Funds. The School District's fiduciary funds include agency funds. All of the School District's fiduciary funds are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005*	2006	2005	2006	2005
Assets:						
Current and						
Other Assets	\$32,149,726	\$29,133,276	\$1,093,964	\$1,503,118	\$33,243,690	\$30,636,394
Capital Assets, Net	15,453,413	13,673,149	669,255	467,209	16,122,668	14,140,358
Total Assets	47,603,139	42,806,425	1,763,219	1,970,327	49,366,358	44,776,752
Liabilities:						
Current and Other						
Liabilities	12,970,468	11,836,712	203,180	176,681	13,173,648	12,013,393
Long-Term						
Liabilities	2,486,953	2,567,977	77,554	67,521	2,564,507	2,635,498
Total Liabilities	15,457,421	14,404,689	280,734	244,202	15,738,155	14,648,891
Net Assets:						
Invested in Capital						
Assets, Net of						
Related Debt	14,235,863	12,205,874	669,255	467,209	14,905,118	12,673,083
Restricted	265,153	140,147	0	0	265,153	140,147
Unrestricted	17,644,702	16,055,715	813,230	1,258,916	18,457,932	17,314,631
Total Net Assets	\$32,145,718	\$28,401,736	\$1,482,485	\$1,726,125	\$33,628,203	\$30,127,861

* Restated – See Note 3.

The increase to current and other assets is due to an increase in cash held by the School District due to an increase in revenues and increases in property taxes receivable. The increase to capital assets is due to the continuing renovation projects by the School District. The increase to current and other liabilities is primarily due to an increase in deferred revenue which is a result of the increase in property taxes receivable.

Eastland-Fairfield Career & Technical Schools*Management's Discussion and Analysis**For the Fiscal Year Ended June 30, 2006***THE SCHOOL DISTRICT AS A WHOLE (Continued)*****Governmental Activities***

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2006 and June 30, 2005.

	2006	2005*
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,037,902	\$803,377
Operating Grants and Contributions	1,529,770	1,198,753
Total Program Revenues	2,567,672	2,002,130
General Revenues:		
Property Taxes	12,617,239	11,606,267
Grants and Entitlements	5,440,195	5,125,360
Investment Earnings	717,072	338,956
Miscellaneous	12,223	54,200
Total General Revenues	18,786,729	17,124,783
Total Revenues	21,354,401	19,126,913
Program Expenses		
Instruction		
Regular	3,422,648	3,623,090
Special	982,480	660,893
Vocational	4,981,184	4,615,396
Adult/Continuing	125,582	193,419
Other	471,785	0
Support Services		
Pupil	855,666	823,697
Instructional Staff	246,434	227,009
Board of Education	72,850	37,672
Administration	2,699,190	2,510,707
Fiscal	626,984	582,783
Operation & Maintenance of Plant	2,282,367	1,743,171
Pupil Transportation	38,297	143,249
Central	314,172	248,245
Non-Instructional Services	429,436	330,437
Extracurricular Activities	18,303	20,153
Interest & Fiscal Charges	35,885	68,630
Total Expenses	17,603,263	15,828,551
Transfers	(7,156)	(57,262)
Increase in Net Assets	3,743,982	3,241,100
Net Assets at Beginning of Year	28,401,736	25,160,636
Net Assets at End of Year	\$32,145,718	\$28,401,736

* Restated – See Note 3.

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities (Continued)

The increase in operating grants and contributions is due to increased grant monies received by the School District. The increase in operation & maintenance of plant expenditures is due to increased costs incurred by the School District for facility repair.

Property taxes comprised 59 percent of revenues for governmental activities of the School District for fiscal year 2006 and represents the largest source of revenue.

General revenue grants and entitlements comprised 25 percent of revenue for governmental activities during 2006.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 57 percent of governmental program expenses with support services comprising 41 percent of governmental expenses. The Board of Education relies on taxes to support increased student achievement within the School District.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2006		2005*	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$9,983,679	(\$8,825,510)	\$9,092,798	(\$7,809,217)
Support Services	7,135,960	(6,523,859)	6,316,533	(5,750,178)
Non-instructional Services	429,436	367,458	330,437	(58,183)
Extracurricular Activities	18,303	(17,795)	20,153	(19,711)
Interest and Fiscal Charges	35,885	(35,885)	68,630	(68,188)
Total Expenses	\$17,603,263	(\$15,035,591)	\$15,828,551	(\$13,705,477)

* Restated – See Note 3.

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

THE SCHOOL DISTRICT AS A WHOLE (Continued)

Business-Type Activities

Table 4 shows the changes in net assets for the fiscal years ended June 30, 2006 and June 30, 2005.

Table 4
Change in Net Assets for Business-Type Activities

	2006	2005
Revenues		
Program Revenues:		
Charges for Services and Sales	\$2,692,904	\$3,183,767
Operating Grants and Contributions	492,332	496,223
Total Program Revenues	3,185,236	3,679,990
General Revenues:		
Other	19,884	5,381
Total General Revenues	19,884	5,381
Total Revenues	3,205,120	3,685,371
Program Expenses	3,455,916	3,573,814
Transfers	7,156	57,262
Increase (Decrease) in Net Assets	(243,640)	168,819
Net Assets at Beginning of Year	1,726,125	1,557,306
Net Assets at End of Year	\$1,482,485	\$1,726,125

Business-type activities are comprised of adult and community education. The adult education program has two components: community education programs and after school programs.

THE SCHOOL DISTRICT'S FUNDS

Information about the School District's major governmental fund begins on page 12. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$21,447,414 and expenditures and other financing uses of \$19,943,263. The general fund balance increased \$1,278,395 due to an increase in tax revenue received by the School District in the current fiscal year.

General Fund Budgeting Highlights

The School District's budget is adopted on a fund basis. Before the budget is adopted, the Board of Education reviews the detailed work papers of each object within the General Fund and then adopts the budget on a fund basis.

During 2006, there were several revisions made to the General Fund budget. Total estimated revenues were increased by \$559,486 throughout the year due to additional tax revenue received by the School District. Estimated revenues were lower than actual revenues due to additional intergovernmental monies received by the School District. Estimated appropriations were higher than actual expenditures due to over budgeting for the current fiscal year construction costs, namely the postponement of the Phase VIII project due to bids coming in well over project estimates. The School District's ending un-obligated cash balance was \$6,525,367 above the final budgeted amount.

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the School District had \$16,122,668 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 5 shows the fiscal year 2006 balances compared to 2005. For additional information regarding capital assets please see Note 8 to the basic financial statements.

Table 5
 Capital Assets
 (Net of Accumulated Depreciation)

<i>Governmental Activities:</i>	2006	2005*
Land	\$449,800	\$449,800
Construction in Progress	0	421,218
Buildings and Improvements	14,237,430	12,027,436
Furniture and Equipment	747,723	753,878
Vehicles	18,460	20,817
Subtotal	<u>15,453,413</u>	<u>13,673,149</u>
<i>Business-Type Activities:</i>		
Furniture and Equipment	51,885	73,078
Buildings	617,370	394,131
Subtotal	<u>669,255</u>	<u>467,209</u>
Totals	<u>\$16,122,668</u>	<u>\$14,140,358</u>

*As restated. See Note 3.

Changes in capital assets from the prior year resulted from additions, deletions and depreciation. The most significant capital asset additions were due to various building renovations.

Debt

At June 30, 2006, the School District had outstanding long-term debt. Table 6 summarizes bonds and notes outstanding:

Table 6
 Outstanding Debt at Year End
 Governmental Activities

	2006	2005
1994 Construction Loan	\$111,800	\$143,741
School Facilities Construction and Improvement Note	1,050,000	1,200,000
Totals	<u>\$1,161,800</u>	<u>\$1,343,741</u>

For additional information regarding long term obligations, please see Note 14 to the basic financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial situation and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dawn Lemley, Treasurer, Eastland-Fairfield Career & Technical Schools, 4300 Amalgamated Place, Groveport, Ohio 43125-0419.

Eastland-Fairfield Career & Technical Schools

Statement of Net Assets

As of June 30, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$9,876,976	\$453,716	\$10,330,692
Investments	7,800,476	0	7,800,476
Receivables:			
Taxes	14,063,406	0	14,063,406
Accounts	17,431	632,250	649,681
Intergovernmental	239,976	0	239,976
Prepaid Items	102,333	7,998	110,331
Restricted Cash and Cash Equivalents	49,128	0	49,128
Non-Depreciable Capital Assets	449,800	0	449,800
Capital Assets, Net	15,003,613	669,255	15,672,868
<i>Total Assets</i>	<u>\$47,603,139</u>	<u>\$1,763,219</u>	<u>\$49,366,358</u>
Liabilities			
Accounts Payable	\$238,653	\$22,274	\$260,927
Accrued Wages and Benefits	1,275,812	55,861	1,331,673
Claims Payable	111,485	0	111,485
Contracts Payable	36,774	0	36,774
Deferred Revenue	10,782,466	0	10,782,466
Retainage Payable	49,128	0	49,128
Accrued Interest Payable	3,351	0	3,351
Intergovernmental Payable	472,799	125,045	597,844
Long-Term Liabilities:			
Due Within One Year	448,482	29,811	478,293
Due In More Than One Year	2,038,471	47,743	2,086,214
<i>Total Liabilities</i>	<u>15,457,421</u>	<u>280,734</u>	<u>15,738,155</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	14,235,863	669,255	14,905,118
Restricted for:			
Capital Outlay	2	0	2
Other Purposes	265,151	0	265,151
Unrestricted	17,644,702	813,230	18,457,932
<i>Total Net Assets</i>	<u>\$32,145,718</u>	<u>\$1,482,485</u>	<u>\$33,628,203</u>

The notes to the basic financial statements are an integral part of this statement.

Eastland-Fairfield Career & Technical Schools

Statement of Activities

For the Fiscal Year Ended June 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction:						
Regular	\$3,422,648	\$96,022	\$14,346	(\$3,312,280)	\$0	(\$3,312,280)
Special	982,480	35,048	340,325	(607,107)	0	(607,107)
Vocational	4,981,184	174,037	133,031	(4,674,116)	0	(4,674,116)
Adult/Continuing	125,582	6,817	103,033	(15,732)	0	(15,732)
Other	471,785	22,056	233,454	(216,275)	0	(216,275)
Support Services:						
Pupil	855,666	32,456	213,891	(609,319)	0	(609,319)
Instructional Staff	246,434	9,744	70,428	(166,262)	0	(166,262)
Board of Education	72,850	2,542	0	(70,308)	0	(70,308)
Administration	2,699,190	86,822	44,343	(2,568,025)	0	(2,568,025)
Fiscal	626,984	20,845	0	(606,139)	0	(606,139)
Operation and Maintenance of Plant	2,282,367	72,204	7,825	(2,202,338)	0	(2,202,338)
Pupil Transportation	38,297	1,525	0	(36,772)	0	(36,772)
Central	314,172	11,654	37,822	(264,696)	0	(264,696)
Non-Instructional Services	429,436	465,622	331,272	367,458	0	367,458
Extracurricular Activities	18,303	508	0	(17,795)	0	(17,795)
Interest and Fiscal Charges	35,885	0	0	(35,885)	0	(35,885)
<i>Total Governmental Activities</i>	<u>17,603,263</u>	<u>1,037,902</u>	<u>1,529,770</u>	<u>(15,035,591)</u>	<u>0</u>	<u>(15,035,591)</u>
Business-Type Activities						
Adult and Community Education	3,455,916	2,692,904	492,332		(270,680)	(270,680)
<i>Total Business-Type Activities</i>	<u>3,455,916</u>	<u>2,692,904</u>	<u>492,332</u>	<u>0</u>	<u>(270,680)</u>	<u>(270,680)</u>
Total All Activities	<u>\$21,059,179</u>	<u>\$3,730,806</u>	<u>\$2,022,102</u>	<u>(\$15,035,591)</u>	<u>(\$270,680)</u>	<u>(\$15,306,271)</u>
General Revenues						
Property Taxes Levied for:						
General Purposes				12,617,239	0	12,617,239
Grants and Entitlements not Restricted to Specific Programs				5,440,195	0	5,440,195
Investment Earnings				717,072	0	717,072
Miscellaneous				12,223	19,884	32,107
<i>Total General Revenues</i>				<u>18,786,729</u>	<u>19,884</u>	<u>18,806,613</u>
Transfers				(7,156)	7,156	0
Change in Net Assets				3,743,982	(243,640)	3,500,342
<i>Net Assets Beginning of Year - As Restated (See Note 3)</i>				<u>28,401,736</u>	<u>1,726,125</u>	<u>30,127,861</u>
<i>Net Assets End of Year</i>				<u>\$32,145,718</u>	<u>\$1,482,485</u>	<u>\$33,628,203</u>

The notes to the basic financial statements are an integral part of this statement.

Eastland-Fairfield Career & Technical Schools

**Balance Sheet
Governmental Funds
As of June 30, 2006**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$9,414,722	\$300,190	\$9,714,912
Investments	7,800,476	0	7,800,476
Receivables:			
Taxes	14,063,406	0	14,063,406
Accounts	9,011	8,420	17,431
Intergovernmental Receivable	0	239,976	239,976
Interfund Receivable	331,824	0	331,824
Prepaid Items	100,929	1,404	102,333
Restricted Cash and Cash Equivalents	49,128	0	49,128
	<u>31,769,496</u>	<u>549,990</u>	<u>32,319,486</u>
Total Assets			
LIABILITIES			
Accounts Payable	220,997	17,656	238,653
Contracts Payable	36,774	0	36,774
Accrued Wages and Benefits	1,173,011	102,801	1,275,812
Retainage Payable	49,128	0	49,128
Deferred Revenues	11,366,505	2,475	11,368,980
Interfund Payable	0	183,324	183,324
Intergovernmental Payable	390,079	82,720	472,799
	<u>13,236,494</u>	<u>388,976</u>	<u>13,625,470</u>
Total Liabilities			
FUND BALANCES			
Reserved for Encumbrances	650,302	184,775	835,077
Reserved for Property Taxes	2,697,659	0	2,697,659
Unreserved:			
Undesignated - Reported In:			
General Fund	15,185,041	0	15,185,041
Special Revenue Funds	0	(23,763)	(23,763)
Capital Project Funds	0	2	2
Total Fund Balances	<u>18,533,002</u>	<u>161,014</u>	<u>18,694,016</u>
Total Liabilities and Fund Balances	<u>\$31,769,496</u>	<u>\$549,990</u>	<u>\$32,319,486</u>

The notes to the basic financial statements are an integral part of this statement.

Eastland-Fairfield Career & Technical Schools

**Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities**

As of June 30, 2006

Total Governmental Fund Balances		\$18,694,016
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,453,413
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	583,281	
Intergovernmental	2,475	
Miscellaneous	<u>758</u>	
Total		586,514
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(97,921)
Long-Term Liabilities, including notes, loans, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(3,351)	
Compensated Absences	(1,269,403)	
Capital Lease Obligations	(55,750)	
Loan Obligations	(111,800)	
General Obligation Notes	<u>(1,050,000)</u>	
Total		<u>(2,490,304)</u>
Net Assets of Governmental Activities		<u><u>\$32,145,718</u></u>

The notes to the basic financial statements are an integral part of this statement.

Eastland-Fairfield Career & Technical Schools

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the Fiscal Year Ended June 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$12,514,848	\$0	\$12,514,848
Tuition and Fees	486,936	86,296	573,232
Earnings on Investments	717,072	0	717,072
Intergovernmental	5,665,049	1,285,254	6,950,303
Charges for Services	0	443,195	443,195
Rentals	21,475	0	21,475
Other	11,164	17,487	28,651
	<hr/>	<hr/>	<hr/>
Total Revenues	19,416,544	1,832,232	21,248,776
Expenditures			
Current Operating			
Instruction			
Regular	2,753,462	17,908	2,771,370
Special	774,581	135,622	910,203
Vocational	4,931,026	206,414	5,137,440
Adult/Continuing	0	125,929	125,929
Other	189,673	282,112	471,785
Support Services:			
Pupil	533,816	257,174	790,990
Instructional Staff	165,834	78,727	244,561
Board of Education	70,907	0	70,907
Administration	2,466,794	51,359	2,518,153
Fiscal	615,991	0	615,991
Operation and Maintenance of Plant	2,106,966	9,000	2,115,966
Pupil Transportation	38,297	0	38,297
Central	268,025	45,706	313,731
Extracurricular Activities	18,303	0	18,303
Non-Instructional Services	11,241	396,525	407,766
Capital Outlay	2,895,136	0	2,895,136
Debt Service			
Principal	99,730	150,000	249,730
Interest	3,673	43,088	46,761
	<hr/>	<hr/>	<hr/>
Total Expenditures	17,943,455	1,799,564	19,743,019
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,473,089	32,668	1,505,757
Other Financing Sources (Uses)			
Operating Transfers In	0	193,088	193,088
Operating Transfers Out	(200,244)	0	(200,244)
Proceeds from the Sale of Assets	5,550	0	5,550
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(194,694)	193,088	(1,606)
Net Change in Fund Balances	1,278,395	225,756	1,504,151
Fund Balances at Beginning of Year - As Restated (See Note 3)	17,254,607	(64,742)	17,189,865
	<hr/>	<hr/>	<hr/>
Fund Balances at End of Year	\$18,533,002	\$161,014	\$18,694,016

The notes to the basic financial statements are an integral part of this statement.

Eastland-Fairfield Career & Technical Schools

**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, 2006

Net Change in Fund Balances - Total Governmental Funds \$1,504,151

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

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

Capital Asset Additions	2,839,531	
Current Year Depreciation	<u>(1,008,451)</u>	
Total		1,831,080

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets.

Proceeds from Sale of Capital Assets	(5,550)	
Loss on Disposal of Capital Assets	<u>(45,266)</u>	
Total		(50,816)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	102,391	
Intergovernmental	19,662	
Miscellaneous	<u>(16,428)</u>	
Total		105,625

Repayment of loan and note principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

181,941

Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

67,789

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

262,042

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 governmental funds.

Increase in Compensated Absences	(168,706)	
Decrease in Interest Payable	<u>10,876</u>	

Total		<u>(157,830)</u>
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Net Change in Net Assets of Governmental Activities \$3,743,982

The notes to the basic financial statements are an integral part of this statement.

Eastland-Fairfield Career & Technical Schools

**Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Budget Basis)
General Fund**

For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$18,353,585	\$18,913,071	\$19,627,507	\$714,436
Total Expenditures and Other Uses	<u>25,278,357</u>	<u>25,290,908</u>	<u>19,479,977</u>	<u>5,810,931</u>
Net Change in Fund Balance	(6,924,772)	(6,377,837)	147,530	6,525,367
Fund Balance, July 1	12,453,680	12,453,680	12,453,680	0
Prior Year Encumbrances Appropriated	<u>3,739,223</u>	<u>3,739,223</u>	<u>3,739,223</u>	<u>0</u>
Fund Balance, June 30	<u>\$9,268,131</u>	<u>\$9,815,066</u>	<u>\$16,340,433</u>	<u>\$6,525,367</u>

The notes to the basic financial statements are an intergral part of this statement.

Eastland-Fairfield Career & Technical Schools

Statement of Net Assets
Proprietary Funds
As of June 30, 2006

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>	<u>Governmental</u> <u>Activities</u>
	<u>Adult</u> <u>Education</u>	<u>Internal</u> <u>Service</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$453,716	\$162,064
Accounts Receivable	632,250	0
Prepaid Items	7,998	0
Depreciable Capital Assets, net	<u>669,255</u>	<u>0</u>
Total Assets	<u><u>\$1,763,219</u></u>	<u><u>\$162,064</u></u>
LIABILITIES:		
Accounts Payable	\$22,274	\$0
Accrued Wages and Benefits	55,861	0
Interfund Payable	0	148,500
Claims Payable	0	111,485
Intergovernmental Payable	125,045	0
Long Term Liabilities:		
Compensated Absences Payable	<u>77,554</u>	<u>0</u>
Total Liabilities	<u>280,734</u>	<u>259,985</u>
NET ASSETS:		
Invested in capital assets	669,255	0
Unrestricted	<u>813,230</u>	<u>(97,921)</u>
Total Net Assets	<u><u>\$1,482,485</u></u>	<u><u>(\$97,921)</u></u>

The notes to the basic financial statements are an intergral part of this statement.

Eastland-Fairfield Career & Technical Schools

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2006

	Business-Type Activities Enterprise Fund	Governmental Activities
	Adult Education	Internal Service
Operating Revenues		
Tuition and Fees	\$2,692,904	\$0
Charges for Services	0	1,469,916
Miscellaneous	18,664	0
Total Operating Revenues	2,711,568	1,469,916
Operating Expenses		
Salaries and Wages	2,060,310	0
Fringe Benefits	683,510	0
Purchased Services	231,639	0
Claims	0	1,207,874
Materials and Supplies	415,404	0
Depreciation Expense	48,738	0
Miscellaneous	15,570	0
Total Operating Expenses	3,455,171	1,207,874
Operating Income (Loss)	(743,603)	262,042
Nonoperating Revenues (Expenses)		
Other	1,220	0
Loss on Sale of Capital Assets	(745)	0
Intergovernmental Revenues	492,332	0
Total Nonoperating Revenues (Expenses)	492,807	0
Income (Loss) Before Transfers	(250,796)	262,042
Transfers - In	7,156	0
Changes in Net Assets	(243,640)	262,042
Net Assets at Beginning of Year	1,726,125	(359,963)
Net Assets at End of Year	<u>\$1,482,485</u>	<u>(\$97,921)</u>

The notes to the basic financial statements are an integral part of this statement.

Eastland-Fairfield Career & Technical Schools

**Statement of Cash Flows
Proprietary Funds**

For the Fiscal Year Ended June 30, 2006

	Business-Type Activities Enterprise Fund	Governmental Activities
	Adult Education	Internal Service
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash Flows from Operating Activities:</i>		
Cash Received from Transaction with Other Funds	\$0	\$1,469,916
Cash Received from Other Operating Sources	18,327	0
Cash Received from Tuition Payments	2,857,437	0
Cash Payments to Suppliers for Services	(674,385)	0
Cash Payments to Employees for Services and Benefits	(2,698,342)	0
Cash Payments for Claims	0	(1,208,893)
<i>Net Cash Used for Operating Activities</i>	<u>(496,963)</u>	<u>261,023</u>
<i>Cash Flows from Noncapital Financing Activities:</i>		
Operating Grants	492,332	0
Other non-operating sources	1,220	0
Transfers - in	7,156	0
Short-term Loans from Other Funds	0	(99,000)
<i>Net Cash Provided by Operating Activities</i>	<u>500,708</u>	<u>(99,000)</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>		
Payments for Capital Acquisitions	<u>(251,529)</u>	<u>0</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(251,529)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(247,784)	162,023
Cash and Cash Equivalents at Beginning of Year	<u>701,500</u>	<u>41</u>
Cash and Cash Equivalents at End of Year	<u><u>\$453,716</u></u>	<u><u>\$162,064</u></u>
<i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</i>		
Operating Income (Loss)	(\$743,603)	\$262,042
Depreciation Expense	48,738	0
<i>Changes in Assets and Liabilities:</i>		
Decrease in Accounts Receivable	164,196	0
Increase in Prepaid Items	(2,826)	0
Decrease in Accounts Payable	(8,946)	0
Increase in Accrued Wages and Benefits	16,614	0
Increase in Compensated Absences	10,033	0
Increase in Intergovernmental Payable	18,831	0
Decrease in Claims Payable	0	(1,019)
Total Adjustments	<u>246,640</u>	<u>(1,019)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>(\$496,963)</u></u>	<u><u>\$261,023</u></u>

The notes to the basic financial statements are an integral part of this statement.

Eastland-Fairfield Career & Technical Schools

Statement of Fiduciary Assets and Liabilities

Agency Fund

As of June 30, 2006

	<u>Agency</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	<u>\$74,245</u>
Total Assets	<u><u>74,245</u></u>
LIABILITIES	
Due to Students	<u>74,245</u>
Total Liabilities	<u><u>\$74,245</u></u>

The notes to the basic financial statements are an integral part of this statement.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Eastland-Fairfield Career & Technical Schools (the School District) is a joint vocational school district organized under section 3311.18 of the Ohio Revised Code. The School District provides vocational education for 16 (15 statute and one contracted) school districts serving an eligible student population of 990 plus an additional 500 served by IT Foundation programs throughout 700 square miles of central Ohio, including Franklin, Fairfield, Pickaway, Licking, Hocking and Perry counties. A nine-member Board of Education governs the School District, which is supported by a 1.20 mill continuing operating levy passed in 1971 and a 0.8 mill continuing operating levy passed in 1998, both for an assessed valuation of over \$5.4 billion tax duplicate. In addition, the School District receives funds from the State of Ohio Joint Vocational School Foundation Program. The School District fosters cooperative relationships with business and industry, professional organizations, participating school districts, and other interested, concerned groups and organizations to consider, plan, and implement educational programs designed to meet the common needs and interest of students.

Reporting Entity

The School District is a jointly governed organization, legally separate from other organizations. The Board of Education of the School District consists of nine appointed members as follows: two from the Franklin County Educational Service Center, three from the Fairfield County Educational Service Center, and one each from the Teays Valley Local School District, Whitehall City School District, Gahanna-Jefferson City School District, and Reynoldsburg City School District. Each two-year term, Fairfield and Franklin counties switch the 3-2 split of the five members. No school district appoints a voting majority of the Board. None of the school districts that appoint Board Members are financially accountable for the School District.

The reporting entity consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, adult continuing education and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Currently, the School District does not have any component units.

Entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District. These entities include the City of Groveport and participating local and city school districts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District is associated with the Ohio School Boards Association Workers' Compensation Group Rating Plan, which is defined as an insurance purchasing pool. This organization is presented in Note 18 to the basic financial statements.

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The School District does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary activities. The significant accounting policies followed in the preparation of these financial statements are summarized below.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

General Fund

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

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

Proprietary Fund Type

Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District only has one enterprise fund and one internal service fund.

Enterprise Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

Adult Education Fund

This fund accounts for educational opportunities offered on a tuition basis to adults living within the community.

Internal Service Fund

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee medical and dental claims.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The District's only agency funds are funds used to account for student-managed activities.

Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 School District. 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 School District.

Fund Financial Statements

During the year, the School District segregated transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources 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 fund 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 School District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for proprietary and fiduciary funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty (60) days of fiscal year end.

Non-exchange transactions, in which the School 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 taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due; and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

All funds, other than the agency funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amount reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Encumbrances

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2006, investments were limited to U.S. Government Agency Securities, repurchase agreements, and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. 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, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during fiscal year 2006 amounted to \$717,072.

For purposes of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

Restricted Assets

The District has recorded restricted cash in the basic financial statements for cash held as retainage on construction projects. This cash is recorded in the basic financial statements as "restricted cash and cash equivalents".

Eastland-Fairfield Career & Technical Schools

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

General capital assets of the School District are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government wide statement of net assets and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental & Business-Type Assets Estimated Lives
Building and Improvements	25 years
Furniture and Equipment	10 years
Vehicles	10 years

Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The School District records an accrual for sick leave for all employees with ten years or more of service. The accrual amount is based upon accumulated sick leave and employees’ wage rates at year-end, taking into consideration any limits specified in the School District’s severance policy.

The entire compensated absence liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employee will be paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Balances

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to /from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All unpaid reimbursements between funds are reported as “due to/from other funds.” Interfund receivables and payables within governmental activities and within business-type activities have been eliminated in the government-wide statement of net assets; any residual balances outstanding between the governmental activities and business-type activities are reported as “internal balances.”

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities, that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term loans, and capital leases are recognized as a liability on the government-wide financial statements when due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Net assets restricted for other purposes represents balances in special revenue funds which are restricted to use per grant agreements.

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

The government-wide statement of net assets reports \$265,153 in restricted net assets, none of which are restricted by enabling legislation.

Fund Balance Reserves

Reserved fund balances indicate that portion of fund balance, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances and property tax revenue reserved by the Board for future years’ appropriations. The reserve for property tax represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The unreserved, undesignated portions of fund balance reflected for governmental funds are available for use within the specific purpose of those funds.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities and within business-type activities have been eliminated in the government-wide statement of activities.

Estimates

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition for adult education classes, and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

3. CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES/NET ASSETS

For the fiscal year 2006, the School District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards had no effect on the financial statements, nor did their implementation require a restatement of prior year balances.

During fiscal year 2006, the District corrected errors in recording receivables and construction in progress. These restatements had the following effects on fund balances/net assets as previously restated:

	General	All Other Governmental Funds	Total	Governmental Activities Net Assets
Fund Balances/Net Assets, June 30, 2005	\$17,254,607	(\$4,271)	\$17,250,336	\$30,820,055
Correction of Error	0	(60,471)	(60,471)	(2,418,319)
Adjusted Fund Balances/Net Assets June 30, 2005	<u>\$17,254,607</u>	<u>(\$64,742)</u>	<u>\$17,189,865</u>	<u>\$28,401,736</u>

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

4. ACCOUNTABILITY

Accountability

The Food Service, Career Development Grant, and Perkins Grant special revenue funds had deficit fund balances of \$43,968, \$68, and \$66,539, respectively. The deficits in these funds are due to adjustments for accrued liabilities and the timing of grant awards. The general fund provides transfers when cash is required, not when expenditures are incurred.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) for the General fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (Budget Basis) as opposed to when susceptible to accrual (GAAP Basis).
2. Expenditures are recorded when paid in cash (Budget Basis) as opposed to when the liability is incurred (GAAP Basis).
3. Encumbrances are treated as expenditures (Budget Basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General fund:

Net Change in Fund Balance	
	General
GAAP Basis	\$1,278,395
Adjustments:	
Revenue Accruals	205,413
Expenditure Accruals	(464,980)
Encumbrances	(871,298)
Budget Basis	\$147,530

6. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

6. DEPOSITS AND INVESTMENTS (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or 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;
3. 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;
4. Bond and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

6. DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand

At fiscal year end, the School District had \$550 in un-deposited cash on hand which is included on the financial statements of the School District as part of “equity in pooled cash and cash equivalents.”

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, none of the District’s bank balance of \$30,722 was exposed to custodial credit risk.

Investments

The School District had the following investments at June 30, 2006:

Investment Type	Fair Value	Maturity	
		<1 Year	1-2 Years
Repurchase Agreement	\$6,022,000	\$6,022,000	\$0
STAR Ohio	4,500,488	4,500,488	0
FNMA Notes	3,949,803	2,958,243	991,560
FHLB Notes	1,144,285	997,190	147,095
FHLMC Notes	2,706,388	1,935,871	770,517
	<u>\$18,322,964</u>	<u>\$16,413,792</u>	<u>\$1,909,172</u>

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits their investments to Repurchase Agreements, FNMA, FHLB, FHLMC, and STAR Ohio. The District’s investments in FNMA, FHLB, and FHLMC were each rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned StarOhio an AAAM money market rating.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s investment policy allows investments in Repurchase Agreements, Certificates of Deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The District has invested 42% of its investments in U.S. Government Agency Securities, 25% in STAR Ohio, and 33% in a repurchase agreement.

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 investments or collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk.

All of the District’s investments are either insured and registered in the name of the District or at least registered in the name of the School District, other than the School District’s repurchase agreements which are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the School District’s name.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Cash and cash equivalents are defined to include investments included within the School District’s cash management pool and investments with a maturity date of three months or less.

Eastland-Fairfield Career & Technical Schools

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar year 2006 for real and public utility property taxes represents collections of calendar year 2005 taxes. Property tax payments received during calendar year 2006 for tangible personal property (other than public utility property) are for calendar year 2006 taxes.

2006 real property taxes are levied after April 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2006 real property taxes are collected in and intended to finance fiscal year 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after April 1, 2006 and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after April 1, 2006, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 First-Half Collections		2006 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$5,856,122,530	90.04%	\$6,577,108,000	92.27%
Public Utility	245,206,350	3.77%	248,206,890	3.48%
Tangible Personal Property	<u>402,435,103</u>	<u>6.19%</u>	<u>302,738,842</u>	<u>4.25%</u>
Total Assessed Value	<u><u>\$6,503,763,983</u></u>	<u><u>100.00%</u></u>	<u><u>\$7,128,053,732</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$2.00		\$2.00	

The School District receives property taxes from Franklin, Fairfield, Licking, Hocking, Perry and Pickaway Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006 are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

7. PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

At June 30, 2006, \$2,697,659 was available as an advance to the General fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue is deferred.

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006 was as follows:

	Ending Balance 06/30/05*	Additions	Deletions	Ending Balance 06/30/06
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$449,800	\$0	\$0	\$449,800
Construction in Progress	421,218	0	(421,218)	0
Total Capital Assets, Not Being Depreciated	<u>871,018</u>	<u>0</u>	<u>(421,218)</u>	<u>449,800</u>
Capital Assets Being Depreciated				
Buildings and Improvements	22,717,445	3,070,004	0	25,787,449
Furniture and Equipment	2,034,153	190,745	(140,955)	2,083,943
Vehicles	23,567	0	0	23,567
Total Capital Assets, Being Depreciated	<u>24,775,165</u>	<u>3,260,749</u>	<u>(140,955)</u>	<u>27,894,959</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(10,690,009)	(860,010)	0	(11,550,019)
Furniture and Equipment	(1,280,275)	(146,084)	90,139	(1,336,220)
Vehicles	(2,750)	(2,357)	0	(5,107)
Total Accumulated Depreciation	<u>(11,973,034)</u>	<u>(1,008,451)</u>	<u>90,139</u>	<u>(12,891,346)</u>
Total Capital Assets Being Depreciated, Net	<u>12,802,131</u>	<u>2,252,298</u>	<u>(50,816)</u>	<u>15,003,613</u>
Governmental Activities Capital Assets, Net	<u>\$13,673,149</u>	<u>\$2,252,298</u>	<u>(\$472,034)</u>	<u>\$15,453,413</u>
Business-Type Activities				
Furniture and Equipment	\$129,039	\$25,774	(\$6,874)	\$147,939
Buildings and Improvements	826,808	225,755	0	1,052,563
Total Capital Assets, Being Depreciated	<u>955,847</u>	<u>251,529</u>	<u>(6,874)</u>	<u>1,200,522</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(55,961)	(40,093)	0	(96,054)
Buildings and Improvements	(432,677)	(8,645)	6,129	(435,193)
Total Accumulated Depreciation	<u>(488,638)</u>	<u>(48,738)</u>	<u>6,129</u>	<u>(531,247)</u>
Business-Type Activities Capital Assets, Net	<u>\$467,209</u>	<u>\$202,791</u>	<u>(\$745)</u>	<u>\$669,255</u>

* As Restated. See Note 3

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

8. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$158,103
Special	30,388
Other	9,568
Vocational	445,948
Support Services:	
Pupil	42,542
Instructional Staff	13,735
Board of Education	1,943
Administration	151,962
Fiscal	5,491
Operation and Maintenance of Plant	140,054
Non-Instructional Services	8,717
Total Depreciation Expense	<u><u>\$1,008,451</u></u>

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted with Ohio School Plan for liability insurance and fleet insurance and with Travelers Insurance Company for property insurance.

Coverage provided by these companies is as follows:

Building and Contents (\$2,500 deductible)	\$48,348,234
Automobile Liability (\$1,000 deductible)	5,000,000
General Liability (no deductible):	
Per occurrence	5,000,000
Aggregate	7,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction of coverage from the prior year.

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

Eastland-Fairfield Career & Technical Schools

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

9. RISK MANAGEMENT (Continued)

A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The program is administered by Anthem, which provides claims review and processing services. The School District has purchased specific stop-loss benefits covering cost above the \$50,000 individual retention mark to a maximum lifetime reimbursement of \$2,000,000.

The liability for unpaid claims costs of \$111,485 reported in the internal service fund at June 30, 2006, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of cost relating to incurred but not reported claims, be reported.

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2005	\$135,882	\$1,176,826	\$1,200,204	\$112,504
2006	112,504	1,207,874	1,208,893	111,485

10. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available, stand alone report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 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, up to statutory maximum amounts, by SERS’ Retirement Board. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$396,221, \$346,888, and \$118,285, respectively; 55% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$178,367 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

10. DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System

The School District contributed to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer defined benefit pension plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years, and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

10. DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent of which was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,170,236, \$1,181,128, and \$691,159, respectively; 82% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. \$205,118 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, four members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

11. POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$83,588 for fiscal year 2006.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005 (the latest information available), the balance in the Fund was \$3.1 billion. For the year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$213,576.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006, were \$158,751,207 and the target level was \$238.1 million. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

12. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified employees earn twelve to eighteen days of vacation per year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for all personnel. Upon retirement, payment is made for 25 percent of their accrued, but unused sick leave credit to a maximum of 45-75 days depending on the employees years of service.

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. Medical and dental insurance is provided by the School District to all employees through a self-insurance program.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

13. CAPITAL LEASES

In previous fiscal years, the School District entered into capitalized leases for the purchase of a bobcat loader and various computer equipment. The leases were reported as capital outlay and inception of capital lease (other financing sources) in the basic financial statements for the governmental funds and were capitalized as capital assets in the government-wide financial statements. In prior years, the School District had also entered into capitalized leases for the acquisition of copiers and equipment. All of these leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. Those expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$310,044 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2006 totaled \$67,789.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2006:

Fiscal Year Ending June 30	Total Payments
2007	\$50,076
2008	4,936
2009	4,936
2010	<u>2,057</u>
Total Minimum Lease Payments	<u>62,005</u>
Less Amount Representing Interest	<u>(6,255)</u>
Present Value of Minimum Lease Payments	<u><u>\$55,750</u></u>

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

14. LONG-TERM DEBT AND OTHER OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

<u>Governmental Activities:</u>	Principal Outstanding 6/30/2005	Additions	Deductions	Principal Outstanding 6/30/2006	Due within One Year
1994 Construction Loan - 0%	\$143,741	\$0	\$31,941	\$111,800	\$31,941
2003 School Facilities Construction and Improvement Note - 3.83%	1,200,000	0	150,000	1,050,000	150,000
Capital Leases	123,534	0	67,789	55,750	4,264
Compensated Absences	1,100,702	1,269,413	1,100,712	1,269,403	262,277
<i>Total Governmental Activities</i>	<u>\$2,567,977</u>	<u>\$1,269,413</u>	<u>\$1,350,442</u>	<u>\$2,486,953</u>	<u>\$448,482</u>
<u>Business-Type Activities:</u>	Principal Outstanding 6/30/2005	Additions	Deductions	Principal Outstanding 6/30/2006	Due within One Year
Compensated Absences	\$67,521	\$77,554	\$67,521	\$77,554	\$29,811
	<u>\$67,521</u>	<u>\$77,554</u>	<u>\$67,521</u>	<u>\$77,554</u>	<u>\$29,811</u>

In fiscal year 1994, the School District received an interest free loan in the amount of \$479,120 for building construction. The construction loan will be retired in fiscal year 2010. These loans are paid from general fund revenues. In fiscal year 2003, the School District issued \$1,500,000 in notes for the purpose of construction and improvements of school facilities. These notes were issued for a ten year period with a final maturity date in fiscal year 2013. These notes are paid from the debt service fund.

Compensated absences will be paid from the fund from which employees' salaries are paid. Capital leases are paid from the general fund.

The School District's overall legal debt margin was \$641,524,836 with an un-voted debt margin of \$7,128,054.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

14. LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

A summary of the School District's future long-term debt funding requirements as of June 30, 2006, follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$181,941	\$37,343	\$219,284
2008	181,941	31,598	213,539
2009	181,941	25,853	207,794
2010	165,972	20,108	186,080
2011	150,000	14,363	164,363
2012-2013	<u>300,000</u>	<u>11,489</u>	<u>311,489</u>
Total	<u>\$1,161,795</u>	<u>\$140,754</u>	<u>\$1,302,549</u>

15. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2006, were as follows:

<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
<i>Major Funds</i>		
General	\$200,244	\$0
Adult Education	<u>0</u>	<u>7,156</u>
Total Major Funds	<u>200,244</u>	<u>7,156</u>
<i>Non-Major Funds</i>		
Bond Retirement	<u>0</u>	<u>193,088</u>
Total Non-Major Funds	<u>0</u>	<u>193,088</u>
Total	<u>\$200,244</u>	<u>\$200,244</u>

Transfers were made from the general fund to move unrestricted balances to support programs and projects accounted for in other funds.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

15. INTERFUND ACTIVITY (Continued)

Interfund Balances

Interfund balances at June 30, 2006, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2007 fiscal year:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	<u>\$331,824</u>	<u>\$0</u>
Non Major Special Revenues Funds:		
Food Service	0	23,000
Career Camp Grant	0	14,344
ABLE Grant	0	18,567
Secondary Perkins Grant	0	122,224
Title IIA	<u>0</u>	<u>5,189</u>
Total Non Major Special Revenue Funds	<u>0</u>	<u>183,324</u>
Internal Service Fund	<u>0</u>	<u>148,500</u>
 Total All Funds	 <u>\$331,824</u>	 <u>\$331,824</u>

The amounts due to the General fund are the result of the School District moving unrestricted monies to support grant funds and the internal service fund. The General fund will be reimbursed when funds become available in the non-major special revenue funds and internal service fund.

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the General fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years.

The following information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2005	\$0	\$0
Current year set-aside requirement	155,614	155,614
Prior Year Carry Over	(816,930)	(19,462,223)
Qualifying disbursements	<u>(455,149)</u>	<u>(3,978,146)</u>
Set-aside Balance Carried Forward to Future Years	<u>(\$1,116,465)</u>	<u>(\$23,284,755)</u>
Set-aside Reserve Balance as of June 30, 2006	<u>\$0</u>	<u>\$0</u>

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

16. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

The School District had qualifying disbursements during the year that reduced the set-aside amounts below zero in the capital acquisition and textbooks set-asides. These extra amounts may be carried forward and used to reduce the set-aside requirements of future years.

17. CONTINGENT LIABILITIES

Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The expenditure 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 School District at June 30, 2006.

Litigation

The School District is not currently party to any legal proceedings.

18. INSURANCE PURCHASING POOL

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Eastland-Fairfield Career & Technical Schools
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Education				
<i>Direct from the Federal Agency</i>				
<i>Student Financial Aid Cluster</i>				
Federal Supplemental Educational Opportunity Grants	N	84.007	\$8,883	\$8,883
Federal Family Education Loans	N	84.032	569,875	569,875
Federal Pell Grant Program	N	84.063	307,531	307,531
<i>Total Student Financial Aid Cluster</i>			886,289	886,289
<i>Passed through Ohio Department of Education</i>				
Vocational Education - Basic Grants to States	20C1/20C2	84.048	769,672	764,395
Safe and Drug Free Schools and Communities - State Grants	DRS1	84.186	2,872	2,872
Adult Education - State Grant Program	ABS1	84.002	138,703	128,465
Improving Teacher Quality State Grants	TRS1	84.367	598	5,787
State Grants for Innovative Programs	C2S1	84.298	3,457	3,457
Total United States Department of Education			915,302	904,976
Total Federal Financial Assistance			<u>\$1,801,591</u>	<u>\$1,791,265</u>

N=Direct Assistance from Federal Government

See accompanying notes to the Schedule of Federal Awards Expenditures

Eastland-Fairfield Career & Technical Schools
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B- GUARANTEED STUDENT LOANS

Non-monetary assistance is reported in the schedule at the dollar amount of guaranteed student loans disbursed.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board

Eastland-Fairfield Career & Technical Schools

4300 Amalgamated Place, P.O. Box 419

Groveport, Ohio 43125-0419

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Eastland-Fairfield Career & Technical Schools (the School District), Franklin County, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 28, 2006, in which we indicated the School District implemented GASB Statements No. 42, 46 and 47. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Members of the Board
Eastland-Fairfield Career & Technical Schools

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With *Government Auditing Standards*

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This report is intended solely for the information and use of management, Board members, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 28, 2006

BALESTRA, HARR & SCHERER, CPAs, Inc.

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of the Board

Eastland-Fairfield Career & Technical Schools

4300 Amalgamated Place, P.O. Box 419

Groveport, Ohio 43125-0419

Compliance

We have audited the compliance of the Eastland-Fairfield Career & Technical Schools (the School District), Franklin County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

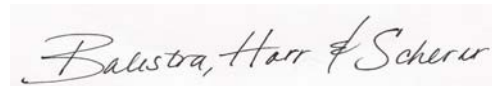
Members of the Board
Eastland-Fairfield Career & Technical Schools

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, Board members, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
December 28, 2006

Eastland-Fairfield Career & Technical Schools
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2006

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Vocational Education Basic Grants to States – CFDA# 84.048
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

EASTLAND FAIRFIELD CAREER & TECHNICAL SCHOOLS

FRANKLIN 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 6, 2007**