



**EASTLAND-FAIRFIELD CAREER AND TECHNICAL SCHOOLS  
FRANKLIN COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2010**



**Dave Yost • Auditor of State**



**EASTLAND-FAIRFIELD CAREER AND TECHNICAL SCHOOLS  
FRANKLIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Eastland-Fairfield Career and Technical Schools  
Franklin County  
4300 Amalgamated Place  
Groveport, Ohio 43125

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eastland Fairfield Career and Technical Schools, Franklin County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eastland-Fairfield Career and Technical Schools, Franklin County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund 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 February 28, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Dave Yost**  
Auditor of State

February 28, 2011

## **Eastland-Fairfield Career & Technical Schools**

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

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#### **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, 2010. 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 the basic 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, 2010 by \$42,485,109.
- The School District's net assets of governmental activities increased \$590,005, which represents an 1.4 percent increase from the prior year's net assets.
- General revenues of governmental activities accounted for \$19,893,607 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 \$2,641,098 or 12 percent of total revenues of \$22,534,705.
- The School District had \$21,685,372 in expenses related to governmental activities; only \$2,641,098 of these expenses were offset by program specific charges for services and sales, grants, or contributions.

##### *Business-Type Activities:*

- The School District's assets of its business-type activities exceeded its liabilities at June 30, 2010 by \$1,540,405.
- The School District's net assets of business-type activities increased \$480,821.
- General revenues of business-type activities accounted for \$15,336 in revenue or 0.5 percent of business-type activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,253,533 or 99.5 percent of total revenues of \$3,268,869.
- The School District had \$3,047,376 in expenses related to adult and community education; all of these expenses were offset by program specific charges for services and sales, and operating grants and contributions.

## **Eastland-Fairfield Career & Technical Schools**

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

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#### **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 School District's 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, 2010*

**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 are agency funds. The School District's fiduciary funds are reported in a separate Statement of Fiduciary Assets and Liabilities. 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 2010 compared to 2009.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets:</b>						
Current and						
Other Assets	\$34,389,348	\$37,559,285	\$1,193,808	\$720,441	\$35,583,156	\$38,279,726
Capital Assets, Net	22,929,994	18,977,024	553,292	563,447	23,483,286	19,540,471
<b>Total Assets</b>	<b>57,319,342</b>	<b>56,536,309</b>	<b>1,747,100</b>	<b>1,283,888</b>	<b>59,066,442</b>	<b>57,820,197</b>
<b>Liabilities:</b>						
Current and Other						
Liabilities	12,765,864	12,559,666	139,150	156,632	12,905,014	12,716,298
Long-Term						
Liabilities	2,068,369	2,081,539	67,545	67,672	2,135,914	2,149,211
<b>Total Liabilities</b>	<b>14,834,233</b>	<b>14,641,205</b>	<b>206,695</b>	<b>224,304</b>	<b>15,040,928</b>	<b>14,865,509</b>
<b>Net Assets:</b>						
Invested in Capital						
Assets, Net of						
Related Debt	22,479,994	18,359,016	553,292	563,447	23,033,286	18,922,463
Restricted	34,123	37,139	0	0	34,123	37,139
Unrestricted	19,970,992	23,498,949	987,113	496,137	20,958,105	23,995,086
<b>Total Net Assets</b>	<b>\$42,485,109</b>	<b>\$41,895,104</b>	<b>\$1,540,405</b>	<b>\$1,059,584</b>	<b>\$44,025,514</b>	<b>\$42,954,688</b>

The decrease to current and other assets is due primarily to a decrease in cash held by the School District due to cash expenditures related to the Phase 9 renovation project. This decrease is slightly offset by an increase in restricted cash related to retainage accounts corresponding to construction contracts that were not completed as of June 30, 2010. The increase to capital assets is primarily due to the Phase 9 renovation project and other additions which were partially offset by current year depreciation and deletions. The increase to current and other liabilities is primarily due to increases in contracts payable and retainage payable, again related to the construction project.

**Eastland-Fairfield Career & Technical Schools**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

**THE SCHOOL DISTRICT AS A WHOLE (Continued)**

***Governmental Activities***

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

Table 2  
Change in Net Assets for Governmental Activities

	2010	2009
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,020,896	\$1,027,665
Operating Grants and Contributions	1,620,202	1,461,259
Total Program Revenues	2,641,098	2,488,924
General Revenues:		
Property Taxes	13,217,633	14,200,778
Grants and Entitlements not Restricted	6,347,189	6,508,218
Gifts and Donations not Restricted	17,173	250
Investment Earnings	186,186	450,688
Gain on the Disposal of Capital Assets	12,329	29,067
Miscellaneous	113,097	33,728
Total General Revenues	19,893,607	21,222,729
Total Revenues	22,534,705	23,711,653
Program Expenses		
Instruction		
Regular	3,799,399	3,535,677
Special	1,478,565	1,306,499
Career and Technical	8,095,947	5,969,912
Adult/Continuing	216,958	188,345
Other	696,005	581,968
Support Services		
Pupil	885,456	824,068
Instructional Staff	486,136	478,889
Board of Education	34,242	23,932
Administration	2,784,623	2,931,610
Fiscal	791,652	767,886
Business	20,200	158,428
Operation & Maintenance of Plant	1,418,286	2,796,246
Pupil Transportation	54,725	46,312
Central	491,003	531,257
Non-Instructional Services	374,873	369,484
Extracurricular Activities	37,640	30,646
Interest & Fiscal Charges	19,662	25,559
Total Expenses	21,685,372	20,566,718
Transfers	(259,328)	0
Increase in Net Assets	590,005	3,144,935
Net Assets at Beginning of Year	41,895,104	38,750,169
Net Assets at End of Year	\$42,485,109	\$41,895,104

**Eastland-Fairfield Career & Technical Schools**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

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**THE SCHOOL DISTRICT AS A WHOLE (Continued)**

***Governmental Activities (Continued)***

The increase in operating grants and contributions is primarily due to an increase in grant monies received for the Carl D. Perkins Secondary grant. The decrease in property tax revenue is primarily due to the phase out of personal property taxes. The decrease in grants and entitlements not restricted is primarily due to a decrease in revenues related to the tangible personal property hold harmless phase in. The decrease in investment earnings is due to declining interest rates and less cash on hand. The increase in career and technical instruction expenses is due to a substantial increase in capital outlay for equipment purchases that were below the capitalization threshold for the Phase 9 renovation project. The decrease in operation and maintenance of plant expenses is due to decreased costs for utilities, capital outlay and professional services.

Property taxes comprised 59 percent of revenues for governmental activities of the School District for fiscal year 2010 and represents the largest source of revenue.

General revenue grants and entitlements comprised 28 percent of revenue for governmental activities during 2010.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 66 percent of governmental program expenses with support services comprising 32 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

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$14,286,874	\$12,807,478	\$11,582,401	\$10,317,639
Support Services	6,966,323	6,418,072	8,558,628	8,000,857
Non-instructional Services	374,873	(237,410)	369,484	(296,053)
Extracurricular Activities	37,640	36,472	30,646	29,797
Interest and Fiscal Charges	19,662	19,662	25,559	25,554
Total Expenses	\$21,685,372	\$19,044,274	\$20,566,718	\$18,077,794

**Eastland-Fairfield Career & Technical Schools**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010

**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, 2010 and June 30, 2009.

Table 4  
Change in Net Assets for Business-Type Activities

	2010	2009
Revenues		
Program Revenues:		
Charges for Services and Sales	\$2,866,260	\$2,876,986
Operating Grants and Contributions	387,273	428,766
Total Program Revenues	<u>3,253,533</u>	<u>3,305,752</u>
General Revenues:		
Other	15,336	22,216
Total General Revenues	<u>15,336</u>	<u>22,216</u>
Total Revenues	<u>3,268,869</u>	<u>3,327,968</u>
Program Expenses	3,047,376	3,268,745
Transfers	<u>259,328</u>	<u>0</u>
Increase in Net Assets	480,821	59,223
Net Assets at Beginning of Year	<u>1,059,584</u>	<u>1,000,361</u>
Net Assets at End of Year	<u>\$1,540,405</u>	<u>\$1,059,584</u>

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 \$22,761,256 and expenditures and other financing uses of \$26,420,493. The General Fund balance decreased \$3,619,929 due to mainly to an increase in career and technical instruction and capital outlay expenditures which were partially offset by a decrease in operation and maintenance of plant expenditures in the current fiscal year as compared to the prior 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 2010, there were several revisions made to the General Fund budget. Total estimated revenues were decreased \$294,576 due to a decrease in estimates for property tax revenue and intergovernmental revenue. Actual revenues increased \$195,001 over estimated revenues primarily due to additional intergovernmental revenue and miscellaneous revenue and were partially offset by less property tax revenue, interest revenue and tuition and fees revenue received by the School District. Total estimated appropriations increased from the original to the final by \$1,031,952 due to increases in estimates for regular, special, career and technical, and other instruction, and capital outlay expenditures for construction costs. Estimated appropriations were higher than actual expenditures due to over budgeting for the current fiscal year primarily for career and technical instruction, administration and operation and maintenance of plant. The School District's ending un-obligated cash balance was \$1,561,852 above the final budgeted amount.

**Eastland-Fairfield Career & Technical Schools**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2010, the School District had \$23,483,286 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 5 shows the fiscal year 2010 balances compared to 2009. For additional information regarding capital assets please see Note 7 to the basic financial statements.

Table 5  
Capital Assets  
(Net of Accumulated Depreciation)

<i>Governmental Activities:</i>	2010	2009 *
Land	\$449,800	\$449,800
Construction in Progress	0	30,158
Buildings and Improvements	19,730,821	17,606,982
Furniture and Equipment	2,634,926	751,965
Vehicles	114,447	138,119
Subtotal	22,929,994	18,977,024
<i>Business-Type Activities:</i>		
Furniture and Equipment	104,665	82,665
Buildings and Improvements	448,627	480,782
Subtotal	553,292	563,447
Totals	\$23,483,286	\$19,540,471

\* Certain reclassifications have been made within classes of capital assets. There was no effect on net capital assets.

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, 2010, the School District had outstanding long-term debt. Table 6 summarizes loans, notes, and capital leases outstanding at year end:

Table 6  
Outstanding Bonds and Notes at Year End  
Governmental Activities

	2010	2009
1994 Construction Loan	\$0	\$15,977
School Facilities Construction and Improvement Note	450,000	600,000
Capital Leases	0	2,031
Totals	\$450,000	\$618,008

For additional information regarding long term obligations, please see Note 13 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, 2010*

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$19,440,295	\$621,808	\$20,062,103
Receivables:			
Taxes	14,500,420	0	14,500,420
Accounts	54,959	569,840	624,799
Interest	5,552	0	5,552
Intergovernmental	126,331	0	126,331
Prepaid Items	127,750	2,160	129,910
Restricted Cash and Cash Equivalents	134,041	0	134,041
Non-Depreciable Capital Assets	449,800	0	449,800
Capital Assets, Net	22,480,194	553,292	23,033,486
<i>Total Assets</i>	<u>\$57,319,342</u>	<u>\$1,747,100</u>	<u>\$59,066,442</u>
Liabilities			
Accounts Payable	\$194,946	\$29,977	\$224,923
Accrued Wages and Benefits	1,551,304	53,775	1,605,079
Claims Payable	317,551	0	317,551
Contracts Payable	294,535	0	294,535
Retainage Payable	134,041	0	134,041
Deferred Revenue	9,741,774	0	9,741,774
Accrued Interest Payable	1,436	0	1,436
Intergovernmental Payable	530,277	55,398	585,675
Long-Term Liabilities:			
Due Within One Year	686,846	41,519	728,365
Due In More Than One Year	1,381,523	26,026	1,407,549
<i>Total Liabilities</i>	<u>14,834,233</u>	<u>206,695</u>	<u>15,040,928</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	22,479,994	553,292	23,033,286
Restricted for:			
Other Purposes	34,123	0	34,123
Unrestricted	19,970,992	987,113	20,958,105
<i>Total Net Assets</i>	<u>\$42,485,109</u>	<u>\$1,540,405</u>	<u>\$44,025,514</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, 2010*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$17,881,040	\$304,914	\$18,185,954
<b>Receivables:</b>			
Taxes	14,500,420	0	14,500,420
Accounts	22,935	32,024	54,959
Interest	5,552	0	5,552
Intergovernmental Receivable	210	126,121	126,331
Interfund Receivable	149,835	0	149,835
Prepaid Items	125,151	2,599	127,750
Restricted Cash and Cash Equivalents	134,041	0	134,041
<i>Total Assets</i>	<u>\$32,819,184</u>	<u>\$465,658</u>	<u>\$33,284,842</u>
<b>Liabilities</b>			
Accounts Payable	\$193,186	\$1,760	\$194,946
Contracts Payable	294,535	0	294,535
Accrued Wages and Benefits	1,442,727	108,577	1,551,304
Retainage Payable	134,041	0	134,041
Deferred Revenue	10,718,340	48,319	10,766,659
Interfund Payable	0	149,835	149,835
Intergovernmental Payable	477,817	52,460	530,277
<i>Total Liabilities</i>	<u>13,260,646</u>	<u>360,951</u>	<u>13,621,597</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	3,904,319	209,098	4,113,417
Reserved for Property Taxes	3,787,630	0	3,787,630
<b>Unreserved:</b>			
Undesignated - Reported In:			
General Fund	11,866,589	0	11,866,589
Special Revenue Funds	0	(104,391)	(104,391)
<i>Total Fund Balances</i>	<u>19,558,538</u>	<u>104,707</u>	<u>19,663,245</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$32,819,184</u>	<u>\$465,658</u>	<u>\$33,284,842</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, 2010*

Total Governmental Fund Balances		\$19,663,245
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.		22,929,994
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	971,014	
Intergovernmental	48,319	
Interest	5,552	
Total		1,024,885
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.		936,790
Long-term liabilities, including notes, accrued interest, 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	(1,436)	
Compensated Absences	(1,618,369)	
General Obligation Notes	(450,000)	
Total		(2,069,805)
Net Assets of Governmental Activities		\$42,485,109

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, 2010*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$13,248,713	\$0	\$13,248,713
Tuition and Fees	561,171	115,746	676,917
Earnings on Investments	180,634	0	180,634
Intergovernmental	6,652,478	1,266,593	7,919,071
Charges for Services	0	329,430	329,430
Rentals	14,550	0	14,550
Gifts and Donations	0	17,173	17,173
Other	112,847	250	113,097
	<u>20,770,393</u>	<u>1,729,192</u>	<u>22,499,585</u>
<i>Total Revenues</i>			
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	3,593,503	25,390	3,618,893
Special	1,281,426	141,880	1,423,306
Career and Technical	7,225,869	275,239	7,501,108
Adult/Continuing	0	216,183	216,183
Other	326,172	360,014	686,186
Support Services:			
Pupil	635,563	186,237	821,800
Instructional Staff	334,274	131,299	465,573
Board of Education	32,488	0	32,488
Administration	2,513,872	17,167	2,531,039
Fiscal	785,149	0	785,149
Business	29,208	0	29,208
Operation and Maintenance of Plant	1,193,111	9,270	1,202,381
Pupil Transportation	47,459	760	48,219
Central	372,177	117,875	490,052
Extracurricular Activities	37,640	0	37,640
Non-Instructional Services	0	360,313	360,313
Capital Outlay	5,480,243	0	5,480,243
Debt Service:			
Principal	18,008	150,000	168,008
Interest	33	20,108	20,141
	<u>23,906,195</u>	<u>2,011,735</u>	<u>25,917,930</u>
<i>Total Expenditures</i>			
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,135,802)	(282,543)	(3,418,345)
Other Financing Sources (Uses)			
Operating Transfers In	0	243,235	243,235
Operating Transfers Out	(502,563)	0	(502,563)
Proceeds from the Sale of Capital Assets	18,436	0	18,436
	<u>(484,127)</u>	<u>243,235</u>	<u>(240,892)</u>
<i>Total Other Financing Sources (Uses)</i>			
Net Change in Fund Balances	(3,619,929)	(39,308)	(3,659,237)
Fund Balances at Beginning of Year	<u>23,178,467</u>	<u>144,015</u>	<u>23,322,482</u>
Fund Balances at End of Year	<u>\$19,558,538</u>	<u>\$104,707</u>	<u>\$19,663,245</u>

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, 2010*

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Net Change in Fund Balances - Total Governmental Funds (\$3,659,237)

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

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

Capital Asset Additions	5,332,274	
Current Year Depreciation	<u>(1,373,197)</u>	
Total		3,959,077

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. These are the amounts of the proceeds from the sale of capital assets and the gain on the disposal of capital assets.

Proceeds from Sale of Capital Assets	(18,436)	
Gain on Disposal of Capital Assets	<u>12,329</u>	
Total		(6,107)

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

Taxes	(31,081)	
Intergovernmental	48,320	
Interest	<u>5,552</u>	
Total		22,791

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.

165,977

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.

2,031

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-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.

259,832

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	(154,838)	
Decrease in Interest Payable	<u>479</u>	
Total		<u>(154,359)</u>

Net Change in Net Assets of Governmental Activities

\$590,005

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*  
*(Non-GAAP Budgetary Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Total Revenues and Other Sources	\$21,076,429	\$20,781,853	\$20,976,854	\$195,001
Total Expenditures and Other Uses	<u>29,115,668</u>	<u>30,147,620</u>	<u>28,780,769</u>	<u>1,366,851</u>
Net Change in Fund Balance	(8,039,239)	(9,365,767)	(7,803,915)	1,561,852
Fund Balance, July 1	16,565,447	16,565,447	16,565,447	0
Prior Year Encumbrances Appropriated	<u>4,870,301</u>	<u>4,870,301</u>	<u>4,870,301</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$13,396,509</u></u>	<u><u>\$12,069,981</u></u>	<u><u>\$13,631,833</u></u>	<u><u>\$1,561,852</u></u>

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

**Eastland-Fairfield Career & Technical Schools**  
*Statement of Net Assets*  
*Proprietary Funds*  
*As of June 30, 2010*

	Business-Type Activities Enterprise Fund	Governmental Activities
	Adult Education	Internal Service
Assets		
Current Assets:		
Equity in Pooled Cash and Investments	\$621,808	\$1,254,341
Accounts Receivable	569,840	0
Prepaid Items	2,160	0
<i>Total Current Assets</i>	1,193,808	1,254,341
Noncurrent Assets:		
Capital Assets, net	553,292	0
<i>Total Non Current Assets</i>	553,292	0
<i>Total Assets</i>	<u>\$1,747,100</u>	<u>\$1,254,341</u>
Liabilities		
Current Liabilities:		
Accounts Payable	\$29,977	\$0
Accrued Wages and Benefits	53,775	0
Claims Payable	0	317,551
Intergovernmental Payable	55,398	0
Long Term Liabilities:		
Due Within One Year	41,519	0
Due in More Than One Year	26,026	0
<i>Total Liabilities</i>	206,695	317,551
Net Assets		
Invested in Capital Assets	553,292	0
Unrestricted	987,113	936,790
<i>Total Net Assets</i>	<u>\$1,540,405</u>	<u>\$936,790</u>

The notes to the basic financial statements are an integral 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, 2010*

	Business-Type Activities Enterprise Fund	Governmental Activities
	Adult Education	Internal Service
Operating Revenues		
Tuition and Fees	\$2,844,727	\$0
Charges for Services	21,533	1,803,912
Miscellaneous	14,836	0
<i>Total Operating Revenues</i>	2,881,096	1,803,912
Operating Expenses		
Salaries and Wages	1,599,658	0
Fringe Benefits	301,500	0
Purchased Services	445,933	0
Claims	0	1,544,080
Materials and Supplies	626,270	0
Depreciation Expense	58,186	0
Miscellaneous	4,627	0
<i>Total Operating Expenses</i>	3,036,174	1,544,080
Operating Income (Loss)	(155,078)	259,832
Nonoperating Revenues		
Intergovernmental Revenues	387,273	0
Other	500	0
Loss on Disposal of Capital Assets	(11,202)	0
<i>Total Nonoperating Revenues</i>	376,571	0
Income Before Transfers	221,493	259,832
Transfers - In	259,328	0
Changes in Net Assets	480,821	259,832
Net Assets at Beginning of Year	1,059,584	676,958
Net Assets at End of Year	<u>\$1,540,405</u>	<u>\$936,790</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, 2010

	Business-Type Activities Enterprise Fund	Governmental Activities
	Adult Education	Internal Service
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>		
<i>Cash Flows from Operating Activities:</i>		
Cash Received from Transaction with Other Funds	\$0	\$1,803,912
Cash Received from Other Operating Sources	36,369	0
Cash Received from Tuition Payments	2,856,265	0
Cash Payments to Suppliers for Services	(1,079,910)	0
Cash Payments to Employees for Services and Benefits	(1,913,025)	0
Cash Payments for Claims	0	(1,513,266)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(100,301)</u>	<u>290,646</u>
<i>Cash Flows from Noncapital Financing Activities:</i>		
Intergovernmental	387,273	0
Other non-operating sources	500	0
Transfers - in	259,328	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>647,101</u>	<u>0</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>		
Payments for Capital Acquisitions	(59,233)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(59,233)</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	487,567	290,646
Cash and Cash Equivalents at Beginning of Year	134,241	963,695
Cash and Cash Equivalents at End of Year	<u>\$621,808</u>	<u>\$1,254,341</u>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</i></b>		
Operating Income (Loss)	(\$155,078)	\$259,832
Depreciation Expense	58,186	0
<i>Changes in Assets and Liabilities:</i>		
Decrease in Accounts Receivable	11,538	0
Decrease in Prepaid Items	2,662	0
Decrease in Accounts Payable	(5,742)	0
Increase in Accrued Wages and Benefits	3,772	0
Decrease in Compensated Absences	(127)	0
Decrease in Intergovernmental Payable	(15,512)	0
Increase in Claims Payable	0	30,814
Total Adjustments	<u>54,777</u>	<u>30,814</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$100,301)</u>	<u>\$290,646</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*  
*Fiduciary Fund*  
*As of June 30, 2010*

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	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	<u>\$86,244</u>
<i>Total Assets</i>	<u><u>\$86,244</u></u>
Liabilities	
Due to Students	<u>\$86,244</u>
<i>Total Liabilities</i>	<u><u>\$86,244</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, 2010*

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### **1. DESCRIPTION OF THE SCHOOL DISTRICT**

The Eastland-Fairfield Career & Technical Schools (the School District) is a career-technical school district organized under section 3311.18 of the Ohio Revised Code. The School District provides career-technical education for 16 (15 statute and one contracted) school districts serving a student population of 1,400 plus an additional 1,200 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 \$7.5 billion tax duplicate. In addition, the School District receives funds from the State of Ohio Career and Technical 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 Educational Service Center of Central Ohio, 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. The Educational Service Center of Central Ohio and Fairfield County Educational Service Center switch the 3-2 split of the five members in January of every third year. For the fiscal year 2010 the split was 3 from Fairfield County Educational Service Center and 2 from the Educational Service Center of Central Ohio. 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.

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 17 to the basic financial statements.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

**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 fund 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 fund reporting focuses 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 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.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 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 School District's agency funds are used to account for student-managed activities and account for Pell and Stafford grant proceeds and disbursements to various students within the School District.

**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. As a general rule the effect of interfund services provided and used are not eliminated in the process of consolidation with the exception of the Internal Service Fund activity which was eliminated in the statement of activities.

**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.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus (Continued)**

*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.

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 revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net 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 bases 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 6). 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 the 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.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**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 2010.

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, 2010*

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**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 investments" on the financial statements.

During fiscal year 2010, investments were limited to U.S. Government Instrumentalities, repurchase agreements, and STAROhio. 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 (STAROhio) during fiscal year 2010. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$180,634.

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, 2010, 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 School 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".

**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 capital 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.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets and Depreciation (Continued)**

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:

<u>Description</u>	<u>Governmental &amp; Business-Type Assets Estimated Lives</u>
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. The School District had no matured compensated absences payable as of June 30, 2010 reported in the governmental funds.

**Interfund/Internal Balances**

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Interfund Receivable/Payable" (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 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, long-term notes, and capital leases are recognized as a liability on the government-wide financial statements when due.

**Eastland-Fairfield Career & Technical Schools**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 \$34,123 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 accounting principles generally accepted in the United States of America 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.

**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 activities 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. Revenues not meeting the above definition are classified as nonoperating.



**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

**3. ACCOUNTABILITY**

The Food Service and Perkins Grant special revenue funds had deficit fund balances of \$80,722 and \$14,391, 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.

**4. 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 (Non-GAAP Budgetary 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:

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis	(\$3,619,929)
Adjustments:	
Revenue Accruals	206,461
Expenditure Accruals	(489,093)
Encumbrances	(4,385,481)
Proceeds from Sale of Capital Assets	(18,436)
Transfers Out	502,563
Budget Basis	<u>(\$7,803,915)</u>

**5. 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.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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**5. 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 securities 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. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
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. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

**5. DEPOSITS AND INVESTMENTS (Continued)**

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.

**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 investments.”

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2010, the carrying amount of all School District deposits was \$6,889,493. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, the School District’s bank balance of \$3,253,600 was covered by FDIC. The remaining \$3,635,893 was collateralized by the financial institutions’ public entity deposit pools in the manner described above.

**Investments**

The School District had the following investments at June 30, 2010:

Investment Type	Fair Value	< 6 Months	7-12 Months	13-18 Months	
Repurchase Agreement	\$ 5,644,505		\$0	\$ 5,644,505	\$ 0
STAROhio	2,754,417	2,754,417		0	0
FFCB Notes	5,001,200	0	4,000,000		1,001,200
	<u>\$ 13,400,122</u>	<u>\$2,754,417</u>	<u>\$ 9,644,505</u>		<u>\$ 1,001,200</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 School 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. In accordance with the School District’s policy, the School District limits their investments to repurchase agreements, FFCB notes, and STAROhio. The School District’s investments in FFCB notes were rated Aaa by Moody’s Investor Services. Standard & Poor’s has assigned STAROhio an AAAM money market rating. The repurchase agreement was unrated.

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 School 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 School District has invested 42.1% in a repurchase agreement, 37.3% in FFCB notes, and the remaining 20.6% in STAROhio.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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**5. DEPOSITS AND INVESTMENTS (Continued)**

Custodial credit risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk beyond the requirements of the Ohio Revised Code.

All of the School District's investments are either insured and registered in the name of the School 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 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 an original maturity date of three months or less.

**6. 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 (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2010, and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

**6. PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$7,259,903,140	96.73%	\$7,279,571,290	96.56%
Public Utility	233,515,200	3.12%	251,802,160	3.34%
Tangible Personal Property	12,247,720	0.15%	7,428,431	0.10%
Total Assessed Value	<u>\$7,505,666,060</u>	<u>100.00%</u>	<u>\$7,538,801,881</u>	<u>100.00%</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, 2010 are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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, 2010. 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, 2010, \$3,787,630 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.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

**7. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010 was as follows:

	Ending Balance 06/30/09*	Additions	Deletions	Ending Balance 06/30/10
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$449,800	\$0	\$0	\$449,800
Construction in Progress	30,158	0	(30,158)	0
Total Capital Assets, Not Being Depreciated	<u>479,958</u>	<u>0</u>	<u>(30,158)</u>	<u>449,800</u>
Capital Assets Being Depreciated				
Buildings and Improvements	32,224,686	3,377,192	0	35,601,878
Furniture and Equipment	2,239,790	1,985,240	(177,583)	4,047,447
Vehicles	234,429	0	0	234,429
Total Capital Assets, Being Depreciated	<u>34,698,905</u>	<u>5,362,432</u>	<u>(177,583)</u>	<u>39,883,754</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(14,617,704)	(1,253,353)	0	(15,871,057)
Furniture and Equipment	(1,487,825)	(96,172)	171,476	(1,412,521)
Vehicles	(96,310)	(23,672)	0	(119,982)
Total Accumulated Depreciation	<u>(16,201,839)</u>	<u>(1,373,197)</u>	<u>171,476</u>	<u>(17,403,560)</u>
Total Capital Assets Being Depreciated, Net	<u>18,497,066</u>	<u>3,989,235</u>	<u>(6,107)</u>	<u>22,480,194</u>
Governmental Activities Capital Assets, Net	<u>\$18,977,024</u>	<u>\$3,989,235</u>	<u>(\$36,265)</u>	<u>\$22,929,994</u>
<b>Business-Type Activities</b>				
Buildings and Improvements	\$1,074,943	\$8,310	\$0	\$1,083,253
Furniture and Equipment	177,443	50,923	(20,048)	208,318
Total Capital Assets, Being Depreciated	<u>1,252,386</u>	<u>59,233</u>	<u>(20,048)</u>	<u>1,291,571</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(594,161)	(40,465)	0	(634,626)
Furniture and Equipment	(94,778)	(17,721)	8,846	(103,653)
Total Accumulated Depreciation	<u>(688,939)</u>	<u>(58,186)</u>	<u>8,846</u>	<u>(738,279)</u>
Business-Type Activities Capital Assets, Net	<u>\$563,447</u>	<u>\$1,047</u>	<u>(\$11,202)</u>	<u>\$553,292</u>

\* Certain reclassifications have been made within classes of capital assets. There was no effect on net capital assets.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**7. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$155,827
Special	27,461
Career and Technical	746,738
Other	9,025
Support Services:	
Pupil	37,674
Instructional Staff	14,683
Board of Education	1,754
Administration	150,157
Fiscal	5,930
Operation and Maintenance of Plant	208,398
Pupil Transportation	6,506
Central	655
Non-Instructional Services	8,389
Total Depreciation Expense	<u>\$1,373,197</u>

**8. 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 2010, the School District contracted with Ohio School Plan for property, liability, and fleet insurance.

Coverage provided by the Ohio School Plan is as follows:

Building and Contents (\$1,000 deductible)	\$60,733,752
Automobile Liability (\$1,000 deductible for Buses and \$500 for All Other Autos)	5,000,000
General Liability (no deductible):	
Per occurrence	5,000,000
Aggregate	7,000,000
Violence	
Per occurrence	1,000,000
Aggregate	1,000,000

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 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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, 2010*

**8. 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 ensures 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 CompManagement 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 \$317,551 reported in the internal service fund at June 30, 2010, 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
2009	\$101,053	\$1,431,858	\$1,246,174	\$286,737
2010	286,737	1,544,080	1,513,266	317,551

**9. DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The School District’s contributions to SERS which were allocated for pension and death benefits for the fiscal years ended June 30, 2010, 2009 and 2008 were \$555,095, \$314,654, and \$346,578, respectively; 61 percent of the required contribution has been made for fiscal year 2010 and 100 percent of the required contribution has been made for fiscal years 2009 and 2008. \$217,740 represents the unpaid contribution for fiscal year 2010 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, 2010*

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**9. DEFINED BENEFIT PENSION PLANS (Continued)**

**State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** - 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 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices 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, 2010*

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**9. 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 an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

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.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2010, 2009, and 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,306,870, \$1,352,146, and \$1,261,241, respectively; 84 percent of the required contribution has been made for fiscal year 2010 and 100 percent of the required contribution has been made for fiscal years 2009 and 2008. \$212,249 represents the unpaid contribution for fiscal year 2010 and is recorded as a liability within the respective funds.

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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**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, 2010, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

## Eastland-Fairfield Career & Technical Schools

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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### 10. POSTEMPLOYMENT BENEFITS

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$83,660, \$103,029, and \$98,179, for fiscal years 2010, 2009, and 2008, respectively.

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

#### Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2010, 2009, and 2008, the actuarially required allocations were 0.76 percent, 0.75 percent, and 0.66 percent. For the School District, contributions for the years ended June 30, 2010, 2009, and 2008, were \$29,044, \$27,524, and \$22,849, which equaled the required contributions for those years.

#### Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**10. POSTEMPLOYMENT BENEFITS (Continued)**

Health Care Plan (Continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. At June 30, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$83,660, \$217,748, and \$184,152, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**11. 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 to 75 days depending on the employee's 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, 2010*

**12. 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.

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 2010 totaled \$2,031. As of June 30, 2010, all capital leases have been paid in full.

**13. LONG-TERM DEBT AND OTHER OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

<u>Governmental Activities:</u>	Principal Outstanding			Principal Outstanding	
	6/30/2009	Additions	Deductions	6/30/2010	Due within One Year
1994 Construction Loan - 0%	\$15,977	\$0	\$15,977	\$0	\$0
2003 School Facilities Construction and Improvement Note - 3.83%	600,000	0	150,000	450,000	150,000
Capital Leases	2,031	0	2,031	0	0
Compensated Absences	1,463,531	873,201	718,363	1,618,369	536,846
<i>Total Governmental Activities</i>	<u>\$2,081,539</u>	<u>\$873,201</u>	<u>\$886,371</u>	<u>\$2,068,369</u>	<u>\$686,846</u>
<u>Business-Type Activities:</u>	Principal Outstanding			Principal Outstanding	
	6/30/2009	Additions	Deductions	6/30/2010	Due within One Year
Compensated Absences	\$67,672	\$30,218	\$30,345	\$67,545	\$41,519
	<u>\$67,672</u>	<u>\$30,218</u>	<u>\$30,345</u>	<u>\$67,545</u>	<u>\$41,519</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 was retired in fiscal year 2010. This loan was 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 with the significant funds being the General Fund and the Adult Education Fund. Capital leases were paid from the General Fund.

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**13. LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)**

The School District's overall legal debt margin was \$678,042,169 with an un-voted debt margin of \$7,538,802.

A summary of the School District's future long-term debt funding requirements as of June 30, 2010, follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$150,000	\$14,363	\$164,363
2012	150,000	8,618	158,618
2013	<u>150,000</u>	<u>2,871</u>	<u>152,871</u>
Total	<u>\$450,000</u>	<u>\$25,852</u>	<u>\$475,852</u>

**14. INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2010, were as follows:

<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
<i>Major Governmental Fund</i>		
General	\$502,563	\$0
<i>Non-Major Funds</i>		
Bond Retirement	0	170,108
Public Support	0	10,000
Food Service	0	<u>63,127</u>
Total Non-Major Funds	<u>0</u>	<u>243,235</u>
<i>Major Enterprise Fund</i>		
Adult Education	<u>0</u>	<u>259,328</u>
Total	<u>\$502,563</u>	<u>\$502,563</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, 2010*

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**14. INTERFUND ACTIVITY (Continued)**

**Interfund Balances**

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2011 fiscal year:

	Interfund Receivables	Interfund Payables
Major Fund:		
General	\$149,835	\$0
Non Major Special Revenue Funds:		
Food Service	0	84,900
Career Camp	0	13,643
ABLE Grant	0	5,193
Secondary Perkins Grant	0	46,099
Total Non Major Special Revenue Funds	0	149,835
Total All Funds	\$149,835	\$149,835

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

**Eastland-Fairfield Career & Technical Schools**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**15. 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.

	Textbooks and Instructional Materials	Capital Maintenance
Set-aside Cash Balance as of June 30, 2009	\$0	\$0
Current year set-aside requirement	196,131	196,131
Prior Year Carry Over	(2,090,600)	0
Qualifying disbursements	(530,267)	(196,131)
Set-aside Balance Carried Forward to Future Years	(\$2,424,736)	\$0
Set-aside Reserve Balance as of June 30, 2010	\$0	\$0

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Textbooks and Capital Acquisition Reserves. The excess amount in the Textbooks Reserve may be carried forward and used to reduce the set-aside requirements of future fiscal years.

**16. 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, 2010.

**Litigation**

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material adverse effect, if any, on the financial condition of the School District.

**17. 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**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**18. CONTRACTUAL COMMITMENTS**

As a result of the phase nine renovation project that was in progress at June 30, 2010, the School District had the following outstanding contractual commitments at fiscal year end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Remaining Amount</u>
Claypool Electric	\$500,875	\$475,518	\$25,357
Farber Corporation	431,184	395,098	36,086
Radico, Inc	238,892	216,681	22,211
Robertson Construction Service, Inc	2,079,820	1,919,363	160,457
TP Mechanical Contractors, Inc	31,036	29,371	1,665
Total Contractual Commitments	<u>\$3,281,807</u>	<u>\$3,036,031</u>	<u>\$245,776</u>

**19. CHANGE IN ACCOUNTING PRINCIPLES**

For 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the School District's financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School district's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

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**EASTLAND FAIRFIELD CAREER TECHNICAL SCHOOLS  
FRANKLIN COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Vocational Education-Basic Grants to States				
Vocational Education-Basic Grants to States	2009	84.048	\$ 73,286	\$ 73,286
Vocational Education-Basic Grants to States	2010	84.048	809,438	763,417
Total Vocation Education- Basic Grants to States			<u>882,724</u>	<u>836,703</u>
Safe and Drug-Free Schools and Communities State Grants	2010	84.186	2,167	2,167
Improving Teacher Quality State Grants	2010	84.367	6,832	6,832
Adult Education - Basic Grants to States				
Adult Education - Basic Grants to States	2009	84.002	29,443	30,405
Adult Education - Basic Grants to States	2010	84.002	205,590	187,078
Total Adult Education - Basic Grants to States			<u>235,033</u>	<u>217,483</u>
<i>Direct from U.S. Department of Education</i>				
<i>Student Financial Aid Cluster:</i>				
Federal Pell Grant Program	2010	84.063	693,536	693,536
Federal Family Education Loans	2010	84.032	1,510,033	1,510,033
Total Student Financial Aid Cluster			<u>2,203,569</u>	<u>2,203,569</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b><u>3,330,325</u></b>	<b><u>3,266,754</u></b>
<b>TOTALS</b>			<b><u>\$ 3,330,325</u></b>	<b><u>\$ 3,266,754</u></b>

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

**EASTLAND-FAIRFIELD CAREER AND TECHNICAL SCHOOLS  
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Eastland-Fairfield Career and Technical Schools' federal award programs' receipts and disbursements. 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.



# Dave Yost • Auditor of State

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

Eastland Fairfield Career and Technical Schools  
Franklin County  
4300 Amalgamated Place  
Groveport, Ohio 43125

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eastland Fairfield Career and Technical Schools, Franklin County, Ohio (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2010-002 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 28, 2011.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



**Dave Yost**  
Auditor of State

February 28, 2011



# Dave Yost • Auditor of State

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

Eastland Fairfield Career and Technical Schools  
Franklin County  
4300 Amalgamated Place  
Groveport, Ohio 43125

To the Board of Education:

### Compliance

We have audited the compliance of Eastland-Fairfield Career and Technical Schools, Franklin County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Eastland-Fairfield Career and Technical Schools complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2010.

### Internal Control over Compliance

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

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

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

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



**Dave Yost**  
Auditor of State

February 28, 2011



**EASTLAND FAIRFIELD CAREER AND TECHNICAL SCHOOLS  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Student Financial Aid Cluster: Federal Pell Grant Program (84.063)/Federal Family Education Loans (84.032)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**FINDING NUMBER 2010-001**

**Finding for Recovery**

The Center provides an adult education program and offers various courses of study for career development and career enhancement. Included in the curriculum are both full time and short term classes. The Center collects an application fee, tuition, and a fee for background checks required for certain programs.

**EASTLAND FAIRFIELD CAREER AND TECHNICAL SCHOOLS  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-001 (Continued)**

**Finding for Recovery (Continued)**

As part of the Center's system of internal control, an employee performs class audits whereby each class roster is compared to the accounts receivable system to determine if each student's tuition and fees have been paid in full. While performing a routine class audit, management contacted the student and determined there was a discrepancy between the amount the student had paid and the amount the system indicated he had paid. As management further investigated it was determined there were differences between the books and records and the cash deposits.

Darlene Pulsinelli, a former employee, was a cashier responsible for the collection of application fees, tuition, and fees for background checks. Management performed procedures to determine whether amounts collected by Ms. Pulsinelli were deposited; as a result, management identified \$9,857 collected by Ms. Pulsinelli which was not deposited.

We performed procedures to ensure the total identified by management was complete, and identified an additional \$9,736 collected but not deposited.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies collected but unaccounted for is hereby issued against Darlene Pulsinelli in the amount of \$19,593 and in favor of the Eastland-Fairfield Career and Technical Schools' adult education fund.

**Officials Response:**

Restitution for the full amount noted above plus allowable audit costs are being sought by the District.

**FINDING NUMBER 2010-002**

**Timely Deposits – Material Non-Compliance/Significant Deficiency**

Ohio Revised Code Section 9.38 requires public money to be deposited with the Treasurer of the public office or to a designated depository on the business day following the day of the receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

**EASTLAND FAIRFIELD CAREER AND TECHNICAL SCHOOLS  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

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

**FINDING NUMBER 2010-002 (Continued)**

**Timely Deposits – Material Non-Compliance/Significant Deficiency (Continued)**

Section 9.38 also provides that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 days after receiving it. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Testing of receipts collected in the Adult Education Department indicated that deposits were being held for multiple days and the District does not have a policy authorizing employees to hold deposits for longer than twenty-four hours; however, the District did have a safe available to secure undeposited cash.

Although it is the District's practice is that monies are deposited with the Treasurer daily by courier, the District has no formal policy defining the time period for which cash collections must be deposited with the Treasurer or the designated depository.

We recommend the District adopt a policy analogous to the requirements in the Ohio Revised Code, requiring cashiers to deposit daily collections within 24 hours of receipt with the Treasurer or the District's designated depository.

**Officials Response:**

The District is not looking to implement a new policy to hold public funds for deposit past the next business day, as all monies that are appropriately collected and deposited to the District's account should follow same-day or next-day deposit timeframe. This finding is directly related to Finding 2010-001.

**3. FINDINGS FOR FEDERAL AWARDS**

**None**

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# Dave Yost • Auditor of State

**EASTLAND-FAIRFIELD CAREER AND TECHNOLOGY 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 22, 2011**