

Eastland-Fairfield Career & Technical Schools

Franklin County

Single Audit

July 1, 2003 through June 30, 2004

Fiscal Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER, CPAs, Inc.

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**Auditor of State
Betty Montgomery**

Board of Education
Eastland Fairfield Career & Technical Schools
4300 Amalgamated Place, Box 419
Groveport, Ohio 43125-0419

We have reviewed the Independent Auditor's Report of the Eastland Fairfield Career & Technical Schools, Franklin County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 18, 2005

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Eastland-Fairfield Career & Technical Schools
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Member American Institute of Certified Public Accountants

Member Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Eastland-Fairfield Career & Technical Schools
4300 Amalgamated Place, P.O. Box 419
Groveport, Ohio 43125-0419

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Eastland-Fairfield Career & Technical Schools (the School District), Franklin County, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2004 on our consideration of the Eastland-Fairfield Career & Technical Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Members of the Board
Eastland-Fairfield Career & Technical Schools
Independent Auditor's Report
Page 2

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

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

December 21, 2004

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Eastland-Fairfield Career & Technical Schools' (the School District) discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Governmental Activities:

- The School District's assets of its governmental activities exceeded its liabilities at June 30, 2004 by \$27,518,483.
- The School District's net assets of governmental activities increased \$5,527,990 which represents a 25% increase from the prior year.
- General revenues of governmental activities accounted for \$17,883,765 in revenue or 89 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 \$2,277,207 or 11 percent of total revenues of \$20,160,972.
- The School District had \$14,620,296 in expenses related to governmental activities; only \$2,277,207 of these expenses was offset by program specific charges for services, grants, or contributions.

Business-Type Activities:

- The School District's assets of its business-type activities exceeded its liabilities at June 30, 2004 by \$1,557,306.
- The School District's net assets of business-type activities decreased \$107,875 which represents a 6 percent decrease from 2003.
- General revenues of business-type activities accounted for \$10,000 in revenue or 0.3 percent of business-type activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,178,133 or 99.7 percent of total revenues of \$3,188,133.
- The School District had \$3,308,694 in expenses related to adult and community education; \$3,178,133 of these expenses was offset by program specific charges for services, grants, and contributions.

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 Eastland-Fairfield Career & Technical Schools' financial situation as a whole and also give a detailed view of the School District's 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. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the School District's major governmental fund with all other non-major funds presented in total in one column. The major governmental fund of the School District is the General Fund. The other major fund for the School District is the Adult Education Enterprise Fund.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

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

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

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

- **Governmental Activities.** Some of the School District's programs and services 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 Eastland-Fairfield Career & Technical Schools' 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, 2004

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 financial 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.

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 2004 compared to 2003.

Table 1 Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets:						
Current Assets	\$29,863,365	\$29,967,221	\$1,324,171	\$1,434,623	\$31,187,536	\$31,401,844
Capital Assets, Net	12,534,134	8,121,682	444,559	401,948	12,978,693	8,523,630
Total Assets	42,397,499	38,088,903	1,768,730	1,836,571	44,166,229	39,925,474
Liabilities:						
Current and Other Liabilities	11,931,272	12,848,000	142,945	106,374	12,074,217	12,807,374
Long-Term Liabilities	2,947,744	3,250,410	68,479	65,016	3,016,223	3,315,426
Total Liabilities	14,879,016	16,098,410	211,424	171,390	15,090,440	16,122,800
Net Assets:						
Invested in Capital Assets, Net of Related Debt	10,576,236	5,843,751	444,559	401,948	11,020,795	6,245,699
Restricted	383,156	309,985	0	0	383,156	309,985
Unrestricted	16,559,091	15,836,757	1,112,747	1,263,233	17,671,838	17,099,990
Total Net Assets	\$27,518,483	\$21,990,493	\$1,557,306	\$1,665,181	\$29,075,789	\$23,655,674

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2004 and June 20, 2003.

Table 2
Change in Net Assets for Governmental Activities

	2004	2003
Revenues		
Program Revenues:		
Charges for Services and Sales	\$982,759	\$824,817
Operating Grants and Contributions	1,294,448	1,210,092
Total Program Revenues	2,277,207	2,034,909
General Revenues:		
Property Taxes	12,112,418	10,566,405
Grants and Entitlements	5,136,286	4,912,590
Investment Earnings	240,650	290,769
Gain on Disposal of Fixed Assets	2,230	0
Miscellaneous	392,181	85,120
Total General Revenues	17,883,765	15,854,884
Total Revenues	20,160,972	17,889,793
Program Expenses		
Instruction		
Regular	2,510,768	2,546,361
Special	382,137	482,883
Vocational	5,115,311	5,515,358
Adult/Continuing	168,744	177,794
Support Services		
Pupil	658,623	712,893
Instructional Staff	191,050	211,667
Board of Education	35,750	0
Administration	2,242,753	2,046,117
Fiscal	647,590	642,823
Operation & Maintenance of Plant	1,807,879	2,194,942
Pupil Transportation	13,879	0
Central	394,289	273,777
Non-Instructional Services	302,712	335,893
Extracurricular Activities	16,508	15,149
Interest & Fiscal Charges	132,303	58,313
Total Expenses	14,620,296	15,213,970
Transfers	(12,686)	(80,092)
Net Assets at Beginning of Year, Restated (See Note 3)	21,990,493	19,394,762
Increase in Net Assets	5,527,990	2,595,731
Net Assets at End of Year	\$27,518,483	\$21,990,493

Property taxes comprised 60 percent of revenue for governmental activities of the Eastland-Fairfield Career & Technical Schools for fiscal year 2004 and represents the largest source of revenue.

General revenue grants and entitlements comprised 25 percent of revenue for governmental activities during 2004.

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities (Continued)

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 56 percent of governmental program expenses with support services comprising 41 percent of governmental expenses. The Board of Education relies on taxes to support increased student achievement within the school district.

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

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2004		2003	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$8,176,960	(\$6,783,781)	\$8,722,395	(\$7,656,307)
Support Services	5,991,813	(5,398,217)	6,082,219	(5,437,957)
Non-instructional Services	302,712	(14,385)	335,893	(15,071)
Extracurricular Activities	16,508	(15,982)	15,149	(12,201)
Interest and Fiscal Charges	132,303	(130,724)	58,313	(57,525)
Total Expenses	\$14,620,296	(\$12,343,089)	\$15,213,969	(\$13,179,061)

Business-Type Activities

Table 4 shows the changes in net assets for the fiscal years ended June 30, 2004 and June 30, 2003.

Table 4
Change in Net Assets for Business-Type Activities

	2004	2003
Revenues		
Program Revenues:		
Charges for Services	\$2,690,781	\$2,201,968
Operating Grants and Contributions	487,352	511,916
Total Program Revenues	3,178,133	2,713,884
General Revenues:		
Other	10,000	13,995
Total General Revenues	10,000	13,995
Total Revenues	3,188,133	2,727,879
Program Expenses	3,308,694	3,153,489
Transfers	12,686	80,092
Net Assets at Beginning of Year, Restated, (See Note 3)	1,665,181	2,010,699
Increase (Decrease) in Net Assets	(107,875)	(345,518)
Net Assets at End of Year	\$1,557,306	\$1,665,181

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

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

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 \$20,687,220 and expenditures and other financial uses of \$19,488,576. The net change in fund balance for the year was most significant in the General fund, due to an increase in tax revenue for the School District.

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 2004, there were several revisions made to the General Fund budget. Total estimated revenues were increased by \$1,144,765 throughout the year due to additional funding not expected to have been received during the year. Total appropriations were increased by \$7,070,349 due to increased capital outlay costs. The School District's ending un-obligated cash balance was \$7,170,055 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, the School District had \$12,978,693 invested in land, buildings, equipment, and vehicles. Table 5 shows the fiscal year 2004 balances compared to 2003. For additional information regarding capital assets please see Note 9 to the Basic Financial Statements.

Table 5
Capital Assets
(Net of Accumulated Depreciation)

<i>Governmental Activities:</i>	2004	2003
Land	\$449,800	\$449,800
Construction in Progress	2,357,847	1,794,986
Buildings and Improvements	8,882,075	5,080,202
Furniture and Equipment	821,238	796,694
Vehicles	23,174	0
Subtotal	<u>12,534,134</u>	<u>8,121,682</u>
<i>Business-Type Activities:</i>		
Furniture and Equipment	78,658	84,648
Buildings	365,901	317,300
Subtotal	<u>444,559</u>	<u>401,948</u>
Totals	<u>\$12,978,693</u>	<u>\$8,523,630</u>

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.

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Debt

At June 30, 2004, the School District had outstanding long-term debt. Table 6 summarizes the bonds and notes outstanding:

Table 6
Outstanding Debt at Year End
Governmental Activities

	2004	2003
1987 Vocational Loan	\$133,909	\$267,822
1994 Construction Loan	175,682	207,623
School Facilities Construction and Improvement Note	1,350,000	1,500,000
1995 Energy Conservation Notes	120,000	240,000
Totals	<u>\$1,779,591</u>	<u>\$2,215,445</u>

For additional information regarding long term obligations, please see Note 15 to the Basic Financial Statements. In fiscal year 1995, the School District issued \$1,200,000 in un-voted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a ten-year period with a final maturity date in fiscal year 2005. These notes are paid from the debt service fund.

In fiscal year 1987, the School District received an interest free, 15-year loan in the amount of \$3,749,555, for the purpose of construction of school facilities. In fiscal year 1994, the School District received an additional interest free loan in the amount of \$479,120, for building construction. The construction loan will be retired in fiscal year 2010. The loan is 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 2012. These notes are paid from general fund revenues.

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, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,052,446	\$784,320	\$8,836,766
Investments	9,397,813	0	9,397,813
Receivables:			
Taxes	12,155,893	0	12,155,893
Accounts	39,692	507,890	547,582
Intergovernmental	13,110	0	13,110
Prepaid Items	71,072	6,355	77,427
Materials and Supplies Inventory	82,909	25,606	108,515
Restricted Cash and Cash Equivalents	50,430	0	50,430
Non-Depreciable Capital Assets	2,807,647	0	2,807,647
Capital Assets, Net	9,726,487	444,559	10,171,046
<i>Total Assets</i>	<u>\$42,397,499</u>	<u>\$1,768,730</u>	<u>\$44,166,229</u>
Liabilities			
Accounts Payable	\$154,625	\$36,813	\$191,438
Accrued Wages and Benefits	220,863	20,854	241,717
Claims Payable	135,882	0	135,882
Contracts Payable	1,584,807	0	1,584,807
Deferred Revenue	9,412,745	0	9,412,745
Retainage Payable	50,430	0	50,430
Accrued Interest Payable	10,072	0	10,072
Intergovernmental Payable	361,848	85,278	447,126
Long-Term Liabilities:			
Due Within One Year	536,353	0	536,353
Due In More Than One Year	2,411,391	68,479	2,479,870
<i>Total Liabilities</i>	<u>14,879,016</u>	<u>211,424</u>	<u>15,090,440</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	10,576,236	444,559	11,020,795
Restricted for:			
Other Purposes	383,156	0	383,156
Unrestricted	16,559,091	1,112,747	17,671,838
<i>Total Net Assets</i>	<u>\$27,518,483</u>	<u>\$1,557,306</u>	<u>\$29,075,789</u>

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

Eastland-Fairfield Career & Technical Schools

Statement of Activities

For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction:						
Regular	\$2,510,768	\$74,087	\$2,106	(\$2,434,575)	\$0	(\$2,434,575)
Special	382,137	24,079	274,918	(83,140)	0	(83,140)
Vocational	5,115,311	458,344	398,122	(4,258,845)	0	(4,258,845)
Adult/Continuing	168,744	48,827	112,696	(7,221)	0	(7,221)
Support Services:						
Pupil	658,623	85,050	169,571	(404,002)	0	(404,002)
Instructional Staff	191,050	14,778	23,171	(153,101)	0	(153,101)
Board of Education	35,750	1,053	0	(34,697)	0	(34,697)
Administration	2,242,753	65,453	5,266	(2,172,034)	0	(2,172,034)
Fiscal	647,590	21,760	5,266	(620,564)	0	(620,564)
Operation and Maintenance of Plant	1,807,879	48,361	1,053	(1,758,465)	0	(1,758,465)
Pupil Transportation	13,879	526	0	(13,353)	0	(13,353)
Central	394,289	51,178	101,110	(242,001)	0	(242,001)
Non-Instructional Services	302,712	87,158	201,169	(14,385)	0	(14,385)
Extracurricular Activities	16,508	526	0	(15,982)	0	(15,982)
Interest and Fiscal Charges	132,303	1,579	0	(130,724)	0	(130,724)
<i>Total Governmental Activities</i>	<u>14,620,296</u>	<u>982,759</u>	<u>1,294,448</u>	<u>(12,343,089)</u>	<u>0</u>	<u>(12,343,089)</u>
Business-Type Activities						
Adult and Community Education	3,308,694	2,690,781	487,352	0	(130,561)	(130,561)
<i>Total Business-Type Activities</i>	<u>3,308,694</u>	<u>2,690,781</u>	<u>487,352</u>	<u>0</u>	<u>(130,561)</u>	<u>(130,561)</u>
Total All Activities	<u>\$17,928,990</u>	<u>\$3,673,540</u>	<u>\$1,781,800</u>	<u>(\$12,343,089)</u>	<u>(\$130,561)</u>	<u>(\$12,473,650)</u>
General Revenues						
Property Taxes Levied for:						
General Purposes				12,112,418	0	12,112,418
Grants and Entitlements not Restricted to Specific Programs				5,136,286	0	5,136,286
Investment Earnings				240,650	0	240,650
Gain on the Disposal of Fixed Assets				2,230	0	2,230
Miscellaneous				392,181	10,000	402,181
<i>Total General Revenues</i>				<u>17,883,765</u>	<u>10,000</u>	<u>17,893,765</u>
Transfers				(12,686)	12,686	0
Change in Net Assets				5,527,990	(107,875)	5,420,115
<i>Net Assets Beginning of Year - (As Restated, See Note 3)</i>				<u>21,990,493</u>	<u>1,665,181</u>	<u>23,655,674</u>
<i>Net Assets End of Year</i>				<u>\$27,518,483</u>	<u>\$1,557,306</u>	<u>\$29,075,789</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, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$7,760,947	\$285,378	\$8,046,325
Investments	9,397,813	0	9,397,813
Receivables:			
Taxes	12,155,893	0	12,155,893
Accounts	0	39,692	39,692
Intergovernmental Receivable	0	13,110	13,110
Interfund Receivable	330,160	0	330,160
Materials and Supplies Inventory	80,872	2,037	82,909
Prepaid Items	67,390	3,682	71,072
Restricted Cash and Cash Equivalents	<u>50,430</u>	<u>0</u>	<u>50,430</u>
 Total Assets and Other Debits	<u><u>\$29,843,505</u></u>	<u><u>\$343,899</u></u>	<u><u>\$30,187,404</u></u>
 LIABILITIES			
Accounts Payable	\$133,266	\$21,359	\$154,625
Contracts Payable	1,584,807	0	1,584,807
Accrued Wages and Benefits	208,091	12,772	220,863
Retainage Payable	50,430	0	50,430
Deferred Revenues	10,118,253	13,110	10,131,363
Interfund Payable	0	102,360	102,360
Intergovernmental Payable	<u>195,808</u>	<u>6,827</u>	<u>202,635</u>
 Total Liabilities	<u>12,290,655</u>	<u>156,428</u>	<u>12,447,083</u>
 FUND BALANCES			
Reserved for Encumbrances	1,204,893	21,360	1,226,253
Reserved for Property Taxes	2,037,640	0	2,037,640
Unreserved:			
Undesignated - Reported In:			
General Fund	14,310,317	0	14,310,317
Special Revenue Funds	<u>0</u>	<u>166,111</u>	<u>166,111</u>
Total Fund Balances	<u>17,552,850</u>	<u>187,471</u>	<u>17,740,321</u>
 Total Liabilities and Fund Balances	<u><u>\$29,843,505</u></u>	<u><u>\$343,899</u></u>	<u><u>\$30,187,404</u></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**

June 30, 2004

Total Governmental Fund Balances		\$17,740,321
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.		12,534,134
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	705,508	
Intergovernmental	<u>13,110</u>	
Total		718,618
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds		(159,213)
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 is included in governmental activities in the statement of net assets		(357,561)
Long-Term Liabilities, including bonds, capital lease obligations, 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	(10,072)	
Compensated Absences	(989,846)	
Capital Lease Obligations	(178,307)	
Loan Obligations	(309,591)	
General Obligation Notes	<u>(1,470,000)</u>	
Total		<u>(2,957,816)</u>
Net Assets of Governmental Activities		<u><u>\$27,518,483</u></u>

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

Eastland-Fairfield Career & Technical Schools

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$12,132,486	\$0	\$12,132,486
Tuition and Fees	512,081	93,796	605,877
Earnings on Investments	240,650	0	240,650
Intergovernmental	5,377,501	1,040,123	6,417,624
Charges for Services	0	286,177	286,177
Rentals	14,348	76,356	90,704
Other	360,336	31,845	392,181
	<u>18,637,402</u>	<u>1,528,297</u>	<u>20,165,699</u>
Total Revenues			
Expenditures			
Current Operating			
Instruction			
Regular	2,364,727	3,077	2,367,804
Special	308,902	48,641	357,543
Vocational	4,371,751	544,964	4,916,715
Adult/Continuing	0	171,705	171,705
Support Services:			
Pupils	390,459	243,401	633,860
Instructional Staff	143,388	34,368	177,756
Board of Education	33,723	0	33,723
Administration	2,040,949	7,262	2,048,211
Fiscal	615,921	7,335	623,256
Operation and Maintenance of			
Plant Services	1,550,205	2,191	1,552,396
Pupil Transportation	11,150	0	11,150
Central	240,285	150,212	390,497
Extracurricular Activities	16,508	0	16,508
Non-Instructional Services	0	281,690	281,690
Capital Outlay	4,929,382	0	4,929,382
Debt Service			
Principal	226,947	270,000	496,947
Interest	57,291	69,728	127,019
	<u>17,301,588</u>	<u>1,834,574</u>	<u>19,136,162</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,335,814	(306,277)	1,029,537
Other Financing Sources (Uses)			
Operating Transfers In	0	339,728	339,728
Operating Transfers Out	(352,414)	0	(352,414)
Inception of Capital Lease	176,914	0	176,914
Proceeds from the Sale of Assets	4,879	0	4,879
	<u>(170,621)</u>	<u>339,728</u>	<u>169,107</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	1,165,193	33,451	1,198,644
Fund Balances at Beginning of Year, As Restated - (See Note 3)	<u>16,387,657</u>	<u>154,020</u>	<u>16,541,677</u>
Fund Balances at End of Year	<u>\$17,552,850</u>	<u>\$187,471</u>	<u>\$17,740,321</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, 2004

Net Change in Fund Balances - Total Governmental Funds \$1,198,644

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

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

Capital Asset Additions	5,002,161	
Current Year Depreciation	<u>(587,060)</u>	
Total		4,415,101

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

Proceeds from Sale of Capital Assets	(4,879)	
Gain on Disposal of Capital Assets	<u>2,230</u>	
Total		(2,649)

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

Taxes	(20,068)	
Intergovernmental	<u>13,110</u>	
Total		(6,958)

New Capital lease obligations in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (176,914)

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. 435,854

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. 61,093

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (273,838)

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	(17,367)	
Increase in Interest Payable	(5,284)	
Increase in Intergovernmental Payable	<u>(99,692)</u>	
Total		<u>(122,343)</u>

Net Change in Net Assets of Governmental Activities \$5,527,990

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

Eastland-Fairfield Career & Technical Schools

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

For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$15,968,979	\$17,113,744	\$17,611,597	\$497,853
Total Expenditures and Other Uses	<u>17,458,117</u>	<u>24,528,466</u>	<u>17,856,264</u>	<u>6,672,202</u>
Net Change in Fund Balance	(1,489,138)	(7,414,722)	(244,667)	7,170,055
Fund Balance, July 1	13,011,946	13,011,946	13,011,946	0
Prior Year Encumbrances Appropriated	<u>4,447,755</u>	<u>4,447,755</u>	<u>4,447,755</u>	<u>0</u>
Fund Balance, June 30	<u>\$15,970,563</u>	<u>\$10,044,979</u>	<u>\$17,215,034</u>	<u>\$7,170,055</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, 2004

	<u>Business-Type Activities Enterprise Fund</u>	<u>Governmental Activities</u>
	<u>Adult Education</u>	<u>Internal Service</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$784,320	\$6,121
Accounts Receivable	507,890	0
Materials & Supplies Inventory	25,606	0
Prepaid Items	6,355	0
Depreciable Capital Assets, net	<u>444,559</u>	<u>0</u>
Total Assets	<u><u>\$1,768,730</u></u>	<u><u>\$6,121</u></u>
LIABILITIES:		
Accounts Payable	\$36,813	\$0
Accrued Wages and Benefits	20,854	0
Interfund Payable	0	227,800
Claims Payable	0	135,882
Intergovernmental Payable	85,278	0
Long Term Liabilities:		
Compensated Absences Payable	<u>68,479</u>	<u>0</u>
Total Liabilities	<u>211,424</u>	<u>363,682</u>
NET ASSETS:		
Invested in capital assets, net of related debt	444,559	0
Unrestricted	<u>1,112,747</u>	<u>(357,561)</u>
Total Net Assets	<u><u>\$1,557,306</u></u>	<u><u>(\$357,561)</u></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 Fund Net Assets
Proprietary Funds**

For the Fiscal Year Ended June 30, 2004

	Business-Type Activities Enterprise Fund	Governmental Activities
	Adult Education	Internal Service
Operating Revenues		
Tuition and Fees	\$2,690,781	\$0
Charges for Services	0	1,198,617
Miscellaneous	10,000	0
Total Operating Revenues	2,700,781	1,198,617
Operating Expenses		
Salaries and Wages	2,034,974	0
Fringe Benefits	365,389	143,002
Purchased Services	540,062	0
Claims	0	1,329,453
Materials and Supplies	327,652	0
Depreciation Expense	31,208	0
Miscellaneous	8,161	0
Total Operating Expenses	3,307,446	1,472,455
Operating Income (Loss)	(606,665)	(273,838)
Nonoperating Revenues (Expenses)		
Transfers In	12,686	0
Loss on Sale of Capital Assets	(1,248)	0
Intergovernmental Revenues	487,352	0
Total Nonoperating Revenues (Expenses)	498,790	0
Changes in Net Assets	(107,875)	(273,838)
Net Assets at Beginning of Year (As Restated, See Note 3)	1,665,181	(83,723)
Net Assets at End of Year	<u>\$1,557,306</u>	<u>(\$357,561)</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, 2004

	Business-Type Activities Enterprise Fund	Governmental Activities
	Adult Education	Internal Service
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash Flows from Operating Activities:</i>		
Cash Received from Transaction with Other Funds	\$0	\$1,198,617
Cash Received from Other Operating Sources	12,266	0
Cash Received from Tuition Payments	2,519,637	0
Cash Payments to Suppliers for Services	(863,810)	(143,002)
Cash Payments to Employees for Services and Benefits	(2,382,263)	0
Cash Payments for Claims	0	(1,340,571)
	<u>(714,170)</u>	<u>(284,956)</u>
<i>Net Cash Used for Operating Activities</i>		
<i>Cash Flows from Noncapital Financing Activities:</i>		
Operating Grants	487,352	0
Transfers - in	12,686	0
Short-term Loans from Other Funds	0	227,800
	<u>500,038</u>	<u>227,800</u>
<i>Net Cash Provided by Operating Activities</i>		
<i>Cash Flows from Capital and Related Financing Activities:</i>		
Payments for Capital Acquisitions	(73,819)	0
	<u>(73,819)</u>	<u>0</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>		
Net Decrease in Cash and Cash Equivalents	(287,951)	(57,156)
Cash and Cash Equivalents at Beginning of Year	1,072,271	63,277
Cash and Cash Equivalents at End of Year	<u><u>\$784,320</u></u>	<u><u>\$6,121</u></u>
<i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</i>		
Operating Loss	(\$606,665)	(\$273,838)
Depreciation Expense	31,208	0
Loss on Sale of Capital Assets	(1,248)	0
<i>Changes in Assets and Liabilities:</i>		
Increase in Accounts Receivable	(171,144)	0
Increase in Prepaid Items	(6,355)	0
Increase in Accounts Payable	15,579	0
Decrease in Accrued Wages and Benefits	(28,460)	0
Increase in Compensated Absences	3,463	0
Increase in Intergovernmental Payable	49,452	0
Decrease in Claims Payable	0	(11,118)
Total Adjustments	<u>(107,505)</u>	<u>(11,118)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>(\$714,170)</u></u>	<u><u>(\$284,956)</u></u>

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

Eastland-Fairfield Career & Technical Schools

Statement of Fiduciary Assets and Liabilities

Agency Fund

As of June 30, 2004

	<u>Agency</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	<u>\$66,031</u>
Total Assets	<u><u>66,031</u></u>
LIABILITIES	
Due to Students	<u>66,031</u>
Total Liabilities	<u><u>\$66,031</u></u>

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

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

Reporting Entity

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District is associated with the Ohio School Boards Association Worker's Compensation Group Rating Plan, which is defined as an insurance purchasing pool. This organization is presented in Note 20 to the basic financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

Governmental Funds

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

General Fund

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

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

Proprietary Fund Type

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

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 and Community Education Fund

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

Internal Service Fund

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of Eastland-Fairfield Career & Technical Schools 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary funds are agency funds, which account for student managed activities. 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.

Basis of Presentation

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

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

Measurement Focus

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty (60) days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses/Expenditures

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

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

Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

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

During fiscal year 2004, investments were limited to U.S. Government Securities, repurchase agreements, and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

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 2004 amounted to \$240,650.

For purposes of the statement of cash flows and for presentation of the balance sheet, 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.

Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

Restricted Assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

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

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

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

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

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

Compensated Absences

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

The entire compensated absence liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements 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.

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

Fund Balance Reserves

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

Eastland-Fairfield Career & Technical Schools
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Operating Revenues and Expenses

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

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES/NET ASSETS

For the fiscal year 2004, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No.39, "Determining Whether Certain Organizations are Component Units." GASB Statement No. 39 is an amendment to GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationships with the primary government.

At June 30, 2004, the district does not have any organization that qualifies as a component unit of the primary government and therefore, there was no effect on fund balance as a result of implementing GASB 39.

Prior period adjustments are presented which are the results of reclassification of the internal service fund and restatement of capital assets. The implementation of these changes required that certain adjustments be recorded to the June 30, 2003 fund balances of major and non-major funds of the School District as they were previously reported and to June 30, 2003 net assets for Governmental Activities.

	<u>General</u>	<u>Non-Major</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Fund Balances, June 30, 2003	\$16,303,934	\$154,020	\$1,642,447	\$0	\$18,100,401
Prior Period Adjustments:	<u>83,723</u>	<u>0</u>	<u>22,734</u>	<u>(83,723)</u>	<u>22,734</u>
Restated Fund Balances, June 30, 2003	<u>\$16,387,657</u>	<u>\$154,020</u>	<u>\$1,665,181</u>	<u>(\$83,723)</u>	<u>\$18,123,135</u>
Net Assets - Governmental, June 30, 2003					<u>\$23,892,082</u>
Prior Period Adjustments:					<u>(1,901,589)</u>
Restated Net Assets - Governmental, June 30, 2003					<u>\$21,990,493</u>

4. COMPLIANCE AND ACCOUNTABILITY

Accountability

The food service and uniform school supply special revenue funds had deficit fund balances of \$1,617 and \$54,444, respectively. The deficits in these funds are due to adjustments for accrued liabilities and the timing of grant awards. The General Fund provides transfers when cash is required, not when expenditures are incurred.

5. BUDGETARY BASIS OF ACCOUNTING

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

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

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund:

Net Change in Fund Balance	
	General
GAAP Basis	\$1,165,193
Adjustments:	
Revenue Accruals	(1,207,598)
Expenditure Accruals	3,768,374
Encumbrances	(3,970,636)
Budget Basis	(\$244,667)

6. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demand 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Cash on Hand

At year end, the School District had \$550 in un-deposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

At fiscal year end the carrying amount of the School District's deposits was (\$211,316) and the bank balance was \$1,824. All of the bank balance was covered by federal depository insurance.

Investments

The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Uncategorized</u>	<u>Category 1</u>	<u>Category 3</u>	<u>Carrying/Fair Value</u>
STAR Ohio	\$4,130,993			\$4,130,993
Repurchase Agreements			\$5,033,000	5,033,000
U.S. Government Securities		\$9,397,813		9,397,813
Total	<u>\$4,130,993</u>	<u>\$9,397,813</u>	<u>\$5,033,000</u>	<u>\$18,561,806</u>

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

6. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$8,953,227	\$9,397,813
Cash on Hand	(550)	0
Investments:		
Repurchase Agreement	(5,033,000)	5,033,000
STAR Ohio	(4,130,993)	4,130,993
GASB Statement No. 3	(\$211,316)	\$18,561,806

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) are for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2004 real property taxes are collected in and intended to finance fiscal year 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2004, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value.

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

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

Eastland-Fairfield Career & Technical Schools
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

7. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$5,258,150,780	87.66%	\$5,477,079,750	89.46%
Public Utility	242,576,820	4.04%	244,611,110	4.00%
Tangible Personal Property	<u>497,873,971</u>	<u>8.30%</u>	<u>400,303,667</u>	<u>6.54%</u>
Total Assessed Value	<u><u>\$5,998,601,571</u></u>	<u><u>100.00%</u></u>	<u><u>\$6,121,994,527</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$2.00		\$2.00	

The School District receives property taxes from Franklin, Fairfield, Licking, Hocking, Perry and Pickaway Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004 are available to finance fiscal year 2004 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, 2004. 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, 2004, \$2,037,640 was available as an advance to the General Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue is deferred.

8. RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Non-major Special Revenue:</u>	
Career Camp	<u>\$13,110</u>
Total Non-major Special Revenue	<u><u>\$13,110</u></u>

Eastland-Fairfield Career & Technical Schools
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2004 was as follows:

	Ending Balance 06/30/03*	Additions	Deletions	Ending Balance 06/30/04
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$449,800	\$0	\$0	\$449,800
Construction in Progress	1,794,986	562,861	0	2,357,847
Total Capital Assets, Not Being Depreciated	<u>2,244,786</u>	<u>562,861</u>	<u>0</u>	<u>2,807,647</u>
Capital Assets Being Depreciated				
Buildings and Improvements	14,576,750	4,268,418	0	18,845,168
Furniture and Equipment	2,259,895	147,315	(43,369)	2,363,841
Vehicles	0	23,567	0	23,567
Total Capital Assets, Being Depreciated	<u>16,836,645</u>	<u>4,439,300</u>	<u>(43,369)</u>	<u>21,232,576</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(9,496,548)	(466,545)	0	(9,963,093)
Furniture and Equipment	(1,463,201)	(120,122)	40,720	(1,542,603)
Vehicles	0	(393)	0	(393)
Total Accumulated Depreciation	<u>(10,959,749)</u>	<u>(587,060)</u>	<u>40,720</u>	<u>(11,506,089)</u>
Total Capital Assets Being Depreciated, Net	<u>5,876,896</u>	<u>3,852,240</u>	<u>(2,649)</u>	<u>9,726,487</u>
Governmental Activities Capital Assets, Net	<u>\$8,121,682</u>	<u>\$4,415,101</u>	<u>(\$2,649)</u>	<u>\$12,534,134</u>
Business-Type Activities				
Furniture and Equipment	\$84,648	\$0	(\$5,990)	\$78,658
Buildings	751,741	75,067	0	826,808
Less Accumulated Depreciation	<u>(434,441)</u>	<u>(31,208)</u>	<u>4,742</u>	<u>(460,907)</u>
Business-Type Activities Capital Assets, Net	<u>\$401,948</u>	<u>\$43,859</u>	<u>(\$1,248)</u>	<u>\$444,559</u>

*As restated, see footnote 3

9. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$99,469
Special	18,734
Vocational	240,615
Support Services:	
Pupil	23,131
Instructional Staff	11,056
Board of Education	2,063
Administration	106,560
Fiscal & Business	7,283
Operation and Maintenance of Plant	76,138
Non-Instructional Services	2,011
Total Depreciation Expense	\$587,060

10. 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 2004, the School District contracted with Nationwide Insurance Company for liability insurance and fleet insurance and with St. Paul Insurance Company for property insurance.

Coverage provided by these companies are as follows:

Building and Contents (\$1,000 deductible)	\$34,697,901
Automobile Liability (\$1,000 deductible)	1,000,000
General Liability (\$1,000 deductible)	
Per occurrence	2,000,000
Aggregate	5,000,000

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 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). 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.

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

10. RISK MANAGEMENT (Continued)

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The program is administered by R. E. Harrington Company, which provides claims review and processing services. The School District has purchased specific stop-loss benefits covering cost above the \$35,000 individual retention mark to a maximum lifetime reimbursement of \$1,000,000.

The liability for unpaid claims costs of \$135,882 reported in the internal service fund at June 30, 2004 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to issuance of the financial statements indicated and the amount of the loss can be reasonably estimated. Estimates were calculated by using the actual claims reports for a 90 day period following the balance sheet date. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in claims activity for the past three fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2002	\$77,598	\$1,191,971	\$1,070,280	\$199,289
2003	199,289	1,020,969	1,073,258	147,000
2004	147,000	1,329,453	1,340,571	135,882

11. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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 (614)222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. For fiscal year 2004, 9.09% was the portion allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the years ended June 30, 2004, 2003, and 2002 were \$118,285, \$43,015, and \$94,238, respectively. 18% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$97,064 represents the unpaid contribution for fiscal year 2004.

11. DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System

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

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

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

11. DEFINED BENEFIT PENSION PLANS (Continued)

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.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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

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

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

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For fiscal year 2004 plan members are required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2004, 2003, and 2002 were \$691,159, \$444,553, and \$774,451, respectively; 73% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. \$183,393 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds.

11. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2004, five members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$47,899 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$24,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$144,973.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.6 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

13. 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 one-fourth of their accrued, but unused sick leave credit to a maximum of 65 days for all personnel.

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.

14. CAPITAL LEASES

During fiscal year 2004, the District entered into capitalized leases in the total amount of \$176,914 for 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 District had entered into capitalized leases for the acquisition of copiers and equipment. All of these leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. Those expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$288,137 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 2004 totaled \$61,093.

Eastland-Fairfield Career & Technical Schools
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

14. CAPITAL LEASES (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004:

Fiscal Year Ending June 30	Total Payments
2005	\$101,822
2006	75,350
2007	<u>17,780</u>
Total Minimum Lease Payments	194,952
Less Amount Representing Interest	<u>(16,645)</u>
Present Value of Minimum Lease Payments	<u><u>\$178,307</u></u>

Eastland-Fairfield Career & Technical Schools
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

15. LONG-TERM DEBT AND OTHER OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2004 were as follows:

<u>Governmental Activities:</u>	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04	Due within One Year
1987 Vocational Loan - 0%	\$267,822	\$0	\$133,913	\$133,909	\$133,909
1994 Construction Loan - 0%	207,623	0	31,941	175,682	31,941
2003 School Facilities Construction and Improvement Note - 3.83%	1,500,000	0	150,000	1,350,000	150,000
1995 Energy Conservation Notes - 6.5%	240,000	0	120,000	120,000	120,000
Capital Leases	62,486	176,914	61,093	178,307	89,737
Compensated Absences	972,479	989,846	972,479	989,846	10,766
<i>Total Governmental Activities</i>	<u>\$3,250,410</u>	<u>\$1,166,760</u>	<u>\$1,469,426</u>	<u>\$2,947,744</u>	<u>\$536,353</u>
<u>Business-Type Activities:</u>	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04	Due within One Year
Compensated Absences	\$65,016	\$68,479	\$65,016	\$68,479	\$0
	<u>\$65,016</u>	<u>\$68,479</u>	<u>\$65,016</u>	<u>\$68,479</u>	<u>\$0</u>

In fiscal year 1995, the School District issued \$1,200,000 in un-voted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a ten year period with a final maturity date in fiscal year 2005. These notes are paid from the debt service fund.

In fiscal year 1987, the School District received an interest free, 15 year loan in the amount of \$3,749,555, for the purpose of construction of school facilities. In fiscal year 1994, the School district received additional interest free loans in the amounts of \$479,120 and \$244,800, for building construction and equipment, respectively. The equipment loan was retired during fiscal year 2000, while the construction loan will be retired in fiscal year 2010. These loans are paid from general fund revenues. In fiscal year 2003, the School District issued \$1,500,000 in notes for the purpose of construction and improvements of school facilities. These notes were issued for a ten year period with a final maturity date in fiscal year 2013. These notes are paid from the debt service fund.

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

The School District's overall legal debt margin was \$549,199,916 with an un-voted debt margin of \$4,342,404.

Eastland-Fairfield Career & Technical Schools
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

A summary of the School District's future long-term debt funding requirements as of June 30, 2004 follows:

	Principal	Interest	Total
2005	\$435,854	\$48,833	\$484,687
2006	181,942	43,088	225,030
2007	181,941	37,343	219,284
2008	181,942	31,598	213,540
2009	181,941	25,853	207,794
2010-2013	615,971	45,960	661,931
Total	\$1,779,591	\$232,675	\$2,012,266

16. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2004, were as follows:

Fund	Transfer From	Transfer To
<i>Major Funds</i>		
General	\$352,414	\$0
Adult Education	0	12,686
Total Major Funds	352,414	12,686
 <i>Non-Major Funds</i>		
Bond Retirement	0	339,728
Total	\$352,414	\$352,414

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, 2004

16. INTERFUND ACTIVITY (Continued)

Interfund balances at June 30, 2004, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2005 fiscal year:

Fund Type/Fund	Interfund Receivables	Interfund Payables
<u>General Fund</u>	\$330,160	\$0
<u>Non-Major Special Revenue Funds:</u>		
006 Food Service	0	18,000
009 Uniform Supply	0	71,250
019 Career Camp	0	13,110
Total Non-Major Special Revenue Funds	0	102,360
024 Internal Service Fund	0	227,800
Total All Funds	\$330,160	\$330,160

17. 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	Capital Acquisition	Totals
Set-aside Cash Balance as of June 30, 2004	\$0	\$0	\$0
Current year set-aside requirement	143,242	143,242	286,484
Prior Year Carry Over	(228,546)	(9,770,064)	(9,998,610)
Qualifying disbursements	(414,868)	(5,077,860)	(5,492,728)
Set-aside Balance Carried Forward to Future Years	(\$500,172)	(\$14,704,682)	(\$15,204,854)
Set-aside Reserve Balance as of June 30, 2004	\$0	\$0	\$0

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

18. CONTINGENT LIABILITIES

Grants

The School District received 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, 2004.

Litigation

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

19. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

On March 4, 2003, the Plaintiffs filed a motion with the Common Pleas Court of Perry County requesting that such Court schedule and conduct a conference to address the State's compliance with the orders of such Court and the Supreme Court. On May 16, 2003, the Ohio Supreme Court granted a Writ of Prohibition as filed by the State and ordered the Common Pleas Court of Perry County to dismiss the motion for a compliance conference. The Ohio Supreme Court further stated again its ruling made on December 11, 2002.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

20. 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, 2004

21. CONTRACT COMMITMENTS

As of June 30, 2004, the School District had contractual purchase commitments for professional design and construction services for the construction of new school facilities as follows:

Contractor	Contract Amount	Amount Expended	Balance as of 6/30/04
Aggressive Mechanical, Inc.	\$69,589	\$60,670	\$8,919
All American Heating & Cooling	503,433	405,579	97,854
Apex/M&P Construction LLP	2,522,411	2,301,155	221,256
Comfortrol, Inc.	197,714	190,962	6,752
Crawford Mechanical Service	62,800	60,583	2,217
Defabco, Inc.	138,118	117,778	20,340
Dietz Enterprises, Inc. dba MCS Electric	187,144	181,572	5,572
Fairfield Insulation & Drywall	13,262	-	13,262
Holdridge Mechanical, Inc.	37,600	20,463	17,137
Miles-McClellan	1,808,000	695,195	1,112,805
MRS Industrial, Inc.	319,400	121,361	198,040
Rockwood Builders	51,500	-	51,500
Settle Muter Electric Ltd.	345,226	133,725	211,501
Simplexgrinnell	109,670	105,100	4,570
Superior Electric Company	161,446	156,535	4,911
Titan Electrical Construction	295,934	284,356	11,578
Triad Architects	312,000	63,350	248,650
Weatherproofing Technologies, Inc.	1,343,021	1,069,543	273,478
Totals	<u>\$8,478,268</u>	<u>\$5,967,927</u>	<u>\$2,510,342</u>

Eastland-Fairfield Career & Technical Schools
Franklin County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Education				
<i>Direct from the Federal Agency</i>				
<i>Student Financial Aid Cluster</i>				
Federal Family Education Loans	N	84.032	\$103,861	\$103,861
Pell Grants	N	84.063	240,524	240,524
<i>Total Student Financial Aid Cluster</i>			344,385	344,385
<i>Passed through Ohio Department of Education</i>				
VOCED Basic Grant	20C1/20C2	84.048	786,752	682,228
Safe & Drug Free Schools:	DRS1	84.186	2,326	2,109
Adult and Community Education	ABS1	84.002	133,008	142,738
Title II-A Improving Teacher Quality	TRS1	84.367	7,920	5,855
Innovative Education Program Strategy	C2S1	84.298	8,450	6,186
Total United States Department of Education			938,456	839,116
Total Federal Financial Assistance			<u>\$1,282,841</u>	<u>\$1,183,501</u>

N=Direct Assistance from Federal Government

See accompanying notes to the Schedule of Federal Awards Expenditures

Eastland-Fairfield Career & Technical Schools
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B- GUARANTEED STUDENT LOANS

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

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

Members of the Board

Eastland-Fairfield Career & Technical Schools
4300 Amalgamated Place, P.O. Box 419
Groveport, Ohio 43125-0419

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Eastland-Fairfield Career & Technical Schools (the School District), Franklin County, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastland-Fairfield Career & Technical Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Members of the Board
Eastland-Fairfield Career & Technical Schools

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

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

December 21, 2004

BALESTRA, HARR & SCHERER, CPAs, Inc.

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

Members of the Board

Eastland-Fairfield Career & Technical Schools
4300 Amalgamated Place, P.O. Box 419
Groveport, Ohio 43125-0419

Compliance

We have audited the compliance of the Eastland-Fairfield Career & Technical Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. Eastland-Fairfield Career & Technical Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Eastland-Fairfield Career & Technical Schools' management. Our responsibility is to express an opinion on Eastland-Fairfield Career & Technical Schools' compliance based on our audit.

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

In our opinion, Eastland-Fairfield Career & Technical Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

Members of the Board
Eastland-Fairfield Career & Technical Schools

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

December 21, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

EASTLAND-FAIRFIELD CAREER & TECHNICAL SCHOOLS
FRANKLIN COUNTY
JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: CFDA's: 84.032 and 84.063
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

EASTLAND-FAIRFIELD CAREER & TECHNICAL SCHOOLS
FRANKLIN COUNTY
JUNE 30, 2004

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

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

EASTLAND-FAIRFIELD CAREER & TECHNICAL SCHOOLS
FRANKLIN COUNTY
JUNE 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Federal Citation: Failure to obtain secondary confirmation to confirm status of citizenship.	Yes	
2003-002	Federal Citation: Failure to obtain secondary confirmation to confirm registration or exemption of selective service requirement.	Yes	
2003-003	Federal Citation: Failure to disburse awards in even distributions resulting in over disbursements before verifying standards of academic progress.	Yes	
2003-004	Reportable Condition: The District should develop and implement cost of attendance guidelines and applying those guidelines to student financial aid recipients with varying factors. The District should also document in writing each student financial aid recipient's cost of attendance based on those individualized cost of attendance guidelines as well as determination of unmet need.	Yes	
2003-005	The District should develop and implement controls over eligibility with regard to its Federal Pell Grant Program and Federal Family Education Loan Program.	Yes	



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

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2005**