



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2014



Dave Yost • Auditor of State

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

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eastland Fairfield Career & Technical Schools, Franklin County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eastland Fairfield Career & Technical Schools, Franklin County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2014 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 6, 2015

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Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Eastland-Fairfield Career & Technical Schools' (the School District) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Governmental Activities:

- The School District's assets of its governmental activities exceeded its liabilities plus deferred inflows of resources at June 30, 2014 by \$41,120,818.
- The School District's net position of governmental activities increased \$640,765, which represents a 1.6 percent increase from the prior year's net position.
- General revenues of governmental activities accounted for \$19,192,790 in revenue or 88 percent of governmental activities revenues. Program specific revenues of governmental activities in the form of charges for services and sales, grants and contributions accounted for \$2,655,077 or 12 percent of total revenues of \$21,847,867.
- The School District had \$21,207,102 in expenses related to governmental activities; only \$2,655,077 of these expenses were offset by program specific charges for services and sales, grants, or contributions.

Business-Type Activities:

- The School District's assets of its business-type activities exceeded its liabilities at June 30, 2014 by \$3,544,671.
- The School District's net position of business-type activities increased \$504,552, which represents a 16.6 percent increase from prior year's net position.
- General revenues of business-type activities accounted for \$10,200 in revenue or less than 1 percent of business-type activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,241,032 or more than 99 percent of total revenues of \$2,251,232.
- The School District had \$1,746,680 in expenses related to adult and community education; all of these expenses were offset by program specific charges for services and sales, and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

REPORTING THE SCHOOL DISTRICT AS A WHOLE

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

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

- **Governmental Activities.** Some of the School District's programs and services that are reported here include instruction, support services, non-instructional services, and extracurricular activities.
- **Business-Type Activities.** These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's adult education program is reported as a business-type activity.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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

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

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

	Table 1					
	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and						
Other Assets	\$33,452,658	\$33,705,344	\$3,349,650	\$2,820,974	\$36,802,308	\$36,526,318
Capital Assets, Net	23,974,053	23,327,915	319,941	356,111	24,293,994	23,684,026
Total Assets	57,426,711	57,033,259	3,669,591	3,177,085	61,096,302	60,210,344
Liabilities:						
Current and Other						
Liabilities	2,583,568	2,601,303	88,366	82,225	2,671,934	2,683,528
Long-Term						
Liabilities	4,201,621	4,400,191	36,554	54,741	4,238,175	4,454,932
Total Liabilities	6,785,189	7,001,494	124,920	136,966	6,910,109	7,138,460
Deferred Inflows of Resources:						
Property Taxes not Levied to						
Finance Current Year	9,520,704	9,551,712	0	0	9,520,704	9,551,712
	9,520,704	9,551,712	0	0	9,520,704	9,551,712
Net Position:						
Net Investment in Capital	21,066,346	20,177,915	319,941	356,111	21,386,287	20,534,026
Restricted	466,297	2,631,457	0	0	466,297	2,631,457
Unrestricted	19,588,175	17,670,681	3,224,730	2,684,008	22,812,905	20,354,689
Total Net Position	\$41,120,818	\$40,480,053	\$3,544,671	\$3,040,119	\$44,665,489	\$43,520,172

The increase to capital assets is primarily due to current year additions from the ongoing \$3.5 million bond project which was partially offset by depreciation and deletions. The decrease in long-term liabilities is primarily due to current year principle payments. Although there was not a significant overall change in current and other assets, equity in pooled cash and investments decreased by \$520,656 in governmental activities and increased by \$589,373 in business-type activities.

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities

Table 2 shows the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2
Changes in Net Position for Governmental Activities

	2014	2013
Revenues		
Program Revenues:		
Charges for Services and Sales	\$788,428	\$817,339
Operating Grants and Contributions	1,866,649	1,506,654
Total Program Revenues	2,655,077	2,323,993
General Revenues:		
Property Taxes	13,286,808	12,342,915
Grants and Entitlements not Restricted	5,753,183	5,943,589
Gifts and Donations not Restricted	15,336	19,162
Investment Earnings	63,501	61,071
Miscellaneous	73,962	104,341
Total General Revenues	19,192,790	18,471,078
Total Revenues	21,847,867	20,795,071
Program Expenses		
Instruction		
Regular	3,814,895	3,694,111
Special	999,155	1,436,881
Career and Technical	7,190,794	6,619,299
Adult/Continuing	314,755	214,302
Other	314,161	567,417
Support Services		
Pupil	934,294	964,787
Instructional Staff	422,259	414,216
Board of Education	32,560	31,229
Administration	1,956,915	2,219,216
Fiscal	856,074	797,191
Operation & Maintenance of Plant	2,708,464	2,759,865
Pupil Transportation	57,016	65,642
Central	985,087	957,180
Non-Instructional Services	451,710	436,354
Extracurricular Activities	81,092	86,419
Interest & Fiscal Charges	87,871	99,621
Total Expenses	21,207,102	21,363,730
Change in Net Position	640,765	(568,659)
Net Position at Beginning of Year	40,480,053	41,048,712
Net Position at End of Year	\$41,120,818	\$40,480,053

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities (Continued)

The increase in operating grants and contributions is due to an increase in revenue from the Able grant program as well as increased revenue from the Ohio Department of Education for special education. Property tax revenue increased due primarily to an increase in amounts available for advance. Regular instruction expenses increased due to additional expenses by the Perkins grant program. Career and technical instruction increased primarily due to allocation changes from special and other instruction which both decreased in 2014. A decrease in administration expenses occurred primarily due to a reduction in employees' salaries and benefits due to a decrease in staffing.

Property taxes comprised 61 percent of revenues for governmental activities of the School District for fiscal year 2014 and represent the largest source of revenue.

General revenue grants and entitlements comprised 26 percent of revenue for governmental activities during 2014.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 60 percent of governmental program expenses with support services comprising 38 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

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$12,633,760	\$11,129,260	\$12,532,010	\$11,290,509
Support Services	7,952,669	6,805,413	8,209,326	7,130,337
Non-instructional Services	451,710	450,865	436,354	435,403
Extracurricular Activities	81,092	78,645	86,419	83,867
Interest and Fiscal Charges	87,871	87,842	99,621	99,621
Total Expenses	\$21,207,102	\$18,552,025	\$21,363,730	\$19,039,737

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE (Continued)

Business-Type Activities

Table 4 shows the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 4
Change in Net Position for Business-Type Activities

	2014	2013
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,779,582	\$1,386,187
Operating Grants and Contributions	461,450	425,680
Total Program Revenues	2,241,032	1,811,867
General Revenues:		
Other	10,200	13,839
Total General Revenues	10,200	13,839
Total Revenues	2,251,232	1,825,706
Program Expenses	1,746,680	1,769,258
Increase in Net Position	504,552	56,448
Net Position at Beginning of Year	3,040,119	2,983,671
Net Position at End of Year	\$3,544,671	\$3,040,119

Business-type activities are comprised of adult and community education. The adult education program has two components: community education programs and after school programs. Charges for services and sales increased due to increased tuition and fees. Program expenses remained consistent with prior year.

THE SCHOOL DISTRICT'S FUNDS

Information about the School District's major governmental fund begins on page 13. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$22,492,623 and expenditures and other financing uses of \$22,557,611. The General Fund balance increased \$2,012,893, due to increased tax revenue and reduced expenses.

Business-type activity funds are accounted for using the full accrual basis of accounting. The Adult Education Fund is the School District's only business-type activity funds, which had total operating and nonoperating revenues of \$2,251,232 and expenses of \$1,746,680. The Adult Education Fund net position increased \$504,552. This was a result of revenues exceeding expenses; however, the change in net position was significantly higher than the prior year due to increased revenues as more fully described in the Business-Type Activities section above.

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

THE SCHOOL DISTRICT'S FUNDS (Continued)

General Fund Budgeting Highlights

The School District's budget is adopted on a fund basis. Periodically, the Board adopts the five year forecast, which provides subtotals of expenditures by object level. The five year forecast is adopted when the temporary appropriation measure, permanent appropriation measure and tax budget are adopted.

During 2014, there were several revisions made to the General Fund budget. Total estimated revenues increased \$556,326 from original to final due to an increase in estimates for intergovernmental revenue. Actual revenues increased \$251,059 over estimated revenues primarily due to the refund of prior year advance payments to the general fund. Total estimated appropriations increased from the original to the final by \$571,871 due to personnel adjustments for retirements and increases in fringe benefits. Final appropriations were greater than actual expenditures due to a practice of the District to base the budget on the prior year's budget and not the prior year's expenditures. This removes any notion of being penalized in future years for not spending budgeted funds in a current year. The School District's ending un-obligated cash balance was \$2,030,288 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the School District had \$24,293,994 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 5 shows the fiscal year 2014 balances compared to 2013. For additional information regarding capital assets please see Note 7 to the basic financial statements.

Table 5
Capital Assets
(Net of Accumulated Depreciation)

<i>Governmental Activities:</i>	2014	2013*
Land	\$561,173	\$449,800
Construction in Progress	156,711	57,649
Buildings and Improvements	20,782,658	20,405,113
Furniture and Equipment	2,397,628	2,361,771
Vehicles	75,883	53,582
Subtotal	23,974,053	23,327,915
<i>Business-Type Activities:</i>		
Furniture and Equipment	33,173	28,879
Buildings and Improvements	286,768	327,232
Subtotal	319,941	356,111
Totals	\$24,293,994	\$23,684,026

* 2013 balances were reclassified to conform to the 2014 presentation. There was no effect on net position.

Changes in capital assets from the prior year resulted from additions, deletions and depreciation.

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt

At June 30, 2014, the School District had outstanding long-term debt. Table 6 summarizes bonds and capital lease obligations outstanding at year end:

Table 6
 Outstanding Bonds and Notes at Year End
 Governmental Activities

	2014	2013
Capital Improvement Bonds	\$2,800,000	\$3,150,000
Capital Lease	66,069	0

For additional information regarding long term obligations, please see Note 12 to the basic financial statements.

ECONOMIC FACTORS

This is the first year of the new biennium (HB 59). For state funding, HB 59 returns to the formula with an overall guarantee and an overall cap (minimums and maximums). The District remained on the guarantee with comparable totals to prior years. The District serves the six counties of Franklin, Fairfield, Pickaway, Hocking, Licking, and Perry. Unfortunately, an unprecedented decrease in appraisal values occurred, due to the housing market changes that began in 2008 and the reappraisals that took place reflecting the changes. The benefit of the full 2.0 mills that had been experienced during the prior years saw a full decrease, as no “buffer” exists between voted and effective millage, so the District saw the full 2.0 mill impact on the appraisal decreases, making fiscal year 2013 revenues similar to FY 2006. Fiscal year 2014 finished the year with a slight increase, compared to fiscal year 2013.

The District continues to look at cost restructuring and cost reductions to operate within the combination of School District’s existing cash balance and revenues. Although the last levy passage was February 1998, the School District is making every effort to continue to operate within the 2 mills.

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 Position
As of June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$19,331,975	\$3,084,084	\$22,416,059
Receivables:			
Taxes	13,792,586	-	13,792,586
Accounts	7,084	258,271	265,355
Interest	19,290	-	19,290
Intergovernmental	148,238	-	148,238
Prepaid Items	131,026	7,295	138,321
Restricted Cash and Cash Equivalents	22,459	-	22,459
Non-Depreciable Capital Assets	717,884	-	717,884
Capital Assets, Net	23,256,169	319,941	23,576,110
<i>Total Assets</i>	<u>\$57,426,711</u>	<u>\$3,669,591</u>	<u>\$61,096,302</u>
Liabilities			
Accounts Payable	\$115,959	\$ 12,625	\$128,584
Accrued Wages and Benefits	1,571,053	49,052	1,620,105
Claims Payable	477,892	-	477,892
Contracts Payable	19,179	-	19,179
Retainage Payable	22,459	-	22,459
Accrued Interest Payable	6,884	-	6,884
Matured Compensated Absences Payable	22,846	-	22,846
Intergovernmental Payable	347,296	26,689	373,985
Long-Term Liabilities:			
Due Within One Year	951,599	21,548	973,147
Due In More Than One Year	3,250,022	15,006	3,265,028
<i>Total Liabilities</i>	<u>\$6,785,189</u>	<u>\$124,920</u>	<u>\$6,910,109</u>
Deferred Inflows of Resources			
Property taxes not levied to finance current year operations	9,520,704	-	9,520,704
<i>Total Deferred Inflows of Resources</i>	<u>9,520,704</u>	<u>-</u>	<u>9,520,704</u>
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>\$16,305,893</u>	<u>\$124,920</u>	<u>\$16,430,813</u>
Net Position			
Net Investment in Capital Assets	21,066,346	319,941	21,386,287
Restricted for:			
Capital Outlay	463,216	-	463,216
Other Purposes	3,081	-	3,081
Unrestricted	19,588,175	3,224,730	22,812,905
<i>Total Net Position</i>	<u>41,120,818</u>	<u>3,544,671</u>	<u>44,665,489</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, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction:						
Regular	\$ 3,814,895	\$ 109,096	\$ 58,185	\$ (3,647,614)	\$ -	\$ (3,647,614)
Special	999,155	24,230	614,688	(360,237)	-	(360,237)
Career and Technical	7,190,794	182,978	137,662	(6,870,154)	-	(6,870,154)
Adult/Continuing	314,755	4,056	242,715	(67,984)	-	(67,984)
Other	314,161	-	130,890	(183,271)	-	(183,271)
Support Services:						
Pupil	934,294	19,211	200,334	(714,749)	-	(714,749)
Instructional Staff	422,259	9,275	72,111	(340,873)	-	(340,873)
Board of Education	32,560	924	27,479	(4,157)	-	(4,157)
Administration	1,956,915	53,914	-	(1,903,001)	-	(1,903,001)
Fiscal	856,074	25,696	-	(830,378)	-	(830,378)
Operation and Maintenance of Plant	2,708,464	328,543	308,148	(2,071,773)	-	(2,071,773)
Pupil Transportation	57,016	1,487	-	(55,529)	-	(55,529)
Central	985,087	25,697	74,437	(884,953)	-	(884,953)
Non-Instructional Services	451,710	845	-	(450,865)	-	(450,865)
Extracurricular Activities	81,092	2,447	-	(78,645)	-	(78,645)
Interest and Fiscal Charges	87,871	29	-	(87,842)	-	(87,842)
<i>Total Governmental Activities</i>	<u>21,207,102</u>	<u>788,428</u>	<u>1,866,649</u>	<u>(18,552,025)</u>	<u>-</u>	<u>(18,552,025)</u>
Business-Type Activities						
Adult and Community Education	1,746,680	1,779,582	461,450	-	494,352	494,352
<i>Total Business-Type Activities</i>	<u>1,746,680</u>	<u>1,779,582</u>	<u>461,450</u>	<u>-</u>	<u>494,352</u>	<u>494,352</u>
Total All Activities	<u>\$ 22,953,782</u>	<u>\$ 2,568,010</u>	<u>\$ 2,328,099</u>	<u>\$ (18,552,025)</u>	<u>\$ 494,352</u>	<u>\$ (18,057,673)</u>
General Revenues						
Property Taxes Levied for:						
				13,286,808	-	13,286,808
				5,753,183	-	5,753,183
				15,336	-	15,336
				63,501	-	63,501
				73,962	10,200	84,162
<i>Total General Revenues</i>				19,192,790	10,200	19,202,990
Change in Net Position				640,765	504,552	1,145,317
<i>Net Position Beginning of Year</i>				40,480,053	3,040,119	43,520,172
<i>Net Position End of Year</i>				<u>\$ 41,120,818</u>	<u>\$ 3,544,671</u>	<u>\$ 44,665,489</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, 2014*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Investments	\$ 17,266,088	\$ 567,046	\$ 17,833,134
Receivables:			
Taxes	13,792,586	-	13,792,586
Accounts	6,491	593	7,084
Interest	19,290	-	19,290
Intergovernmental Receivable	39,118	109,120	148,238
Interfund Receivable	145,020	-	145,020
Prepaid Items	129,185	1,841	131,026
Restricted Cash and Cash Equivalents	-	22,459	22,459
<i>Total Assets</i>	<u>\$31,397,778</u>	<u>\$701,059</u>	<u>\$32,098,837</u>
Liabilities			
Accounts Payable	\$ 115,959	\$ -	\$ 115,959
Contracts Payable	19,179	-	19,179
Accrued Wages and Benefits	1,451,223	119,830	1,571,053
Matured Compensated Absences Payable	22,846	-	22,846
Retainage Payable	-	22,459	22,459
Interfund Payable	-	145,020	145,020
Intergovernmental Payable	293,051	54,245	347,296
<i>Total Liabilities</i>	<u>1,902,258</u>	<u>341,554</u>	<u>2,243,812</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	9,520,704	0	9,520,704
Unavailable Revenue - Delinquent Taxes	912,525	0	912,525
Unavailable Revenue - Interest	13,134	0	13,134
<i>Total Deferred Inflows of Resources</i>	<u>10,446,363</u>	<u>0</u>	<u>10,446,363</u>
Fund Balances			
Nonspendable	129,185	1,841	131,026
Restricted	-	466,022	466,022
Assigned	2,825,231	-	2,825,231
Unassigned	16,094,741	(108,358)	15,986,383
<i>Total Fund Balances</i>	<u>19,049,157</u>	<u>359,505</u>	<u>19,408,662</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 31,397,778</u>	<u>\$ 701,059</u>	<u>\$ 32,098,837</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 Position of Governmental Activities
 As of June 30, 2014*

Total Governmental Fund Balances		\$19,408,662
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,974,053
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Interest	13,134	
Taxes	912,525	
Total		925,659
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		1,020,949
Long-term liabilities, including bonds, capital lease obligations, accrued interest, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(6,884)	
Compensated Absences	(1,335,552)	
School Improvement and Construction Bonds	(2,800,000)	
Capital Lease Obligations	(66,069)	
Total		(4,208,505)
Net Position of Governmental Activities		\$41,120,818

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, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 13,328,157	\$ -	\$ 13,328,157
Tuition and Fees	362,664	-	362,664
Earnings on Investments	60,068	-	60,068
Intergovernmental	6,239,786	1,380,046	7,619,832
Charges for Services	153,691	258,789	412,480
Rentals	13,284	-	13,284
Gifts and Donations	15,336	-	15,336
Other	73,254	708	73,962
<i>Total Revenues</i>	<u>20,246,240</u>	<u>1,639,543</u>	<u>21,885,783</u>
Expenditures			
Current:			
Instruction:			
Regular	3,590,072	75,455	3,665,527
Special	802,927	165,431	968,358
Career and Technical	6,106,201	178,522	6,284,723
Adult/Continuing	-	314,755	314,755
Other	134,425	169,586	304,011
Support Services:			
Pupil	582,167	253,011	835,178
Instructional Staff	302,420	94,183	396,603
Board of Education	30,617	-	30,617
Administration	1,770,699	35,635	1,806,334
Fiscal	850,832	-	850,832
Operation and Maintenance of Plant	2,300,811	-	2,300,811
Pupil Transportation	49,274	-	49,274
Central	848,220	95,025	943,245
Extracurricular Activities	81,092	-	81,092
Non-Instructional Services	27,992	414,564	442,556
Capital Outlay	282,936	2,021,257	2,304,193
Debt Service:			
Principal	3,008	350,000	353,008
Interest	968	87,763	88,731
<i>Total Expenditures</i>	<u>17,764,661</u>	<u>4,255,187</u>	<u>22,019,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,481,579	(2,615,644)	(134,065)
Other Financing Sources (Uses)			
Transfers In	-	537,763	537,763
Inception of Capital Lease	69,077	-	69,077
Transfers Out	(537,763)	-	(537,763)
<i>Total Other Financing Sources (Uses)</i>	<u>(468,686)</u>	<u>537,763</u>	<u>69,077</u>
Net Change in Fund Balances	2,012,893	(2,077,881)	(64,988)
Fund Balances at Beginning of Year	<u>17,036,264</u>	<u>2,437,386</u>	<u>19,473,650</u>
Fund Balances at End of Year	<u>\$ 19,049,157</u>	<u>\$ 359,505</u>	<u>\$ 19,408,662</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, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$64,988)

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

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

Capital Asset Additions	2,224,919	
Current Year Depreciation	<u>(1,574,313)</u>	
Total		650,606

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 capital assets.

Loss on Disposal of Capital Assets	<u>(4,468)</u>	
Total		(4,468)

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

Taxes	(\$41,349)	
Interest	<u>3,433</u>	
Total		(37,916)

Governmental funds report the inception of capital lease as an
increase in other financing sources. The lease is not recorded
as a resource in the Statement of Activities

(69,077)

Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces liabilities in the
Statement of Net Position and does not result in an expense in the
Statement of Activities.

350,000

Repayment of capital leases obligations are expenditures in the
governmental funds, but the repayment reduces liabilities in the
Statement of Net Position and does not result in an expense in the
Statement of Activities.

3,008

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

(101,899)

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	(85,361)	
Decrease in Interest Payable	<u>860</u>	
Total		<u>(84,501)</u>

Change in Net Position of Governmental Activities

\$640,765

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

Eastland-Fairfield Career & Technical Schools
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$ 19,066,984	\$ 19,623,310	\$ 19,874,369	\$ 251,059
Total Expenditures and Other Uses	<u>20,593,292</u>	<u>21,165,163</u>	<u>19,385,934</u>	<u>1,779,229</u>
Net Change in Fund Balance	(1,526,308)	(1,541,853)	488,435	2,030,288
Fund Balance, July 1	15,036,217	15,036,217	15,036,217	0
Prior Year Encumbrances Appropriated	<u>391,251</u>	<u>391,251</u>	<u>391,251</u>	<u>0</u>
Fund Balance, June 30	<u>\$ 13,901,160</u>	<u>\$ 13,885,615</u>	<u>\$ 15,915,903</u>	<u>\$ 2,030,288</u>

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

Eastland-Fairfield Career & Technical Schools
Statement of Net Position
Proprietary Funds
As of June 30, 2014

	Business-Type Activities Enterprise Fund	Governmental Activities
	Adult Education	Internal Service
Assets		
Current Assets:		
Equity in Pooled Cash and Investments	\$ 3,084,084	\$ 1,498,841
Accounts Receivable	258,271	-
Prepaid Items	7,295	-
<i>Total Current Assets</i>	<u>3,349,650</u>	<u>1,498,841</u>
Noncurrent Assets:		
Capital Assets, net	319,941	-
<i>Total Non Current Assets</i>	<u>319,941</u>	<u>-</u>
<i>Total Assets</i>	<u><u>3,669,591</u></u>	<u><u>1,498,841</u></u>
Liabilities		
Current Liabilities:		
Accounts Payable	\$12,625	\$0
Accrued Wages and Benefits	49,052	-
Claims Payable	-	477,892
Intergovernmental Payable	26,689	-
Long Term Liabilities:		
Due Within One Year	21,548	-
Due in More Than One Year	15,006	-
<i>Total Liabilities</i>	<u>124,920</u>	<u>477,892</u>
Net Position		
Net Investment in Capital Assets	319,941	-
Unrestricted	3,224,730	1,020,949
<i>Total Net Position</i>	<u><u>\$ 3,544,671</u></u>	<u><u>\$ 1,020,949</u></u>

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

Eastland-Fairfield Career & Technical Schools
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities Enterprise Fund	Governmental Activities
	Adult Education	Internal Service
Operating Revenues		
Tuition and Fees	\$ 1,760,971	\$ -
Charges for Services	18,611	1,991,399
Miscellaneous	10,200	-
<i>Total Operating Revenues</i>	1,789,782	1,991,399
Operating Expenses		
Salaries and Wages	929,909	-
Fringe Benefits	251,975	-
Purchased Services	212,329	464,905
Claims	-	1,628,393
Materials and Supplies	290,728	-
Depreciation Expense	48,180	-
Miscellaneous	13,559	-
<i>Total Operating Expenses</i>	1,746,680	2,093,298
Operating Income (Loss)	43,102	(101,899)
Nonoperating Revenues		
Intergovernmental Revenues	461,450	-
<i>Total Nonoperating Revenues</i>	461,450	-
Changes in Net Position	504,552	(101,899)
Net Position at Beginning of Year	3,040,119	1,122,848
Net Position at End of Year	<u>\$ 3,544,671</u>	<u>\$ 1,020,949</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, 2014

	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	\$ -	\$ 1,991,399
Cash Received from Other Operating Sources	10,200	-
Cash Received from Tuition Payments and Charges for Services	1,836,196	-
Cash Payments to Suppliers for Services	(519,585)	(464,905)
Cash Payments to Employees for Services and Benefits	(1,186,878)	-
Cash Payments for Claims	-	(1,614,720)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>139,933</u>	<u>(88,226)</u>
<i>Cash Flows from Noncapital Financing Activities:</i>		
Intergovernmental	461,450	-
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>461,450</u>	<u>-</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>		
Payments for Capital Acquisitions	(12,010)	-
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>(12,010)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	589,373	(88,226)
Cash and Cash Equivalents at Beginning of Year	2,494,711	1,587,067
Cash and Cash Equivalents at End of Year	<u>\$ 3,084,084</u>	<u>\$ 1,498,841</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</i>		
Operating Income (Loss)	\$ 43,102	\$ (101,899)
Depreciation Expense	48,180	-
<i>Changes in Assets and Liabilities:</i>		
Decrease in Intergovernmental Receivable	7,440	-
Decrease in Accounts Receivable	56,614	-
Increase in Prepaid Items	(3,357)	-
Decrease in Accounts Payable	(2,969)	-
Increase in Accrued Wages and Benefits	6,627	-
Decrease in Compensated Absences	(18,187)	-
Increase in Intergovernmental Payable	2,483	-
Increase in Claims Payable	-	13,673
Total Adjustments	<u>96,831</u>	<u>13,673</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 139,933</u>	<u>\$ (88,226)</u>

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

Eastland-Fairfield Career & Technical Schools
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
As of June 30, 2014

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$ 83,912
<i>Total Assets</i>	<i>\$ 83,912</i>
Liabilities	
Due to Students	\$ 83,912
<i>Total Liabilities</i>	<i>\$ 83,912</i>

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

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Eastland-Fairfield Career & Technical Schools

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Eastland-Fairfield Career & Technical Schools (the School District) is a career-technical school district organized under section 3311.18 of the Ohio Revised Code. The School District provides career-technical education for 16 (15 statute and one contracted) school districts serving a student population of 1,333 plus an additional 1,019 served by IT Foundation programs throughout 700 square miles of central Ohio, including Franklin, Fairfield, Pickaway, Licking, Hocking and Perry Counties. A nine-member Board of Education governs the School District, which is supported by a 1.20 mill continuing operating levy passed in 1971 and a 0.8 mill continuing operating levy passed in 1998, both for an assessed valuation of over \$7.26 billion tax duplicate. In addition, the School District receives funds from the State of Ohio Career and Technical School Foundation Program. The School District fosters cooperative relationships with business and industry, professional organizations, participating school districts, and other interested, concerned groups and organizations to consider, plan, and implement educational programs designed to meet the common needs and interest of students.

Reporting Entity

The School District is a jointly governed organization, legally separate from other organizations. The Board of Education of the School District consists of nine appointed members as follows: five from the Educational Service Center of Central Ohio and the Fairfield County Educational Service Center, and one each from the Teays Valley Local School District, Whitehall City School District, Gahanna-Jefferson City School District, and Reynoldsburg City School District. The Educational Service Center of Central Ohio and Fairfield County Educational Service Center switch the 3-2 split of the five members in January of every third year. For the fiscal year 2014 the split was 2 from the Educational Service Center of Central Ohio (ESCCO) and 3 from Fairfield County Educational Service Center. No school district appoints a voting majority of the Board. None of the school districts that appoint Board Members are financially accountable for the School District.

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

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

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

The School District is associated with the Ohio School Boards Association Workers' Compensation Group Rating Plan, which is defined as an insurance purchasing pool. This organization is presented in Note 16 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District follows GASB guidance as applicable to its governmental and business-type activities. The most significant of the School District's accounting policies are described below.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities plus deferred inflows of resources 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 not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

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

Proprietary Fund Type

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

Enterprise Funds

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

Adult Education Fund

This fund accounts for educational opportunities offered on a tuition basis to adults living within the community. The main source of revenue for the Adult Education Fund is tuition and fees.

Internal Service Fund

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

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

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

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Position presents the financial condition of governmental and business-type 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 and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District. As a general rule the effect of interfund services provided and used are not eliminated in the process of consolidation with the exception of the Internal Service Fund activity which was eliminated in the Statement of Activities.

Fund Financial Statements

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

Measurement Focus

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

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District did not have any deferred outflows as of June 30, 2014. The School District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and interest which are not collected in the available period. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and interest not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

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 2014.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. 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.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

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

During fiscal year 2014, investments were limited to a U.S. Treasury Money Market Fund, U.S. Government Instrumentalities, and STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2014. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2014.

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 2014 amounted to \$60,068.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

Restricted Assets

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

Capital Assets and Depreciation

General capital assets of the School District are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position 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 Position and in the respective fund.

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

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

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Compensated Absences

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

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

Interfund/Internal Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

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

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

The government-wide Statement of Net Position reports \$466,297 in restricted net position, none of which are restricted by enabling legislation.

Fund Balance

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

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

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

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

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

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

Eastland-Fairfield Career & Technical Schools

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The School District does not have a formal minimum fund balance policy.

Interfund Transactions

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

Estimates

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the School District, these revenues are tuition for adult education classes, and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues not meeting the above definition are classified as nonoperating.

3. ACCOUNTABILITY

The Food Service and Perkins Grant special revenue funds had deficit fund balances of \$83,153 and \$25,205, respectively. The deficits in these funds are due to adjustments for accrued liabilities and the timing of grant awards. The General Fund provides transfers when cash is required, not when expenditures are incurred.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

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

	<u>Net Change in Fund Balance</u>
	<u>General</u>
GAAP Basis	\$2,012,893
Adjustments:	
Revenue Accruals	(265,904)
Expenditure Accruals	(79,322)
Encumbrances	(1,168,532)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>(10,700)</u>
Budget Basis	<u>\$488,435</u>

5. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States Treasury notes, bills, bonds, or other obligations of or securities issued by the United States Treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

5. DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited.

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

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

Cash on Hand

At fiscal year end, the School District had \$450 in un-deposited cash on hand which is included on the financial statements of the School District as part of "equity in pooled cash and investments."

Deposits

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

As of June 30, 2014, the carrying amount of all School District deposits was \$6,393,491. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, the School District's bank balance was \$6,561,071. Of this balance \$6,102,474 was covered by FDIC, and the remaining \$458,597 was collateralized by the financial institutions' public entity deposit pools in the manner described above.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

5. DEPOSITS AND INVESTMENTS (Continued)

Investments

The School District had the following investments at June 30, 2014:

Investment Type	Fair Value	< 1 Year	1-2 Years	3-5 Years
STAROhio	\$9,603	\$9,603	\$0	\$0
Huntington US Treasury Money Market Fund	3,638,470	3,638,470	0	0
FHLB Notes	9,981,446	0	0	9,981,446
FFCB Notes	1,001,550	0	0	1,001,550
FHLMC Notes	1,497,420	0	0	1,497,420
	<u>\$16,128,489</u>	<u>\$3,648,073</u>	<u>\$0</u>	<u>\$12,480,416</u>

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

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with the School District’s policy, the School District limits their investments to repurchase agreements, treasury notes, U.S. government instrumentalities, and STAROhio. The School District’s investments in FHLB, FFCB, and FHLMC notes were rated AA+ by Moody’s Investor Services. Standard & Poor’s has assigned STAROhio and Huntington US Treasury Money Market Fund an AAAM money market rating.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The School District’s investment policy allows investments in repurchase agreements, certificates of deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The School District has invested 6.2% in FFCB notes, 61.9% in FHLB notes, 9.3% in FHLMC notes, 22.5% in Huntington US Treasury Money Market Funds, and the remaining 0.1% in STAROhio.

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

All of the School District’s investments are either insured and registered in the name of the School District or at least registered in the name of the School District.

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

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$6,889,893,000	95.46%	\$6,969,990,180	95.38%
Public Utility	327,731,980	4.54%	337,931,470	4.62%
Total Assessed Value	<u>\$7,217,624,980</u>	<u>100.00%</u>	<u>\$7,307,921,650</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$2.00		\$2.00	

The School District receives property taxes from Franklin, Fairfield, Licking, Hocking, Perry and Pickaway Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014 are available to finance fiscal year 2014 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, 2014. 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 a deferred inflow of resources for that portion not intended to finance current year operations.

At June 30, 2014, \$3,359,357 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 and recorded as a deferred inflow of resources.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014 was as follows:

	Ending Balance 06/30/13*	Additions	Deletions	Ending Balance 06/30/14
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$449,800	\$111,373	\$0	\$561,173
Construction in Progress	57,649	156,711	(57,649)	156,711
Total Capital Assets, Not Being Depreciated	<u>507,449</u>	<u>268,084</u>	<u>(57,649)</u>	<u>717,884</u>
Capital Assets Being Depreciated				
Buildings and Improvements	39,720,209	1,552,160	0	41,272,369
Furniture and Equipment	4,525,321	412,504	(139,771)	4,798,054
Vehicles	242,890	49,820	0	292,710
Total Capital Assets, Being Depreciated	<u>44,488,420</u>	<u>2,014,484</u>	<u>(139,771)</u>	<u>46,363,133</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(19,315,096)	(1,174,615)	0	(20,489,711)
Furniture and Equipment	(2,163,550)	(372,179)	135,303	(2,400,426)
Vehicles	(189,308)	(27,519)	0	(216,827)
Total Accumulated Depreciation	<u>(21,667,954)</u>	<u>(1,574,313)</u>	<u>135,303</u>	<u>(23,106,964)</u>
Total Capital Assets Being Depreciated, Net	<u>22,820,466</u>	<u>440,171</u>	<u>(4,468)</u>	<u>23,256,169</u>
Governmental Activities Capital Assets, Net	<u>\$23,327,915</u>	<u>\$708,255</u>	<u>(\$62,117)</u>	<u>\$23,974,053</u>
Business-Type Activities				
Capital Assets, Being Depreciated				
Buildings and Improvements	\$1,083,253	\$0	\$0	\$1,083,253
Furniture and Equipment	93,855	12,010	0	105,865
Total Capital Assets, Being Depreciated	<u>1,177,108</u>	<u>12,010</u>	<u>0</u>	<u>1,189,118</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(756,021)	(40,464)	0	(796,485)
Furniture and Equipment	(64,976)	(7,716)	0	(72,692)
Total Accumulated Depreciation	<u>(820,997)</u>	<u>(48,180)</u>	<u>0</u>	<u>(869,177)</u>
Business-Type Activities Capital Assets, Net	<u>\$356,111</u>	<u>(\$36,170)</u>	<u>\$0</u>	<u>\$319,941</u>

* Beginning balances reclassified. This reclassification had no effect on net position.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

7. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$123,938
Special	30,058
Career and Technical	841,917
Other	9,997
Support Services:	
Pupil	37,825
Instructional Staff	21,360
Board of Education	1,943
Administration	134,524
Fiscal	4,503
Operation and Maintenance of Plant	317,500
Pupil Transportation	7,742
Central	35,555
Non-Instructional Services	7,451
Total Depreciation Expense	<u>\$1,574,313</u>

8. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with Ohio School Plan for property, liability, and fleet insurance.

Coverage provided by the Ohio School Plan is as follows:

Building and Contents (\$1,000 deductible)	\$69,199,558
Automobile Liability (\$1,000 deductible for Buses and \$500 for All Other Autos)	5,000,000
General Liability (no deductible):	
Per occurrence	5,000,000
Aggregate	7,000,000
Violence	
Per occurrence	1,000,000
Aggregate	1,000,000

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

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

8. RISK MANAGEMENT (Continued)

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

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The program is administered by Anthem, which provides claims review and processing services. The School District has purchased specific stop-loss benefits covering cost above the \$75,000 individual retention mark to a maximum lifetime reimbursement of \$2,000,000.

The liability for unpaid claims costs of \$477,892 reported in the internal service fund at June 30, 2014, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of cost relating to incurred but not reported claims, be reported.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2013	\$415,778	1,596,480	1,548,039	464,219
2014	464,219	1,628,393	1,614,720	477,892

9. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District’s contributions to SERS which were allocated for pension and death benefits for the fiscal years ended June 30, 2014, 2013 and 2012 were \$483,127, \$490,726, and \$313,588, respectively; 96 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012. \$18,675 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

9. DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System

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

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

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Eligible members who do not make a choice during the reselection period will permanently remain under their current 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 for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

Eastland-Fairfield Career & Technical Schools

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

9. DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

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

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

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

For the fiscal year ended June 30, 2014, plan members were required to contribute 11% of their annual covered salaries. For fiscal years 2013 and 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was allocated for pension benefits.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,156,866, \$1,232,223, and \$1,282,195, respectively; 83 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012. \$193,764 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Effective July 1, 2014, plan members will be required to contribute 12% of their annual covered salaries.

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, 2014, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

10. POSTEMPLOYMENT BENEFITS

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$88,480, \$95,288, and \$99,646, for fiscal years 2014, 2013, and 2012, respectively, which equaled the required allocation for each year.

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013, and 2012, the actuarially required allocations were 0.76 percent, 0.74 percent, and 0.75 percent. For the School District, contributions for the years ended June 30, 2014, 2013, and 2012, were \$28,001, \$27,706, and \$27,941, which equaled the required contributions for those years.

Health Care Plan

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

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

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

10. POSTEMPLOYMENT BENEFITS (Continued)

Health Care Plan (Continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2014, 2013, and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2014, 2013, and 2012 fiscal years equaled \$73,426, \$71,912, and \$86,596, respectively, which equaled the required allocation for each year.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at www.ohsers.org under *Employers/Audit Resources*.

11. EMPLOYEE BENEFITS

Compensated Absences

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

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

Insurance Benefits

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

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

12. LONG-TERM DEBT AND OTHER OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

<u>Governmental Activities:</u>	Principal Outstanding 6/30/2013	Additions	Deductions	Principal Outstanding 6/30/2014	Due within One Year
2012 School Improvement and Construction Bonds - 2.95%	\$3,150,000	\$0	\$350,000	\$2,800,000	\$350,000
Capital Lease	0	69,077	3,008	66,069	12,469
Compensated Absences	1,250,191	665,755	580,394	1,335,552	589,130
<i>Total Governmental Activities</i>	<u>\$4,400,191</u>	<u>\$734,832</u>	<u>\$933,402</u>	<u>\$4,201,621</u>	<u>\$951,599</u>
<u>Business-Type Activities:</u>	Principal Outstanding 6/30/2013	Additions	Deductions	Principal Outstanding 6/30/2014	Due within One Year
Compensated Absences	\$54,741	\$18,734	\$36,921	\$36,554	\$21,548
	<u>\$54,741</u>	<u>\$18,734</u>	<u>\$36,921</u>	<u>\$36,554</u>	<u>\$21,548</u>

On August 10, 2011, the School District issued \$3,500,000 School Construction and Improvement Bonds at an average rate of 2.95 percent per annum with a maturity date of December 1, 2021. These payments are being made from the Debt Service Fund.

Compensated absences will be paid from the fund from which employees' salaries are paid with the significant funds being the General Fund and the Adult Education Fund.

The School District's overall legal debt margin was \$654,912,949 with an un-voted debt margin of \$7,307,922.

A summary of the School District's future long-term debt funding requirements as of June 30, 2014, follows:

	2013 School Improvement and Construction Bonds		
	Principal	Interest	Total
2015	\$350,000	77,437	427,437
2016	350,000	67,113	417,113
2017	350,000	56,608	406,608
2018	350,000	46,463	396,463
2019	350,000	36,137	386,137
2020-2022	1,050,000	46,642	1,096,642
Total	<u>\$2,800,000</u>	<u>\$330,400</u>	<u>3,130,400</u>

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

Capital Lease Obligation

In fiscal year 2014, the District entered into a capital lease for copiers and printers. This lease met 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. The capital lease payments will be classified as debt service in the General Fund in the fund financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. The capital assets acquired by the lease have been capitalized in the statement of net position for governmental activities in the amount of \$69,077. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2014 totaled \$3,008. The lease obligations are being repaid from the General Fund.

The School District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Payments
2015	\$15,906
2016	15,906
2017	15,906
2018	15,907
2019	11,929
	<u>75,554</u>
Less: Interest	<u>(9,485)</u>
Present Value of Minimum Lease Payments	<u>\$66,069</u>

13. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2014, were as follows:

Fund	Transfer From	Transfer To
<i>Major Governmental Fund</i>		
General	\$537,763	\$-
<i>Non-Major Funds</i>		
Bond Retirement	-	437,763
Food Service	-	100,000
Total Non-Major Funds	<u>-</u>	<u>537,763</u>
Total	<u>\$537,763</u>	<u>\$537,763</u>

Transfers were made from the General Fund to move unrestricted balances to pay debt and 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, 2014

13. INTERFUND ACTIVITY (Continued)

Interfund Balances

Interfund balances at June 30, 2014, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2015 fiscal year:

	Interfund Receivables	Interfund Payables
Major Fund:		
General	\$145,020	\$-
Non Major Special Revenue Funds:		
Food Service	-	35,900
ABLE Grant	-	15,956
Secondary Perkins Grant	-	93,164
Total Non Major Special Revenue Funds	-	145,020
Total All Funds	\$145,020	\$145,020

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

14. 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 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 capital acquisition. Disclosure of this information is required by State statute.

	Capital Maintenance
Set-aside Cash Balance as of June 30, 2013	\$0
Current year set-aside requirement	198,666
Qualifying disbursements	(198,666)
Set-aside Reserve Balance as of June 30, 2014	\$0

The School District had qualifying disbursements during the year that reduced the set-aside amount below zero in the Capital Acquisition Reserves. The excess amount in the Capital Maintenance Reserve may not be carried forward.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

15. CONTINGENT LIABILITIES

A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any legal proceedings.

16. 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.

17. RECEIVABLES

Receivables at June 30, 2014, consisted of property taxes, interest, interfund, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Major Fund	
General Fund	\$ 39,118
Non-major Funds	
Able Grant	15,956
Perkins Grant	93,164
Total Non-major Funds	<u>109,120</u>
Total All Funds	<u>\$ 148,238</u>

18. CHANGES IN ACCOUNTING PRINCIPLES

For 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62," GASB Statement No. 69, "Government Combinations and Disposals of Government Operations," and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Eastland-Fairfield Career & Technical Schools

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

18. CHANGES IN ACCOUNTING PRINCIPLES (Continued)

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

19. FUND BALANCES

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

Fund Balances	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Prepays	129,185	1,841	131,026
Restricted for			
Capital Improvements	-	463,216	463,216
Other Purposes	-	2,806	2,806
Total Restricted	-	466,022	466,022
Assigned to			
Other Purposes	2,825,231	-	2,825,231
Unassigned (Deficit)	16,094,741	(108,358)	15,986,383
Total Fund Balances	\$ 19,049,157	\$ 359,505	\$ 19,408,662

Eastland-Fairfield Career & Technical Schools
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

20. COMMITMENTS

A. Contractual

As of June 30, 2014, the School District's contractual purchase commitments from the General and Building Funds for the \$3.5 million bond project are as follows:

Vendor	Contract Amount	Amount Expended	Balance at 06/30/14
TP Mechanical Contractors	\$1,455,413	\$1,443,957	\$11,456
Palmetto Construction Services	1,358,137	126,529	1,231,608

B. Encumbrances

At June 30, 2014, the School District had significant encumbrance commitments in the following governmental funds:

Fund	Amount
Major Fund:	
General	\$762,762
Non-Major Fund:	
Building	468,846
Total Non-Major Fund	468,846
Total Encumbrances	<u>\$1,231,608</u>

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Student Financial Aid Cluster:				
Federal Pell Grant Program	2014	84.063	\$ 699,541	\$ 699,541
Federal Direct Student Loans	2014	84.268	1,264,105	1,264,105
Total Student Financial Aid Cluster			<u>1,963,646</u>	<u>1,963,646</u>
<i>Passed Through Ohio Department of Education:</i>				
Career and Technical Education - Basic Grants to States				
Career and Technical Education - Basic Grants to States	2013	84.048	97,334	97,334
Career and Technical Education - Basic Grants to States	2014	84.048	807,949	810,493
Total Career and Technical Education - Basic Grants to States			<u>905,283</u>	<u>907,827</u>
Improving Teacher Quality State Grants	2013	84.367	3,840	3,840
Adult Education - Basic Grants to States				
Adult Education - Basic Grants to States	2013	84.002	77,285	7,115
Adult Education - Basic Grants to States	2014	84.002	284,140	287,366
Total Adult Education - Basic Grants to States			<u>361,425</u>	<u>294,481</u>
Total Passed Through Ohio Department of Education:			<u>1,270,548</u>	<u>1,206,148</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,234,194</u>	<u>3,169,794</u>
TOTALS			<u>\$ 3,234,194</u>	<u>\$ 3,169,794</u>

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

**EASTLAND FAIRFIELD CAREER TECHNICAL SCHOOLS
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Eastland Fairfield Career Technical Schools, Franklin County, Ohio, (the School's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B – GUARANTEED STUDENT LOANS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eastland Fairfield Career & Technical Schools, Franklin County, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 6, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of finding to be a material weakness.

Compliance and Other Matters

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

School's Response to Findings

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 6, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Eastland Fairfield Career & Technical School's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Eastland Fairfield Career & Technical School's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School's major federal programs.

Management's Responsibility

The School's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for each of the School's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major programs. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the Eastland Fairfield Career & Technical School complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 6, 2015

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified.
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes.
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No.
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No.
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No.
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No.
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No.
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: CFDA # 84.063- Federal Pell Grant Program CFDA # 84.268- Federal Direct Student Loans. CFDA # 84.002- Adult Education-Basic Grants to States.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

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

Finding Number 2014-001

Management Controls over GAAP Financial Statement Reporting- Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to help ensure information provided to the users of the financial statements is complete and accurate.

The School posted an adjustment to the Balance Sheet and their accounting records for the General fund to reclassify \$1,457,114 of unassigned fund balances as assigned to comply with GASB Standard No. 54. This standard indicates any excess of appropriations over estimated receipts existing in the year subsequent to the financial statements should be shown on the current year's financial statements as an assigned fund balance.

Although the School has various internal control procedures over financial reporting, the existence of a misstatement, suggests controls may not be effective or may not be operating as management intends.

We recommend the School analyze controls currently in place for the preparation of the final GAAP report and determine if they are functioning as intended and if the controls are adequate to reduce the risk of reporting inaccurate accrual basis financial information.

Official's Response: EFCTS will comply with the reporting requirement in the GAAP financial statement's balance sheet in future years – reflecting the amount as assigned instead of unassigned equity; however, it should be noted that there was no risk of monies being obligated multiple times or appropriations exceeding resources.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



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EASTLAND-FAIRFIELD CAREER AND TECHNICAL SCHOOL

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 26, 2015**