

Eastland-Fairfield Career & Technical Schools
Franklin County

Single Audit

July 1, 2002 Through June 30, 2003

Fiscal Year Audited Under GAGAS: 2003

BALESTRA, HARR & SCHERER, CPAs, Inc.
CERTIFIED PUBLIC ACCOUNTANTS
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639 E-Mail: balestra@harrscherer.com



**Auditor of State
Betty Montgomery**

Board of Education
Eastland-Fairfield Career & Technical Schools

We have reviewed the Independent Auditor's Report of the Eastland-Fairfield Career & Technical Schools, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 21, 2004

This Page is Intentionally Left Blank.

Eastland-Fairfield Career & Technical Schools
Franklin County

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basis Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet-Governmental Funds	12
Reconciliation of Total Governmental Funds Balances To Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Budget Basis)-General Fund	16
Statement of Net Assets-Proprietary Fund	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Fund	18
Statement of Cash Flows-Proprietary Fund Type	19
Statement of Fiduciary Net Assets-Agency Fund	20
Notes to the Basic Financial Statements	21-45
Schedule of Federal Awards Expenditures	46
Notes to the Schedule of Federal Awards Expenditures	47
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48-49
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	50-51
Schedule of Findings and Questioned costs OMB Circular A-133 Section .505	52-55
Corrective Action Plan	56

BALESTRA, HARR & SCHERER, CPAs, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639 E-Mail: balestra@harrscherer.com

Member American Institute of Certified Public Accountants

Member Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board

Eastland-Fairfield Career & Technical Schools

4300 Amalgamated Place, P.O. Box 419

Groveport, Ohio 43125-0419

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Eastland-Fairfield Career & Technical Schools (the School District), Franklin County, as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2003 on our consideration of the Eastland-Fairfield Career & Technical Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As described in Note 3 to the basic financial statements, the School District implemented Governmental Accounting Standards board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures* and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

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

December 15, 2003

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Eastland-Fairfield Career & Technical Schools' (the School District) discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not available. Subsequent reports will include the comparative information.

FINANCIAL HIGHLIGHTS

Governmental Activities:

- The School District's assets of its governmental activities exceeded its liabilities at June 30, 2003 by \$23,892,082.
- The School District's net assets of governmental activities increased \$2,595,730 which represent a 12% increase from the prior year.
- General revenues of governmental activities accounted for \$15,584,884 in revenue or 89 percent of governmental activities revenues. Program specific revenues of governmental activities in the form of charges for services and sales, grants and contributions accounted for \$2,034,909 or 11 percent of total revenues of \$17,889,793.
- The School District had \$15,213,970 in expenses related to governmental activities; only \$2,034,909 of these expenses was offset by program specific charges for services, grants, or contributions.

Business-Type Activities:

- The School District's assets of its business-type activities exceeded its liabilities at June 30, 2003 by \$1,642,447.
- The School District's net assets of business-type activities decreased \$345,518 which represents a 17 percent decrease from 2002.
- General revenues of business-type activities accounted for \$13,995 in revenue or 1 percent of business-type activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,713,884 or 99 percent of total revenues of \$2,727,879.
- The School District had \$3,153,489 in expenses related to adult and community education; \$2,713,884 of these expenses was offset by program specific charges for services, grants, or contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

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

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

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

- **Governmental Activities.** Some of the School District's programs and services are reported here include instruction, support services, operation and maintenance of capital assets, pupil transportation, and extracurricular activities.
- **Business-Type Activities.** These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The 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 fund – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The Eastland-Fairfield Career & Technical Schools' only major fund is the General fund.

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

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

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

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

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002.

	Table 1 Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets:						
Current Assets	\$29,967,221	\$26,958,328	\$1,434,623	\$1,741,866	\$31,401,844	28,700,194
Capital Assets, Net	10,023,271	7,773,111	379,214	413,030	10,402,485	8,186,141
Total Assets	39,990,492	34,731,439	1,813,837	2,154,896	41,804,329	36,886,335
Liabilities:						
Current and Other Liabilities	12,848,000	11,539,681	106,374	117,686	12,954,374	11,657,367
Long-Term Liabilities	3,250,410	1,895,407	65,016	49,245	3,315,426	1,944,652
Total Liabilities	16,098,410	13,435,088	171,390	166,931	16,269,800	13,602,019
Net Assets:						
Invested in Capital Assets, Net of Related Debt	7,745,340	6,681,304	379,214	413,030	8,124,554	7,094,334
Restricted	309,985	122,871	0	0	309,985	122,871
Unrestricted	15,836,757	14,492,176	1,263,233	1,574,935	17,099,990	16,067,111
Total Net Assets	\$23,892,082	\$21,296,351	\$1,642,447	\$1,987,965	\$25,534,529	\$23,284,316

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year the District has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2002 are not available.

Table 2
Change in Net Assets for Governmental Activities

	2003
Revenues	
Program Revenues:	
Charges for Services	\$824,817
Operating Grants and Contributions	1,210,092
Total Program Revenues	2,034,909
General Revenues:	
Property Taxes	10,566,405
Grants and Entitlements	4,912,590
Investment Earnings	290,769
Miscellaneous	85,120
Total General Revenues	15,854,884
Total Revenues	17,889,793
Program Expenses	
Instruction	
Regular	2,546,361
Special	482,883
Vocational	5,515,358
Other	177,794
Support Services	
Pupil	712,893
Instructional Staff	211,667
Administration	2,046,117
Business & Fiscal	642,823
Operation & Maintenance of Plant	2,194,942
Other	273,777
Non-Instructional Services	335,893
Extracurricular Activities	15,149
Interest & Fiscal Charges	58,313
Total Expenses	15,213,970
Transfers	(80,092)
Net Assets at Beginning of Year	21,296,351
Increase in Net Assets	2,595,731
Net Assets at End of Year	\$23,892,082

Property taxes comprised 59 percent of revenue for governmental activities of the Eastland-Fairfield Career & Technical Schools for fiscal year 2003 and represents the largest source of revenue.

Grants and entitlements comprised 27 percent of revenue for governmental activities during 2003.

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities (Continued)

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 57 percent of governmental program expenses with support services comprising 40 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. Comparisons to 2002 have not been made since they are not available.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2003	
	Total Cost of Services	Net Cost of Services
Instruction	\$8,722,395	(\$7,656,307)
Support Services	6,082,219	(5,437,957)
Non-instructional Services	335,893	(15,071)
Extracurricular Activities	15,149	(12,201)
Interest and Fiscal Charges	58,313	(57,525)
Total Expenses	\$15,213,969	(\$13,179,061)

Business-Type Activities

Table 4 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2002 are not available.

Table 4
Change in Net Assets for Business-Type Activities

	2003
Revenues	
Program Revenues:	
Charges for Services	\$2,201,968
Operating Grants and Contributions	511,916
Total Program Revenues	2,713,884
General Revenues:	
Other	13,995
Total General Revenues	13,995
Total Revenues	2,727,879
Program Expenses	3,153,489
Transfers	80,092
Net Assets at Beginning of Year	1,987,965
Increase (Decrease) in Net Assets	(345,518)
Net Assets at End of Year	\$1,642,447

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

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

THE SCHOOL DISTRICT'S FUNDS

Information about the School District's major governmental fund begins on page 12. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,119,137 and expenditures and other financial uses of \$17,945,135. The net change in fund balance for the year was most significant in the General fund, due to proceeds from sale of notes in the amount of \$1,500,000.

General Fund Budgeting Highlights

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

During 2003, there were several revisions made to the General Fund budget. Total estimated resources were increased by \$1,563,022 throughout the audit period due to additional funding not expected to have been received during the year. Total appropriations were increased by \$5,481,516 due to increased capital outlay costs. The School District's ending un-obligated cash balance was \$4,203,735 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2003, the School District had \$10,402,485 invested in land, buildings, equipment, and vehicles. Table 5 shows the fiscal year 2003 balances compared to 2002.

Table 5
Capital Assets
(Net of Accumulated Depreciation)

	2003	2002
<i>Governmental Activities:</i>		
Land	\$449,800	\$449,800
Construction in Progress	1,794,986	3,120,478
Buildings and Improvements	6,946,053	3,271,890
Furniture and Equipment	781,472	873,369
Vehicles	50,960	57,574
Subtotal	10,023,271	7,773,111
<i>Business-Type Activities:</i>		
Furniture and Equipment	84,648	84,648
Buildings	294,566	328,382
Subtotal	379,214	413,030
Totals	\$10,402,485	\$8,186,141

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

Eastland-Fairfield Career & Technical Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

Debt

At June 30, 2003, the School District had outstanding long-term debt. Table 6 summarizes the bonds and notes outstanding:

Table 6
Outstanding Debt at Year End

Governmental Activities		
	2003	2002
1987 Vocational Loan	\$267,822	\$401,735
1994 Construction Loan	207,623	239,564
School Facilities Construction and Improvement Note	1,500,000	0
1995 Energy Conservation Notes	240,000	360,000
Totals	<u>\$2,215,445</u>	<u>\$1,001,299</u>

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

In fiscal year 1987, the School District received an interest free, 15-year loan in the amount of \$3,749,555, for the purpose of construction of school facilities. In fiscal year 1994, the School District received an additional interest free loan in the amount of \$479,120, for building construction. The construction loan will be retired in fiscal year 2010. The loan is paid from general fund revenues. In fiscal year 2003, the School District issued \$1,500,000 in notes for the purpose of construction and improvements of school facilities. These notes were issued for a ten-year period with a final maturity date in fiscal year 2012. These notes are paid from general fund revenues.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Eastland-Fairfield Career & Technical Schools
Statement of Net Assets
as of June 30, 2003

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$12,762,947	\$1,072,271	\$13,835,218
Investments	5,029,230	0	5,029,230
Receivables			
Taxes	11,879,493	0	11,879,493
Accounts	31,083	336,746	367,829
Intergovernmental	123,375	0	123,375
Materials and Supplies Inventory	82,909	25,606	108,515
Restricted Cash and Cash Equivalents	58,184	0	58,184
Capital Assets, Net	10,023,271	379,214	10,402,485
<i>Total Assets</i>	<u>39,990,492</u>	<u>1,813,837</u>	<u>41,804,329</u>
Liabilities			
Accounts Payable	558,700	21,234	579,934
Accrued Wages and Benefits	939,479	49,314	988,793
Claims Payable	147,000	0	147,000
Contracts Payable	634,968	0	634,968
Deferred Revenue	10,357,702	0	10,357,702
Retainage Payable	58,184	0	58,184
Accrued Interest Payable	4,788	0	4,788
Intergovernmental Payable	147,179	35,826	183,005
Long-Term Liabilities:			
Due Within One Year	481,383	1,640	483,023
Due In More Than One Year	2,769,027	63,376	2,832,403
<i>Total Liabilities</i>	<u>16,098,410</u>	<u>171,390</u>	<u>16,269,800</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	7,745,340	379,214	8,124,554
Restricted for:			
Capital Projects	11,527	0	11,527
Other Purposes	298,458	0	298,458
Unrestricted	15,836,757	1,263,233	17,099,990
<i>Total Net Assets</i>	<u>\$23,892,082</u>	<u>\$1,642,447</u>	<u>\$25,534,529</u>

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

Eastland-Fairfield Career & Technical Schools
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction:						
Regular	\$2,546,360	\$88,836	\$11,395	(\$2,446,129)	\$0	(\$2,446,129)
Special	482,883	23,114	26,380	(433,389)	0	(433,389)
Vocational	5,515,358	300,149	441,917	(4,773,292)	0	(4,773,292)
Other	177,794	40,584	133,713	(3,497)	0	(3,497)
Support Services:						
Pupil	712,893	79,480	214,304	(419,109)	0	(419,109)
Instructional Staff	211,667	14,370	27,953	(169,344)	0	(169,344)
Administration	2,046,117	69,082	242	(1,976,793)	0	(1,976,793)
Business and Fiscal	642,823	24,686	11,617	(606,520)	0	(606,520)
Operation and Maintenance of Plant	2,194,942	83,364	36,060	(2,075,518)	0	(2,075,518)
Other	273,777	24,416	58,688	(190,673)	0	(190,673)
Non-Instructional Services	335,893	74,935	245,887	(15,071)	0	(15,071)
Extracurricular Activities	15,149	1,012	1,936	(12,201)	0	(12,201)
Interest and Fiscal Charges	58,313	788	0	(57,525)	0	(57,525)
<i>Total Governmental Activities</i>	<u>15,213,969</u>	<u>824,817</u>	<u>1,210,092</u>	<u>(13,179,061)</u>	<u>0</u>	<u>(13,179,061)</u>
Business-Type Activities						
Adult and Community Education	3,153,489	2,201,968	511,916	0	(439,605)	(439,605)
<i>Total Business-Type Activities</i>	<u>3,153,489</u>	<u>2,201,968</u>	<u>511,916</u>	<u>0</u>	<u>(439,605)</u>	<u>(439,605)</u>
Total All Activities	<u>\$18,367,458</u>	<u>\$3,026,785</u>	<u>\$1,722,008</u>	<u>(\$13,179,061)</u>	<u>(\$439,605)</u>	<u>(\$13,618,666)</u>
General Revenues						
Property Taxes Levied for:						
General Purposes				10,566,405	0	10,566,405
Grants and Entitlements not Restricted to Specific Programs				4,912,590	0	4,912,590
Investment Earnings				290,769	0	290,769
Miscellaneous				85,120	13,995	99,115
<i>Total General Revenues</i>				<u>15,854,884</u>	<u>13,995</u>	<u>15,868,879</u>
Transfers				(80,092)	80,092	0
Change in Net Assets				2,595,731	(345,518)	2,250,213
<i>Net Assets Beginning of Year - (See Note 3)</i>				<u>21,296,351</u>	<u>1,987,965</u>	<u>23,284,316</u>
<i>Net Assets End of Year</i>				<u>\$23,892,082</u>	<u>\$1,642,447</u>	<u>\$25,534,529</u>

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

Eastland-Fairfield Career & Technical Schools

**Balance Sheet
Governmental Funds**

as of June 30, 2003

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$12,464,060	\$298,887	\$12,762,947
Investments	5,029,230	0	5,029,230
Receivables :			
Taxes	11,879,493	0	11,879,493
Accounts	21,266	9,817	31,083
Intergovernmental Receivable	0	123,375	123,375
Interfund Receivable	189,475	0	189,475
Materials and Supplies Inventory	80,872	2,037	82,909
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	58,184	0	58,184
Total Assets and Other Debits	<u>29,722,580</u>	<u>434,116</u>	<u>30,156,696</u>
LIABILITIES			
Accounts Payable	550,565	8,135	558,700
Contracts Payable	634,968	0	634,968
Accrued Wages and Benefits	863,959	75,520	939,479
Retainage Payable	58,184	0	58,184
Claims Payable	147,000	0	147,000
Deferred Revenues	11,083,278	0	11,083,278
Interfund Payable	0	189,475	189,475
Intergovernmental Payable	80,692	6,966	87,658
Total Liabilities	<u>13,418,646</u>	<u>280,096</u>	<u>13,698,742</u>
FUND BALANCES			
Reserved for Encumbrances	3,916,469	181,975	4,098,444
Reserved for Property Taxes	796,215	0	796,215
Unreserved			
Undesignated - Reported In			
General Fund	11,591,250	0	11,591,250
Special Revenue Funds	0	(27,957)	(27,957)
Capital Projects Fund	0	2	2
Total Fund Balances	<u>16,303,934</u>	<u>154,020</u>	<u>16,457,954</u>
Total Liabilities and Fund Balances	<u>\$29,722,580</u>	<u>\$434,116</u>	<u>\$30,156,696</u>

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

Eastland-Fairfield Career & Technical Schools
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2003

Total Governmental Fund Balances	\$	16,457,954
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,023,271
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	725,576	
Total		725,576
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds		(59,521)
Long-Term Liabilities, including bonds, capital lease obligations, long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(972,479)	
Interest Payable	(4,788)	
Capital Lease Obligations	(62,486)	
Loan Obligations	(715,445)	
General Obligation Bonds	(1,500,000)	
Total		(3,255,198)
Net Assets of Governmental Activities	\$	<u><u>23,892,082</u></u>

The notes to the 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, 2003

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$10,121,747	\$0	\$10,121,747
Tuition and Fees	446,726	81,795	528,521
Earnings on Investments	289,517	1,252	290,769
Intergovernmental	4,912,590	1,175,225	6,087,815
Charges for Services	0	284,193	284,193
Rentals	12,103	0	12,103
Donations	20	42,691	42,711
Other	85,120	0	85,120
Total Revenues	<u>15,867,823</u>	<u>1,585,156</u>	<u>17,452,979</u>
Expenditures			
Current Operating			
Instruction			
Regular	2,424,016	14,719	2,438,735
Special	434,715	39,297	474,012
Vocational	4,705,422	581,253	5,286,675
Other Instruction	0	168,708	168,708
Pupil Support Services	408,295	273,270	681,565
Instructional Support Services	164,682	37,028	201,710
Administration	1,943,267	300	1,943,567
Business and Fiscal Services	627,286	15,417	642,703
Operation and Maintenance of			
Plant Services	1,608,821	46,873	1,655,694
Other Support Services	193,470	76,208	269,678
Extracurricular Activities	12,635	2,514	15,149
Non-Instructional Services	0	327,556	327,556
Capital Outlay	3,246,226	0	3,246,226
Debt Service			
Principal	193,876	120,000	313,876
Interest	9,287	34,951	44,238
Total Expenditures	<u>15,971,998</u>	<u>1,738,094</u>	<u>17,710,092</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(104,175)	(152,938)	(257,113)
Other Financing Sources (Uses)			
Operating Transfers In	0	154,951	154,951
Operating Transfers Out	(235,043)	0	(235,043)
Proceeds from Sale of Notes	1,500,000	0	1,500,000
Proceeds from the Sale of Assets	11,207	0	11,207
Total Other Financing Sources (Uses)	<u>1,276,164</u>	<u>154,951</u>	<u>1,431,115</u>
Net Change in Fund Balances	1,171,989	2,013	1,174,002
Fund Balances at Beginning of Year - (See Note 3)	<u>15,131,945</u>	<u>152,007</u>	<u>15,283,952</u>
Fund Balances at End of Year	<u>\$16,303,934</u>	<u>\$154,020</u>	<u>\$16,457,954</u>

The notes to the 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, 2003

Net Change in Fund Balances - Total Governmental Funds \$ 1,174,002

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

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

Capital Asset Additions	2,906,074	
Current Year Depreciation	(643,845)	
Total		2,262,229

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

Proceeds from Sale of Capital Assets	(11,207)	
Loss on Disposal of Capital Assets	(862)	
Total		(12,069)

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

Taxes	444,657	
Intergovernmental	(7,844)	
Total		436,813

Proceeds for the sale of notes recorded as other financing sources in the governmental funds are not recorded as revenues in the statement of activities (1,500,000)

Repayment of loan & note principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 285,854

Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 28,022

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	(136,257)	
Increase in Interest Payable	(4,788)	
Decrease in Intergovernmental Payable	61,925	
Total		(79,120)

Net Change in Net Assets of Governmental Activities **\$ 2,595,731**

The notes to the 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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$15,402,771	\$16,965,793	\$18,091,174	\$1,125,381
Total Expenditures and Other Uses	<u>18,302,750</u>	<u>23,784,266</u>	<u>20,705,912</u>	<u>3,078,354</u>
Net Change in Fund Balance	(2,899,979)	(6,818,473)	(2,614,738)	4,203,735
Fund Balance, July 1	<u>15,626,684</u>	<u>15,626,684</u>	<u>15,626,684</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$12,726,705</u></u>	<u><u>\$8,808,211</u></u>	<u><u>\$13,011,946</u></u>	<u><u>\$4,203,735</u></u>

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

Eastland-Fairfield Career & Technical Schools

**Statement of Net Assets
Proprietary Fund**

as of June 30,2003

	<u>Business-Type Activities Enterprise Fund</u>
	<u>Adult Education</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$1,072,271
Accounts Receivable	336,746
Materials & Supplies Inventory	25,606
Depreciable Capital Assets, net	<u>379,214</u>
Total Assets	<u><u>\$1,813,837</u></u>
LIABILITIES:	
Accounts Payable	\$21,234
Accrued Wages and Benefits	49,314
Intergovernmental Payable	35,826
Long Term Liabilities:	
Compensated Absences Payable	<u>65,016</u>
Total Liabilities	<u><u>\$171,390</u></u>
NET ASSETS:	
Invested in capital assets, net of related debt	379,214
Unrestricted	<u>1,263,233</u>
Total Net Assets	<u><u>\$1,642,447</u></u>

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

Eastland-Fairfield Career & Technical Schools

**Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2003**

	Business-Type Activities Enterprise Fund
	Adult Education
Operating Revenues	
Tuition and Fees	\$2,201,968
Miscellaneous	13,995
	<hr/>
Total Operating Revenues	2,215,963
Operating Expenses	
Salaries and Wages	1,907,574
Fringe Benefits	347,270
Purchased Services	557,914
Materials and Supplies	292,050
Depreciation Expense	33,816
Miscellaneous	14,865
	<hr/>
Total Operating Expenses	3,153,489
Operating Income (Loss)	(937,526)
Nonoperating Revenues	
Transfers In	80,092
Intergovernmental Revenues	511,916
	<hr/>
Total Nonoperating Revenues	592,008
Changes in Net Assets	(345,518)
Net Assets at Beginning of Year (See Note 3)	<hr/> 1,987,965
Net Assets at End of Year	<hr/> <hr/> \$1,642,447

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

EASTLAND-FAIRFIELD CAREER & TECHNICAL SCHOOLS

Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities Enterprise Fund Adult Education
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Tuition Payments	\$2,234,452
Cash Received from Other Operating Sources	13,995
Cash Payments to Suppliers for Goods and Services	(862,117)
Cash Payments to Employees for Services	(1,864,606)
Cash Payments for Employee Benefits	(378,833)
Cash Payments for Other Operating Expenses	(9,840)
	<hr/>
Net Cash Used for Operating Activities	(866,949)
<i>Cash Flows from Noncapital Financing Activities:</i>	
Operating Grants Received	511,916
Transfers In	80,092
	<hr/>
Net Cash Provided by Noncapital Financing Activities	592,008
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(274,941)
	<hr/>
Cash and Cash Equivalents at Beginning of Year	1,347,212
	<hr/>
Cash and Cash Equivalents at End of Year	\$1,072,271
	<hr/> <hr/>
<i>Reconciliation of Operating Loss to Net</i>	
<i>Cash Used for Operating Activities:</i>	
Operating Income/(Loss)	(\$937,526)
	<hr/>
<i>Adjustments to Reconcile Operating Loss to</i>	
<i>Loss to Net Cash</i>	
<i>Net Cash Used for Operating Activities:</i>	
Depreciation	33,816
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	32,484
Decrease in Prepaid Items	5,000
(Increase) in Materials and Supplies Inventory	(5,182)
(Decrease) in Accounts Payable	(6,946)
Increase in Accrued Wages and Benefits	21,681
Increase in Compensated Absences	15,771
(Decrease) in Intergovernmental Payable	(26,047)
	<hr/>
Total Adjustments	70,577
	<hr/>
Net Cash Used for Operating Activities	(\$866,949)
	<hr/> <hr/>

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

Eastland-Fairfield Career & Technical Schools

Statement of Fiduciary Net Assets

Agency Fund

As of June 30, 2003

	<u>Agency</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	<u>\$64,607</u>
Total Assets	<u>64,607</u>
 LIABILITIES	
Due to Students	<u>64,607</u>
Total Liabilities	<u>\$64,607</u>

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

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Eastland-Fairfield Career & Technical Schools (the School District) is a joint vocational school district organized under section 3311.18 of the Ohio Revised Code. The School District provides vocational education for 16 (15 statute and one contracted) school districts serving an eligible student population of 1,100 plus an additional 500 served by IT Foundation programs throughout 700 square miles of central Ohio, including Franklin, Fairfield, Pickaway, Licking, Hocking and Perry counties. A nine-member Board of Education governs the School District, which is supported by a 1.20 mill continuing operating levy passed in 1971 and a 0.8 mill continuing operating levy passed in 1998, both for an assessed valuation of over \$5.4 billion tax duplicate. In addition, the School District receives funds from the State of Ohio Joint Vocational School Foundation Program. The School District fosters cooperative relationships with business and industry, professional organizations, participating school districts, and other interested, concerned groups and organizations to consider, plan, and implement educational programs designed to meet the common needs and interest of students.

Reporting Entity

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

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

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

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

The School District is associated with the Ohio School Boards Association Worker's Compensation Group Rating Plan, which is defined as an insurance purchasing pool. This organization is presented in Note 18 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 also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The significant accounting policies followed in the preparation of these financial statements are summarized below.

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Fund Accounting

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

Governmental Funds

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

General Fund

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

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

Proprietary Fund Type

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

Enterprise Funds

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

Adult and Community Education Fund

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

Fiduciary Funds

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

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities that are governmental and those that are business-type.

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

Fund Financial Statements – During the year, the School District segregates 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 governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus

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

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

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

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Basis of Accounting

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

Revenues-Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees, (3) the costs related to the workers compensation retrospective rating program are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period the costs were incurred. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

Encumbrances

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

Cash and Investments

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

During fiscal year 2003, investments were limited to U.S. Government Securities, repurchase agreements, and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

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 and food service special revenue fund during fiscal year 2003 amounted to \$289,517 and \$1,252 respectively.

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Cash and Investments , (Continued)

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

Inventory

On government-wide and fund financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventory consists of expendable supplies held for consumption.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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

Assets are reported as restricted when limitation on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, oar laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund represents retainage payable related to various construction projects.

Capital Assets and Depreciation:

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District increased its capitalization threshold from \$1,000 in the prior year to \$5,000 beginning July 1, 2003. As a result of the capitalization threshold increase, a prior period adjustment was necessary to restate these balances, see also footnote 3. 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. Interest incurred during the construction of capital assets is not capitalized.

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

Description	Governmental & Business-Type Assets Estimated Lives
Building and Improvements	25-40 years
Furniture and Equipment	10 years
Vehicles	10 years
Books	10 years

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental and business type activities column of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

Net Assets

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

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

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Fund Balance Reserves

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

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Estimates

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition for adult education classes. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this distinction are reported as non-operating.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements." GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The beginning net assets amount for government programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

Prior period adjustments are presented which is the result of corrections of accounting errors noted in the previous year. The implementation of these Statements required that certain adjustments be recorded to the June 30, 2002, fund balances of major and non-major funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented, which also includes the effects of the increase in the capitalization threshold from \$1,000 to \$5,000 (See Note 9, Capital Assets).

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE (Continued)

Governmental Activities:

	General	Non-major	Total
Fund Balances, June 30, 2002	\$15,584,414	(\$321,154)	\$15,263,260
Fund Reclassification:	(464,913)	464,913	0
Prior Period Adjustments:	12,444	8,248	20,692
Restated Fund Balances, June 30, 2002	<u>\$15,131,945</u>	<u>\$ 152,007</u>	<u>\$15,283,952</u>
Adjustments necessary to comply with GASB 34:			<u>6,012,399</u>
Government Activities Net Assets, June 30, 2002			<u>\$21,296,351</u>

Business-Type Activities:

Fund Equity, June 30, 2002	\$1,704,233
Prior Period Adjustments:	<u>283,732</u>
Net Assets, June 30, 2002	<u>\$1,987,965</u>

4. COMPLIANCE AND ACCOUNTABILITY

Accountability

Special revenue funds food service, uniform school supply and career education had deficit fund balances of \$10,852, \$42,287 and \$200 respectively. The deficits in these funds are due to adjustments for accrued liabilities. The General Fund provides transfers when cash is required, not when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (Budget Basis) as opposed to when susceptible to accrual (GAAP Basis).
2. Expenditures/expenses are recorded when paid in cash (Budget Basis) as opposed to when the liability is incurred (GAAP Basis).
3. Encumbrances are treated as expenditures/expenses for all funds (Budget Basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (Budget Basis) rather than as balance sheet transactions (GAAP Basis).
5. Advances-In and Advances-Out are operating transactions (Budget Basis) as opposed to balance sheet transactions (GAAP Basis).

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Net Change in Fund Balance
	General
GAAP Basis	\$1,171,989
Adjustments:	
Revenue Accruals	330,733
Expenditure Accruals	(4,290,954)
Advances	173,494
Budget Basis	(\$2,614,738)

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

6. DEPOSITS AND INVESTMENTS, (Continued)

4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Cash on Hand

At year end, the School District had \$175 in un-deposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

At fiscal year end the carrying amount of the School District's deposits was \$749,465, and the bank balance was \$950,922. Of the bank balance \$116,844 was covered by federal depository insurance and \$834,078 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

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

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

6. DEPOSITS AND INVESTMENTS, (Continued)

	Uncategorized	Category 1	Category 3	Carrying/Fair Value
STAR Ohio	\$10,355,369	\$ 0	\$ 0	\$ 10,355,369
Repurchase Agreements	0	0	\$2,853,000	2,853,000
U.S. Government Securities	0	5,029,230	0	5,029,230
Total	<u>\$10,355,369</u>	<u>\$5,029,230</u>	<u>\$2,853,000</u>	<u>\$18,237,599</u>

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$13,958,009	\$5,029,230
Cash on Hand	(175)	0
Investments:		
Repurchase Agreement	(2,853,000)	2,853,000
STAR Ohio	<u>(10,355,369)</u>	<u>10,355,369</u>
GASB Statement No. 3	<u>\$749,465</u>	<u>\$18,237,599</u>

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) are for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2003 real property taxes are collected in and intended to finance fiscal year 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003 and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

7. PROPERTY TAXES, (Continued)

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

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

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$4,749,792,650	87.35%	\$ 5,258,150,780	87.66%
Public Utility	221,646,430	4.08%	242 ,576,820	4.04%
Tangible Personal Property	466,171,569	8.57%	497,873,971	8.30%
Total Assessed Value	<u>\$5,437,610,649</u>	<u>100.00%</u>	<u>\$5,998,601,571</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, 2003 are available to finance fiscal year 2003 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, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

At June 30, 2003, \$ 796,215 was available as an advance to the General Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue is deferred.

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

8. RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Special Revenue:</u>	
Adult Voc. Ed.	\$2,700
Career Dev.	15,609
ABLE	1,949
Vocational Education	98,572
Title V	2,264
Title IVA	216
Title A	<u>2,065</u>
Total Special Revenue Funds	<u>\$123,375</u>

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2003 was as follows:

	Ending Balance 06/30/02*	Additions	Deletions	Ending Balance 06/30/03
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 449,800	0	0	\$449,800
Construction in Progress	3,120,478	1,794,986	(3,120,478)	1,794,986
Total Capital Assets, Not Being Depreciated	<u>3,570,278</u>	<u>1,794,986</u>	<u>(3,120,478)</u>	<u>2,244,786</u>
Capital Assets Being Depreciated				
Buildings and Improvements	12,504,548	4,182,495	0	16,687,043
Furniture and Equipment	2,169,425	49,071	(55,628)	2,162,868
Vehicles	87,879	0	0	87,879
Total Capital Assets, Being Depreciated	<u>14,761,852</u>	<u>4,231,566</u>	<u>(55,628)</u>	<u>18,937,790</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(9,232,658)	(508,332)	0	(9,740,990)
Furniture and Equipment	(1,296,056)	(128,899)	43,559	(1,381,396)
Vehicles	(30,305)	(6,614)	0	(36,919)
Total Accumulated Depreciation	<u>(10,559,019)</u>	<u>(643,845)</u>	<u>43,559</u>	<u>(11,159,305)</u>
Total Capital Assets Being Depreciated, Net	<u>4,202,833</u>	<u>3,587,721</u>	<u>(12,069)</u>	<u>7,778,485</u>
Governmental Activities Capital Assets, Net	<u>\$7,773,111</u>	<u>\$5,382,707</u>	<u>(\$3,132,547)</u>	<u>\$10,023,271</u>
Business-Type Activities				
Furniture and Equipment	\$ 84,648	\$ 0	\$0	\$ 84,648
Buildings	729,532	0	0	729,532
Less Accumulated Depreciation	<u>(401,150)</u>	<u>(33,816)</u>	<u>0</u>	<u>(434,966)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 413,030</u>	<u>\$ (33,816)</u>	<u>\$0</u>	<u>\$ 379,214</u>

*As restated, see footnote 3, "Change in Accounting Principle and Restatement of Fund Balance".

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

9. CAPITAL ASSETS, (Continued)

Depreciation expense was charged to governmental functions as follows:

Vocational Instruction	\$219,001
Instruction:	
Regular	75,814
Special	13,185
Support Services:	
Pupil	18,535
Instructional Staff	9,889
Administration	65,493
Fiscal & Business	12,146
Operation and Maintenance of Plant	222,923
Board of Education	2,267
Other	2,581
Non-Instructional Services	2,011
Total Depreciation Expense	\$643,845

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the School District contracted with Nationwide Insurance Company for liability insurance and fleet insurance and with St. Paul Insurance Company for property insurance.

Coverage provided by these companies is as follows:

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

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

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

10. RISK MANAGEMENT (Continued)

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

The liability for unpaid claims costs of \$147,000 reported in the general fund at June 30, 2003 is based on the requirements of Governmental Accounting Standards Board Statements No. 10, which requires that a liability for claims be reported if information prior to issuance of the financial statements indicated and the amount of the loss can be reasonably estimated. Estimates were calculated by using the actual claims reports for a 90 day period following the balance sheet date. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in claims activity for the past three fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2001	\$40,536	\$869,350	\$832,288	\$77,598
2002	77,598	1,191,971	1,070,280	199,289
2003	199,289	1,020,969	1,073,258	147,000

11. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2003, 5.46 percent was the portion allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the years ended June 30, 2003, 2002, and 2001 were \$43,015, \$94,238, and \$103,409, respectively. 55 percent has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$19,564 represents the unpaid contribution for fiscal year 2003.

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

11. DEFINED BENEFIT PENSION PLANS, (Continued)

State Teachers Retirement System, (Continued)

For fiscal year 2003 plan members are required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$444,553, \$774,451, and \$657,138, respectively; 82 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$81,410 represents the unpaid contribution for fiscal year 2003 and is recorded as a liability within the respective funds.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year 2002, and after, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$ 37,574 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 million. For the year ended June 30, 2003, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$56,779.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

13. EMPLOYEE BENEFITS

Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for all personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 65 days for all personnel.

Insurance Benefits

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

14. CAPITAL LEASES

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

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$138,819 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2003 totaled \$28,022.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003:

Fiscal Year Ending June 30	Total Payments
2004	35,297
2005	35,297
Total Minimum Lease Payments	70,594
Less Amount Representing Interest	(8,108)
Present Value of Minimum Lease Payments	\$62,486

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

15. LONG-TERM DEBT AND OTHER OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2003 were as follows:

<u>Governmental Activities:</u>	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03	Due within One Year
1987 Vocational Loan – 0%	\$ 401,735	\$ 0	\$133,913	\$ 267,822	\$133,913
1994 Construction Loan – 0%	239,564	0	31,941	207,623	31,941
School Facilities Construction and Improvement Note	0	1,500,000	0	1,500,000	150,000
1995 Energy Conservation Notes – 6.5%	360,000	0	120,000	240,000	120,000
Capital Leases	90,508	0	28,022	62,486	29,380
Compensated Absences	803,600	168,879	0	972,479	16,149
<i>Total Governmental Activities</i>	<u>\$1,895,407</u>	<u>\$1,668,879</u>	<u>\$313,876</u>	<u>\$3,250,410</u>	<u>\$481,383</u>
<u>Business-Type Activities:</u>	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03	Due within One Year
Compensated Absences	\$49,245	\$15,771	\$0	\$65,016	\$1,640
<i>Total Business-Type Activities</i>	<u>\$49,245</u>	<u>\$15,771</u>	<u>\$0</u>	<u>\$65,016</u>	<u>\$1,640</u>

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

In fiscal year 1987, the School District received an interest free, 15 year loan in the amount of \$3,749,555, for the purpose of construction of school facilities. In fiscal year 1994, the School district received additional interest free loans in the amounts of \$479,120 and \$244,800, for building construction and equipment, respectively. The equipment loan was retired during fiscal year 2000, while the construction loan will be retired in fiscal year 2010. These loans are paid from general fund revenues. In fiscal year 2003, the School District issued \$1,500,000 in notes for the purpose of construction and improvements of school facilities. These notes were issued for a ten year period with a final maturity date in fiscal year 2012. These notes are paid from general fund revenues.

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

The School District's overall legal debt margin was \$537,898,696 with an un-voted debt margin of \$5,998,601.

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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

A summary of the School District's future long-term debt funding requirements as of June 30, 2003 follows:

	Principal	Interest	Total
2004	\$435,854	\$54,578	\$490,432
2005	435,854	48,833	484,687
2006	181,941	43,088	225,029
2007	181,941	37,343	219,284
2008	181,941	31,538	213,479
2009-2012	797,914	57,450	855,364
Total	\$2,215,445	\$272,830	\$2,488,275

16. INTERFUND ACTIVITY

Transfers made during the year ended June 30, 2003, were as follows:

Fund	Transfer From	Transfer To
General, Major Governmental	\$ 235,043	
Adult Education, Proprietary Fund Type		\$ 80,092
Bond Retirement, Other (Non-Major) Governmental		154,951
Total	\$ 235,043	\$ 235,043

Transfers made to move unrestricted balances to support programs and projects accounted for in other funds.

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

16. INTERFUND ACTIVITY (Continued)

Interfund balances at June 30, 2003, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2004 fiscal year:

Fund Type/Fund	Interfund Receivables	Interfund Payables
<u>General Fund, Major Fund:</u>	<u>\$189,475</u>	<u>\$0</u>
<u>Non-Major Funds:</u>		
009 Uniform School Supplies	0	53,500
019 Other Grants	0	12,600
413 Adult Vocational Ed. Full Service Center	0	2,700
461 State Grant Career Development	0	15,609
501 ABLE	0	1,949
524 Vocational Education Special Needs	0	98,572
573 Title VI	0	2,264
584 Drug Free Schools	0	216
590 Title VI-R	0	2,065
Total	<u><u>\$189,475</u></u>	<u><u>\$189,475</u></u>

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition	Totals
Set-aside Cash Balance as of June 30, 2002	\$0	\$0	\$0
Current year set-aside requirement	135,668	135,668	271,336
Prior Year Carry Over	(35,582)	(5,426,231)	(5,461,813)
Qualifying disbursements	(328,632)	(4,479,501)	(4,808,133)
Set-aside Balance Carried Forward to Future Years	(\$228,546)	(\$9,770,064)	(\$9,998,610)
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0	\$0

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

17. CONTINGENT LIABILITIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

Litigation

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

18. Insurance Purchasing Pool

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

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

19. CONTRACT COMMITMENTS

As of June 30, 2003, the School District had contractual purchase commitments for professional design and construction services for the construction of new school facilities as follows:

Contractor	Contract Amount	Amount Expended	Balance as of 06/30/03
APEX/M & P Construction LLP	\$2,475,244	\$886,881	\$1,588,363
All American Heating & Cooling	458,816	87,252	371,564
Aggressive Mechanical, Inc.	51,207	18,000	33,207
Dietz Enterprises, Inc.	193,452	127,709	65,743
Titan Electrical Construction	287,906	0	287,906
Crawford Mechanical	59,200	0	59,200
Defabco, Inc.	121,198	0	121,198
Simplexgrinnell	109,670	0	109,670
Weatherproofing Tech.	1,266,021	0	1,266,021
Triad Architects	84,000	63,349	20,651
Totals	<u>\$5,106,714</u>	<u>\$1,183,191</u>	<u>\$3,923,523</u>

20. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's School funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Eastland-Fairfield Career & Technical Schools
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

This Page Intentionally Left Blank

Eastland-Fairfield Career & Technical Schools
Franklin County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Education				
<i>Direct from the Federal Agency</i>				
<i>Student Financial Aid Cluster</i>				
Federal Family Education Loans	N	84.032	\$98,220	\$98,220
Pell Grants	N	84.063	337,114	337,114
<i>Total Student Financial Aid Cluster</i>			435,334	435,334
<i>Passed through Ohio Department of Education</i>				
VOCED Basic Grant	20-C2 2003	84.048	695,037	664,558
Safe & Drug Free Schools:	DR-S1 2003	84.186	1,947	2,163
Adult and Community Education	AB-S1 2003	84.002	276,556	214,129
Title II-A Improving Teacher Quality	TR-S1 2003	84.367	3,079	5,144
Eisenhower Professional Development	MS-S1 2002	84.281	235	0
Innovative Education Program Strategy	C2-S1 2003	84.298	6,235	9,846
Total United States Department of Education			1,418,423	1,331,174
Total Federal Financial Assistance			\$1,418,423	\$1,331,174

N=Direct Assistance from Federal Government

See accompanying notes to the Schedule of Federal Awards Expenditures

EASTLAND-FAIRFIELD CAREER & TECHNICAL SCHOOLS
FRANKLIN COUNTY
JUNE 30, 2003

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B- DISCONTINUANCE OF NATIONAL SCHOOL LUNCH PROGRAM

The School District discontinued its participation in the National School Lunch program for fiscal year 2003.

NOTE C- GUARANTEED STUDENT LOANS

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

BALESTRA, HARR & SCHERER, CPAs, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639 E-Mail: balestra@harrscherer.com

Member American Institute of Certified Public Accountants

Member Ohio Society of Certified Public Accountants

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

Members of the Board

Eastland-Fairfield Career & Technical Schools

4300 Amalgamated Place, P.O. Box 419

Groveport, Ohio 43125-0419

We have audited the accompanying financial statements of the government activities, business-type activities major fund, and the aggregate remaining fund information financial statements of the Eastland-Fairfield Career & Technical Schools (the School District), Franklin County, as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 15, 2003, in which we indicated the District implemented Governmental Accounting Standards board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures* and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Members of the Board
Eastland-Fairfield Career & Technical Schools
Groveport, Ohio 43125-0419

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*
Page 2

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

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

December 15, 2003

BALESTRA, HARR & SCHERER, CPAs, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639 E-Mail: balestra@harrscherer.com

Member American Institute of Certified Public Accountants

Member Ohio Society of Certified Public Accountants

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

Members of the Board

Eastland-Fairfield Career & Technical Schools

4300 Amalgamated Place, P.O. Box 419

Groveport, Ohio 43125-0419

Compliance

We have audited the compliance of the Eastland-Fairfield Career & Technical Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. Eastland-Fairfield Career & Technical Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Eastland-Fairfield Career & Technical Schools' management. Our responsibility is to express an opinion on Eastland-Fairfield Career & Technical Schools' compliance based on our audit.

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

In our opinion, Eastland-Fairfield Career & Technical Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2003-001, 2003-002 and 2003-003.

Internal Control Over Compliance

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

over compliance in accordance with OMB Circular A-133.

Members of the Board

Eastland-Fairfield Career & Technical Schools

Groveport, Ohio 43125-0419

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

Page 2

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-004 and 2003-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

December 15, 2003

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

EASTLAND-FAIRFIELD CAREER & TECHNICAL SCHOOLS
FRANKLIN COUNTY
JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

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

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

EASTLAND-FAIRFIELD CAREER & TECHNICAL SCHOOLS
FRANKLIN COUNTY
JUNE 30, 2003

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

Finding Number	None
----------------	------

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2003-001
CFDA Title and Number	Federal Pell Grant, CFDA# 84.032
Federal Award Number/Year	2003
Federal Agency	Department of Education
Pass-Through Agency	N/A

Federal Citation:

The Federal Student Financial Aid Handbook (hereafter referred to as the SFA Handbook), and Code of Federal Regulations (hereafter referred to as CFR) part 668.130-139 states in part that if the “primary confirmation” process used to verify citizenship is inconclusive, or if the institution has conflicting information on the student, the institution must initiate “secondary confirmation” by collecting the necessary documents from the student and, if they appear credible, forward them to the INS for review. Three student’s Institutional Student Information Record (commonly referred to as the ISIR or “primary confirmation”) obtained in July and August of 2002 indicated the INS did not have enough information to confirm the student was an eligible non-citizen. Pell disbursements were made to the students without conducting a secondary confirmation. The amount of questionable expenditures is \$10,246.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2003-002
CFDA Title and Number	Federal Pell Grant, CFDA# 84.032 & FFEL, CFDA #84.063
Federal Award Number/Year	2003
Federal Agency	Department of Education
Pass-Through Agency	N/A

Federal Citation:

The SFA Handbook, and CFR part 600 subpart A, 668 subparts C, I and J state in part that students must demonstrate registration or exemption of selective service requirements in order to demonstrate eligibility for Title IV funds. Two students ISIR's (primary confirmation) indicated the students had not yet registered for selective service. Pell and Stafford student financial aid was disbursed to these students without conducting a secondary confirmation to ensure the students had registered or were otherwise exempt. The amount of questionable expenditures is \$5,550 (note that \$4,000 is also listed as questionable cost in 2003-001).

Finding Number	2003-003
CFDA Title and Number	Federal Pell Grant, CFDA# 84.032 & FFEL, CFDA #84.063
Federal Award Number/Year	2003
Federal Agency	Department of Education
Pass-Through Agency	N/A

Federal Citation:

The SFA Handbook, and CFR 668.4, 668.58, 668.61, 668 subpart K, 673.5-6, 674.16, 675.16, 676.16, 682.204, 682.207, 682.603-4, 685.203, 685.301, 685.303-4, 690.61-7, 690.75-8 state in part that in general, the institution must make at least two equal payments (or more than two, depending on the number of payment periods) each academic year for the Pell and FFEL programs. Several payments were noted as having been unevenly disbursed throughout the year and in three instances, the full amount of the Pell award for the year was disbursed in the first quarter.

Disbursing the lump sum in the first quarter is also a violation of Student Eligibility, (*maintaining satisfactory progress*), federal regulation 668.16(e) and 668.34, as the student has not yet demonstrated satisfactory progress for the remaining academic year.

The amount of questionable expenditures is \$9,180. (Note that \$1,550 is also listed as questionable costs in 2003-002 and \$2,296 is also listed as questionable costs in 2003-001).

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2003-004
CFDA Title and Number	Federal Pell Grant, CFDA# 84.032
Federal Award Number/Year	2003
Federal Agency	Department of Education
Pass-Through Agency	N/A

Reportable Condition:

The SFA Handbook, and CFR 668.16, 673.5-6, 682.200, 662.301, 682.603-4, 685.200, 685.203, 685.301, 685.303, state in part that the general guidelines for the cost of attendance (COA) are the same for all need-based Title IV programs, although differences will continue to exist for different types of categories of students (e.g., dependent, less than half time, different academic programs, etc.). The Student Financial Aid Coordinator utilizes only two cost of attendance guidelines, both of which include dependent care (although not all students provided dependent care) and a flat tuition rate (although the academic programs offered vary in tuition rates). The Student Financial Aid Coordinator failed to document in writing cost of attendance calculations and the subsequent determination of unmet need.

The Student Financial Aid Coordinator should develop and implement cost of attendance guidelines and applying those guidelines to student financial aid recipients with varying factors such as tuition, dependent/independent status and dependent care. The Student Financial Aid Officer should also document in writing each student financial aid recipient's cost of attendance based on those individualized cost of attendance guidelines as well as the determination of unmet need.

Finding Number	2003-005
CFDA Title and Number	Federal Pell Grant, CFDA# 84.032; FFEL, CFDA# 84.063
Federal Award Number/Year	2003
Federal Agency	Department of Education
Pass-Through Agency	N/A

Reportable Condition:

Determining eligibility is one of several federally mandated considerations the Student Financial Aid Coordinator must undertake prior to disbursing Federal Pell grant funds and student loans. It was noted throughout testing that the Student Financial Aid Coordinator neglected to ensure error notices contained in student Institutional Student Information Record (ISIR)'s were corrected or otherwise followed up on prior to disbursement of Pell grant funds and student loans. Additionally, it was also noted that lump sum payments were made to students prior to making the determination of eligibility by ensuring satisfactory academic progress. Failure to implement controls and procedures to ensure student eligibility is determined and monitored throughout the respective academic term has resulted in federal citations and questioned costs and could lead to additional federal citations and questioned costs in the future. The Student Financial Aid Coordinator should develop and implement controls over eligibility with regard to its Federal Pell Grant Program and Federal Family Education Loan Program.

CORRECTIVE ACTION PLAN
 Eastland-Fairfield Career & Technical Center
 Franklin County
 June 30, 2003

Finding Number	Planned Corrective Action:	Anticipated Completion Date:	Responsible Contact Person:
2003-001	The SFA Coordinator has implemented the Federal Student Financial Aid Handbook's recommended procedures for reviewing the Institutional Student Information Record (ISIR). The SFA Coordinator, Adult Education Supervisor and Director have also scheduled additional training and update seminars. The SFA Coordinator, Adult Education Supervisor and Director are also working closely with a SFA Consultant, the relationship of which is intended to significantly improve the SFA control and review process.	06/30/04	Jane Hines, Adult Education Director, Angela Ward, Adult Education Supervisor and Patricia Scott, SFA Coordinator
2003-002	The SFA Coordinator has implemented the Federal Student Financial Aid Handbook's recommended procedures for reviewing the Institutional Student Information Record (ISIR). The SFA Coordinator, Adult Education Supervisor and Director have also scheduled additional training and update seminars. The SFA Coordinator, Adult Education Supervisor and Director are also working closely with a SFA Consultant, the relationship of which is intended to significantly improve the SFA control and review process.	06/30/04	Jane Hines, Adult Education Director, Angela Ward, Adult Education Supervisor and Patricia Scott, SFA Coordinator
2003-003	The SFA Coordinator has implemented the Federal Student Financial Aid Handbook's recommended procedures for reviewing the Institutional Student Information Record (ISIR). The SFA Coordinator, Adult Education Supervisor and Director have also scheduled additional training and update seminars. The SFA Coordinator, Adult Education Supervisor and Director are also working closely with a SFA Consultant, the relationship of which is intended to significantly improve the SFA control and review process.	06/30/04	Jane Hines, Adult Education Director, Angela Ward, Adult Education Supervisor and Patricia Scott, SFA Coordinator
2003-004	The SFA Coordinator has implemented the Federal Student Financial Aid Handbook's recommended procedures for reviewing the Institutional Student Information Record (ISIR). The SFA Coordinator, Adult Education Supervisor and Director have also scheduled additional training and update seminars. The SFA Coordinator, Adult Education Supervisor and Director are also working closely with a SFA Consultant, the relationship of which is intended to significantly improve the SFA control and review process.	06/30/04	Jane Hines, Adult Education Director, Angela Ward, Adult Education Supervisor and Patricia Scott, SFA Coordinator
2003-005	The SFA Coordinator has implemented the Federal Student Financial Aid Handbook's recommended procedures for reviewing the Institutional Student Information Record (ISIR). The SFA Coordinator, Adult Education Supervisor and Director have also scheduled additional training and update seminars. The SFA Coordinator, Adult Education Supervisor and Director are also working closely with a SFA Consultant, the relationship of which is intended to significantly improve the SFA control and review process.	06/30/04	Jane Hines, Adult Education Director, Angela Ward, Adult Education Supervisor and Patricia Scott, SFA Coordinator

This Page is Intentionally Left Blank.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

EASTLAND-FAIRFIELD CAREER AND TECHNICAL SCHOOLS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 3, 2004**