

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT
ANNUAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



**Auditor of State
Betty Montgomery**

Board of Education
Amanda Clearcreek Local School District
328 East Main Street
Amanda, Ohio 43102

We have reviewed the Independent Auditor's Report of the Amanda Clearcreek Local School District, Fairfield County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period July 1, 2003 to June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Amanda Clearcreek Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 28, 2005

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**AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Board of Education
Amanda-Clearcreek Local School District
Amanda, Ohio 43102

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Amanda-Clearcreek Local School District as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, 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, each major fund, and the aggregate remaining fund information of the Amanda-Clearcreek Local School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the Amanda-Clearcreek Local School District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments* as of June 30, 2004. The District has also adopted GASB Statements Nos. 37, 38, and Interpretation No. 6 for the year ending June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 22, 2005, on our consideration of Amanda-Clearcreek Local School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit 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 2 through 12, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of Amanda-Clearcreek Local School District, taken as a whole. The accompanying schedule of expenditures of federal awards expenditures is presented for purposes of additional analysis as required by 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
February 22, 2005

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

The discussion and analysis of the Amanda-Clearcreek Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the 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 Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in 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 prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board has elected to exclude the comparative information in this report. Subsequent reports will include the comparative information.

Financial Highlights

- ▶ The assets of Amanda-Clearcreek Local School District exceeded its liabilities at June 30, 2004 by \$32,734,517. This balance was comprised of a \$31,836,017 balance in capital assets net of related debt and net asset amounts restricted for specific purposes and a balance of \$898,500 in unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$132,548, which represents a 0.41 percent increase from 2003.
- ▶ General revenues accounted for \$15,298,833 or 91.57 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,409,028 or 8.43 percent of total revenues of \$16,707,861.
- ▶ The District had \$16,575,313 in expenses related to governmental activities; only \$1,409,028 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$15,298,833 were used to provide for the remainder of these programs.
- ▶ The District recognizes three major governmental funds: the General, Classroom Facilities and Bond Retirement Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$11,020,232 in revenues and \$11,254,959 in expenditures in fiscal year 2004.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Amanda Clearcreek Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some item that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's three major governmental funds are the General, Classroom Facilities and Bond Retirement Funds.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of three categories: governmental, proprietary and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

The District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the District reports it as a proprietary fund using the accrual basis of accounting. The internal service fund is included with governmental activities on the government-wide financial statements.

Fiduciary Funds

The District's fiduciary funds include a private purpose trust fund and an agency fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Private purpose trust funds are held in a trustee capacity for individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2004 compared to fiscal year 2003:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	2004	2003
<u>Assets:</u>		
Current and Other Assets	\$11,821,044	\$14,361,807
Capital Assets, Net	30,346,188	27,663,726
<i>Total Assets</i>	<u>42,167,232</u>	<u>42,025,533</u>
<u>Liabilities:</u>		
Long-Term Liabilities	5,108,435	4,995,259
Other Liabilities	4,324,280	4,428,305
<i>Total Liabilities</i>	<u>9,432,715</u>	<u>9,423,564</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	26,152,167	23,478,292
Restricted	5,683,850	8,268,500
Unrestricted	898,500	855,177
<i>Total Net Assets</i>	<u>\$32,734,517</u>	<u>\$32,601,969</u>

Current and other assets decreased \$2,540,763 from fiscal year 2003 due to a decrease in cash and cash equivalents held by the District. Capital assets increased by \$2,682,462 as a result of construction in progress and land improvements made at the District.

Current (other) liabilities decreased \$104,025 due to a deferred revenue decrease that is related to property taxes receivable.

Long-term liabilities increased by \$113,176 due to a new capital lease.

The District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

The District's smallest portion of net assets is unrestricted. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of \$5,683,850 is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2004 since this is the first year the District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available.

Table 2
Changes in Net Assets

	<u>Governmental Activities 2004</u>
<u>Revenues:</u>	
<i>Program Revenues:</i>	
Charges for Services and Sales	\$681,608
Operating Grants and Contributions	727,420
<i>General Revenues:</i>	
Property Taxes	2,885,671
Unrestricted Grants and Entitlements	11,998,165
Unrestricted Contributions	36,184
Gain on Sale of Capital Assets	76,103
Investment Earnings	195,219
Miscellaneous	<u>107,491</u>
<i>Total Revenues</i>	<u>16,707,861</u>
<u>Expenses:</u>	
<i>Program Expenses:</i>	
<i>Instruction:</i>	
Regular	8,978,680
Special	1,386,871
Vocational	535,695

(Continued)

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Table 2
Changes in Net Assets

	2004
<i>Support Services:</i>	
Pupils	342,250
Instructional Staff	507,076
Board of Education	210,054
Administration	1,269,389
Fiscal	340,681
Business	30,254
Operation and Maintenance of Plant	1,081,508
Pupil Transportation	689,103
Central	15,054
<i>Operation of Non-Instructional Services:</i>	
Food Service	587,877
Extracurricular Activities	360,528
Interest and Fiscal Charges	240,293
<i>Total Expenses</i>	16,575,313
<i>Change in Net Assets</i>	132,548
Net Assets – Beginning of Year	32,601,969
Net Assets – End of Year	\$32,734,517

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

The most significant program expenses for the District are Regular Instruction, Special Instruction, Administration, and Operation and Maintenance of Plant. These programs account for 76.72 percent of the total governmental activities. Regular Instruction, which accounts for 54.17 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 8.37 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration, which represents 7.66 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Operation and Maintenance of Plant, which represents 6.52 percent of the total, represents costs associated with operating and maintaining the District's facilities.

The majority of the funding for the most significant programs indicated above is from property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs accounts for 89.08 percent of total revenues for governmental activities.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 17.27 percent and intergovernmental revenue made up 76.17 percent of the total revenue for the governmental activities in fiscal year 2004.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2004, the District received \$7,938,983 through the State's foundation program, which represents 47.52 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 65.77 percent of governmental program expenses. Support services expenses make up 27.06- percent of governmental expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to fiscal year 2003 are not available.

Table 3
Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2004</u>	<u>2004</u>
<i>Program Expenses:</i>		
Instruction	\$10,901,246	\$10,317,497
Support Services	4,485,369	4,467,273
Operation of Non-Instructional Services	587,877	69,836
Extracurricular Activities	360,528	71,386
Interest and Fiscal Charges	240,293	240,293
Total Expenses	<u>\$16,575,313</u>	<u>\$15,166,285</u>

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$18,246,210 and expenditures and other financing uses of \$20,564,053.

Total governmental funds fund balance decreased by \$2,317,843. The decrease in fund balance for the year was most significant in the Permanent Improvement Nonmajor Capital Projects Fund, which had a decrease of \$1,326,165, and resulted from a transfer made to the Classroom Facilities Fund.

The District should remain stable in fiscal years 2005 through 2007. However, projections beyond fiscal year 2007 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

Budget Highlights - General Fund

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a cash basis for receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2004, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis revenue was \$10,190,167 representing a \$97,920 increase from the original budget estimates of \$10,092,247. The final budget reflected a 0.97 percent increase from the original budgeted amount. For the General Fund, the final budget basis expenditures were \$11,008,081 representing a \$711,649 decrease from the original budget estimates of \$11,719,730. The final budget basis expenditures reflect a 6.07 percent decrease from the original budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$32.9 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$2.6 million. Table 4 shows fiscal year 2004 balances compared to fiscal year 2003.

Table 4
Capital Assets & Accumulated Depreciation at June 30, 2004

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
<i>Nondepreciable Capital Assets:</i>		
Land	\$306,573	\$306,573
Construction in Progress	825,742	26,119,229
<i>Depreciable Capital Assets:</i>		
Land Improvements	2,235,015	491,368
Buildings and Improvements	27,134,439	1,253,797
Furniture, Fixtures and Equipment	579,540	140,802
Vehicles	1,297,730	938,711
Textbooks	535,240	287,058
<i>Total Capital Assets</i>	<u>32,914,279</u>	<u>29,537,538</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	248,282	187,588
Buildings and Improvements	1,146,219	707,540
Furniture, Fixtures and Equipment	100,361	67,731
Vehicles	789,411	695,660
Textbooks	283,818	215,293
<i>Total Accumulated Depreciation</i>	<u>2,568,091</u>	<u>1,873,812</u>
<i>Capital Assets, Net</i>	<u>\$30,346,188</u>	<u>\$27,663,726</u>

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

More detailed information pertaining to the District's capital asset activity can be found in the notes to the basic financial statements.

Debt Administration

At June 30, 2004, the District had \$4,040,000 in general obligation debt outstanding with \$125,000 due within one year. Table 5 summarizes the general obligation bonds outstanding for fiscal year 2004 compared to fiscal year 2003.

Table 5
Outstanding Debt, Governmental Activities at Year End

<u>Purpose</u>	<u>2004</u>	<u>2003</u>
General Obligation Bonds	\$4,040,000	\$4,160,000

More detailed information pertaining to the District's long-term debt activity can be found in the notes to the basic financial statements.

Current Issues

Although considered a mid-wealth district, Amanda-Clearcreek Local School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning has permitted the District to provide a quality education for our students.

The Ohio Supreme Court issued its fourth split decision regarding the State's school funding plan. The majority opinion identified aspects of the current plan that require modification if the plan is to be considered constitutional. However, the Court has in effect decided that they have, barring another lawsuit, completed their responsibility in the case. Ending the high court's involvement has left Ohio with a school funding system that has been determined to be unconstitutional but failed to provide the framework to fix it. At this time there can be no reasonable estimate of the impact on school funding.

The State Legislature has also made several significant changes impacting local taxes:

In 2003, the Ohio Legislature modified the provisions of the 1999 HB283. This bill was designed to reduce the assessed valuation of the inventory component of personal property tax from 25 percent to 0 percent by 2041. The modification speeds up the reduction of assessed valuation to be completed in half the original time.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

Effective May 1, 2001 a kilowatt hour (KWH) tax began being collected. 37.8 percent of these new dollars would be deposited in a new Property Tax Replacement Fund (PTRF). 70 percent of the PTRF will be paid to school districts that lost revenue as determined by the Ohio Department of Taxation. First, distribution will be made to cover costs of fixed sum levies such as debt issues and emergency levies. Next, fixed rate levies would be replaced from 2003 through 2006; after this a phase out formula would begin.

The Amanda-Clearcreek Local School District does not anticipate any meaningful growth or loss in revenue as a result of these changes. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has not eluded the District over the past few years. Increasing numbers of housing developments are being approved by the townships. The new developments are attracting young families to the area as evidenced by the residential permits issued in the townships. Residential/agricultural property contributes 93 percent of the District's real estate valuation.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact Patricia Willard, Treasurer of Amanda-Clearcreek Local School Board of Education, 328 East Main Street, Amanda, Ohio 43102.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$8,491,023
Cash and Cash Equivalents with Fiscal Agent	493,023
Property Taxes Receivable	2,778,512
Accounts Receivable	10,862
Intergovernmental Receivable	39,544
Inventory Held for Resale	4,092
Materials and Supplies Inventory	3,988
Nondepreciable Capital Assets	1,132,315
Depreciable Capital Assets, Net	<u>29,213,873</u>
<i>Total Assets</i>	<u>42,167,232</u>
<u>Liabilities:</u>	
Accounts Payable	13,520
Accrued Wages and Benefits	924,645
Contracts Payable	694,824
Intergovernmental Payable	386,874
Accrued Interest Payable	17,494
Claims Payable	102,594
Deferred Revenue	2,184,329
<i>Long-Term Liabilities:</i>	
Due within One Year	278,842
Due in More Than One Year	<u>4,829,593</u>
<i>Total Liabilities</i>	<u>9,432,715</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	26,152,167
<i>Restricted for:</i>	
Capital Outlay	5,115,710
Debt Service	357,258
Other Purposes	210,882
Unrestricted	<u>898,500</u>
<i>Total Net Assets</i>	<u><u>\$32,734,517</u></u>

See accompanying notes to the basic financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2004

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
			<u>Governmental Activities</u>	
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$8,978,680	\$19,237	\$80,591	(\$8,878,852)
Special	1,386,871	0	483,921	(902,950)
Vocational	535,695	0	0	(535,695)
<i>Support Services:</i>				
Pupils	342,250	0	0	(342,250)
Instructional Staff	507,076	0	6,096	(500,980)
Board of Education	210,054	0	0	(210,054)
Administration	1,269,389	0	0	(1,269,389)
Fiscal	340,681	0	0	(340,681)
Business	30,254	0	0	(30,254)
Operation and Maintenance of Plant	1,081,508	0	0	(1,081,508)
Pupil Transportation	689,103	0	0	(689,103)
Central	15,054	0	12,000	(3,054)
<i>Operation of Non-Instructional Services:</i>				
Food Service	587,877	373,229	144,812	(69,836)
Extracurricular Activities	360,528	289,142	0	(71,386)
Interest and Fiscal Charges	240,293	0	0	(240,293)
<i>Total Governmental Activities</i>	<u>\$16,575,313</u>	<u>\$681,608</u>	<u>\$727,420</u>	<u>(15,166,285)</u>
<u>General Revenues:</u>				
<i>Property Taxes Levied for:</i>				
General Purposes				2,379,948
Debt Service				419,032
Capital Outlay				86,691
Grants and Entitlements not Restricted to Specific Programs				11,998,165
Unrestricted Contributions				36,184
Gain on Sale of Capital Assets				76,103
Investment Earnings				195,219
Miscellaneous				107,491
<i>Total General Revenues</i>				<u>15,298,833</u>
Change in Net Assets				132,548
<i>Net Assets at Beginning of Year - As Restated (See Note 3)</i>				<u>32,601,969</u>
<i>Net Assets at End of Year</i>				<u>\$32,734,517</u>

See accompanying notes to the basic financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2004*

	General	Classroom Facilities	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$1,744,244	\$5,169,791	\$283,451	\$1,085,597	\$8,283,083
Property Taxes Receivable	2,315,417	0	416,477	46,618	2,778,512
Accounts Receivable	10,862	0	0	0	10,862
Intergovernmental Receivable	0	0	0	39,544	39,544
Interfund Receivable	33,045	0	0	0	33,045
Inventory Held for Resale	0	0	0	4,092	4,092
Materials and Supplies Inventory	2,469	0	0	1,519	3,988
<i>Total Assets</i>	<u>\$4,106,037</u>	<u>\$5,169,791</u>	<u>\$699,928</u>	<u>\$1,177,370</u>	<u>\$11,153,126</u>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$13,520	\$0	\$0	\$0	\$13,520
Accrued Wages and Benefits	866,592	0	0	58,053	924,645
Contracts Payable	0	673,416	0	21,408	694,824
Intergovernmental Payable	219,267	0	0	8,135	227,402
Interfund Payable	0	0	0	33,045	33,045
Deferred Revenue	2,053,071	0	366,653	41,117	2,460,841
Compensated Absences Payable	30,987	0	0	0	30,987
<i>Total Liabilities</i>	<u>3,183,437</u>	<u>673,416</u>	<u>366,653</u>	<u>161,758</u>	<u>4,385,264</u>
<u>Fund Balances:</u>					
Reserved for Encumbrances	0	6,403,232	0	173,322	6,576,554
Reserved for Property Taxes	262,346	0	49,824	5,501	317,671
<i>Unreserved, Undesignated, Reported in:</i>					
General Fund	660,254	0	0	0	660,254
Special Revenue Funds	0	0	0	380,896	380,896
Debt Service Fund	0	0	283,451	0	283,451
Capital Projects Funds	0	(1,906,857)	0	455,893	(1,450,964)
<i>Total Fund Balances</i>	<u>922,600</u>	<u>4,496,375</u>	<u>333,275</u>	<u>1,015,612</u>	<u>6,767,862</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,106,037</u>	<u>\$5,169,791</u>	<u>\$699,928</u>	<u>\$1,177,370</u>	<u>\$11,153,126</u>

See accompanying notes to the basic financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Funds Balances	\$6,767,862
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	30,346,188
Some of the District's receivables will be collected after fiscal year-end, however are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:	
Property taxes	276,512
Intergovernmental payables include contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(159,472)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds	(4,040,000)
Accrued interest on bonds	(17,494)
Capital leases	(154,021)
Compensated absences	(883,427)
Total liabilities not reported in funds	(5,094,942)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	598,369
<i>Net Assets of Governmental Activities</i>	\$32,734,517

See accompanying notes to the basic financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Classroom Facilities	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$2,303,086	\$0	\$414,855	\$162,293	\$2,880,234
Intergovernmental	8,366,243	3,580,000	48,150	731,192	12,725,585
Interest	85,047	108,117	0	2,055	195,219
Tuition and Fees	165,065	0	0	0	165,065
Gifts and Donations	0	0	0	36,184	36,184
Extracurricular Activities	0	0	0	143,314	143,314
Customer Sales and Services	0	0	0	373,229	373,229
Miscellaneous	100,791	6,700	0	0	107,491
<i>Total Revenues</i>	<u>11,020,232</u>	<u>3,694,817</u>	<u>463,005</u>	<u>1,448,267</u>	<u>16,626,321</u>
<u>Expenditures:</u>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	5,292,060	517,010	0	140,696	5,949,766
Special	914,800	0	0	477,804	1,392,604
Vocational	501,716	30,788	0	0	532,504
<i>Support Services:</i>					
Pupils	375,400	0	0	0	375,400
Instructional Staff	302,802	123,414	0	22,135	448,351
Board of Education	196,165	0	0	0	196,165
Administration	1,095,546	148,834	0	3,147	1,247,527
Fiscal	322,399	0	0	5,333	327,732
Business	30,254	0	0	0	30,254
Operation and Maintenance of Plant	1,029,572	0	0	17,270	1,046,842
Pupil Transportation	870,855	0	0	0	870,855
Central	0	0	0	15,054	15,054
Operation of Non-Instructional Services	0	132,521	0	508,874	641,395
Extracurricular Activities	227,565	0	0	144,663	372,228
Capital Outlay	5,511	5,201,456	0	134,398	5,341,365
<i>Debt Service:</i>					
Principal Retirement	90,314	0	120,000	0	210,314
Interest	0	0	240,812	0	240,812
<i>Total Expenditures</i>	<u>11,254,959</u>	<u>6,154,023</u>	<u>360,812</u>	<u>1,469,374</u>	<u>19,239,168</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(234,727)</u>	<u>(2,459,206)</u>	<u>102,193</u>	<u>(21,107)</u>	<u>(2,612,847)</u>
<u>Other Financing Sources (Uses):</u>					
Proceeds from the Sale of Capital Assets	76,103	0	0	0	76,103
Inception of Capital Lease	218,901	0	0	0	218,901
Transfers In	0	1,324,885	0	0	1,324,885
Transfers Out	0	0	0	(1,324,885)	(1,324,885)
<i>Total Other Financing Sources (Uses)</i>	<u>295,004</u>	<u>1,324,885</u>	<u>0</u>	<u>(1,324,885)</u>	<u>295,004</u>
<i>Net Change in Fund Balances</i>	60,277	(1,134,321)	102,193	(1,345,992)	(2,317,843)
<i>Fund Balances at Beginning of Year - As Restated (See Note 3)</i>	<u>862,323</u>	<u>5,630,696</u>	<u>231,082</u>	<u>2,361,604</u>	<u>9,085,705</u>
<i>Fund Balances at End of Year</i>	<u>\$922,600</u>	<u>\$4,496,375</u>	<u>\$333,275</u>	<u>\$1,015,612</u>	<u>\$6,767,862</u>

See accompanying notes to the basic financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds	(\$2,317,843)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,502,805
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	76,103
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of: Property taxes	5,437
Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	210,314
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	519
Some items 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. These activities consist of:	
Compensated absences	(103,361)
Intergovernmental payables	<u>141</u>
Total expenditures not reported in the funds	(103,220)
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities: Inception of capital lease	(218,901)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among activities.	<u>(22,666)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$132,548</u></u>

See accompanying notes to the basic financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

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

General Fund

For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$2,035,000	\$1,433,369	\$2,132,982	\$699,613
Intergovernmental	7,698,057	8,366,422	8,366,422	0
Interest	88,632	96,327	98,856	2,529
Tuition and Fees	156,510	170,099	170,074	(25)
Miscellaneous	114,048	123,950	123,950	0
<i>Total Revenues</i>	<u>10,092,247</u>	<u>10,190,167</u>	<u>10,892,284</u>	<u>702,117</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	5,622,194	5,232,829	5,251,306	(18,477)
Special	1,052,550	979,656	938,989	40,667
Vocational	524,377	488,061	499,407	(11,346)
<i>Support Services:</i>				
Pupils	412,695	384,114	376,049	8,065
Instructional Staff	372,309	346,525	326,266	20,259
Board of Education	219,055	203,884	211,592	(7,708)
Administration	918,160	954,573	963,944	(9,371)
Fiscal	349,742	325,521	321,039	4,482
Business	28,401	26,434	32,250	(5,816)
Operation and Maintenance of Plant	1,070,948	996,780	1,034,827	(38,047)
Pupil Transportation	900,192	837,849	893,134	(55,285)
Extracurricular Activities	241,386	224,669	226,821	(2,152)
Capital Outlay	7,721	7,186	8,361	(1,175)
<i>Total Expenditures</i>	<u>11,719,730</u>	<u>11,008,081</u>	<u>11,083,985</u>	<u>(75,904)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,627,483)</u>	<u>(817,914)</u>	<u>(191,701)</u>	<u>626,213</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from the Sale of Capital Assets	0	76,103	76,103	0
Advances Out	0	(33,038)	(33,038)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>43,065</u>	<u>43,065</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(1,627,483)</u>	<u>(774,849)</u>	<u>(148,636)</u>	<u>626,213</u>
<i>Fund Balance at Beginning of Year</i>	1,627,483	1,627,483	1,627,483	0
Prior Year Encumbrances Appropriated	230,141	230,141	230,141	0
<i>Fund Balance at End of Year</i>	<u>\$230,141</u>	<u>\$1,082,775</u>	<u>\$1,708,988</u>	<u>\$626,213</u>

See accompanying notes to the basic financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Statement of Net Assets

Proprietary Fund

June 30, 2004

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$207,940
Cash and Cash Equivalents with Fiscal Agent	<u>493,023</u>
<i>Total Assets</i>	<u>700,963</u>
<u>Liabilities:</u>	
<i>Current Liabilities:</i>	
Claims Payable	<u>102,594</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$598,369</u></u>

See accompanying notes to the basic financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Statement of Revenues,
Expenses and Change in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2004*

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Operating Revenues:</u>	
Charges for Services	<u>\$1,177,725</u>
<u>Operating Expenses:</u>	
Purchased Services	23,725
Claims	<u>1,176,666</u>
<i>Total Operating Expenses</i>	<u>1,200,391</u>
<i>Change in Net Assets</i>	(22,666)
<i>Net Assets at Beginning of Year</i>	<u>621,035</u>
<i>Net Assets at End of Year</i>	<u><u>\$598,369</u></u>

See accompanying notes to the basic financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2004

	Governmental Activities
	Internal Service
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Services Provided	\$1,178,155
Cash Payments for Claims	(1,128,414)
Cash Payments for Goods and Services	(23,725)
	<hr/>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	26,016
<i>Cash and Cash Equivalents at Beginning of Year</i>	<hr/> 674,947
<i>Cash and Cash Equivalents at End of Year</i>	<hr/> <hr/> \$700,963
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash from Operating Activities:</u>	
Operating Income (Loss)	(\$22,666)
<u>Adjustments to Reconcile Operating Income (Loss)</u>	
<u>to Net Cash from Operating Activities:</u>	
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	430
<i>Increase (Decrease) in Liabilities:</i>	
Claims Payable	48,252
	<hr/>
Total Adjustments	48,682
	<hr/>
<i>Net Cash from Operating Activities</i>	<hr/> <hr/> \$26,016
See accompanying notes to the basic financial statements.	

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	<u>\$25,282</u>	<u>\$112,062</u>
<u>Liabilities:</u>		
Intergovernmental Payable	0	35,947
Due to Students	<u>0</u>	<u>76,115</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$112,062</u>
<u>Net Assets:</u>		
Held in Trust For Scholarships	<u>\$25,282</u>	

See accompanying notes to the basic financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Statement of Change in Fiduciary Net Assets

Fiduciary Fund

For the Fiscal Year Ended June 30, 2004

	<u>Private Purpose Trust</u>
<i>Additions:</i>	
Gifts and Donations	<u>\$17,145</u>
<i>Deductions</i>	<u>10,551</u>
<i>Change in Net Assets</i>	6,594
<i>Net Assets at Beginning of Year</i>	<u>18,688</u>
<i>Net Assets at End of Year</i>	<u><u>\$25,282</u></u>

See accompanying notes to the basic financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Amanda-Clearcreek Local School District (the District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established through the consolidation of existing land areas and school districts. It is staffed by 64 non-certificated employees, 101 certificated full-time teaching personnel and 8 administrative employees who provide services to 1,562 students.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Amanda-Clearcreek Local School District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District is associated with two jointly governed organizations: the Metropolitan Education Council (MEC) and the South Central Ohio Insurance Consortium (SCOIC). The District is also associated with one insurance purchasing pool: Ohio School Boards Association Worker's Compensation Group Rating Program (GRP). These organizations are presented in Notes 17 and 18 to the basic financial statements.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

The District's basic financial statement consists of government-wide financial 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

Fund Financial Statements

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The funds of the District fall within three categories: governmental, proprietary and fiduciary.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes 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 are the District's major governmental funds:

General Fund- This fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Fund - This fund is used to account for the revenues and expenditures related to building and equipping the District's new K-12 classroom facilities.

Bond Retirement Fund - This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

The other governmental funds of the District accounts for grants and other resources of the District whose use is restricted to a particular purpose.

Proprietary Fund

The proprietary fund focus is on the determination of the change in net assets, financial position and cash flows and is classified as internal service. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides health and dental benefits to employees.

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. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds include a private purpose trust fund that accounts for a trust held for scholarships and an agency fund which is used to account for student managed activities.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of 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 balance 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.

D. 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 and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the 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 Nonexchange 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 are collectible 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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the 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 year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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 the fiscal year-end: property taxes available for advance, accounts and grants.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, 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. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

E. Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$85,047, which includes \$49,209 assigned from other District funds.

F. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, and purchased food and donated food held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed, used or sold.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Capital Assets

General capital assets are associated with and generally arise from governmental activities. 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are 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 for governmental activities:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	50 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 10 years
Vehicles	10 years
Textbooks	10 years

H. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable". These amounts are eliminated in the governmental activities column of the statement of net assets.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 10 years of service with the District.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees will be paid.

J. Accrued Liabilities and Long-Term Liabilities

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination of benefits and contractually required pension contributions 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 bonds and capital leases are recognized as a liability on the fund financial statements when due.

K. Net Assets

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

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

L. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

O. 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.

P. Budgetary Process

All funds, other than the agency fund, 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. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.

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

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

Changes in Accounting Principles

For fiscal year 2004, the District has implemented 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." At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37 and 38, and GASB Interpretation No. 6.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES -
(Continued)

GASB Statement No. 34 creates new basic financial statements for reporting on the 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. Nonmajor funds are presented in total in one column.

The government-wide financial statements present the District's programs as governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

Restatement of Fund Balances

The restatements for a fund reclassification and GASB Statement No. 34 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

	<u>General</u>	<u>Classroom Facilities</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Fund Balances, June 30, 2003	\$862,323	\$5,630,696	\$231,082	\$2,264,138	\$8,988,239
Fund Reclassification	<u>0</u>	<u>0</u>	<u>0</u>	<u>97,466</u>	<u>97,466</u>
Adjusted Fund Balances, June 30, 2003	<u>\$862,323</u>	<u>\$5,630,696</u>	<u>\$231,082</u>	<u>\$2,361,604</u>	9,085,705
<i>GASB 34 Adjustments:</i>					
Property Taxes Receivable					271,075
Capital Assets					27,663,726
Accrued Interest Payable					(18,013)
Intergovernmental Payable					(73,655)
<i>Long-Term Obligations:</i>					
Compensated Absences Payable					(762,470)
Capital Leases Payable					(25,434)
General Obligation Bonds					(4,160,000)
Internal Service Fund					<u>621,035</u>
Governmental Activities Net Assets, June 30, 2003					<u>\$32,601,969</u>

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances as of June 30, 2004:

	<u>Deficit Fund Balance</u>
<i>Nonmajor Special Revenue Funds:</i>	
Title I	\$19,722
Title V	7

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

B. Compliance

The following funds had expenditures in excess of appropriations for the year ended June 30, 2004:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Classroom Facilities	\$11,546,731	\$13,063,061	\$1,516,330
Internal Service	1,055,164	1,128,914	73,750

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described earlier 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 Balance - Budget and Actual (Budget Basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.
4. Advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 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.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$60,277
<i>Adjustments:</i>	
Revenue Accruals	(127,948)
Expenditure Accruals	135,717
Encumbrances	35,257
Other Sources (Uses)	<u>(251,939)</u>
Budget Basis	<u><u>(\$148,636)</u></u>

NOTE 6 - DEPOSITS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 that the Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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 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 money 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;

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

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 fair 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 fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bonds 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) of this section, 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 (STAROhio);
7. Certain banker's 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 interim monies available for investment at any time; and
8. Under limited circumstances, corporate 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 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 by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year-end, the carrying amount of the District's deposits was \$8,628,367 and the bank balance was \$8,743,050. Of the bank balance, \$100,000 was covered by federal depository insurance and \$8,643,050 was collateralized by the financial institution's public entity deposit pool. Although the securities serving as collateral were held by the pledging financial institution's trust department in the 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 District to a successful claim by the Federal Deposit Insurance Corporation.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

The classification of cash and cash equivalents on the financial statements is based on criteria set forth in GASB No. 9, "Reporting of Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classifications of cash on the financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>
GASB Statement No. 9	\$9,121,390
Cash and Cash Equivalents with Fiscal Agent	<u>(493,023)</u>
GASB Statement No. 3	<u><u>\$8,628,367</u></u>

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 25 percent of true value.

Real property taxes are paid by taxpayers annually or semi-annually. If paid annually, payment is due December 31, unless extended; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits earlier or later 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Fairfield County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2004 are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the June 2004 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2004 was \$317,671 and is recognized as revenue. Of this total amount, \$262,346 was available to the General Fund, \$49,824 was available to the Bond Retirement Fund, and \$5,501 was available to the Classroom Facilities Maintenance Nonmajor Special Revenue Funds.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 7 - PROPERTY TAXES - (Continued)

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

	2003 Second-Half Collections		2004 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$103,520,590	93.32%	\$106,042,090	93.23%
Public Utility Personal	4,239,710	3.82%	4,516,510	3.97%
Tangible Personal Property	3,173,595	2.86%	3,185,123	2.80%
Total Assessed Value	<u>\$110,933,895</u>	<u>100.00%</u>	<u>\$113,743,723</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.30		\$42.30	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004 consisted of property taxes, accounts (miscellaneous), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
<i>Nonmajor Special Revenue Funds:</i>	
Title I	\$36,563
Improving Teacher Quality	2,981
Total Nonmajor Special Revenue Funds	<u>39,544</u>
Total Intergovernmental Receivables	<u><u>\$39,544</u></u>

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 9 - CAPITAL ASSETS

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

<u>Asset Category</u>	<u>Balance at July 1, 2003</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at June 30, 2004</u>
<i>Nondepreciable Capital Assets:</i>				
Land	\$306,573	\$0	\$0	\$306,573
Construction in Progress	26,119,229	825,742	26,119,229	825,742
Total Nondepreciable Capital Assets	26,425,802	825,742	26,119,229	1,132,315
<i>Depreciable Capital Assets:</i>				
Land Improvements	491,368	1,743,647	0	2,235,015
Buildings and Improvements	1,253,797	25,880,642	0	27,134,439
Furniture, Fixtures and Equipment	140,802	438,738	0	579,540
Vehicles	938,711	359,019	0	1,297,730
Textbooks	287,058	248,182	0	535,240
Total Depreciable Capital Assets	3,111,736	28,670,228	0	31,781,964
Total Capital Assets	29,537,538	29,495,970	26,119,229	32,914,279
<i>Accumulated Depreciation:</i>				
Land Improvements	(187,588)	(60,694)	0	(248,282)
Buildings and Improvements	(707,540)	(438,679)	0	(1,146,219)
Furniture, Fixtures and Equipment	(67,731)	(32,630)	0	(100,361)
Vehicles	(695,660)	(93,751)	0	(789,411)
Textbooks	(215,293)	(68,525)	0	(283,818)
Total Accumulated Depreciation	(1,873,812)	(694,279)	0	(2,568,091)
Total Net Capital Assets	<u>\$27,663,726</u>	<u>\$28,801,691</u>	<u>\$26,119,229</u>	<u>\$30,346,188</u>

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$496,328
Vocational	3,365
<i>Support Services:</i>	
Pupils	4,970
Instructional Staff	60,124
Operation and Maintenance of Plant	168
Pupil Transportation	107,424
Operation of Non-Instructional Services	3,459
Extracurricular Activities	18,441
	<hr/>
Total Depreciation Expense	<u><u>\$694,279</u></u>

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the District contracted with various commercial carriers for professional and general liability insurance, fleet insurance and property insurance. Coverages provided are as follows:

Building and Contents	\$33,865,468
Automobile Liability (\$500 deductible for collision and \$250 for comprehensive)	2,000,000
General Liability:	
Per Occurrence (\$1,000 deductible)	2,000,000
Aggregate Limit	5,000,000

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

For fiscal year 2004, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District joined the South Central Ohio Insurance Consortium (SCOIC) to self insure its medical and dental claims. SCOIC currently includes nine member school districts and governmental entities. EV Benefits, a third party administrator, services all health/medical/dental claims submitted by employees. An excess coverage insurance policy covers individual claims for the District in excess of \$100,000 and \$3,000,000 lifetime maximum, per employee consortium wide. Monies are provided from each fund based on a per-employee charge and are recorded as charges for services in the Self-Insurance Fund and as an expenditure in the disbursing fund.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 10 - RISK MANAGEMENT - (Continued)

The claims liability reported at June 30, 2004 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2003	\$30,528	\$998,412	\$974,598	\$54,342
2004	54,342	1,176,666	1,128,414	102,594

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The 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 District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09 percent of the annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$137,812, \$194,436, and \$189,168, respectively; 52.96 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$64,832 representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

State Teachers Retirement System

The 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 financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$667,071, \$664,692, and \$680,736, respectively; 84.95 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$100,401 representing the unpaid contribution for fiscal year 2004, 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, 2004, two members of the Board of Education have elected to pay into Social Security.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 12 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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 funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$51,313 during fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.011 billion at June 30, 2003 (the latest information available.) 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.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivorship 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. For fiscal year 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$24,500. 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.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. The number of participants currently receiving health care benefits is approximately 62,000. For the District, the amount to fund health care benefits, including the surcharge, equaled \$90,155 during the 2004 fiscal year.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Administrators are generally granted twenty days of vacation per year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 13 - EMPLOYEE BENEFITS - (Continued)

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 225 days for aides and all other classified employees and 250 for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 50 days for all employees. A bonus of twenty days is granted if retirement is by the State Teachers Retirement Standard.

NOTE 14 - LONG-TERM LIABILITIES

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

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2003	Additions	Deductions	Principal Outstanding at June 30, 2004	Amount Due In One Year
<i>Governmental Activities:</i>							
General Obligation Bonds	2000	5.45%	\$4,160,000	\$0	\$120,000	\$4,040,000	\$125,000
Compensated Absences Payable			809,826	527,290	422,702	914,414	81,071
Capital Lease Payable			25,434	218,901	90,314	154,021	72,771
Total Governmental Activities Long-Term Obligations			<u>\$4,995,260</u>	<u>\$746,191</u>	<u>\$633,016</u>	<u>\$5,108,435</u>	<u>\$278,842</u>

General obligation bonds were issued by the District on March 15, 2000 in amount of \$4,417,000 for the purpose of the constructing a K-12 facility. These bonds were issued for a period of 22 years at a rate of 5.45%, mature December 1, 2022, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Ohio Revised Code and Section 133.09 thereof. These bonds will be paid from the Bond Retirement Fund using property tax revenues.

These bonds were issued to provide a partial cash match for the classroom facilities assistance program of \$24,738,919 for which the District was approved by the State Department of Education. As a requirement of the classroom facilities assistance program, the District was required to pass a 4.5 mill levy to the District's residents. The 4.5 mill levy, of which .5 mills must be set aside and used for facilities maintenance, will be in effect for twenty-two years.

Compensated absences will be paid from the fund from which the employee is paid. The capital lease payable will be paid from the General Fund.

The District's overall legal debt margin was \$6,196,935 with an unvoted debt margin of \$113,744 at June 30, 2004.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 14 - LONG-TERM LIABILITIES - (Continued)

The annual requirements to retire the general obligation bonds outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds
2005	\$352,536
2006	359,505
2007	367,822
2008	351,550
2009	348,990
2010-2014	1,752,327
2015-2019	1,739,988
2020-2023	1,377,829
Total Debt Payments	6,650,547
Less: Amount Representing Interest	2,610,547
Total Principal	<u><u>\$4,040,000</u></u>

NOTE 15 - CAPITAL LEASES

The District has entered into agreements to lease various 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. New capital leases are reflected in the statement of revenues, expenditures and changes in fund balance for governmental funds as a functional expenditures and "Inception of Capital Lease". Capital lease payments are reflected as debt service expenditures in the governmental funds. The capital leased assets, have been capitalized in the amount of \$218,901 in the governmental activities, which represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2004 were \$90,314 in the governmental funds.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 15 - CAPITAL LEASES - (Continued)

The District's future minimum lease payments and present value of net minimum lease payments required under these capital lease obligations as of June 30, 2004 are as follows:

Year Ended December 31,	Capital Lease Payments
2005	\$76,275
2006	76,275
2007	6,356
Total Future Minimum Lease Payments	158,906
Less: Amount Representing Interest	(4,885)
Present Value of Net Minimum Lease Payments	<u>\$154,021</u>

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2004, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$33,045	\$0
<i>Nonmajor Special Revenue Funds:</i>		
Title I	0	33,038
Title V	0	7
Total Nonmajor Special Revenue Funds	0	33,045
Total	<u>\$33,045</u>	<u>\$33,045</u>

All balances resulted from the time lag between the dates that (1) transactions are recorded in the accounting system or (2) loan payments between funds are made and then repaid.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 16 - INTERFUND ACTIVITY - (Continued)

A summary of interfund transfers for 2004 were as follows:

Fund	Transfers In	Transfers Out
Classroom Facilities Fund	\$1,324,885	\$0
<i>Nonmajor Capital Projects Fund:</i>		
Permanent Improvement	0	1,324,885
Totals	\$1,324,885	\$1,324,885

During fiscal year 2004, the District made transfers from the Permanent Improvement Fund to the Classroom Facilities Fund to subsidize construction costs.

NOTE 17 - STATUTORY SET-ASIDES

The 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 and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis 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	Total
Set-Aside Reserve Balance as of June 30, 2003	\$0	\$0	\$0
Current Year Set-Aside Requirement	220,517	220,517	441,034
Qualifying Disbursements	(380,038)	(333,263)	(713,301)
Totals	(159,521)	(112,746)	(272,267)
Set-Aside Reserve Balance as of June 30, 2004	\$0	\$0	\$0

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 17 - STATUTORY SET-ASIDES - (Continued)

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital acquisition set-aside amounts below zero. Current year offsets and qualifying disbursements in excess of current year or accumulated set-aside requirements for textbooks may be used to reduce set-aside requirements in future years. Actual cash balances in excess of set-aside requirements for textbooks may be used to offset set-aside requirements of future years. Actual cash balances in excess of set-aside requirements for capital acquisition may be used to offset set-aside requirements of future years if monies are obtained from a permanent improvement levy.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC)

Metropolitan Education Council is a jointly governed organization created as a regional council of governments pursuant to State statutes. MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District. During 2004, the District paid \$619 to MEC for services provided.

South Central Ohio Insurance Consortium (SCOIC)

South Central Ohio Insurance Consortium is a regional council of governments organized under Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees.

NOTE 19 - INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Program

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (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.

AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 20 - CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

NOTE 21 - 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 District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Amanda-Clearcreek Local School District
Amanda, Ohio 43102

We have audited the financial statements of Amanda-Clearcreek Local School District as of and for the year ended June 30, 2004, and have issued our report thereon dated February 22, 2005, wherein we noted the District adopted Government Accounting Standards Board Statements 34,37,38, and Interpretation 6. 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 Amanda-Clearcreek Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*. However, we noted certain immaterial instances of noncompliance which we have reported to management of Amanda-Clearcreek Local School District in a separate letter dated February 22, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Amanda-Clearcreek Local School District's 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.

This report is intended for the information of the District's Board of Education, management, Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
February 22, 2005

WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Amanda-Clearcreek Local School District
Amanda, Ohio 43102

Compliance

We have audited the compliance of Amanda-Clearcreek Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. Amanda-Clearcreek Local School District's major federal programs are 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 each of its major federal programs is the responsibility of Amanda-Clearcreek Local School District management. Our responsibility is to express an opinion on Amanda-Clearcreek Local School District's compliance based on our audit.

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

In our opinion, the Amanda-Clearcreek Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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This report is intended for the information of the Board of Education, management, the Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
February 22, 2005

**AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505**

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	Nutrition Cluster; CFDA #10.550 CFDA #10.553 CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

**AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	\$ 8,535	\$ -	\$ 8,535	\$ -
National School Lunch Program	n/a	10.555	122,259	-	122,259	-
Food Distribution Program	n/a	10.550	-	37,473	-	37,473
Total Nutrition Cluster			130,794	37,473	130,794	37,473
Total U.S. Department of Agriculture			130,794	37,473	130,794	37,473
<u>U.S. DEPARTMENT OF EDUCATION:</u>						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	04-C1SI-2003 04-C1SI-2004	84.010	11,141 144,207 155,348	- - -	26,727 174,154 200,881	- - -
Title VI-B Special Education Assistance	04-6BSF-2004	84.027	184,958 184,958	- -	184,958 184,958	- -
Drug Free School Program	04-DRS1-2004	84.186	7,729 7,729	- -	7,729 7,729	- -
Innovative Education Program Strategies	C2S1-2004	84.298	9,126 9,126	- -	9,126 9,126	- -
Technology Literacy Challenge	TJS1-2003 TJS1-2004	84.318	(6) 1,159 1,153	- - -	5,148 - 5,148	- - -
Improving Teacher Quality State Grant	TRS1-2003 TRS1-2004	84.367	483 61,736 62,219	- - -	5,804 44,513 50,317	- - -
School Renovation Grant (ATIP)	043828ATS103	84.352A	2,251 2,251	- -	4,076 4,076	- -
Total U.S. Department of Education			422,790	-	462,235	-
Total Federal Awards Expenditures			<u>553,584</u>	<u>37,473</u>	<u>593,029</u>	<u>37,473</u>

See notes to Schedule of Federal Awards Expenditures.

**AMANDA-CLEARCREEK LOCAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTES B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

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**AMANDA CLEARCREEK LOCAL SCHOOL DISTRICT
FAIRFIELD 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
APRIL 7, 2005**