

**AMANDA CLEARCREEK COMMUNITY SCHOOL**

**ANNUAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Amanda Clearcreek Community School  
328 East Main Street  
Amanda, Ohio 43102

We have reviewed the *Independent Auditors' Report* of the Amanda Clearcreek Community School, Fairfield County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Community School is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 22, 2008

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**AMANDA CLEARCREEK COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

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

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Amanda Clearcreek Community School  
Amanda, Ohio 43102

We have audited the accompanying financial statements of the Amanda Clearcreek Community School, Fairfield County, Ohio, a component unit of the Amanda Clearcreek Local School District as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Amanda Clearcreek Community School, Fairfield County as of June 30, 2007, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2007, on our consideration of Amanda Clearcreek Community School's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. 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.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
December 13, 2007

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
(Unaudited)*

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The discussion and analysis of the Amanda-Clearcreek Community School's financial performance provides an overview and analysis of the Community School's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Community School'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 Community School's financial performance.

**Financial Highlights**

- ▶ The assets of Amanda-Clearcreek Community School exceeded its liabilities at June 30, 2007 by \$314,189. This balance was comprised of a \$159,510 balance in capital assets and net asset amounts restricted for specific purposes, and a balance of \$154,679 unrestricted net assets.
- ▶ In total, net assets increased by \$130,484 which represents a 71.03 percent decrease from 2006.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Amanda-Clearcreek Community School as a financial whole, an entire operating entity.

This discussion and analysis is intended to serve as an introduction to the Community School's basic financial statements. The Community School's basic financial statements are comprised of two components: the financial statements and notes to those financial statements.

The statement of net assets and the statement of revenues, expenses, and changes in fund net assets reflect how the Community School did financially during the fiscal year ended June 30, 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that, which is used by most private-sector companies. This basis of accounting considers all of the initial period revenues and expenses regardless of when cash is received or paid.

These statements report the Community School's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Community School has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

The Community School uses enterprise presentation for all of its activities.

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

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2007*

*(Unaudited)*

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**Financial Analysis**

Table 1 provides a summary of the Community School's net assets for 2007 compared to fiscal year 2006:

Table 1  
**Net Assets at Year End**

|                               | 2007             | Restated<br>2006 |
|-------------------------------|------------------|------------------|
| <b><u>Assets:</u></b>         |                  |                  |
| Current and Other Assets      | \$301,655        | \$309,167        |
| Capital Assets, Net           | 155,356          | 78,732           |
| <i>Total Assets</i>           | <u>457,011</u>   | <u>387,899</u>   |
| <b><u>Liabilities:</u></b>    |                  |                  |
| Current and Other Liabilities | 142,822          | 204,194          |
| <i>Total Liabilities</i>      | <u>142,822</u>   | <u>204,194</u>   |
| <b><u>Net Assets:</u></b>     |                  |                  |
| Invested in Capital Assets    | 155,356          | 78,732           |
| Restricted                    | 4,154            | 2,629            |
| Unrestricted                  | 154,679          | 102,344          |
| <i>Total Net Assets</i>       | <u>\$314,189</u> | <u>\$183,705</u> |

Current and other assets decreased \$7,512 from fiscal year 2006 due to a decrease in cash and cash equivalents held by the Community School.

Capital assets increased \$76,624, which is mostly due to the purchase of computers in fiscal year 2007.

Current (other) liabilities decreased \$61,372 due to the decrease in intergovernmental payable.

The Community School's largest portion of net assets is related to amounts invested in capital assets. The Community School used these capital assets to provide services to students; consequently, these assets are not available for future spending.

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

The Community School's smallest portion of net assets is restricted. The restricted net assets are subject to external restrictions on how they may be used.

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2007 and provides a comparison to fiscal year 2006.

Table 2  
**Changes in Net Assets**

|  | <u>2007</u>      | <u>2006</u>      |
|--|------------------|------------------|
| <b><u>Revenues:</u></b>                  |                  |                  |
| <i>Operating Revenue:</i>                |                  |                  |
| Foundation Payments                      | \$375,073        | \$292,494        |
| Miscellaneous                            | 657              | 162              |
| <i>Nonoperating Revenue:</i>             |                  |                  |
| Grants                                   | 160,000          | 157,000          |
| Interest Income                          | <u>1,705</u>     | <u>1,566</u>     |
| <i>Total Revenues</i>                    | <u>537,435</u>   | <u>451,222</u>   |
| <b><u>Operating Expenses:</u></b>        |                  |                  |
| Salaries                                 | 38,343           | 42,650           |
| Fringe Benefits                          | 8,304            | 14,531           |
| Purchased Services                       | 298,117          | 423,971          |
| Materials and Supplies                   | 52,210           | 35,050           |
| Depreciation                             | 4,033            | 3,179            |
| Other                                    | <u>5,944</u>     | <u>3,635</u>     |
| <i>Total Expenses</i>                    | <u>406,951</u>   | <u>523,016</u>   |
| <i>Change in Net Assets</i>              | 130,484          | (71,794)         |
| Net Assets – Beginning of Year, restated | <u>183,705</u>   | <u>111,911</u>   |
| Net Assets – End of Year                 | <u>\$314,189</u> | <u>\$183,705</u> |

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
(Unaudited)*

The most significant program expenses for the Community School are Purchased Services, Materials and Supplies, and Salaries. These programs account for 95.57 percent of the total business type activities. Purchased Services, which accounts for 73.32 percent of the total, represents services provided by individuals or organizations outside the Community School. Materials and Supplies, which represents 9.42 percent of the total, represent costs associated with purchasing supplies used by the Community School. Salaries, which represents 12.83 of the total, represents salaries for employees of the Community School.

The majority of the funding for the Community School is from foundation payments. Foundation revenues account for 69.79 percent of total revenues.

Revenues increased \$86,213 or 19.11 percent from the prior year, which is mostly due to the \$82,579 increase in Foundation Payments.

The Community School's expenses decreased \$116,065, which is mostly due to the \$125,854 decrease in Purchased Services.

**Budget Highlights**

The Amanda-Clearcreek Community School is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2007, the Community School had \$168,137 invested in capital assets. That total carries an accumulated depreciation of \$12,781. Table 4 shows fiscal year 2007 balances compared to fiscal year 2006.

Table 4  
**Capital Assets & Accumulated Depreciation at Year End**

|                                       | <b>Governmental Activities</b> |                  |
|---------------------------------------|--------------------------------|------------------|
|                                       | 2007                           | Restated<br>2006 |
| <i>Depreciable Capital Assets:</i>    |                                |                  |
| Furniture, Fixtures and Equipment     | \$168,137                      | \$87,480         |
| <i>Total Capital Assets</i>           | 168,137                        | 87,480           |
| <i>Less Accumulated Depreciation:</i> |                                |                  |
| Furniture, Fixtures and Equipment     | (12,781)                       | (8,748)          |
| <i>Total Accumulated Depreciation</i> | (12,781)                       | (8,748)          |
| Capital Assets, Net                   | \$155,356                      | \$78,732         |

More detailed information pertaining to the Community School's capital asset activity can be found in Note 5 of the notes to the basic financial statements.

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
(Unaudited)*

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**Debt Administration**

At June 30, 2007, the Community School had no general obligation debt outstanding.

**Current Issues**

Amanda-Clearcreek Community School is financially stable. As indicated in the preceding financial information, the Community School is dependent on intergovernmental revenue from foundation payments and grants. These revenues do 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.

As indicated in the preceding financial information, the Community School relies on the State's foundation program for the majority of their funding. In the spring of 2002, 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, in December of 2002 the Court again ruled in a split decision that the State's plan was not acceptable. The Ohio Supreme Court had two new Justices beginning in calendar year 2003 and another in calendar year 2006 and the new court may be called upon to address the issue. At this time there can be no reasonable estimate of the decision or its impact on school funding.

As of the date of these financial statements, the Community School is unable to determine what effect, if any, this decision will have on its future State funding and on its financial statements.

The Community School does not currently anticipate any meaningful growth or loss in revenue. Based on the above factors, the Board of Education and the administration of the Community School must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the Community School.

**Contacting the Community School's Financial Management**

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

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Statement of Net Assets*

*June 30, 2007*

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**Assets:**

|  |                |
|--|----------------|
| Equity in Pooled Cash and Cash Equivalents | \$301,655      |
| Depreciable Capital Assets, Net            | <u>155,356</u> |
| <i>Total Assets</i>                        | <u>457,011</u> |

**Liabilities:**

|                            |                |
|----------------------------|----------------|
| Accrued Wages and Benefits | 4,834          |
| Intergovernmental Payable  | <u>137,988</u> |
| <i>Total Liabilities</i>   | <u>142,822</u> |

**Net Assets:**

|                            |                         |
|----------------------------|-------------------------|
| Invested in Capital Assets | 155,356                 |
| <i>Restricted for:</i>     |                         |
| Other Purposes             | 4,154                   |
| Unrestricted               | <u>154,679</u>          |
| <i>Total Net Assets</i>    | <u><u>\$314,189</u></u> |

See accompanying notes to the basic financial statements and accountant's report.

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**  
*Statement of Revenues, Expenses and Changes in Net Assets*  
*For the Fiscal Year Ended June 30, 2007*

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**Operating Revenues:**

|                                 |                |
|---------------------------------|----------------|
| Foundation Payments             | \$375,073      |
| Miscellaneous                   | 657            |
|                                 | <hr/>          |
| <i>Total Operating Revenues</i> | <i>375,730</i> |
|                                 | <hr/>          |

**Operating Expenses:**

|                                 |                |
|---------------------------------|----------------|
| Salaries                        | 38,343         |
| Fringe Benefits                 | 8,304          |
| Purchased Services              | 298,117        |
| Materials and Supplies          | 52,210         |
| Depreciation                    | 4,033          |
| Other                           | 5,944          |
|                                 | <hr/>          |
| <i>Total Operating Expenses</i> | <i>406,951</i> |
|                                 | <hr/>          |

*Operating Loss* (31,221)

**Other Nonoperating Revenues:**

|  |                |
|--|----------------|
| Federal and State Subsidies              | 160,000        |
| Interest Income                          | 1,705          |
|  | <hr/>          |
| <i>Total Other Nonoperating Revenues</i> | <i>161,705</i> |
|  | <hr/>          |

*Net Change in Net Assets* 130,484

*Net Assets at Beginning of Year, as Restated* 183,705

*Net Assets at End of Year* \$314,189

See accompanying notes to the basic financial statements and accountant's report.

AMANDA-CLEARCREEK COMMUNITY SCHOOL

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2007

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**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash Flows from Operating Activities:**

|   |           |
|---|-----------|
| Cash Received from Foundation Payments  | \$375,073 |
| Cash Payments to Employees for Services | (46,615)  |
| Cash Payments for Goods and Services    | (411,731) |
| Other Cash Receipts                     | 657       |
| Other Cash Payments                     | (5,944)   |
|   | <hr/>     |
| Net Cash from Operating Activities      | (88,560)  |

**Cash Flows from Noncapital Financing Activities:**

|   |         |
|---|---------|
| Operating Grants Received                     | 160,000 |
|   | <hr/>   |
| Net Cash from Noncapital Financing Activities | 160,000 |

**Cash Flows from Capital and Related Financing Activities:**

|  |          |
|--|----------|
| Payments for Capital Acquisitions                      | (80,657) |
|  | <hr/>    |
| Net Cash from Capital and Related Financing Activities | (80,657) |

**Cash Flows from Investing Activities:**

|                                    |       |
|------------------------------------|-------|
| Interest on Investments            | 1,705 |
|                                    | <hr/> |
| Net Cash from Investing Activities | 1,705 |

Net Decrease in Cash and Cash Equivalents (7,512)

Cash and Cash Equivalents Beginning of Year 309,167

Cash and Cash Equivalents End of Year \$301,655

**Reconciliation of Operating Loss  
to Net Cash from Operating Activities:**

|                |            |
|----------------|------------|
| Operating Loss | (\$31,221) |
| Adjustments:   |            |
| Depreciation   | 4,033      |

**Adjustments to Reconcile Operating Loss  
to Net Cash from Operating Activities:**

*Increase (Decrease) in Liabilities:*

|                            |          |
|----------------------------|----------|
| Accrued Wages and Benefits | (1,341)  |
| Intergovernmental Payable  | (60,031) |
|                            | <hr/>    |
| Total Adjustments          | (61,372) |

Net Cash from Operating Activities (\$88,560)

See accompanying notes to the basic financial statements and accountant's report.

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**NOTE 1 - DESCRIPTION OF THE COMMUNITY SCHOOL AND REPORTING ENTITY**

**Description of the Community School**

The Amanda-Clearcreek Community School (the "Community School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Community School is an approved tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. The Community School is a comprehensive educational program for students in Kindergarten who reside in the Amanda-Clearcreek Local School District and qualify for the program. This is provided at no cost to the student. The Community School is operated under the direction of school superintendent, J.B. Dick and school director, Steve Grahn, and is sponsored by the Amanda-Clearcreek Local School District. The Community School is staffed by 2 administrative, 3 classified and 2 certified employees providing education to 117 students.

The Community School was approved for operation under a contract between the Amanda-Clearcreek Local School District (the "Sponsor") dated March 20, 2004. Actual operations began during the fiscal year ended June 30, 2005.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the Community School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Community School. For Amanda-Clearcreek Community School, this is the general operations.

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

The Community School is associated with two organizations, one of which is defined as a jointly governed organization and one as a group purchasing pool. These organizations are the Metropolitan Educational Council (MEC) and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 9 and 10 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Amanda-Clearcreek Community School have been prepared in conformity with the 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 Community School also applies Financial Accounting Standards Board (FASB) statements and interpretation issued on or before November 30, 1989, to its basic financial statements, provided they do not conflict with or contradict GASB pronouncements. The Community School has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. Following are the more significant of the Community School's accounting policies.

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

**A. Basis of Presentation**

The Community School's basic financial statement consists of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows.

The Community School uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Community Schools's financial statements are prepared using the accrual basis of accounting. 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. Revenue resulting from the nonexchange transactions, in which the Community School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Community School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Community School on a reimbursement basis. Expenses are recognized at the time they are incurred.

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the Community School is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Community School 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 during fiscal year 2007 amounted to \$1,705.

**E. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation.

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

**F. Capital Assets**

Capital assets are associated with and generally arise from business type activities. These assets generally result from expenditures in the enterprise funds. These assets are reported in the business type activities column of the government-wide statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Community School maintains a capitalization threshold of one thousand dollars. The Community School 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 are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>                | <u>Estimated Lives</u> |
|-----------------------------------|------------------------|
| Furniture, Fixtures and Equipment | 5 - 10 years           |

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets are reported net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Community School or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**H. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are bit required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the Community School's contract with its Sponsor. The contract between the Community School and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on an annual basis.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Community School. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Community School. All revenues and expenditures not meeting this definition are reported as non-operating.

**J. Estimates**

The preparation of financial statements in conformity with the 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.

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**NOTE 3 - PRIOR PERIOD ADJUSTMENT**

Accounting errors in the calculation of the capital assets of the Community School during fiscal year 2006 resulted in the June 30, 2006 capital asset balances being understated.

|                                      | <u>Governmental<br/>Activities</u> |
|--------------------------------------|------------------------------------|
| Net Assets at June 30, 2006          | \$154,527                          |
| Understatement of Capital Assets     | <u>29,178</u>                      |
| Adjusted Net Assets at June 30, 2006 | <u><u>\$183,705</u></u>            |

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

**Deposits:** Custodial credit risk is the risk that, in the event of a bank failure, the Community School's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Community School.

At June 30, 2007, the carrying amount of all Community School deposits was \$301,655. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2007, \$242,138 of the Community School's bank balance of \$342,138 was exposed to custodial risk as discussed above while \$100,000 was covered by Federal Deposit Insurance. The \$242,138 exposed to custodial risk was collateralized with securities held by the Community School or its agent in the Community School's name.

At June 30, 2007, the Community School had no investments.

There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007 was as follows:

| Asset Category                     | Restated<br>Balance at<br>July 1, 2006 | Transfer/<br>Additions | Transfer/<br>Deletions | Balance at<br>June 30, 2007 |
|------------------------------------|--|------------------------|------------------------|-----------------------------|
| <i>Depreciable Capital Assets:</i> |  |                        |                        |                             |
| Furniture, Fixtures and Equipment  | \$87,480                               | \$80,657               | \$0                    | \$168,137                   |
| Total Capital Assets               | 87,480                                 | 80,657                 | 0                      | 168,137                     |
| <i>Accumulated Depreciation:</i>   |  |                        |                        |                             |
| Furniture, Fixtures and Equipment  | (8,748)                                | (4,033)                | 0                      | (12,781)                    |
| Total Accumulated Depreciation     | (8,748)                                | (4,033)                | 0                      | (12,781)                    |
| Total Capital Assets, Net          | <u>\$78,732</u>                        | <u>\$76,624</u>        | <u>\$0</u>             | <u>\$155,356</u>            |

**NOTE 6 - RISK MANAGEMENT**

The Community School 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 2007, the Community School contracted with a commercial carrier for public official bonds. Coverages provided are as follows:

Public Official Bonds:

|                     |          |
|---------------------|----------|
| Treasurer           | \$20,000 |
| Superintendent      | 10,000   |
| Assistant Treasurer | 10,000   |
| Board Members       | 5,000    |

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 2007, the Community School participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 10). The intent of the Plan is to achieve the benefit of a reduced premium for the Community School by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The Community School 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, stand-alone 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 10 percent of their annual covered salary and the Community School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Community School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2006 (the latest information available), 10.58 percent of annual covered salary was 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 Community School's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 was \$2,975, \$2,685 and \$1,656; 100 percent has been contributed for fiscal years 2007, 2006 and 2005.

**State Teachers Retirement System**

The Community School 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, 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.

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**NOTE 7 - DEFINED BENEFIT PENSION PLANS** - (Continued)

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 10 percent of their annual covered salary and the Community School is required to contribute 14 percent. For fiscal year 2006 (the latest information available), 13 percent of the Community School's contribution was 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 Community School's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006 and 2005 was \$2,481, \$9,057 and \$2,477: 93.72 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**Social Security System**

Effective June 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, 2007, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

The Community School 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. Most benefit recipients pay a portion of the 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 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Community School, this amount equaled \$962 during fiscal year 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006 (the latest information year available). For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members returning 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.

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**NOTE 8 - POSTEMPLOYMENT BENEFITS** - (Continued)

For fiscal year 2007, employer contributions to fund health care benefits were 14 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 2007, the minimum pay has been established at \$35,800. 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, 2006 were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. The number of participants currently receiving health care benefits is approximately 59,492. For the Community School, the amount to fund health care benefits, including the surcharge, equaled \$1,287 during the 2007 fiscal year.

**NOTE 9 - JOINTLY GOVERNED ORGANIZATION**

**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 Community School does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the Community School.

**NOTE 10 - GROUP PURCHASING POOL**

**Ohio School Boards Association Workers' Compensation Group Rating Plan**

The Community School participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Worker's Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 a enrollment fee to the Plan to cover the costs of administering the program.

**AMANDA-CLEARCREEK COMMUNITY SCHOOL**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**NOTE 11 - SERVICE AGREEMENTS**

The Community School Contract between the Community School and Amanda-Clearcreek Local School District states the Community School shall pay to Amanda-Clearcreek Local School District amounts that are mutually agreed including fees for any services provided to the Community School by Amanda-Clearcreek Local School District. The following is a payable to the Amanda-Clearcreek Local School District as of June 30, 2007:

|                            |           |
|----------------------------|-----------|
| Reimbursement for Expenses | \$137,988 |
|----------------------------|-----------|

**NOTE 12 - CONTINGENCIES**

**Grants**

The Community School received financial assistance from 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 Community School at June 30, 2007.

**Pending Litigation**

A suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard on November 18<sup>th</sup>, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The effect of this suit, if any, on the Community School is not presently determinable.

**School Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. ODE has not yet conducted a review of the Community School's 2007 student enrollment data and FTE calculations. For the year ended 2007, the Community School does not anticipate revenue adjustments based on the results of any such review.

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

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

Board of Directors  
Amanda Clearcreek Community School  
Amanda, Ohio 43102

We have audited the financial statements of the of the Amanda Clearcreek Community School, Fairfield County, Ohio, a component unit of Amanda Clearcreek Local School District, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Amanda-Clearcreek Community School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2007-01 to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by Government Auditing Standards  
Page Two

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Amanda-Clearcreek Community School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standard*.

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

This report is intended for the information of the School's Board of Education, management, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
December 13, 2007

**AMANDA CLEARCREEK COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2007**

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

**FINDING NUMBER 2007-01**

**Significant Deficiency**

The School's capital asset accounting records did not accurately and completely support capital assets reported in the annual financial report for the year ended June 30, 2006. Therefore prior period adjustments were made to the capital assets for the year ended June 30, 2007. Failure to maintain accurate and complete capital asset accounting records can lead to the School reporting misstated balances. The School should maintain a current and accurate capital asset listing each year.

Client Response: The client has updated and maintained a current capital asset list after this prior period adjustment.



**Mary Taylor, CPA**  
Auditor of State

**AMANDA CLEARCREEK COMMUNITY SCHOOL**

**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  
FEBRUARY 5, 2008**