

**CRITTENTON COMMUNITY SCHOOL**  
Columbus, Ohio

**Report on Audits of Financial Statements  
And Supplementary Financial Information**

**For the years ended June 30, 2006 and 2005**





# Mary Taylor, CPA

Auditor of State

Board of Governors  
Crittenton Community School  
1418 East Broad Street  
Columbus, Ohio 43205

We have reviewed the *Independent Auditors' Report* of the Crittenton Community School, Franklin County, prepared by Schneider Downs & Co., Inc., for the audit period July 1, 2005 through June 30, 2006. 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 Crittenton Community School is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 8, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Governors  
Crittenton Community School  
Franklin County  
1418 East Broad Street  
Columbus, Ohio 43205

We have audited the accompanying basic financial statements of the Crittenton Community School (the School) as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2006 and 2005, and the changes in financial position and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2006 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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 applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.



Columbus, Ohio  
November 15, 2006

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CRITTENTON COMMUNITY SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The discussion and analysis of the Crittenton Community School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

- Total assets were \$211,754. Capital assets, net, amounted to \$89,426, while cash and other assets amounted to \$122,328.
- Liabilities totaled \$53,126. Accrued wages and benefits amounted to \$34,878, accounts payable and other liabilities amounted to \$12,266, and the amount due to Ohio Department of Education amounted to \$5,982.

**Using this Financial Report**

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

**Statement of Net Assets**

The Statement of Net Assets answers the question, "How did we do financially during 2006?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.



CRITTENTON COMMUNITY SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Table 1 provides a summary of the School's net assets for fiscal years 2006 and 2005:

(Table 1)  
**Net Assets**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current Assets	\$ 122,328	\$ 151,615
Capital Assets, Net	<u>89,426</u>	<u>11,046</u>
Total Assets	<u>211,754</u>	<u>162,662</u>
<b>Liabilities</b>		
Current Liabilities	<u>53,126</u>	<u>128,363</u>
<b>Net Assets</b>	<u>158,628</u>	<u>34,298</u>
Total Liability and Net Assets	\$ <u><u>211,754</u></u>	\$ <u><u>162,662</u></u>

Assets totaled \$211,754. Equity in pooled cash and cash equivalents amounted to \$99,565. Receivables amounted to \$22,608, and other assets amounted to \$155. Capital Assets, before depreciation totaled \$96,075.

Table 2, on the following page, shows the changes in net assets for the years ended June 30, 2006 and 2005, as well as a listing of revenues and expenses.

CRITTENTON COMMUNITY SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED 2006

(Table 2)  
**Change in Net Assets**

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Foundation Payments	\$ 724,018	\$ 606,226
Disadvantaged Pupil Impact Aid	17,433	15,815
Other	109,292	9,576
Non-Operating Revenues:		
Operating Grants and Contributions	<u>105,667</u>	<u>106,363</u>
Total Revenues	<u>956,410</u>	<u>737,981</u>
Operating Expenses		
Salaries	553,769	498,828
Fringe Benefits	117,702	94,720
Purchased Services	96,520	60,126
Materials and Supplies	12,634	5,199
Depreciation	3,093	1,729
Other Expenses	<u>48,362</u>	<u>21,677</u>
Total Expenses	<u>832,080</u>	<u>682,278</u>
Change in Net Assets	<u>124,330</u>	<u>55,702</u>
Net Assets Beginning of Year	<u>34,298</u>	<u>(21,404)</u>
Net Assets End of Year	<u>\$ 158,628</u>	<u>\$ 34,298</u>

Community Schools receive no support from taxes.

(Table 3)  
**Capital Assets**

As of June 30, 2006 and 2005, the School had the following capital assets:

	<u>2006</u>	<u>2005</u>
Furniture and Equipment, net	\$ 11,860	\$ 11,046
Building Improvements, net	<u>77,566</u>	<u>-</u>
	<u>\$ 89,426</u>	<u>\$ 11,046</u>

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CRITTENTON COMMUNITY SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED 2006

**Current Financial Issues**

The Crittenton Community School began operations on July 1, 2002. The idea for this innovative school was formed through the board members of Directions For Youth & Families, an associated not-for-profit organization. Crittenton Community School was formed as a 501 ( c ) (3) corporation with a governing board of nine members which are elected. During the start up process, the State of Ohio awarded a \$50,000 grant; and, later, the federal government awarded three grants, \$150,000 each in the first three years of operation. The School enrolls "high risk", under achieving middle school students, grades 6 through 9, at-risk of dropping out due to behavioral/emotional issues. The School uses an Outreach service model that begins with the creation of the students Individualized Learning Plan. Certified teachers manage a caseload of no more than 5-8 students who have demonstrated, in other schools, an inability to cope with the demands of a classroom setting. The "outreach" elements of the School have grown out of research that tells us that a quality educational experience is most likely to occur if students, teachers, and parents/guardians join together in meaningful collaborative relations.

Cash flow needs were an issue during the initial years of operation. The School had to borrow from Directions for Youth and Families Group, Inc., a related party, to meet cash flow needs but during 2006 was able to reduce the third-party payable to \$7,666 at June 30, 2006. Due to the intensive academic and emotional needs of the students, the low student to teacher ratio creates a financial challenge for the school. A service contract with Columbus City Schools did increase enrollment and revenues during the year.

This year was the final year for the federal government start-up grant and the balance of the funding was used to finalize the facility renovations. The school moved operations to the new facility prior to the start of the 2006-2007 school year. The facility is located at 1418 East Broad Street, Columbus, Ohio 43205.

**Contacting the School's Financial Management**

This financial report is designed to provide the reader with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Barbara Martin, Treasurer at Crittenton Community School, 1515 Indianola Avenue, Columbus, Ohio 43201, 614-294-2661 or e-mail at [bmartin@dfyf.org](mailto:bmartin@dfyf.org).

CRITTENTON COMMUNITY SCHOOL

STATEMENTS OF NET ASSETS

	June 30	
	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash equivalents	\$ 99,565	\$ 80,479
Intergovernmental Receivable	22,608	70,585
Prepaid Items	155	552
Total Current Assets	<u>122,328</u>	<u>151,616</u>
Capital Assets, Net of Accumulated Depreciation	<u>89,426</u>	<u>11,046</u>
Total Assets	<u>\$ 211,754</u>	<u>162,662</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,600	\$ 1,053
Loan Payable - Related Party	7,666	15,333
Accrued Wages and Related Liabilities	14,023	11,921
Benefits Payable	20,855	25,829
Intergovernmental Payable	<u>5,982</u>	<u>74,228</u>
Total Liabilities	<u>53,126</u>	<u>128,364</u>
NET ASSETS		
Invested in Capital Assets	89,426	11,046
Unrestricted	<u>69,202</u>	<u>23,252</u>
Total Net Assets	<u>158,628</u>	<u>34,298</u>
Total Liabilities and Net Assets	<u>\$ 211,754</u>	<u>\$ 162,662</u>

See notes to financial statements.

CRITTENTON COMMUNITY SCHOOL

STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	June 30	
	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Foundation Payments	\$ 724,018	\$ 606,227
Disadvantaged Pupil Impact Aid	17,433	15,815
Donations	4,610	3,650
Other Operating Revenue	<u>104,682</u>	<u>5,926</u>
Total Operating Revenue	<u>850,743</u>	<u>631,618</u>
OPERATING EXPENSES		
Salaries	553,769	498,828
Fringe Benefits	117,702	94,720
Purchased Services	96,520	60,126
Materials and Supplies	12,634	5,199
Depreciation	3,093	1,729
Other Operating Expenses	<u>48,362</u>	<u>21,677</u>
Total Operating Expenses	<u>832,080</u>	<u>682,279</u>
Operating Income (Loss)	<u>18,663</u>	<u>(50,661)</u>
NON-OPERATING REVENUES		
Federal Grants	<u>105,667</u>	<u>106,363</u>
Total Non-Operating Revenues	<u>105,667</u>	<u>106,363</u>
CHANGE IN NET ASSETS	124,330	55,702
NET ASSETS		
Beginning of year	<u>34,298</u>	<u>(21,404)</u>
End of year	<u>\$ 158,628</u>	<u>\$ 34,298</u>

See notes to financial statements.

CRITTENTON COMMUNITY SCHOOL

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Cash Received from State of Ohio	\$ 741,451	\$ 651,264
Other Operating Receipts	109,689	12,535
Cash Payment to Employees for Services	(674,343)	(566,031)
Cash Payments to Suppliers for Goods and Services	(105,607)	(140,518)
Cash Payments for Other Operating Expenses	<u>(48,362)</u>	<u>(21,677)</u>
Net Cash Provided By (Used In) Operating Activities	<u>22,828</u>	<u>(64,427)</u>
Cash Flows Used In Capital and Related Investing Activities		
Capital Asset Purchases	<u>(81,473)</u>	<u>(5,123)</u>
Cash Flows from Noncapital Financing Activities		
Federal Grants	85,398	107,747
Loan Repayment to Related Party	<u>(7,667)</u>	<u>(7,667)</u>
Net Cash Provided By Noncapital Financing Activities	<u>77,731</u>	<u>100,080</u>
Net Increase in Cash and Cash Equivalents	19,086	30,530
Cash and Cash Equivalents at Beginning of Year	<u>80,479</u>	<u>49,949</u>
Cash and Cash Equivalents at End of Year	<u>\$ 99,565</u>	<u>\$ 80,479</u>
Reconciliation of Change in Net Assets to Net Cash Provided By (Used In) Operating Activities		
Operating Income (Loss)	<u>\$ 18,663</u>	<u>\$ (50,661)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense	3,093	1,729
Changes in Assets and Liabilities:		
Intergovernmental Receivable	-	29,282
Prepaid Items	397	2,899
Accounts Payable	3,547	(75,193)
Accrued Wages and Related Liabilities	2,102	5,166
Benefits Payable	<u>(4,974)</u>	<u>22,351</u>
Total Adjustments	<u>4,165</u>	<u>(13,766)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 22,828</u>	<u>\$ (64,427)</u>

See notes to financial statements.

CRITTENTON COMMUNITY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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

Crittenton Community School, Inc. (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status. Specifically, the School's purpose is to be a model charter school serving middle school students in the sixth (6<sup>th</sup>) through ninth (9<sup>th</sup>) grades. The School, which is part of the state's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school.

The creation of the School was initially proposed to the Ohio Department of Education, by the developers of the School in January, 2001. The Ohio Department of Education approved the proposal and entered into a contract with the developers, which provided for the commencement of School operations on August 26, 2002. The School operates under a nine - member Board of Governors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Director of the School, under the direction of the CEO, controls the School's one instructional facility staffed by one full-time certificated personnel, 26 part-time certificated personnel and the four non-certificated personnel (two full-time and two part-time), who provided services to the approximately one hundred and fifty four students.

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

The financial statements of Crittenton Community School, Inc. have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below:

**Basis of Presentation** - The School's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and change in net assets, and a statement of cash flows. Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows.

**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. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

**Basis of Accounting** - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

Budgetary Process - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the School's contract with its sponsor. The contract between Crittenton Community School, Inc. and its sponsor, St. Aloysius, does not prescribe a budgetary process for the School; therefore no budgetary information is presented in the financial statements.

Cash and Cash Equivalents - All monies received by the School are maintained in a single demand deposit account. Fund integrity is maintained through School records and the USAS accounting system. Total cash for all funds is presented as "cash and cash equivalents" on the accompanying statement of net assets.

Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Capital Assets - 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 dates received. The School maintains a capitalization threshold of five hundred dollars. The School did not capitalize any interest during the fiscal year. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation of furniture and equipment is computed using the straight-line method over the estimated useful life of the asset, using a half year in the year of acquisition. Improvements to capital assets are depreciated over the remaining useful lives of the related fixed assets. Useful life ranges are from 5 to 10 years depending on the asset.

Intergovernmental Revenue - The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above named programs for the 2006 school year totaled \$741,451.



CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Net Assets - Net assets represent the difference between assets and liabilities. 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.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are operating grants and sales for food service. Operating expenses are a necessary cost incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

NOTE 3 - RECEIVABLES

The School has a receivable of \$22,608 from the Federal Government. The balance is considered to be 100% collectable.

NOTE 4 - RELATED PARTY TRANSACTIONS

The School entered into a service agreement dated July 1, 2005 with Directions for Youth and Families Group, Inc., (Group) to provide them with strategic planning and executive managerial support services. Executive services include representing the School's interests with the Board of Governors, the community, and various funding sources. Financial services include, but are not limited to, financial statement and budget preparation and accounts payable and payroll preparation. Executive services also include planning, property management, and public relations. Total charges for fiscal year 2006 and 2005 amounted to \$35,268 and \$26,183, respectively. The agreement term is indefinite and shall continue until terminated by either party with 180 days notice. The monthly fee amount was \$2,939 and \$2,182 for the years ended June 30, 2006 and 2005, respectively and is adjusted annually.

Group loaned the School \$23,000 in the fiscal year 2003. The remaining balance is reflected as a loan payable at June 30, 2006. The loan agreement provides that the School will repay, at no interest, the amount borrowed in yearly payments of \$7,667 through June 30, 2007.

The School is a party to an operating lease agreement for office space with the Group. The lease expired June 30, 2006, but was renewed subsequent to year end, for an additional year. The total rent expense in relation to this operating lease for the years ended June 30, 2006 and 2005 was approximately \$30,000 and \$12,204, respectively.

CRITENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued)

Accounting principles generally accepted in the United States of America require that financial statements of entities controlled through a common board of trustees be consolidated. The Organization does not have a common board of trustees with Group, and therefore, the financial statements of these organizations have not been consolidated; However, where control exists in connection with an agreement, the organization is required to display summarized financial information of the related entity.

The summarized financial position of the Group as of June 30, 2006 and 2005 is as follows: total assets of \$4,716,580 and \$4,616,654; total liabilities of \$96,935 and \$79,600 and total net assets of \$4,619,645 and \$4,537,054. The total change in net assets for the years ended June 30, 2006 and 2005 was \$82,591 and \$8,994, respectively.

NOTE 5 - DEPOSITS

At June 30, 2006, the carrying amount of the School's deposits was \$99,565. Of the bank balance, 100% was covered by federal depository insurance.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/06</u>
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 14,602	\$ 3,907	\$ -	\$ 18,509
Building Improvements	-	77,566	-	77,566
Total Capital Assets Being Depreciated	<u>14,602</u>	<u>81,473</u>	<u>-</u>	<u>96,075</u>
Less Accumulated Depreciation:				
Furniture and Equipment	3,556	3,093	-	6,649
Building Improvements	-	-	-	-
Total Accumulated Depreciation	<u>3,556</u>	<u>3,093</u>	<u>-</u>	<u>6,649</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,046</u>	<u>\$ 78,380</u>	<u>\$ -</u>	<u>\$ 89,426</u>

The building improvements were not placed in service as of June 30, 2006 and therefore, no depreciation is recognized in the year then ended.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

NOTE 7 - RISK MANAGEMENT

Property and Liability - The 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. The School maintains insurance coverage for rental/theft, general liability, and directors and officers' liability in the amount of \$1,000,000, which the Board of Governors believes is adequate.

There were no significant changes in insurance coverage and the School's settlements did not exceed insurance coverage for each of the past three years.

Workers' Compensation - The School paid the State Workers' Compensation System a premium for employee injury coverage in fiscal year 2006. The premium is calculated by multiplying the monthly gross total payroll by a factor that is calculated by the State.

Employee, Medical, Dental, and Vision Benefits - The School provided employee health insurance and dental insurance benefits to full-time certificated and noncertificated personnel during fiscal year 2006. Personnel contribute to a portion of the cost of the benefit.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System - The 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 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% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of 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 a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The School's required contributions to SERS for the fiscal years ended June 30, 2005, 2004 and 2003, the latest information available, were \$13,307, \$6,021 and \$5,055, respectively.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System - The 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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

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% 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The School's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$56,017, \$28,022 and \$9,508, respectively.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

NOTE 9 - POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS 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% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$3,773 during fiscal 2005. STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005 (the latest information available). For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who qualify. For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. For the School, the amount to fund health care benefits, including surcharge, equaled during the 2005 fiscal year. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2005 (the latest information available) were \$178.221 million and the target level was \$267.3 million. At June 30, 2005, (the latest information available) SERS had net assets available for payment of health care benefits of \$267.5 million and SERS had approximately 58,000 participants receiving health care benefits.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 10 - OTHER EMPLOYEE BENEFITS

Compensated Absences - The criteria for determining vacation and sick leave components are derived from School policy and State laws. All employees are at-will employees and do not have contracts as employees in traditional school districts. Salaried employees accrue sick time of 15 days per calendar year. Hourly rate employees do not accrue leave and are paid based upon hours worked only. Upon separation of service, sick and vacation time is not paid.

NOTE 11 - STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

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

NOTE 12 - CONTINGENCIES

Grants - The School received financial assistance from federal and state agencies in the form of grants. The disbursement 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 School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2006.

Litigation - A suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e., Charter) School's 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, 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 School is not presently determinable.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 13 - PURCHASED SERVICES

For fiscal year ended June 30, 2006, purchased services expenses were as follows:

Service Agreement Fees	\$35,268
Audit Fees	8,338
Consulting	15,810
Data Center	6,628
Building Lease	30,000
Other	476
	<u>\$96,520</u>

NOTE 14 - FULLTIME EQUIVALENCY

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. As a result of the fiscal year ended June 30, 2006 reconciliation, it was determined that school received an overpayment in the amount of \$3,507 which has been recorded as a year-end liability. The amount of the liability will be deducted from subsequent state foundation payments.

REPORT ON INTERNAL CONTROL OVER FINANCIAL RERPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANACE WITH *GOVERNMENT AUDITING STANDARDS*

Crittenton Community School  
Franklin County  
1418 East Broad Street  
Columbus, Ohio 43205

To the Board of Governors:

We have audited the accompanying basic financial statements of Crittenton Community School (the School), as of and for the year ended June 30, 2006, and have issued our report thereon dated November 15, 2006. 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 Crittenton Community School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the School in a separate letter dated November 15, 2006.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Crittenton 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 are required to be reported under *Government Auditing Standards*.



This report is intended for the information and use of the management and the Board of Governors, and is not intended to be and should not be used by anyone other than these specified parties.

*Schubert Down + Co Inc*

Columbus, Ohio  
November 15, 2006

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**Mary Taylor, CPA**  
Auditor of State

**CRITTENTON COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 22, 2007**