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AUDITOR OF STATE

STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

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**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Indian Creek Local School District
Jefferson County
587 Bantam Ridge Road
Wintersville, Ohio 43953

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Indian Creek Local School District, Jefferson County (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Indian Creek Local School District, Jefferson County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and its nonexpendable trust fund for the year in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 20, 2002

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INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AT JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets:				
Equity in Pooled Cash and Investments	\$ 1,713,899	\$ 549,393		\$ 1,072,061
Cash in Segregated Accounts				
Cash With Fiscal Agents				
Restricted Cash and Cash Equivalents	69,324			
Receivables:				
Taxes	8,832,390			
Accounts	29,764	26,136		
Interfund Receivable	172,049			
Due From Other Governments		641,538		
Prepaid Items	2,878			
Inventory	49,286			
Inventory Held For Resale				
Fixed Assets (Net, where applicable, of accumulated depreciation)				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	10,869,590	1,217,067		1,072,061
Liabilities:				
Accounts Payable	106,460	52,249		249,652
Accrued Wages and Benefits	1,134,120	219,420		
Compensated Absences Payable	4,681	808		
Pension Obligation Payable	147,818			
Asbestos Removal Loan Payable				
Energy Conservation Bonds Payable				
Claims Payable				
Interfund Payable		172,049		
Due to Other Governments	28,751	5,433		
Deferred Revenue	6,758,929	507,130		
Due to Students				
Total Liabilities	8,180,759	957,089		249,652
Fund Equity:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	240,327	65,780		538,385
Reserved for Inventory	49,286			
Reserved for Property Taxes	2,073,461			
Reserved for Prepaid Items	2,878			
Reserved for Principle Endowment	-			
Reserved for Budget Stabilization	69,324			
Unreserved:				
Designated				
Undesignated	253,555	194,198		284,024
Total Fund Equity and Other Credits	2,688,831	259,978		822,409
Total Liabilities and Fund Equity	\$ 10,869,590	\$ 1,217,067		\$ 1,072,061

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 64,376		\$ 118,797			\$ 3,518,526
	\$ 212,189	40,260			40,260
					212,189
					69,324
					8,832,390
33,299	225,189	980			315,368
					172,049
					641,538
					2,878
12,253					49,286
					12,253
87,957			\$ 11,760,256		11,848,213
				\$ 2,306,215	2,306,215
197,885	437,378	160,037	11,760,256	2,306,215	28,020,489
5,320		10,691			424,372
21,670					1,375,210
12,749				1,111,521	1,129,759
7,902				98,925	254,645
				110,953	110,953
				984,816	984,816
	331,302				331,302
					172,049
752					34,936
9,906					7,275,965
		67,975			67,975
58,299	331,302	78,666		2,306,215	12,161,982
			11,760,256		11,760,256
139,586	106,076				245,662
		26,150			870,642
					49,286
					2,073,461
					2,878
		30,000			30,000
					69,324
					-
		25,221			756,998
139,586	106,076	81,371	11,760,256		15,858,507
\$ 197,885	\$ 437,378	\$ 160,037	\$ 11,760,256	\$ 2,306,215	\$ 28,020,489

INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Fiduciary Fund Types	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$ 6,375,350					\$ 6,375,350
Intergovernmental	6,779,444	\$ 2,111,411		\$ 14,872		8,905,727
Interest	64,092			2,491		66,583
Classroom Materials and Fees	33,167	1,059				34,226
Extracurricular Activities		150,381			\$ 450	150,831
Miscellaneous	21,667	91,234			28,856	141,757
Total Revenues	13,273,720	2,354,085		17,363	29,306	15,674,474
Expenditures:						
Instruction:						
Regular	5,997,917	561,449			1,345	6,560,711
Special	1,129,367	419,863				1,549,230
Vocational	184,259	22,308				206,567
Adult/Continuing		3,000			4,500	7,500
Support Services:						
Pupils	288,092	286,569				574,661
Instructional Staff	535,638	542,705		51,999		1,130,342
Board of Education	14,525					14,525
Administration	1,441,817	89,802				1,531,619
Fiscal	388,135					388,135
Operation and Maintenance of Plant	1,526,488	5,296				1,531,783
Pupil Transportation	896,069	14,373				910,442
Central	1,355	11,946				13,301
Operation of Non-Instructional Services		298,762				298,762
Extracurricular Activities	190,172	2,829				193,001
Capital Outlay	205,737	126,866		448,860		781,463
Debt Service:						
Principal Retirement			\$ 13,054			13,054
Total Expenditures	12,799,570	2,385,769	13,054	500,859	5,845	15,705,097
Excess of Revenues Over/ (Under) Expenditures	474,150	(31,684)	13,054	(483,496)	23,461	(30,623)
Other Financing Sources/(Uses):						
Proceeds From Sale of Fixed Assets	816			11,012		11,828
Proceeds From Sale of Bonds				984,816		984,816
Refund of Prior Year Expenditures	113,556	15				113,571
Other Financing Uses	(28,554)	(115,233)				(143,787)
Operating Transfers - In		178,148	13,054			191,202
Operating transfers - out	(191,202)					(191,202)
Total Other Financing Sources/(Uses)	(105,384)	62,930	\$13,054	995,828		966,428
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures, Other Financing Uses	368,766	31,246		512,332	23,461	935,805
Fund Balances at Beginning of Year	2,330,116	228,732		310,077	17,650	2,886,575
Increase (Decrease) in Reserve for Inventory	(10,051)					(10,051)
Fund Balances at End of Year	\$ 2,688,831	\$ 259,978		\$ 822,409	\$ 41,111	\$ 3,812,329

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

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INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGETED (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:						
Taxes	\$ 6,544,377	\$ 6,541,922	\$ (2,455)			
Earnings on investments	64,116	64,092	(24)			
Extracurricular activities				\$ 173,085	\$ 151,143	\$ (21,942)
Classroom materials and fees	33,180	33,167	(13)	1,213	1,059	(154)
Intergovernmental	6,805,866	6,803,312	(2,554)	2,412,530	2,106,692	(305,838)
Miscellaneous	10,448	10,445	(3)	75,001	65,493	(9,508)
Total Revenues	13,457,987	13,452,938	(5,049)	2,661,829	2,324,387	(337,442)
Expenditures:						
Instruction						
Regular	6,048,193	6,047,994	199	624,242	596,294	27,948
Special	1,163,460	1,163,460		551,684	426,911	124,773
Vocational education	195,837	195,837		22,800	22,205	595
Adult/Continuing				4,000	4,000	
Support Services:						
Pupils	291,503	291,503		308,155	295,346	12,809
Instructional support	557,946	557,946		789,078	588,158	200,920
Board of education	14,536	14,536				
Administration	1,491,671	1,491,671		106,880	90,589	16,291
Fiscal	402,865	395,939	6,926			
Operation and maintenance of plant	1,668,132	1,668,132		9,499	9,499	
Pupil transportation	970,144	970,144		15,850	14,689	1,161
Central	1,355	1,355		14,296	14,296	
Operation of non-instructional services				443,388	365,777	77,611
Extracurricular activities	192,810	192,810		132,013	132,013	
Capital outlay	220,435	220,435				
Debt Service:						
Principal payments						
Total Expenditures	13,218,887	13,211,762	7,125	3,021,885	2,559,777	462,108
Excess of Revenues Over/ (Under) Expenditures	239,100	241,176	2,076	(360,056)	(235,390)	124,666
Other Financing Sources/(Uses):						
Transfers in				176,839	178,148	1,309
Transfers out	(189,893)	(191,202)	(1,309)			
Advances in	137,628	137,628		179,400	179,400	
Advances out	(261,752)	(257,491)	4,261	(59,537)	(59,537)	
Proceeds from sale of assets	76,982	76,982				
Other misc. uses of funds	(28,554)	(28,554)		(115,233)	(115,233)	
Refund of prior year expenditures	97,510	97,510		15	15	
Proceeds from sale of notes						
Total Other Financing Sources/(Uses)	(168,079)	(165,127)	2,952	181,484	182,793	1,309
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Sources	71,021	76,049	5,028	(178,572)	(52,597)	125,975
Fund Balance/(Deficit) July 1	1,062,074	1,062,074		290,832	290,832	
Prior year encumbrances appropriated	916,579	916,579		199,378	199,378	
Fund Balance/(Deficit) June 30	\$ 2,049,674	\$ 2,054,702	\$ 5,028	\$ 311,638	\$ 437,613	\$ 125,975

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

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
			\$ 2,788	\$ 2,491	\$ (297)
			25,600	14,872	(10,728)
			<u>28,388</u>	<u>17,363</u>	<u>(11,025)</u>
			55,027	51,999	3,028
			987,245	987,245	
\$ 13,054	\$ 13,054				
<u>13,054</u>	<u>13,054</u>		<u>1,042,272</u>	<u>1,039,244</u>	<u>3,028</u>
<u>13,054</u>	<u>13,054</u>		<u>(1,013,884)</u>	<u>(1,021,881)</u>	<u>(7,997)</u>
13,054	13,054				
			11,012	11,012	
			<u>984,816</u>	<u>984,816</u>	
<u>13,054</u>	<u>13,054</u>		<u>995,828</u>	<u>995,828</u>	
			(18,056)	(26,053)	(7,997)
			280,051	280,051	
			<u>30,027</u>	<u>30,027</u>	
			<u>\$ 292,022</u>	<u>\$ 284,025</u>	<u>\$ (7,997)</u>

INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGETED (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	Expendable Trust Fund			Totals - (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:						
Taxes				\$ 6,544,377	\$ 6,541,922	\$ (2,455)
Earnings on investments				66,904	66,583	(321)
Extracurricular activities	\$ 450	\$ 450		173,535	151,593	(21,942)
Classroom materials and fees				34,393	34,226	(167)
Intergovernmental				9,243,996	8,924,876	(319,120)
Miscellaneous	28,856	28,856		114,305	104,794	(9,511)
Total Revenues	29,306	29,306		16,177,510	15,823,994	(353,516)
Expenditures:						
Instruction						
Regular	1,345	1,345		6,673,780	6,645,633	28,147
Special				1,715,144	1,590,371	124,773
Vocational education				218,637	218,042	595
Adult/Continuing	8,800	8,800		12,800	12,800	
Support Services:						
Pupils				599,658	586,849	12,809
Instructional support				1,402,051	1,198,103	203,948
Board of education				14,536	14,536	
Administration				1,598,551	1,582,260	16,291
Fiscal				402,865	395,939	6,926
Operation and maintenance of plant				1,677,631	1,677,631	
Pupil transportation				985,994	984,833	1,161
Central				15,651	15,651	
Operation of non-instructional services				443,388	365,777	77,611
Extracurricular activities				324,823	324,823	
Capital outlay	21,850		21,850	1,229,530	1,207,680	21,850
Debt Service:						
Principal payments				13,054	13,054	
Total Expenditures	31,995	10,145	21,850	17,328,093	16,833,982	494,111
Excess of Revenues Over/ (Under) Expenditures	(2,689)	19,161	21,850	(1,150,583)	(1,009,988)	140,595
Other Financing Sources/(Uses):						
Transfers in				189,893	191,202	1,309
Transfers out				(189,893)	(191,202)	(1,309)
Advances in				317,028	317,028	
Advances out				(321,289)	(317,028)	4,261
Proceeds from sale of assets				87,994	87,994	
Refund of prior year receipts				(143,787)	(143,787)	
Refund of prior year expenditures				97,525	97,525	
Proceeds from sale of notes				984,816	984,816	
Total Other Financing Sources/(Uses)				1,022,287	1,026,548	4,261
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Sources	(2,689)	19,161	21,850	(128,296)	16,560	144,856
Fund Balance/(Deficit) July 1	14,091	14,091		1,647,048	1,647,048	
Prior year encumbrances appropriated	3,105	3,105		1,149,089	1,149,089	
Fund Balance/(Deficit) June 30	\$ 14,507	\$ 36,357	\$ 21,850	\$ 2,667,841	\$ 2,812,696	\$ 144,856

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

INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Exp. Trust</u>	
Operating Revenues:				
Food Services	\$ 254,767			\$ 254,767
Tuition and Fees	9,000			9,000
Classroom Materials and Fees	26,693			26,693
Charge for Services		\$ 2,179,701		2,179,701
Interest			\$ 2,213	2,213
Total Operating Revenues	<u>290,460</u>	<u>2,179,701</u>	<u>2,213</u>	<u>2,472,374</u>
Operating expenses:				
Salaries	182,969			182,969
Fringe Benefits	51,507	134,468		185,975
Purchased Services	262,937			262,937
Materials and Supplies	72,330			72,330
Depreciation	10,514			10,514
Claims		2,046,123		2,046,123
Other Operating Expenses			2,000	2,000
Total Operating Expenses	<u>580,257</u>	<u>2,180,591</u>	<u>2,000</u>	<u>2,762,848</u>
Operating Income/(Loss)	<u>(289,797)</u>	<u>(890)</u>	<u>213</u>	<u>(290,474)</u>
Non-Operating Revenues/(Expenses):				
Federally Donated Commodities	45,836			45,836
Grants	247,614			247,614
Refund of Prior Year Expenditures	7,464			7,464
Interest		4,461		4,461
Total Non-Operating Revenues/(Expenses)	<u>300,914</u>	<u>4,461</u>		<u>305,375</u>
Net Income/(Loss)	11,117	3,571	213	14,901
Retained Earnings/Fund Balance at Beginning of Year (Restated)	128,469	102,505	40,046	271,020
Retained Earnings/Fund Balance of End of Year	<u>\$ 139,586</u>	<u>\$ 106,076</u>	<u>\$ 40,259</u>	<u>\$ 285,921</u>

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

INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

**COMBINED STATEMENT OF CHANGES IN CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-exp. Trust</u>	
<u>Cash Flows From Operating Activities:</u>				
Net Operating Income/(Loss)	\$ (289,797)	\$ (890)	\$ 213	\$ (290,474)
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:				
Federally Donated Commodities	45,836			45,836
Depreciation Expense	10,514			10,514
(Increase)/Decrease in Assets:				
Accounts Receivable	(216)	(55,617)		(55,833)
Inventory	(1,865)			(1,865)
Increase/(Decrease) in Liabilities:				
Accounts Payable	3,445			3,445
Accrued Wages and Benefits	(1,503)			(1,503)
Compensated Absences Payable	269			269
Pension Obligation Payable	(6,371)			(6,371)
Due to Other Governments	19			19
Deferred Revenue	(2,424)			(2,424)
Claims Payable		(3,920)		(3,920)
Net Cash Provided/(Used) by Operating Activities	<u>(242,093)</u>	<u>(60,427)</u>	<u>213</u>	<u>(302,307)</u>
<u>Cash Flows From Noncapital Financing Activities:</u>				
Refund of Prior Year Expenditure	7,464			7,464
Grants	247,614			247,614
Interest		4,461		4,461
Net Cash Provided/(Used) by Non-Capital Financing Activities	<u>255,078</u>	<u>4,461</u>		<u>259,539</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	12,985	(55,966)	213	(42,768)
Cash and Cash Equivalents, July 1, 2001	<u>51,391</u>	<u>268,155</u>	<u>40,047</u>	<u>359,593</u>
Cash and Cash Equivalents, June 30, 2002	<u>\$ 64,376</u>	<u>\$ 212,189</u>	<u>\$ 40,260</u>	<u>\$ 316,825</u>

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. NATURE OF BASIC OPERATIONS AND DESCRIPTIONS OF THE ENTITY

Indian Creek Local School District (the "District") is organized under article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established in 1966 through the consolidation of existing land areas and school districts. The District serves an area of approximately 75 square miles. It is located in Jefferson County, and includes all of the Village of Wintersville, the Village of Mingo Junction, Village of Bloomingdale, and Cross Creek Township and portions of the City of Steubenville, Island Creek, Salem, Wayne and Steubenville Townships. It is staffed by 129 non-certificated employees, 168 certificated full-time teaching personnel and 10 administrative employees who provide services to 2,234 students and other community members. The District currently operates 6 instructional buildings, one administrative building, and two garages.

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 District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Indian Creek Local School District, this includes general operations, food service, and student related activities of the District. The District does not have any component units.

The following activities are included within the reporting entity:

Aquinas Elementary, Saint Agnes Elementary, Jefferson County Christian School, and Trinity Christian School located within the District boundaries are private (parochial) schools. The District reflects this activity in a special revenue fund for financial reporting purposes.

The District is also associated with three organizations which are defined as jointly governed organizations, and an insurance purchasing pool. These organizations include the Ohio Mid-Eastern Regional Service Agency, Jefferson County Joint Vocational School, and the Ohio School Board Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

Management believes the general purpose financial statements included in the report represent all funds of the District over which the District has the ability to exercise direct operating control.

2. SUMMARY OF SIGNFICANT ACCOUNTING POLCIES

A. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds and account groups to report on its financial position and the results of operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The District has the following fund types and account groups:

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Revenue – Exchange and Non-exchange Transactions:

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

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

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

Deferred Revenue:

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures:

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities due when due or when amounts have been accumulated in the debt service funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund

The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary trust funds.

2. Proprietary Fund Types

The proprietary fund type is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict or conflict with Governmental Accounting Standards Board pronouncements. Proprietary funds include the following fund types:

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis, are financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to governmental units on a cost reimbursement basis.

3. Fiduciary Fund Types

Fiduciary fund types account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Funds

Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Fund

The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds.

Agency Fund

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets the District holds for others in an agency capacity.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in proprietary or nonexpendable trust fund.

General Long-term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or nonexpendable trust fund.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified by the County Auditor.

All governmental funds are required to be budgeted and appropriated. The primary level of budgetary control is at the function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

C. Cash and Cash Equivalents

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

During fiscal year 2002, investments were limited to STAR Ohio and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statues, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amount to \$64,092 and to the nonexpendable trust fund was \$2,213.

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

D. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Department of Education. During fiscal year 2002, the District had \$69,324 in the budget stabilization reserve.

E. Receivables

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

F. Estimates

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

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and are expensed when used.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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 expenditure/expense is reported in the year in which services are consumed.

I. Fixed Assets and Depreciation

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. The District does not possess any infrastructure.

Fixed assets used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: equipment - 5 to 20 years. The capitalization threshold is \$750. In addition, all computer equipment regardless of cost is capitalized.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for classified employees, certified employees, and administrators after five years of current service with the District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as liabilities of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balances Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepaid items, contributions to the nonexpendable trust fund that must be kept intact, and HB412 reserves, such as textbooks and instructional materials, capital improvements, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. BUDGETARY PROCESS

A. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit a proposed operating budget to the Board of Education. A budget of estimated resources and expenditures is submitted to the Jefferson County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

B. Estimated Resources

The County Budget Commission determines if the budget substantiated a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official Certificate of Estimated Resources which state projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources.

The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Governmental and Similar Fund Types" do not include July 1, 2001 unencumbered fund balances. However, those fund balances are available for appropriations.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

3. BUDGETARY PROCESS (Continued)

C. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund and function level and may be amended during the year as new information becomes available provided that the total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Governmental and Similar Fiduciary Fund Types" represent the final appropriation amounts including all amendments and modifications.

D. Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the generally accepted accounting principles (GAAP) basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent year expenditures.

F. Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balances on the GAAP basis, the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Governmental and Similar Fiduciary Fund Types" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and GAAP basis are that:

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

3. BUDGETARY PROCESS (Continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid in cash (budget basis) rather than when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditure/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
- 4) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- 5) The District repays debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The adjustments necessary to convert the results of operations for the fiscal year from the budget basis to the GAAP basis for the governmental funds follow:

**Excess (Deficiency) of Revenues Over Expenditures and Other
Sources (Uses) Reconciliation of Budget Basis to GAAP Basis**

	General	Special Revenue	Capital Projects	Expendable Trust
Budgetary Basis	\$ 76,049	\$ (52,597)	\$ (26,053)	\$ 19,161
Encumbrances	346,787	118,029	788,037	26,150
Revenue Accruals	(376,966)	(149,702)		
Expenditure Accruals	<u>322,896</u>	<u>115,516</u>	<u>(249,652)</u>	<u>(21,850)</u>
GAAP Basis	<u>\$ 368,766</u>	<u>\$ 31,246</u>	<u>\$ 512,322</u>	<u>\$ 23,461</u>

4. ACCOUNTABILITY AND COMPLIANCE

Restatement of Beginning Retained Earnings

A restatement of retained earnings in the Food Service Fund, an Enterprise Fund, is necessary due to a change in the prior period depreciation costs.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE (Continued)

Retained earnings as previously reported	\$125,664
Restatement of retained earnings <u>128,469</u>	
Restated retained earnings as of July 1, 2001	<u>\$128,469</u>

5. DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies may be invested in the following obligations. In general, investments must mature or be redeemable within two years from the date of purchase.

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of purchase;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$2,805,736 and the bank balance was \$3,105,207. Of the bank balance, \$169,927 was covered by federal depository insurance and \$2,935,280 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Funds Held by Fiscal Agent: The District participates in the Ohio Mid-Eastern Regional Educational Service Agency School Employees Insurance Consortium for employee benefits. The bank balance at fiscal year end for the Employee Benefit Self-Insurance fund was \$212,188. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

Investments. The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counter-party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the District's name. The district's investment in STAROhio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$ 748,000	\$ 748,000	\$ 748,000
Money Market	41,260	41,260	41,260
STAROhio	<u>5</u>	<u>5</u>	<u>5</u>
Total	<u>\$ 789,260</u>	<u>\$ 789,265</u>	<u>\$ 789,265</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,848,299	
Cash on Hand	(33,110)	
Investments:	(748,000)	\$ 748,000
Repurchase Agreement	(5)	5
STAR Ohio	<u>(41,260)</u>	<u>41,260</u>
Mutual Funds		
GASB Statement No.3	<u>\$ 3,017,924</u>	<u>\$ 789,265</u>

6. PROPERTY TAXES

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

6. PROPERTY TAXES (Continued)

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the prior year. Tangible personal property assessments are 25% of true value.

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

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

The District receives property taxes from Jefferson County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$2,073,461 in the General Fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2002 First-Half Collections		2001 Second-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$192,991,000	67.93%	\$192,045,100	62.39%
Commercial/Industrial	45,261,220	15.93%	41,431,110	13.46%
Public Utility	532,860	.19%	566,630	.18%
Tangible Personal Property	<u>45,321,300</u>	<u>15.95%</u>	<u>73,776,970</u>	<u>23.97%</u>
Total Assessed Value	<u>\$284,106,380</u>	<u>100.00%</u>	<u>\$307,819,810</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		<u>39.10%</u>		<u>39.10%</u>

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the District contracted with Harcum Insurance Company for general liability insurance and for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Harcum Insurance Company are as follows:

Description	Amount
Building and Contents-replacement cost (\$1,000 deductible)	\$36,229,000
Inland Marine Coverage (\$250 deductible)	
Tractor/Misc School Equipment	500,000
Musical Instruments	500,000
Boiler and Machinery (\$1,000 deductible)	
Damage	8,331,800
Business Income	100,000
Crime Insurance (\$250 deductible)	15,000
Automotive Liability (\$0/\$250 deductible)	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

Settlement claims have not exceeded this commercial coverage in any of the past three years. Also, the District has not materially reduced its coverages in the past year.

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

8. RISK MANAGEMENT (Continued)

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of the Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan, a public entity risk management insurance, and claims servicing pool, consisting of school districts throughout Ohio, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$331,302 reported in the internal service fund at June 30, 2002 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past fiscal year is as follows:

	Balance at Beginning of Year	Year Claims	Claims Payments	Current Balance at End of Year
2002	\$ 335,222	\$ 1,379,599	\$ (2,046,123)	\$ 331,302
2001	\$ 240,300	\$ 2,144,082	\$ (2,049,160)	\$ 335,222

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Indian Creek School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%; 10.5% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$312,576, \$330,840, and \$311,232, respectively; 50% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$156,288, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The Indian Creek School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 4.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$947,855, \$926,163, and \$985,848, respectively; 90% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$98,357 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, no employees or Board members chose to participate in the Social Security System.

10. POST-EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio laws, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$628,468 during the 2002 fiscal year. As of June 30, 2001 (the latest information available) eligible benefit recipients totaled 102,132. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$300,772,000.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

10. POST-EMPLOYMENT BENEFITS

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54% 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 2002, the minimum pay has been established at \$12,400.

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

11. EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 212 days for all personnel. Upon retirement, payment is made for 35% of accrued, but unused sick leave credit to a maximum of 40 days for classified employees and 40 days for certified employees.

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

12. LONG TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2002 were as follows:

	Principal Outstanding 6/30/01	Additions	(Deductions)	Principal Outstanding 6/30/02
Long-Term Notes:				
Asbestos Removal Notes	\$ 124,007	--	\$ (13,054)	\$ 110,953
Energy Conservation Bonds	--	\$ 984,816	--	984,816
Pension Obligation Payable	100,765	--	(1,840)	98,925
Compensated Absences	<u>1,267,191</u>	<u> --</u>	<u>(155,670)</u>	<u>1,111,521</u>
 Total general long-term obligations	 <u>\$1,491,963</u>	 <u>\$ 984,816</u>	 <u>\$ (170,564)</u>	 <u>\$ 2,306,215</u>

EPA Asbestos Loan - On May 30, 1993, Indian Creek School District obtained a loan in the amount of \$234,965 for the purpose of providing asbestos removal for the District. The loan was issued with a 0% interest rate for an eighteen year period (\$13,054 per year) with final maturity during fiscal year 2010. The loan will be retired from the debt service fund.

Energy Conservation Bonds – On May 20, 2002, Indian Creek Local School District issued bonds in the amount of \$984,816. The bonds were issued for the purpose of upgrading buildings owned by the District to reduce energy consumption. The bonds were issued at 4.97% for 15 years with semi-annual payments due in May and November. The bonds will be retired from a debt service fund. Beginning in fiscal year 2004, the bonds will be repaid from tax proceeds. Until then, payments will be made from proceeds from the sale of a District building. The proceeds of the sale have been designated by the Board of Education for this purpose.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$25,569,574 and an unvoted debt margin of \$284,106.

13. FIXED ASSETS AND DEPRECIATION

A. General Fixed Assets Account Group

The general fixed asset group has been restated as of July 1, 2001 due to a prior period adjustment. The changes in general fixed assets for the prior year consisted of:

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

13. FIXED ASSETS AND DEPRECIATION

	Balance As Previously Stated June 30, 2001	Prior Period Adjustment	Restated Balance at July 1, 2001
Land, buildings and Improvements	\$6,412,434	\$ (399,843)	\$6,012,591
Furniture and Equipment	2,135,009	529,425	2,664,434
Vehicles	1,624,007		1,624,007
Textbooks	<u>789,237</u>	<u> </u>	<u>789,237</u>
Total	<u>\$10,951,687</u>	<u>\$ 129,582</u>	<u>\$11,081,269</u>

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Land, buildings and Improvements	\$6,012,591	\$ 402,513	\$	\$ 6,415,104
Furniture and equipment	2,664,434	228,380	(69,522)	2,823,292
Vehicles	1,624,007	117,616		1,741,623
Textbooks	<u>780,237</u>	<u> </u>	<u> </u>	<u>780,237</u>
Totals	<u>\$11,081,269</u>	<u>\$ 748,509</u>	<u>\$ (69,522)</u>	<u>\$11,760,256</u>

B. Proprietary Fund Type Fixed Assets

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

Equipment	\$ 253,835
Less: Accumulated depreciation	<u>(165,898)</u>
Net fixed assets	<u>\$ 87,937</u>

14. INTERFUND ACTIVITY

A. Cash Advances Not Repaid

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

14. INTERFUND ACTIVITY (Continued)

Fund Type/Fund	Receivables	Payables
General	\$ 172,049	
Special Revenue Funds		
Adult Literacy		\$ 21,319
Auxiliary Services		3,700
Educational Management Information		2,118
Career Tech Grant		1,905
Eisenhower Grant		177
Title I		37,771
Title VI-B		76,440
Title VI		10,923
Title VI-R		6,864
Improvement of Education		<u>10,832</u>
Total Special Revenue Funds		<u>172,049</u>
Total All Funds	<u>\$ 172,049</u>	<u>\$ 172,049</u>

B. Reconciliation of Interfund Transfers

	Transfers-In	Transfers-Out
General Fund		\$(191,202)
Special Revenue Funds	\$178,148	
Debt Service	<u>13,054</u>	
Total All Funds	<u>\$191,202</u>	<u>\$(191,202)</u>

15. SEGMENT INFORMATION

The District maintains enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the Indian Creek Local School District as of and for the fiscal year ended June 30, 2002

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

15. SEGMENT INFORMATION (Continued)

	Food Service	Uniform Supplies	Adult Education	Total Enterprise Funds	
Operating Revenues	\$ 254,767		\$ 26,693	\$ 9,000	\$ 290,460
Operating Expenses Less					
Depreciation	549,223		14,878	15,642	569,743
Depreciation	10,514				10,514
Operating Income (Loss)	(294,970)		11,815	(6,642)	(289,797)
Federal Donated Commodities	45,836				45,836
Grants	247,614				247,614
Refund of Prior Year Expenses	7,464				7,464
Net Income (Loss)	5,944		11,815	(6,642)	11,117
Net Working Capital	7,885		26,801	16,943	51,629
Total Assets	153,539		27,403	16,943	197,885
Total Equity	95,842		26,801	16,943	139,586

16. JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Regional Education Services Agency

The District is a participant with several other school districts in a jointly governed organization to operate the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA). OME-RESA was formed for the purpose of providing computer services. OME-RESA is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District does not have an ongoing financial interest or responsibility in OME-RESA.

B. Jefferson County Joint Vocational School District

The Jefferson County Joint Vocational School, (JVS), District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the JVS's participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write the Jefferson County Joint Vocational School District, Office of the Treasurer, Jefferson County Highway 22, Bloomingdale, Ohio 43910-9781.

17. INSURANCE PURCHASING POOL

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

18. CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

19. SCHOOL FUNDING ISSUE

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

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

20. SET ASIDE REQUIREMENTS

Substitute House Bill 412, as amended, required the District to "set aside" certain percentages of defined revenues for (1) textbook and instructional materials purchases and (2) capital and maintenance expenditures. As of April 10, 2001, any money on hand in a School District's budget reserve set-aside account may at the discretion of the Board be left in the account and used by the Board to offset any budget deficit the District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers' Compensation. These monies are to be used to offset a budget deficit; for school facility construction, renovation or repair; for textbook or instructional materials; for purchases of school buses; or for teachers' professional development. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a state school district solvency fund, and amended "spending reserve" provisions.

The following information describe the changes in the amount set aside for textbook and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

	Textbooks	Capital Improvement	Budget Reserve
Set aside balance at June 30, 2001	\$ (211,976)		\$ 69,324
Current year set-aside requirement	265,300	\$ 265,300	
Qualifying Expenditures	<u>(173,556)</u>	<u>(636,136)</u>	<u>-----</u>
Totals	<u>(120,232)</u>	<u>\$ (370,836)</u>	<u>69,324</u>
Cash balance carried forward to FY 2003	<u>\$ (120,232)</u>	<u>-----</u>	<u>\$ 69,324</u>

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

20. SET ASIDE REQUIREMENTS (Continued)

Although the District had qualifying expenditures during the year that reduced the set-aside amounts below zero for the capital improvement set-aside, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts for textbooks set-asides may be carried forward to offset future set-aside requirements.

In accordance with Senate House Bill No. 345, the District voted to eliminate the Budget Reserve. However, the Bureau of Workers' Compensation portion is required to be restricted until spent on qualifying expenditures.

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INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster						
Food Distribution Program	03-PU-02	10.550		\$45,836		\$51,467
National School Lunch Program	04-PU-02	10.555	\$184,264		\$184,264	
National School Breakfast Program	05-PU-02	10.553	44,170		44,170	
Special Milk Program for Children	02-PU-02	10.556	842		842	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>229,276</u>	<u>45,836</u>	<u>229,276</u>	<u>51,467</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States Title VI-B Flow Through	6B-SF-00	84.027			94	
	6B-SF-01		75,435		80,188	
	6B-SF-02		146,450		139,344	
Total Title VI-B Flow Through			<u>221,885</u>		<u>219,626</u>	
Special Education - Preschool Grant	PG-S1-01	84.173	(5)		7,225	
	PG-S1-02		23,920		13,957	
Total Special Education - Preschool Grant			<u>23,915</u>		<u>21,182</u>	
Total Special Education Cluster			<u>245,800</u>		<u>240,808</u>	
Title VI R Classroom Reduction Grant	CR-S1-01	84.340	31,355		39,113	
	CR-S1-02		74,414		81,277	
Total Title VI R Classroom Reduction Grant			<u>105,769</u>		<u>120,390</u>	
Grants to Local Educational Agencies - (ESEA Title I)	C1-S1-00	84.010	(78)			
	C1-S1-01		106,088		86,518	
	C1-S1-02		224,809		262,580	
Total Grants to Local Educational Agencies - (ESEA Title I)			<u>330,819</u>		<u>349,098</u>	
Title VI- Inovative Education Strategies	C2-S1-01	84.298	6,908		8,007	
	C2-S1-02		17,004		14,415	
Total Title VI - Innovative Education Strategies			<u>23,912</u>		<u>22,422</u>	
Drug-Free Schools Grant	DR-S1-01	84.186	3,992		4,232	
	DR-S1-02		8,709		4,860	
Total Drug-Free Schools Grant			<u>12,701</u>		<u>9,092</u>	
Title II - Dwight D. Eisenhower Program	MS-S1-01	84.281	1,263		1,666	
	MS-S1-02		15,460		14,091	
Total Title II -Dwight D. Eisenhower Program			<u>16,723</u>		<u>15,757</u>	
Goals 2000 - Local Education Systematic Improvement	G2-S1-00P	84.276	(60)			
	G2-S1-01		26,528		27,803	
Total Goals 2000 and Local Education Systematic Improvement			<u>26,528</u>		<u>27,803</u>	
Learn and Serve America School and Community Based	SV-S3-01	94.004	(439)		2,416	
	SV-S2-01		(361)			
	SV-S4-02		10,000		6,905	
	SV-S2-		15,000		10,137	
Learn and Serve America School and Community			<u>24,200</u>		<u>19,458</u>	
FIE Earmark Grant Award	R215K010151	84.215K	42,951		42,897	
Technology Literacy Challenge Grant		84.318	8,926		8,926	
			200,000		195,154	
Total Technology Literacy Challenge Grant			<u>208,926</u>		<u>204,080</u>	
Total U.S. Department of Education			<u>1,038,329</u>		<u>1,051,805</u>	
U.S. DEPARTMENT OF LABOR						
<i>Passed through Ohio Department of Education</i>						
Employment Services Job Training Pilot	STW-00	17.249	3,161		4,668	
Total Federal Financial Assistance			<u>\$1,270,766</u>	<u>\$45,836</u>	<u>\$1,285,749</u>	<u>\$51,467</u>

The notes to the Federal Schedule of Awards Expenditures are an integral part of this schedule.

**INDIAN CREEK LOCALSCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2002**

A. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

B. FOOD DISTRIBUTION

Non monetary assistance, such as food received from the U.S. Department of agriculture, is reported in the schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the district had no significant food commodities in inventory.



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OFFICE OF THE AUDITOR

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www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Indian Creek Local School District
Jefferson County
587 Bantam Ridge Road
Wintersville, Ohio 43953

To the Board of Education:

We have audited the accompanying financial statements of Indian Creek Local School District, Jefferson County, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Indian Creek Local School District
Jefferson County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended solely for the information and use of the audit committee, management, Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 20, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Indian Creek Local School District
Jefferson County
587 Bantam Ridge Road
Wintersville, Ohio 43953

To the Board of Education:

Compliance

We have audited the compliance of Indian Creek Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. Indian Creek Local School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of Indian Creek Local School District's management. Our responsibility is to express an opinion on Indian Creek Local School District's compliance based on our audit.

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

In our opinion, Indian Creek Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

Indian Creek Local School District
Report on Compliance With Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 20, 2002

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 84.010,84.027, 84.173, 84.340
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None	
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None	
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**INDIAN CREEK LOCALSCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-11241-001	Final federal expenditure reports for the Title I program had not been filed.	Yes	
2001-11241-002	Code of Federal Regulations 76.704, funds were expended beyond the period of availability.	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

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INDIAN CREEK LOCAL SCHOOL DISTRICT

JEFFERSON 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 4, 2003**