



**Auditor of State  
Betty Montgomery**



**INDIAN CREEK SCHOOL DISTRICT  
JEFFERSON COUNTY**

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Indian Creek School District, Jefferson County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Indian Creek School District, Jefferson County, Ohio, as of June 30, 2004, and the respective changes in financial position and the respective cash flows, where applicable and the applicable budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2004 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.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 20, 2004

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The discussion and analysis of the Indian Creek Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities decreased \$571,186 which represents a 11.07% decrease from 2003.
- General revenues accounted for \$13,151,221 in revenue or 75.17% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,343,502 or 24.83% of total revenues of \$17,494,723.
- The District had \$18,065,909 in expenses related to governmental activities; \$4,343,502 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,151,221 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$14,682,207 in revenues and other financing sources and \$15,335,663 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance decreased \$653,534 from \$1,726,551 to \$1,073,017.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-50 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2004 and 2003.

	<b>Net Assets</b>	
	Governmental Activities 2004	Governmental Activities 2003
<b><u>Assets</u></b>		
Current and other assets	\$ 12,484,623	\$ 12,536,091
Capital assets	<u>3,548,726</u>	<u>3,177,875</u>
Total assets	<u>16,033,349</u>	<u>15,713,966</u>
<b><u>Liabilities</u></b>		
Current liabilities	9,279,312	8,302,577
Long-term liabilities	<u>2,165,391</u>	<u>2,251,557</u>
Total liabilities	<u>11,444,703</u>	<u>10,554,134</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,511,674	2,062,508
Restricted	162,309	818,916
Unrestricted	<u>1,914,663</u>	<u>2,278,408</u>
Total net assets	<u>\$ 4,588,646</u>	<u>\$ 5,159,832</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$4,588,646. Of this total, \$1,914,663 is unrestricted in use.

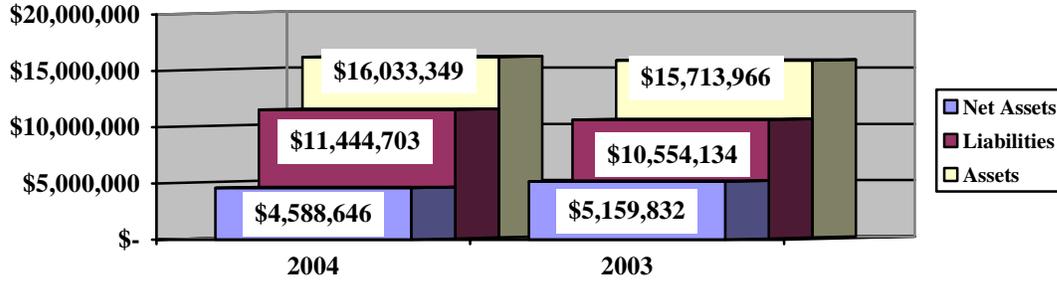
At year-end, capital assets represented 22.13% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$2,511,674. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$162,309, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,914,663 may be used to meet the District's ongoing obligations to the students and creditors.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Governmental Activities**



The table below shows the change in net assets for fiscal years 2004 and 2003.

**Change in Net Assets**

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,607,134	\$ 542,652
Operating grants and contributions	2,736,368	2,693,850
Capital grants and contributions	-	37,247
General revenues:		
Property taxes	6,361,495	4,852,406
Grants and entitlements	6,747,173	5,584,019
Investment earnings	34,712	63,014
Other	<u>7,841</u>	<u>5,550</u>
Total revenues	<u>17,494,723</u>	<u>13,778,738</u>

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Change in Net Assets**

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,534,839	\$ 6,831,100
Special	1,695,616	1,696,075
Vocational	113,750	148,282
Other	3,000	3,000
Support services:		
Pupil	549,033	485,548
Instructional staff	768,846	1,002,769
Board of education	14,875	13,407
Administration	1,631,944	1,494,871
Fiscal	444,035	434,161
Operations and maintenance	1,693,528	1,337,704
Pupil transportation	950,408	977,221
Central	63,200	16,072
Food service operations	705,425	612,753
Operations of non-instructional services	93,989	50,998
Extracurricular activities	308,254	265,826
Intergovernmental	443,605	406,294
Interest and fiscal charges	<u>51,562</u>	<u>50,374</u>
Total expenses	<u>18,065,909</u>	<u>15,826,455</u>
Increase in net assets	<u>\$ (571,186)</u>	<u>\$ (2,047,717)</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$571,186. Total governmental expenses of \$18,065,909 were offset by program revenues of \$4,343,502 and general revenues of \$13,151,221. Program revenues supported 24.04% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 74.93% of total governmental revenue. Property taxes increased \$1,509,089 from 2003 to 2004. This is attributed to the decrease of \$1,262,110 in the amount of delinquent taxes outstanding from 2002 to 2003, resulting in lower tax revenue in 2003 as compared to 2004. In addition, there was a significant decrease in property taxes available from 2002 to 2003 causing a decrease in 2003 property tax revenues.

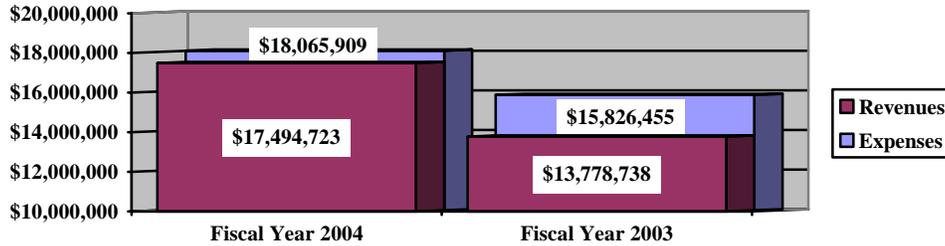
The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,347,205 or 57.27% of total governmental expenses for fiscal 2004.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
<b>Program expenses</b>				
Instruction:				
Regular	\$ 8,534,839	\$ 6,792,065	\$ 6,831,100	\$ 5,875,308
Special	1,695,616	1,138,511	1,696,075	1,206,908
Vocational	113,750	113,061	148,282	148,282
Other	3,000	3,000	3,000	(446)
Support services:				
Pupil	549,033	420,998	485,548	405,091
Instructional staff	768,846	281,697	1,002,769	523,492
Board of education	14,875	12,128	13,407	13,407
Administration	1,631,944	1,509,764	1,494,871	1,381,838
Fiscal	444,035	444,035	434,161	434,161
Operations and maintenance	1,693,528	1,691,870	1,337,704	1,331,109
Pupil transportation	950,408	929,368	977,221	962,724
Central	63,200	36,686	16,072	7,862
Food service operations	705,425	24,836	612,753	(3,119)
Operations of non-instructional services	93,989	11,407	50,998	(7,479)
Extracurricular activities	308,254	189,102	265,826	159,646
Intergovernmental	443,605	72,317	406,294	63,548
Interest and fiscal charges	51,562	51,562	50,374	50,374
<b>Total expenses</b>	<u>\$ 18,065,909</u>	<u>\$ 13,722,407</u>	<u>\$ 15,826,455</u>	<u>\$ 12,552,706</u>

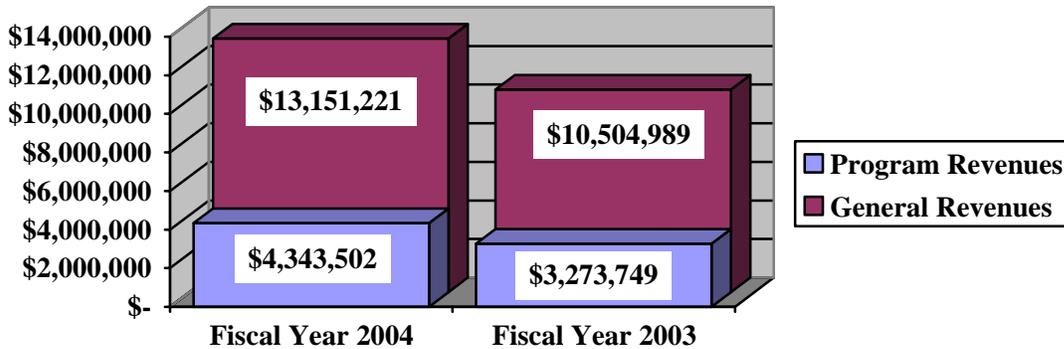
The dependence upon tax and other general revenues for governmental activities is apparent, 77.77% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.96%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,391,005, which is lower than last year's total of \$2,252,387. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>Decrease</u>	<u>Percentage</u> <u>Change</u>
General	\$ 1,073,017	\$ 1,726,551	\$ (653,534)	(37.85) %
Other Governmental	<u>317,988</u>	<u>525,836</u>	<u>(207,848)</u>	(39.53) %
Total	<u>\$ 1,391,005</u>	<u>\$ 2,252,387</u>	<u>\$ (861,382)</u>	(38.24) %

**General Fund**

The District's general fund balance decreased \$653,534. The decrease in fund balance can be attributed to several items related to increased expenditures still exceeding increased revenues. Expenditures exceed revenues for fiscal year 2004 by \$556,051. Intergovernmental revenue, other revenue and instruction expenditures increased during fiscal year 2004 due to a change in accounting for open enrollment and other deductions on state foundation payments. On March 3, 2003 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,807,329	\$ 6,114,516	\$ 692,813	11.33 %
Earnings on investments	27,727	56,583	(28,856)	(51.00) %
Intergovernmental	6,747,173	5,584,019	1,163,154	20.83 %
Other revenues	<u>1,099,698</u>	<u>54,944</u>	<u>1,044,754</u>	1,901.49 %
Total	<u>\$ 14,681,927</u>	<u>\$ 11,810,062</u>	<u>\$ 2,871,865</u>	24.32 %
<b><u>Expenditures</u></b>				
Instruction	\$ 9,516,021	\$ 7,389,886	\$ 2,126,135	28.77 %
Support services	5,341,504	5,002,222	339,282	6.78 %
Non-instructional services	-	211	(211)	(100.00) %
Extracurricular activities	164,778	164,184	594	0.36 %
Facilities acquisition and construction	194,682	42,329	152,353	359.93 %
Capital outlay	-	86,742	(86,742)	(100.00) %
Debt service	<u>20,993</u>	<u>8,620</u>	<u>12,373</u>	143.54 %
Total	<u>\$ 15,237,978</u>	<u>\$ 12,694,194</u>	<u>\$ 2,543,784</u>	20.04 %

***General Fund Budgeting Highlights***

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$15,261,816 and final budgeted revenues and other financing sources were \$15,842,994. Actual revenues and other financing sources for fiscal 2004 was \$15,843,326. This represents a \$581,510 increase over original budgeted revenues. The increase is primarily due to a change in personal property tax valuation and an increase in intergovernmental revenue.

General fund original appropriations (appropriated expenditures including other financing uses) of \$15,862,618 were raised to \$15,854,520 in the final budget. The actual budget basis expenditures for fiscal year 2004 totaled \$15,854,520, which equals the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2004, the District had \$3,548,726 invested in land, and improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 87,783	\$ 87,783
Land improvements	365,597	302,654
Building and improvements	2,444,942	2,087,612
Furniture and equipment	198,782	217,196
Vehicles	339,591	350,230
Textbooks	112,031	132,400
 Total	 \$ 3,548,726	 \$ 3,177,875

The overall increase in capital assets of \$370,851 is due to capital outlays of \$738,358 exceeding depreciation expense of \$367,507 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2004, the District had \$84,845 in asbestos removal loans, \$886,910 in energy conservation bonds and \$65,297 in capital lease obligations outstanding. Of this total, \$82,092 is due within one year and \$954,960 is due within greater than one year. The following table summarizes the bonds, loans and leases outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2004	2003
Asbestos removal notes	\$ 84,845	\$ 97,899
Energy conservation bonds	886,910	937,064
Capital lease obligations	65,297	80,404
 Total	 \$ 1,037,052	 \$ 1,115,367

At June 30, 2004, the District's overall legal debt margin was \$30,024,581, and an unvoted debt margin of \$333,606.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Current Financial Related Activities**

Like many school districts in Ohio, the District is facing the difficult challenge of maintaining the highest standards of service to our students while struggling to stay financially solvent. Current estimates show that the District will be financially solvent for fiscal years 2005 and 2006, however beginning in fiscal year 2007 the financial outlook begins to decline. Economic factors affecting the future include an expiring 7.9 mill operating levy, a struggling local economy, an unstable personal property tax base, the unpredictable future of state funding, the need for new programs and inflationary pressure on expenditures.

As the preceding information shows, the District relies heavily on its local taxpayers for its financial security. Because of the way schools are funded in the State of Ohio this dependence upon local taxpayers is not likely to change. As noted above, the District will be faced with the expiration of a 7.9mill operating levy with the 2006 tax collection year. Current estimates indicate that a simple renewal of the levy will not produce enough revenue to keep the District afloat.

The Board and Administration have taken steps over the past few years to reduce and contain expenditures by reducing staff and benefits to the greatest extent possible without jeopardizing the education of the students. Furthermore, they are committed to continue to carefully and prudently plan in order to provide the resources necessary to meet the needs of the students of the District.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Denise Todoroff, Treasurer, Indian Creek Local School District, 587 Bantam Ridge Road, Wintersville, Ohio 43953.

BASIC  
FINANCIAL STATEMENTS

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**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 2,716,883
Cash with fiscal agent . . . . .	1,293,628
Receivables:	
Taxes . . . . .	8,022,224
Accounts . . . . .	3,256
Intergovernmental . . . . .	301,882
Prepayments . . . . .	65,625
Materials and supplies inventory . . . . .	81,125
Capital assets:	
Land . . . . .	87,783
Depreciable capital assets, net . . . . .	3,460,943
Capital assets, net. . . . .	3,548,726
 Total assets. . . . .	 16,033,349
 <b>Liabilities:</b>	
Accounts payable. . . . .	102,160
Contracts payable. . . . .	100,000
Accrued wages and benefits . . . . .	1,653,590
Pension obligation payable. . . . .	334,920
Intergovernmental payable . . . . .	183,873
Deferred revenue . . . . .	6,602,979
Accrued interest payable . . . . .	4,951
Claims payable . . . . .	296,839
Long-term liabilities:	
Due within one year. . . . .	127,258
Due within more than one year . . . . .	2,038,133
Total liabilities . . . . .	11,444,703
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,511,674
Restricted for:	
Capital projects . . . . .	116,939
Other purposes . . . . .	45,370
Unrestricted. . . . .	1,914,663
Total net assets . . . . .	\$ 4,588,646

*See the accompanying note to the basic financial statements.*

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Program Revenues	<b>Net (Expense) Revenue and and Changes in Net Assets</b>			
<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 8,534,839	\$ 1,171,450	\$ 571,324	\$ (6,792,065)
Special . . . . .	1,695,616	-	557,105	(1,138,511)
Vocational . . . . .	113,750	689	-	(113,061)
Other . . . . .	3,000	-	-	(3,000)
Support services:				
Pupil . . . . .	549,033	26	128,009	(420,998)
Instructional staff . . . . .	768,846	2,590	484,559	(281,697)
Board of education . . . . .	14,875	2,747	-	(12,128)
Administration . . . . .	1,631,944	41,609	80,571	(1,509,764)
Fiscal . . . . .	444,035	-	-	(444,035)
Operations and maintenance . . . . .	1,693,528	1,658	-	(1,691,870)
Pupil transportation . . . . .	950,408	104	20,936	(929,368)
Central . . . . .	63,200	-	26,514	(36,686)
Operation of non-instructional services:				
Food service operations . . . . .	705,425	264,670	415,919	(24,836)
Other non-instructional services . . . . .	93,989	2,439	80,143	(11,407)
Extracurricular activities . . . . .	308,254	119,152	-	(189,102)
Intergovernmental . . . . .	443,605	-	371,288	(72,317)
Interest and fiscal charges . . . . .	51,562	-	-	(51,562)
Total governmental activities . . . . .	<u>\$ 18,065,909</u>	<u>\$ 1,607,134</u>	<u>\$ 2,736,368</u>	<u>(13,722,407)</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				6,361,495
Grants and entitlements not restricted to specific programs . . . . .				6,747,173
Investment earnings . . . . .				34,712
Miscellaneous . . . . .				7,841
Total general revenues . . . . .				13,151,221
Change in net assets . . . . .				(571,186)
Net assets at beginning of year . . . . .				5,159,832
Net assets at end of year . . . . .				\$ 4,588,646

*See the accompanying note to the basic financial statements.*

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 2,121,714	\$ 506,772	\$ 2,628,486
Receivables:			
Taxes . . . . .	8,022,224	-	8,022,224
Accounts . . . . .	3,256	-	3,256
Intergovernmental . . . . .	-	301,882	301,882
Interfund loans . . . . .	117,694	-	117,694
Prepayments . . . . .	65,625	-	65,625
Materials and supplies inventory . . . . .	58,986	22,139	81,125
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	88,397	-	88,397
Total assets . . . . .	<u>\$ 10,477,896</u>	<u>\$ 830,793</u>	<u>\$ 11,308,689</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 43,056	\$ 59,104	\$ 102,160
Contracts payable . . . . .	100,000	-	100,000
Accrued wages and benefits . . . . .	1,384,111	269,479	1,653,590
Compensated absences payable . . . . .	4,917	-	4,917
Pension obligation payable . . . . .	188,978	5,422	194,400
Intergovernmental payable . . . . .	159,131	24,742	183,873
Interfund loan payable . . . . .	-	117,694	117,694
Deferred revenue . . . . .	7,524,686	36,364	7,561,050
Total liabilities . . . . .	<u>9,404,879</u>	<u>512,805</u>	<u>9,917,684</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	292,669	92,927	385,596
Reserved for materials and supplies inventory . . . . .	58,986	22,139	81,125
Reserved for prepayments . . . . .	65,625	-	65,625
Reserved for tax revenue available for appropriation . . . . .	497,538	-	497,538
Reserved for budget stabilization . . . . .	69,324	-	69,324
Reserved for capital acquisition . . . . .	19,073	-	19,073
Unreserved, undesignated, reported in:			
General fund . . . . .	69,802	-	69,802
Special revenue funds . . . . .	-	85,983	85,983
Capital projects funds . . . . .	-	116,939	116,939
Total fund balances . . . . .	<u>1,073,017</u>	<u>317,988</u>	<u>1,391,005</u>
Total liabilities and fund balances . . . . .	<u>\$ 10,477,896</u>	<u>\$ 830,793</u>	<u>\$ 11,308,689</u>

See the accompanying note to the basic financial statements.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		\$	1,391,005
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,548,726
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	922,927	
Intergovernmental revenue		35,144	
Total			958,071
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			996,789
Long-term liabilities, including loans and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		1,123,422	
Pension obligation payable		140,520	
Asbestos removal loan		84,845	
Energy conservation bonds		886,910	
Capital lease obligation		65,297	
Accrued interest payable		4,951	
Total			(2,305,945)
<b>Net assets of governmental activities</b>		\$	4,588,646

*See the accompanying note to the basic financial statements.*

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 6,807,329	\$ -	\$ 6,807,329
Tuition . . . . .	1,021,960	12,010	1,033,970
Charges for services . . . . .	-	264,670	264,670
Earnings on investments . . . . .	27,727	-	27,727
Extracurricular . . . . .	-	162,851	162,851
Classroom materials and fees . . . . .	52,499	31,449	83,948
Other local revenues . . . . .	25,239	48,417	73,656
Intergovernmental - State . . . . .	6,747,173	1,320,986	8,068,159
Intergovernmental - Federal . . . . .	-	1,860,393	1,860,393
Total revenue . . . . .	<u>14,681,927</u>	<u>3,700,776</u>	<u>18,382,703</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	8,222,418	642,897	8,865,315
Special . . . . .	1,167,709	608,934	1,776,643
Vocational . . . . .	125,894	-	125,894
Other . . . . .	-	3,000	3,000
Support services:			
Pupil . . . . .	398,173	138,801	536,974
Instructional staff . . . . .	275,391	523,120	798,511
Board of education . . . . .	14,859	-	14,859
Administration . . . . .	1,500,794	126,083	1,626,877
Fiscal . . . . .	444,523	-	444,523
Operations and maintenance . . . . .	1,722,609	840	1,723,449
Pupil transportation . . . . .	984,063	19,261	1,003,324
Central . . . . .	1,092	62,108	63,200
Operation of non-instructional services:			
Food service operations . . . . .	-	693,797	693,797
Other non-instructional services . . . . .	-	91,797	91,797
Extracurricular activities . . . . .	164,778	115,199	279,977
Facilities acquisition and construction . . . . .	194,682	434,244	628,926
Intergovernmental pass through . . . . .	-	443,605	443,605
Debt service:			
Principal retirement . . . . .	15,107	63,208	78,315
Interest and fiscal charges . . . . .	5,886	45,956	51,842
Total expenditures . . . . .	<u>15,237,978</u>	<u>4,012,850</u>	<u>19,250,828</u>
Excess of revenues under expenditures . . . . .	<u>(556,051)</u>	<u>(312,074)</u>	<u>(868,125)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	97,685	97,685
Transfers (out) . . . . .	(97,685)	-	(97,685)
Proceeds from sale of capital assets . . . . .	280	-	280
Total other financing sources (uses) . . . . .	<u>(97,405)</u>	<u>97,685</u>	<u>280</u>
Net change in fund balances . . . . .	(653,456)	(214,389)	(867,845)
<b>Fund balances at beginning of year . . . . .</b>	<b>1,726,551</b>	<b>525,836</b>	<b>2,252,387</b>
<b>Increase in reserve for inventory . . . . .</b>	<b>(78)</b>	<b>6,541</b>	<b>6,463</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 1,073,017</u></b>	<b><u>\$ 317,988</u></b>	<b><u>\$ 1,391,005</u></b>

See the accompanying note to the basic financial statements.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	(867,845)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		370,851
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		6,463
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(895,245)
Repayment of loans, bonds and capital leases are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		78,315
In the statement of activities, interest is accrued on outstanding loans and bonds, whereas in governmental funds, an interest expenditure is reported when due.		280
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(61,205)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		797,200
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(571,186)</b>

*See the accompanying note to the basic financial statements.*

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,986,453	\$ 7,252,502	\$ 7,252,502	\$ -
Tuition . . . . .	984,471	1,021,960	1,021,960	-
Earnings on investments . . . . .	26,470	27,478	27,730	252
Classroom materials and fees . . . . .	50,556	52,481	52,499	18
Other local revenues . . . . .	23,749	24,653	24,715	62
Intergovernmental - State . . . . .	6,500,663	6,748,212	6,748,212	-
Total revenue . . . . .	<u>14,572,362</u>	<u>15,127,286</u>	<u>15,127,618</u>	<u>332</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,340,646	8,332,836	8,332,836	-
Special . . . . .	1,170,247	1,169,151	1,169,151	-
Vocational . . . . .	128,265	128,145	128,145	-
Support services:				
Pupil . . . . .	441,838	441,424	441,424	-
Instructional staff . . . . .	297,531	297,252	297,252	-
Board of education . . . . .	14,866	14,852	14,852	-
Administration . . . . .	1,518,654	1,517,232	1,517,232	-
Fiscal . . . . .	467,205	466,768	466,768	-
Operations and maintenance . . . . .	1,852,966	1,851,231	1,851,231	-
Pupil transportation . . . . .	992,519	991,590	991,590	-
Central . . . . .	1,498	1,497	1,497	-
Extracurricular activities . . . . .	186,045	185,871	185,871	-
Facilities acquisition and construction . . . . .	239,847	239,622	239,622	-
Debt service:				
Principal retirement . . . . .	13,054	13,054	13,054	-
Total expenditures . . . . .	<u>15,665,181</u>	<u>15,650,525</u>	<u>15,650,525</u>	<u>-</u>
Excess of revenues over (under) expenditures . . . . .	<u>(1,092,819)</u>	<u>(523,239)</u>	<u>(522,907)</u>	<u>332</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	2,114	2,194	2,194	-
Transfers (out) . . . . .	(81,911)	(84,631)	(84,631)	-
Advances in . . . . .	658,003	683,060	683,060	-
Advances (out) . . . . .	(113,912)	(117,694)	(117,694)	-
Refund of prior year expenditure . . . . .	29,067	30,174	30,174	-
Refund of prior year receipts . . . . .	-	(2)	(2)	-
Other use of funds . . . . .	(1,614)	(1,668)	(1,668)	-
Proceeds from sale of capital assets . . . . .	270	280	280	-
Total other financing sources (uses) . . . . .	<u>492,017</u>	<u>511,713</u>	<u>511,713</u>	<u>-</u>
Net change in fund balance . . . . .	(600,802)	(11,526)	(11,194)	332
<b>Fund balance at beginning of year . . . . .</b>	1,183,961	1,183,961	1,183,961	-
<b>Prior year encumbrances appropriated . . . . .</b>	517,242	517,242	517,242	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,100,401</u>	<u>\$ 1,689,677</u>	<u>\$ 1,690,009</u>	<u>\$ 332</u>

See accompanying notes to the basic financial statements.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>	
Current assets:	
Cash with fiscal agent . . . . .	\$ 1,293,628
 Total assets . . . . .	 <u>1,293,628</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>296,839</u>
 Total liabilities . . . . .	 <u>296,839</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>996,789</u>
 Total net assets . . . . .	 <u><u>\$ 996,789</u></u>

*See accompanying notes to the basic financial statements.*

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 2,701,515
Total operating revenues . . . . .	<u>2,701,515</u>
<b>Operating expenses:</b>	
Fringe benefits . . . . .	253,697
Claims . . . . .	<u>1,657,603</u>
Total operating expenses . . . . .	<u>1,911,300</u>
Operating income . . . . .	<u>790,215</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>6,985</u>
Total nonoperating revenues . . . . .	<u>6,985</u>
Change in net assets . . . . .	797,200
<b>Net assets at beginning of year . . . . .</b>	<u>199,589</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ 996,789</u></u>

*See accompanying notes to the basic financial statements.*

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 2,701,515
Cash payments for fringe benefits. . . . .	(253,697)
Cash payments for claims. . . . .	<u>(1,594,301)</u>
Net cash provided by operating activities . . . . .	<u>853,517</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>6,985</u>
Net cash provided by investing activities . . . . .	<u>6,985</u>
Net increase in cash and cash equivalents . . . . .	860,502
<b>Cash and cash equivalents at beginning of year. . .</b>	<u>433,126</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 1,293,628</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 790,215
Changes in assets and liabilities: Increase in claims payable . . . . .	<u>63,302</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 853,517</u></u>

*See accompanying notes to the basic financial statements.*

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 43,220	\$ 55,397
Total assets . . . . .	43,220	55,397
<b>Liabilities:</b>		
Accounts payable . . . . .	-	612
Accrued interest payable . . . . .	445	-
Due to students . . . . .	-	54,785
Total liabilities . . . . .	445	\$ 55,397
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	42,775	
Total net assets . . . . .	\$ 42,775	

*See accompanying notes to the basic financial statements.*

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions . . . . .	\$ 4,700
Total additions . . . . .	4,700
<b>Deductions:</b>	
Scholarships awarded . . . . .	9,831
Change in net assets . . . . .	(5,131)
Net assets at beginning of year . . . . .	47,906
Net assets at end of year . . . . .	\$ 42,775

*See accompanying notes to the basic financial statements.*

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Indian Creek Local School District (the "District") is organized under article VI, Section 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 108 non-certificated employees, 159 certificated full-time teaching personnel and 10 administrative employees who provide services to 2,202 students and other community members. The District currently operates 6 instructional buildings, one administrative building, and two garages.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic 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 the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

*JOINTLY GOVERNED ORGANIZATIONS*

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

OME-RESA is one of 23 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Educational Computer network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

Jefferson County Joint Vocational School

The Jefferson County Joint Vocational School (JVS) was established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its six member districts. The JVS is governed by a Board of Education comprised of 11 members appointed by the participating schools. The Board controls the financial activity of the JVS and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the JVS is not dependent on the District's continued participation and no measurable equity interest exists.

*INSURANCE PURCHASING POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal Service Fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical and dental benefits to employees.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at 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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Jefferson County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund, function and object must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund, function and object appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and object level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. 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 "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2004, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and a money market mutual fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. 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, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private purpose trust funds. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$27,727, which includes \$9,612 assigned from other funds.

For presentation on the basic financial statements, 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.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years
Textbooks	20 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, budget stabilization and capital acquisitions. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**M. Operating Revenues and Expenses**

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

**N. Net Assets**

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

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

**O. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**P. Estimates**

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

**Q. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and capital acquisition reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 16.

**R. Interfund Activity**

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Disadvantaged Pupil Impact Aid	\$ 80,658
Title I	6,453
Improving Teacher Quality	2,777

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash with Fiscal Agent:* The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2004, was \$1,293,628.

*Cash on hand:* At fiscal year-end, the District had \$33,065 in undeposited cash on hand which is included on the statement of net assets and the balance sheet of the District as part of "Equity in Pooled Cash and Investments".

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

*Deposits:* At year-end, the carrying amount of the District's deposits was \$2,294,400 and the bank balance was \$2,578,752. Of the bank balance:

1. \$121,911 was covered by federal depository insurance deposited with the District; and
2. \$2,456,841 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although 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 FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty'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 counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category</u> 3	<u>Reported</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Repurchase agreement	\$ 450,000	\$ 450,000	\$ 450,000
Money market mutual fund	<u>38,030</u>	38,030	38,030
	<u>\$ 488,030</u>		
Investment in STAR Ohio		<u>5</u>	<u>5</u>
Total investments		<u>\$ 488,035</u>	<u>\$ 488,035</u>

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,109,128	\$ -
Investments of the cash management pool:		
Repurchase agreement	(450,000)	450,000
Investments in STAR Ohio	(5)	5
Money market mutual fund	(38,030)	38,030
Cash with fiscal agent	(1,293,628)	-
Cash on hand	<u>(33,065)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 2,294,400</u>	<u>\$ 488,035</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 117,694

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 97,685

**NOTE 6 - PROPERTY TAXES**

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market 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, state statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$497,538 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$942,711 in the general fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 238,357,940	81.18	\$ 265,189,280	79.49
Public utility personal	12,942,450	4.41	13,404,640	4.02
Tangible personal property	<u>42,326,769</u>	<u>14.41</u>	<u>55,012,539</u>	<u>16.49</u>
Total	<u>\$ 293,627,159</u>	<u>100.00</u>	<u>\$ 333,606,459</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 39.10		\$ 39.10	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 8,022,224
Accounts	3,256
Intergovernmental	<u>301,882</u>
Total	<u>\$ 8,327,362</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance 06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/04</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 87,783	\$ -	\$ -	\$ 87,783
Total capital assets, not being depreciated	<u>87,783</u>	<u>-</u>	<u>-</u>	<u>87,783</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,119,696	163,921	-	1,283,617
Buildings and improvements	6,124,794	499,062	-	6,623,856
Furniture and equipment	800,657	15,409	-	816,066
Vehicles	1,593,092	59,966	-	1,653,058
Textbooks	<u>780,237</u>	<u>-</u>	<u>-</u>	<u>780,237</u>
Total capital assets, being depreciated	<u>10,418,476</u>	<u>738,358</u>	<u>-</u>	<u>11,156,834</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(817,042)	(100,978)	-	(918,020)
Buildings and improvements	(4,037,182)	(141,732)	-	(4,178,914)
Furniture and equipment	(583,461)	(33,823)	-	(617,284)
Vehicles	(1,242,862)	(70,605)	-	(1,313,467)
Textbooks	<u>(647,837)</u>	<u>(20,369)</u>	<u>-</u>	<u>(668,206)</u>
Total accumulated depreciation	<u>(7,328,384)</u>	<u>(367,507)</u>	<u>-</u>	<u>(7,695,891)</u>
Governmental activities capital assets, net	<u>\$ 3,177,875</u>	<u>\$ 370,851</u>	<u>\$ -</u>	<u>\$ 3,548,726</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 190,778
Special	9,042
Vocational	1,472

Support Services:

Pupil	9,581
Instructional staff	6,911
Administration	13,701
Operations and maintenance	31,690
Pupil transportation	77,838
Extracurricular activities	9,578
Food service operations	<u>16,916</u>

Total depreciation expense \$ 367,507

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal 2003, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital fixed assets consisting of equipment have been capitalized in the amount of \$86,742. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$15,107 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 20,993
2006	20,993
2007	20,993
2008	<u>12,372</u>
Total minimum lease payments	75,351
Less amount representing interest	<u>(10,054)</u>
Total	<u>\$ 65,297</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Interest	Balance			Balance	Amounts
	Rate	Outstanding	Additions	Reductions	Outstanding	Due in
		<u>06/30/03</u>			<u>06/30/04</u>	<u>One Year</u>
<b>Governmental Activities:</b>						
Asbestos removal loan		\$ 97,899	\$ -	\$ (13,054)	\$ 84,845	\$ 13,054
Energy conservation bonds	4.97%	937,064	-	(50,154)	886,910	52,677
Capital lease obligation		80,404	-	(15,107)	65,297	16,361
Compensated absences		<u>1,136,190</u>	<u>40,249</u>	<u>(48,100)</u>	<u>1,128,339</u>	<u>45,166</u>
Total long-term obligations, governmental activities		<u>\$ 2,251,557</u>	<u>\$ 40,249</u>	<u>\$ (126,415)</u>	<u>\$ 2,165,391</u>	<u>\$ 127,258</u>

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

EPA Asbestos Loan - On May 30, 1993, District obtained a loan in the amount of \$234,965 for the purpose of providing asbestos removal. 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, the 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.

- A. The following is a summary of the District's future annual debt service requirements to maturity for notes and bonds:

<u>Year Ending June 30</u>	<u>Principal on Loan/Bonds</u>	<u>Interest on Loan/Bonds</u>	<u>Total</u>
2005	\$ 65,731	\$ 43,433	\$ 109,164
2006	68,382	40,782	109,164
2007	71,166	37,998	109,164
2008	74,090	35,074	109,164
2009	77,161	32,003	109,164
2010 - 2014	391,875	108,258	500,133
2015 - 2017	<u>223,350</u>	<u>16,923</u>	<u>240,273</u>
Total	<u>\$ 971,755</u>	<u>\$ 314,471</u>	<u>\$ 1,286,226</u>

**C. Legal Debt Margin**

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, 2004 are a voted debt margin of \$30,024,581 and an unvoted debt margin of \$333,606.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2004, the District contracted with Selective Insurance Company of South Carolina for liability, property and fleet insurance. School board errors and omissions was covered by National Union Fire Insurance Company of Pennsylvania. Coverages are as follows:

<u>Description</u>	<u>Amount</u>
<u>Selective Insurance Company</u>	
Building and Contents	
Replacement cost	\$40,918,996
Deductible	1,000
Liability	
Deductible	
General Liability	10,000
Employee Practices	25,000
Per occurrence combined single limit	2,000,000
Annual aggregate limit	4,000,000
Medical payments limit	5,000
Employee Benefits Liability	
Each wrongful act limit	2,000,000
Annual aggregate limit	4,000,000
Deductible	1,000
Stop Gap	
Each accident	1,000,000
Disease each employee	1,000,000
Disease policy limit	1,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	2,000,000
Medical payments limit	5,000
Uninsured/underinsured motorists coverage	1,000,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	500
Collision deductible	500
<u>National Union Fire Insurance Company</u>	
School Board Errors and Omissions Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	1,000,000
Deductible	
General Liability	10,000
Employee Practices	25,000

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 11 - RISK MANAGEMENT - (Continued)**

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

**B. Medical/Surgical and Dental Insurance**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of several Districts within the Eastern Region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims in the District's behalf. The claims liability of \$296,839 reported in the internal service fund at June 30, 2004, is based on an estimate provided by Self Funded Plans, Inc. (the third party administrator) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2004	\$ 233,537	\$ 1,657,603	\$ (1,594,301)	\$ 296,839
2003	331,302	2,064,596	(2,162,361)	233,537

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). 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 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 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 COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2004, 9.09% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$267,413, \$270,141, and \$312,576, respectively; 42.51% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$153,732, represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$951,293, \$926,573, \$947,855, respectively; 84.95% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$143,156, represents the unpaid contribution for fiscal year 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$67,949 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$368,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 4.91% 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 2004, the minimum pay has been established at \$24,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 (the latest information available) were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$176,578 during the 2004 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (11,194)
Net adjustment for revenue accruals	(445,691)
Net adjustment for expenditure accruals	(107,555)
Net adjustment for other sources/uses	(609,118)
Adjustment for encumbrances	<u>520,102</u>
GAAP basis	<u>\$ (653,456)</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. State School Funding Decision**

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

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Reserve</u>
Set-aside cash balance as of June 30, 2003	\$ (71,512)	\$ -	\$ 69,324
Current year set-aside requirement	300,482	300,482	-
Current year offsets	-	-	-
Qualifying disbursements	<u>(336,122)</u>	<u>(281,409)</u>	<u>-</u>
 Total	 <u>\$ (107,152)</u>	 <u>\$ 19,073</u>	 <u>\$ 69,324</u>
 Cash balance carried forward to FY 2005	 <u>\$ (107,152)</u>	 <u>\$ 19,073</u>	 <u>\$ 69,324</u>

A schedule of the restricted assets at June 30, 2004 follows:

Amounts restricted for budget reserve	\$ 69,324
Amounts restricted for capital acquisition	<u>19,073</u>
 Total restricted assets	 <u>\$ 88,397</u>

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster						
Food Distribution Program	03-PU-04	10.550		\$59,984		\$59,984
National School Lunch Program	04-PU-04	10.555	\$242,415		\$242,415	
National School Breakfast Program	05-PU-04	10.553	61,391		61,391	
Special Milk Program for Children	02-PU-04	10.556	592		592	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>304,398</u>	<u>59,984</u>	<u>304,398</u>	<u>59,984</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States						
Title VI-B Flow Through	6B-SF-03	84.027	93,138		59,639	
	6B-SF-04		245,609		273,722	
Special Education - Preschool Grant	PG-S1-03	84.173	7,204		4,499	
	PG-S1-04		21,828		19,441	
Total Special Education Cluster			<u>367,779</u>		<u>357,301</u>	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-03	84.010	202,658		104,279	
	C1-S1-04		499,579		465,486	
Total Title I			<u>702,237</u>		<u>569,765</u>	
Title VI- Innovative Education Strategies	C2-S1-03	84.298	7,317		2,719	
	C2-S1-04		10,894		13,379	
Total Title VI			<u>18,211</u>		<u>16,098</u>	
Drug-Free Schools Grant	DR-S1-03	84.186	8,561		6,817	
	DR-S1-04		7,966		12,134	
Total Drug Free Schools			<u>16,527</u>		<u>18,951</u>	
Title II A	TR-S1-03	84.367	41,264		15,725	
	TR-S1-04		144,951		130,058	
Title II-A			<u>186,215</u>		<u>145,783</u>	
Title II D	TJ-S1-03	84.318			2,900	
	TJ-S1-04		5,469		7,096	
Title II-D			<u>5,469</u>		<u>9,996</u>	
Emergency School Repair Grant	470803-321-1	84.352	350,000		431,266	
FIE Earmark Grant Award	R215K020216	84.215K	12,903		15,116	
Total Department of Education			<u>1,659,341</u>		<u>1,564,276</u>	
<b>Corporation for National and Community Service</b>						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America School and Community Based						
	SV-S2-03	94.004	(288)		6,333	
	SV-S2-		10,000		7,488	
Total Corporation for National and Community Service			<u>9,712</u>		<u>13,821</u>	
Total Federal Financial Awards			<u>\$1,973,451</u>	<u>\$59,984</u>	<u>\$1,882,495</u>	<u>\$59,984</u>

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2004**

**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, 2004, the district had no significant food commodities in inventory.



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Indian Creek Local School District, Jefferson County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2004. 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 the 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 the 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  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 20, 2004



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAMS 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, Jefferson County, Ohio, (the 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, 2004. The 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 its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 the 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, 2004.

#### Internal Control Over Compliance

The management of the 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 the 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.

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 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 20, 2004

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 ' .505  
JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

<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# 84.352, 84.367
<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?	Yes

**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**

None	
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**Auditor of State  
Betty Montgomery**

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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 10, 2005**