



**Auditor of State
Betty Montgomery**

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Indian Creek Local School District, Jefferson County (the District) as of and for the year ended June 30, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 Indian Creek Local School District, Jefferson County, as of June 30, 2005, 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.

As described in Note 3, the District restated fund balances due to the implementation of Technical Bulletin No. 2004-2 "Recognition of Pension and Other Post Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers."

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2006 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information 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

February 28, 2006

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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, 2005. 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 2005 are as follows:

- In total, net assets of governmental activities decreased \$211,174 which represents a 4.60% decrease from 2004.
- General revenues accounted for \$14,035,710 in revenue or 75.10% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,652,634 or 24.90% of total revenues of \$18,688,344.
- The District had \$18,899,518 in expenses related to governmental activities; \$4,652,634 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 \$14,035,710 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$15,702,302 in revenues and other financing sources and \$16,278,772 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance decreased \$568,435 from \$968,530 to \$400,095.

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 2005?" 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, 2005
UNAUDITED

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* that 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, 2005
UNAUDITED

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 25-52 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 2005 and 2004.

	Net Assets	
	Governmental Activities 2005	Governmental Activities 2004
<u>Assets</u>		
Current and other assets	\$ 12,186,565	\$ 12,484,623
Capital assets	<u>3,764,881</u>	<u>3,548,726</u>
Total assets	<u>15,951,446</u>	<u>16,033,349</u>
<u>Liabilities</u>		
Current liabilities	9,330,126	9,279,312
Long-term liabilities	<u>2,243,848</u>	<u>2,165,391</u>
Total liabilities	<u>11,573,974</u>	<u>11,444,703</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,675,982	2,511,674
Restricted	484,974	162,309
Unrestricted	<u>1,216,516</u>	<u>1,914,663</u>
Total net assets	<u>\$ 4,377,472</u>	<u>\$ 4,588,646</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$4,377,472. Of this total, \$1,216,516 is unrestricted in use.

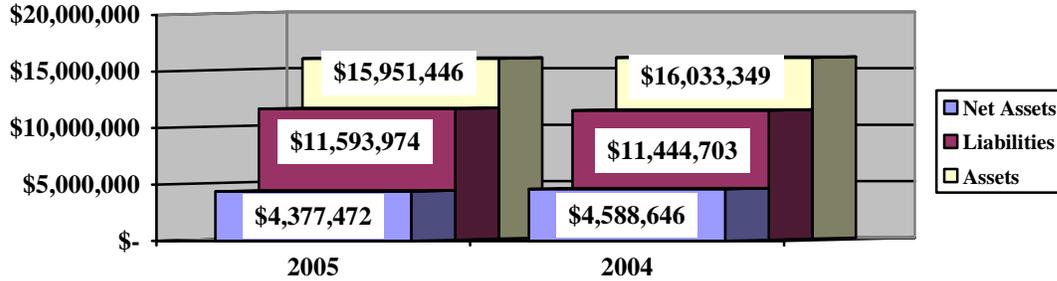
At year-end, capital assets represented 23.60% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and construction in progress (CIP). Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$2,675,982. 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, \$484,974, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,216,516 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, 2005
UNAUDITED

Governmental Activities



The table below shows the change in net assets for fiscal years 2005 and 2004.

Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,730,298	\$ 1,607,134
Operating grants and contributions	2,904,276	2,736,368
Capital grants and contributions	18,060	-
General revenues:		
Property taxes	7,226,046	6,361,495
Grants and entitlements	6,728,682	6,747,173
Investment earnings	66,678	34,712
Other	14,304	7,841
Total revenues	<u>18,688,344</u>	<u>17,494,723</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Change in Net Assets

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 9,001,687	\$ 8,534,839
Special	1,876,052	1,695,616
Vocational	119,624	113,750
Other	4,214	3,000
Support services:		
Pupil	459,096	549,033
Instructional staff	843,344	768,846
Board of education	18,683	14,875
Administration	1,617,644	1,631,944
Fiscal	446,250	444,035
Operations and maintenance	1,829,865	1,693,528
Pupil transportation	965,033	950,408
Central	58,577	63,200
Food service operations	727,881	705,425
Operations of non-instructional services	87,644	93,989
Extracurricular activities	359,058	308,254
Intergovernmental	432,927	443,605
Interest and fiscal charges	<u>51,939</u>	<u>51,562</u>
Total expenses	<u>18,899,518</u>	<u>18,065,909</u>
Change in net assets	(211,174)	(571,186)
Net assets at beginning of year	<u>4,588,646</u>	<u>5,159,832</u>
Net assets at end of year	<u>\$ 4,377,472</u>	<u>\$ 4,588,646</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$211,174. Total governmental expenses of \$18,899,518 were offset by program revenues of \$4,652,634 and general revenues of \$14,035,710. Program revenues supported 24.62% 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 74.67% of total governmental revenue. Property taxes increased \$864,551 from 2004 to 2005.

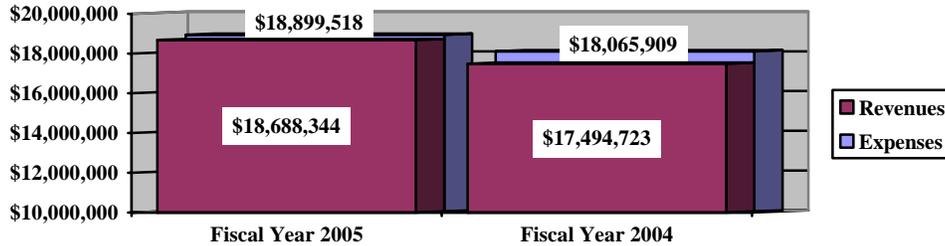
The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,001,577 or 58.21% of total governmental expenses for fiscal 2005.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.

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.

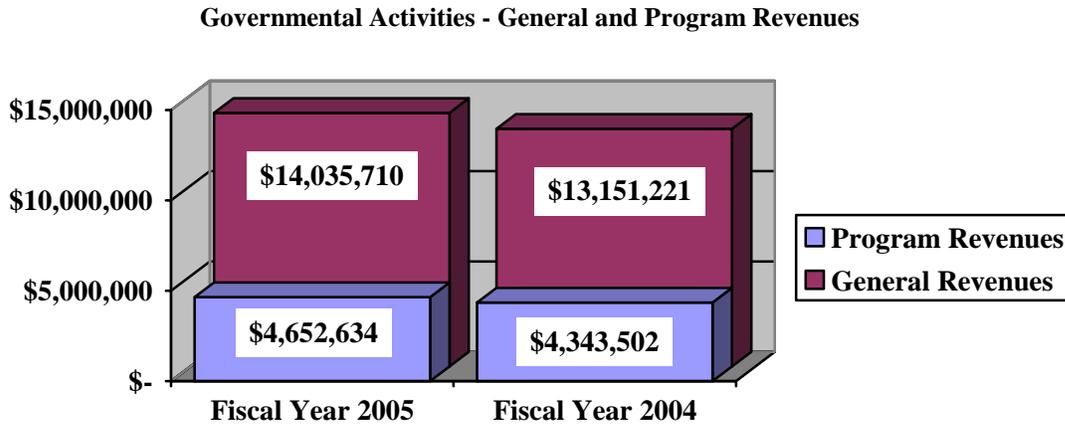
	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
Program expenses				
Instruction:				
Regular	\$ 9,001,687	\$ 7,246,043	\$ 8,534,839	\$ 6,792,065
Special	1,876,052	1,362,978	1,695,616	1,138,511
Vocational	119,624	119,624	113,750	113,061
Other	4,214	(362)	3,000	3,000
Support services:				
Pupil	459,096	288,187	549,033	420,998
Instructional staff	843,344	228,849	768,846	281,697
Board of education	18,683	8,978	14,875	12,128
Administration	1,617,644	1,495,548	1,631,944	1,509,764
Fiscal	446,250	406,250	444,035	444,035
Operations and maintenance	1,829,865	1,829,865	1,693,528	1,691,870
Pupil transportation	965,033	934,326	950,408	929,368
Central	58,577	33,133	63,200	36,686
Food service operations	727,881	11,372	705,425	24,836
Operations of non-instructional services	87,644	(27,657)	93,989	11,407
Extracurricular activities	359,058	205,788	308,254	189,102
Intergovernmental	432,927	52,023	443,605	72,317
Interest and fiscal charges	51,939	51,939	51,562	51,562
Total expenses	<u>\$ 18,899,518</u>	<u>\$ 14,246,884</u>	<u>\$ 18,065,909</u>	<u>\$ 13,722,407</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 79.34% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.38%. 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, 2005
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.



The District's Funds

The District's governmental funds reported a combined fund balance of \$817,808, which is lower than last year's total of \$1,250,485. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	Increase (Decrease)	Percentage <u>Change</u>
General	\$ 400,095	\$ 968,530	\$ (568,435)	(58.69) %
Other Governmental	<u>417,713</u>	<u>281,955</u>	<u>135,758</u>	48.15 %
Total	<u>\$ 817,808</u>	<u>\$ 1,250,485</u>	<u>\$ (432,677)</u>	(34.60) %

General Fund

The District's general fund balance decreased \$568,435. 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 2005 by \$433,462. 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, 2005
UNAUDITED

	2005 <u>Amount</u>	2004 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 7,579,535	\$ 6,807,329	\$ 772,206	11.34 %
Earnings on investments	52,404	27,727	24,677	89.00 %
Intergovernmental	6,723,001	6,747,173	(24,172)	(0.36) %
Other revenues	<u>1,199,846</u>	<u>1,099,698</u>	<u>100,148</u>	9.11 %
 Total	 <u>\$ 15,554,786</u>	 <u>\$ 14,681,927</u>	 <u>\$ 872,859</u>	 5.95 %
<u>Expenditures</u>				
Instruction	\$ 9,952,350	\$ 9,516,021	\$ 436,329	4.59 %
Support services	5,503,952	5,445,523	58,429	1.07 %
Extracurricular activities	199,147	165,246	33,901	20.52 %
Facilities acquisition and construction	146,546	194,682	(48,136)	(24.73) %
Capital outlay	147,516	-	147,516	100.00 %
Debt service	<u>38,737</u>	<u>20,993</u>	<u>17,744</u>	84.52 %
 Total	 <u>\$ 15,988,248</u>	 <u>\$ 15,342,465</u>	 <u>\$ 645,783</u>	 4.21 %

The increase in taxes is attributed to the increase in advances available to the District at June 30 recorded as receivable.

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 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$15,956,108 and final budgeted revenues and other financing sources were \$15,570,812. Actual revenues and other financing sources for fiscal 2005 was \$15,567,101. This represents a \$389,007 decrease from original budgeted revenues. The decrease is primarily due to a decrease in intergovernmental revenue.

General fund original appropriations (appropriated expenditures including other financing uses) of \$16,662,031 were decreased to \$16,612,875 in the final budget. The actual budget basis expenditures for fiscal year 2005 totaled \$16,620,078, which was \$7,203 greater than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$3,764,881 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and construction in progress (CIP). This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2005	2004
Land	\$ 87,783	\$ 87,783
Land improvements	340,695	365,597
Building and improvements	2,626,867	2,444,942
Furniture and equipment	261,918	198,782
Vehicles	279,300	339,591
Textbooks	91,662	112,031
Construction in progress	76,656	-
Total	\$ 3,764,881	\$ 3,548,726

The overall increase in capital assets of \$216,155 is due to capital outlays of \$602,461 exceeding depreciation expense of \$386,306 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, 2005, the District had \$71,791 in asbestos removal loans, \$834,232 in energy conservation bonds and \$182,876 in lease obligations outstanding. Of this total, \$117,784 is due within one year and \$971,115 is due within greater than one year. The following table summarizes the bonds, loans and leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
Asbestos removal notes	\$ 71,791	\$ 84,845
Energy conservation bonds	834,232	886,910
Lease obligations	182,876	65,297
Total	\$ 1,088,899	\$ 1,037,052

At June 30, 2005, the District's overall legal debt margin was \$29,400,862, and an unvoted debt margin of \$326,488.

See Note 11 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, 2005
UNAUDITED

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 year 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, elimination of the tangible personal property tax base (due to H.B.66), the unpredictable future of state funding, the need for new programs and inflationary pressure on expenditures. H.B.66 has brought about sweeping changes to property taxes and school funding in Ohio for which there is no precedence and incomplete data for planning. It is unknown at this time exactly how these changes will affect the District, however it is certain that when the elimination phase of the tangible personal property tax is complete, the District will suffer greatly financially. Tangible personal property tax collections represent approximately 10% of the general fund operating revenue.

As the preceding information shows, the District relies heavily on its local taxpayers for its financial security. As noted above, the District will be faced with the expiration of a 7.9mill operating levy in tax year 2005. The District will place a 7.9-mill replacement levy on the ballot in November of 2005.

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**

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

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 2,089,719
Cash with fiscal agent	1,709,906
Receivables:	
Taxes	7,902,907
Accounts	37,810
Intergovernmental	295,175
Prepayments	60,150
Materials and supplies inventory	90,898
Capital assets:	
Land	87,783
Construction in progress	76,656
Depreciable capital assets, net	3,600,442
Capital assets, net.	3,764,881
 Total assets.	 15,951,446
Liabilities:	
Accounts payable.	180,401
Contracts payable.	76,656
Accrued wages and benefits	1,692,207
Pension obligation payable.	336,141
Intergovernmental payable	89,493
Deferred revenue	6,657,407
Accrued interest payable	4,657
Claims payable	293,164
Long-term liabilities:	
Due within one year.	217,488
Due within more than one year	2,026,360
 Total liabilities	 11,573,974
Net Assets:	
Invested in capital assets, net of related debt.	2,675,982
Restricted for:	
Capital projects	311,982
Debt service.	21,357
Locally funded programs	2,906
State funded programs	27,201
Federally funded programs	25,827
Student activities	23,656
Other purposes	72,045
Unrestricted.	1,216,516
 Total net assets	 \$ 4,377,472

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

		Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 9,001,687	\$ 1,186,763	\$ 568,881	\$ -	\$ (7,246,043)
Special	1,876,052	-	513,074	-	(1,362,978)
Vocational	119,624	-	-	-	(119,624)
Adult education	4,214	4,576	-	-	362
Support services:					
Pupil	459,096	-	170,909	-	(288,187)
Instructional staff	843,344	-	596,435	18,060	(228,849)
Board of education	18,683	4,185	5,520	-	(8,978)
Administration	1,617,644	36,957	85,139	-	(1,495,548)
Fiscal	446,250	40,000	-	-	(406,250)
Operations and maintenance	1,829,865	-	-	-	(1,829,865)
Pupil transportation	965,033	178	30,529	-	(934,326)
Central	58,577	-	25,444	-	(33,133)
Operation of non-instructional services:					
Food service operations	727,881	274,826	441,683	-	(11,372)
Other non-instructional services	87,644	29,543	85,758	-	27,657
Extracurricular activities	359,058	153,270	-	-	(205,788)
Intergovernmental	432,927	-	380,904	-	(52,023)
Interest and fiscal charges	51,939	-	-	-	(51,939)
Total governmental activities	\$ 18,899,518	\$ 1,730,298	\$ 2,904,276	\$ 18,060	(14,246,884)
General Revenues					
Property taxes levied for:					
					7,163,943
					62,103
					6,728,682
					66,678
					14,304
Total general revenues					14,035,710
Change in net assets					(211,174)
Net assets at beginning of year					4,588,646
Net assets at end of year					\$ 4,377,472

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,429,728	\$ 590,667	\$ 2,020,395
Receivables:			
Taxes	7,806,498	96,409	7,902,907
Accounts	25,681	12,129	37,810
Intergovernmental	-	295,175	295,175
Interfund loans	69,942	-	69,942
Prepayments	60,150	-	60,150
Materials and supplies inventory	67,021	23,877	90,898
Restricted assets:			
Equity in pooled cash and cash equivalents	69,324	-	69,324
Total assets	\$ 9,528,344	\$ 1,018,257	\$ 10,546,601
Liabilities:			
Accounts payable	\$ 113,978	\$ 66,423	\$ 180,401
Contracts payable	76,656	-	76,656
Accrued wages and benefits	1,426,112	266,095	1,692,207
Compensated absences payable	56,844	-	56,844
Pension obligation payable.	295,861	40,280	336,141
Intergovernmental payable.	75,386	14,107	89,493
Interfund loan payable	-	69,942	69,942
Deferred revenue.	7,083,412	143,697	7,227,109
Total liabilities	9,128,249	600,544	9,728,793
Fund Balances:			
Reserved for encumbrances	229,033	49,477	278,510
Reserved for materials and supplies inventory.	67,021	23,877	90,898
Reserved for prepayments	60,150	-	60,150
Reserved for property taxes	723,086	10,439	733,525
Reserved for debt service.	-	6,509	6,509
Reserved for budget stabilization.	69,324	-	69,324
Unreserved, undesignated (deficit), reported in:			
General fund	(748,519)	-	(748,519)
Special revenue funds.	-	10,772	10,772
Capital projects funds.	-	316,639	316,639
Total fund balances	400,095	417,713	817,808
Total liabilities and fund balances	\$ 9,528,344	\$ 1,018,257	\$ 10,546,601

SEE ACCOMPANYING NOTES 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, 2005

Total governmental fund balances		\$	817,808
<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.			3,764,881
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	511,744	
Intergovernmental revenue		57,958	
Total			569,702
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.			1,416,742
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, interest is expensed when due.			(4,657)
Long-term liabilities, including loans and bonds payable, are not are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		1,098,105	
Asbestos removal loan		71,791	
Energy conservation bonds		834,232	
Capital lease obligation		99,704	
Lease-purchase agreement		83,172	
Total			(2,187,004)
Net assets of governmental activities		\$	4,377,472

SEE ACCOMPANYING NOTES 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, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 7,579,535	\$ 57,694	\$ 7,637,229
Tuition.	1,083,325	4,990	1,088,315
Charges for services.	-	274,826	274,826
Earnings on investments.	52,404	-	52,404
Extracurricular.	-	186,329	186,329
Classroom materials and fees	50,994	31,996	82,990
Other local revenues.	65,527	51,282	116,809
Intergovernmental - State	6,723,001	1,286,743	8,009,744
Intergovernmental - Federal.	-	1,613,793	1,613,793
Total revenue	<u>15,554,786</u>	<u>3,507,653</u>	<u>19,062,439</u>
Expenditures:			
Current:			
Instruction:			
Regular	8,457,851	648,267	9,106,118
Special.	1,368,612	508,099	1,876,711
Vocational.	125,887	-	125,887
Adult education	-	4,214	4,214
Support services:			
Pupil.	324,137	169,112	493,249
Instructional staff	246,922	620,641	867,563
Board of education	13,123	5,560	18,683
Administration.	1,482,948	118,807	1,601,755
Fiscal	448,803	955	449,758
Operations and maintenance.	2,078,391	-	2,078,391
Pupil transportation	906,741	29,810	936,551
Central.	2,887	55,690	58,577
Operation of non-instructional services:			
Food service operations	-	725,480	725,480
Other non-instructional services	-	86,042	86,042
Extracurricular activities.	199,147	149,388	348,535
Facilities acquisition and construction	146,546	-	146,546
Capital outlay	147,516	-	147,516
Intergovernmental pass through	-	432,927	432,927
Debt service:			
Principal retirement	29,937	65,732	95,669
Interest and fiscal charges	8,800	43,433	52,233
Total expenditures	<u>15,988,248</u>	<u>3,664,157</u>	<u>19,652,405</u>
Excess of revenues under expenditures	<u>(433,462)</u>	<u>(156,504)</u>	<u>(589,966)</u>
Other financing sources (uses):			
Transfers in.	-	290,524	290,524
Transfers (out)	(290,524)	-	(290,524)
Capital lease transaction	59,300	-	59,300
Lease-purchase agreement	88,216	-	88,216
Total other financing sources (uses)	<u>(143,008)</u>	<u>290,524</u>	<u>147,516</u>
Net change in fund balances	(576,470)	134,020	(442,450)
Fund balances at			
beginning of year (restated)	968,530	281,955	1,250,485
Increase in reserve for inventory.	8,035	1,738	9,773
Fund balances at end of year.	<u>\$ 400,095</u>	<u>\$ 417,713</u>	<u>\$ 817,808</u>

SEE ACCOMPANYING NOTES 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, 2005

Net change in fund balances - total governmental funds	\$	(442,450)
<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.		
Capital asset additions	\$ 602,461	
Current year depreciation	(386,306)	
Total		216,155
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		9,773
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(411,183)	
Intergovernmental revenue	22,814	
Total		(388,369)
Repayment of loans, bonds and capital leases are an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		95,669
Capital lease transactions are recorded as revenue in the funds however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(59,300)
Lease-purchase agreements are recorded as revenue in the funds however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(88,216)
In the statement of activities, interest is accrued on outstanding loans and bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		294
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		25,317
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.		
		419,953
Change in net assets of governmental activities	\$	(211,174)

SEE ACCOMPANYING NOTES 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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 7,533,631	\$ 7,351,715	\$ 7,353,987	\$ 2,272
Tuition.	1,110,132	1,083,325	1,083,325	-
Earnings on investments.	54,415	53,101	52,404	(697)
Classroom materials and fees	51,878	50,625	50,994	369
Other local revenues.	67,165	65,543	65,548	5
Intergovernmental - State	6,895,160	6,728,661	6,723,001	(5,660)
Total revenue	<u>15,712,381</u>	<u>15,332,970</u>	<u>15,329,259</u>	<u>(3,711)</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,589,165	8,563,825	8,476,930	86,895
Special.	1,334,073	1,330,137	1,368,261	(38,124)
Vocational.	124,006	123,640	125,410	(1,770)
Support services:				
Pupil.	421,139	419,897	422,190	(2,293)
Instructional staff	232,603	231,917	266,403	(34,486)
Board of education	17,632	17,580	12,860	4,720
Administration.	1,456,702	1,452,404	1,472,020	(19,616)
Fiscal	441,013	439,712	444,838	(5,126)
Operations and maintenance.	2,195,649	2,189,171	2,156,680	32,491
Pupil transportation	932,059	929,309	942,730	(13,421)
Central.	3,166	3,157	3,192	(35)
Operation of non-instructional services	87,384	87,126	87,126	-
Extracurricular activities.	191,257	190,693	200,591	(9,898)
Facilities acquisition and construction.	281,191	280,361	280,361	-
Debt service:				
Principal retirement	13,054	13,054	13,054	-
Total expenditures	<u>16,320,093</u>	<u>16,271,983</u>	<u>16,272,646</u>	<u>(663)</u>
Excess of revenues under expenditures.	<u>(607,712)</u>	<u>(939,013)</u>	<u>(943,387)</u>	<u>(4,374)</u>
Other financing sources (uses):				
Transfers (out).	(278,321)	(277,470)	(277,470)	-
Advances in	120,606	117,694	117,694	-
Advances (out).	(63,596)	(63,401)	(69,941)	(6,540)
Refund of prior year expenditure	27,090	26,436	26,436	-
Refund of prior year receipts	(21)	(21)	(21)	-
Lease-purchase agreement	90,399	88,216	88,216	-
Sale of capital assets	5,632	5,496	5,496	-
Total other financing sources (uses)	<u>(98,211)</u>	<u>(103,050)</u>	<u>(109,590)</u>	<u>(6,540)</u>
Net change in fund balance	(705,923)	(1,042,063)	(1,052,977)	(10,914)
Fund balance at beginning of year.	1,690,009	1,690,009	1,690,009	-
Prior year encumbrances appropriated	520,102	520,102	520,102	-
Fund balance at end of year	<u>\$ 1,504,188</u>	<u>\$ 1,168,048</u>	<u>\$ 1,157,134</u>	<u>\$ (10,914)</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, 2005

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent	\$ 1,709,906
Total assets	1,709,906
Liabilities:	
Claims payable	293,164
Total liabilities	293,164
Net assets:	
Unrestricted.	1,416,742
Total net assets	\$ 1,416,742

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, 2005

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	\$ 2,533,927
Total operating revenues	<u>2,533,927</u>
Operating expenses:	
Fringe benefits	279,707
Claims.	<u>1,848,541</u>
Total operating expenses	<u>2,128,248</u>
Operating income	<u>405,679</u>
Nonoperating revenues:	
Interest revenue.	<u>14,274</u>
Total nonoperating revenues	<u>14,274</u>
Change in net assets.	419,953
Net assets at beginning of year	<u>996,789</u>
Net assets at end of year	<u><u>\$ 1,416,742</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, 2005

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 2,533,927
Cash payments for fringe benefits.	(279,707)
Cash payments for claims.	<u>(1,852,216)</u>
Net cash provided by operating activities	<u>402,004</u>
Cash flows from investing activities:	
Interest received	<u>14,274</u>
Net cash provided by investing activities	<u>14,274</u>
Net increase in cash and cash equivalents	416,278
Cash and cash equivalents at beginning of year. . .	<u>1,293,628</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,709,906</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 405,679
Changes in assets and liabilities: Decrease in claims payable	<u>(3,675)</u>
Net cash provided by operating activities	<u><u>\$ 402,004</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, 2005

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 39,497	\$ 65,492
Receivables:		
Accrued interest	342	-
Total assets	<u>39,839</u>	<u>\$ 65,492</u>
Liabilities:		
Accounts payable.	1,500	\$ 3,117
Due to students	<u>-</u>	<u>62,375</u>
Total liabilities	<u>1,500</u>	<u>\$ 65,492</u>
Net Assets:		
Held in trust for scholarships	<u>38,339</u>	
Total net assets	<u>\$ 38,339</u>	

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, 2005

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions	\$ 5,464
Total additions	5,464
Deductions:	
Scholarships awarded	9,900
Change in net assets	(4,436)
Net assets at beginning of year	42,775
Net assets at end of year	\$ 38,339

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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, 160 certificated full-time teaching personnel and 10 administrative employees who provide services to 2,384 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” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is composed of the primary government, component units and other organizations 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 organization’s resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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 these 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, 2005

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 9 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 (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, 2005

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
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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, 2005

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, 2005, but which were levied to finance fiscal year 2006 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, 2005**

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 2005 is as follows:

1. *Tax Budget* - Ohio Revised Code Section 5705.28 required the District to adopt a tax budget for the following fiscal year on or before January 15. This section requires the adopted budget to be submitted to the County Auditor, as Secretary of the County Budget Commission by January 20 of each year, for the period July 1 through June 30 of the following year. The District obtained a waiver as provided for by Ohio Revised Code Section 5705.281, in which they did have to adopt a tax budget or submit the budget to the County Auditor.
2. 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. 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 original and final Amended Certificate issued for fiscal year 2005.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund 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 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.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. 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.
6. 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, 2005; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
7. 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 level.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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 2005, 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 2005. 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, 2005.

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 2005 amounted to \$52,404, which includes \$13,569 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 District's investment account at year-end is provided in Note 4.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>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.

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, 2005, 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, 2005, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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, debt service and budget stabilization. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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 17.

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 the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

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 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY & COMPLIANCE - (Continued)

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 1,073,017	\$ 317,988	\$ 1,391,005
GASB Technical Bulletin No. 2004-2	<u>(104,487)</u>	<u>(36,033)</u>	<u>(140,520)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 968,530</u>	<u>\$ 281,955</u>	<u>\$ 1,250,485</u>

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Emergency Management Information System	\$ 33
Disadvantaged Pupil Impact Aid	82,144
Title VI-B	3,109
Title VI	299
Drug Free Schools	880
Preschool	2,620
Improving Teacher Quality	4,129

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 result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five 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 moneys 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
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 two percent 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 Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. 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, 2005 was \$1,709,906.

B. Cash on Hand

At year-end, the District had \$700 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

C. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$1,464,695, exclusive of the \$694,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$1,605,109 of the District's bank balance of \$1,725,723 was exposed to custodial risk as discussed below, while \$120,614 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

D. Investments

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 694,000	\$ 694,000
STAR Ohio	5	5
U.S. Government Money Market	<u>35,308</u>	<u>35,308</u>
	<u>\$ 729,313</u>	<u>\$ 729,313</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments, except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 694,000	95.1580
STAR Ohio	5	0.0007
U.S. Government Money Market	<u>35,308</u>	<u>4.8413</u>
	<u>\$ 729,313</u>	<u>100.0000</u>

E. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,464,695
Investments	729,313
Cash with fiscal agent	1,709,906
Cash on hand	<u>700</u>
Total	<u>\$ 3,904,614</u>
 <u>Cash and Investments per footnote</u>	
Government activities	\$ 3,799,625
Private-purpose trust funds	39,497
Agency funds	<u>65,492</u>
Total	<u>\$ 3,904,614</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2005 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	\$ 69,942

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:

General Fund	\$ 290,524
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the statement of activities.

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.

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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2005, are available to finance fiscal year 2005 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, 2005 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, 2005 was \$723,086 in the general fund and \$10,439 in the debt service fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$497,538 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.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 265,189,280	79.49	\$ 268,224,870	82.15
Public utility personal	13,404,640	4.02	14,056,020	4.31
Tangible personal property	<u>55,012,539</u>	<u>16.49</u>	<u>44,207,042</u>	<u>13.54</u>
Total	<u>\$ 333,606,459</u>	<u>100.00</u>	<u>\$ 326,487,932</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 39.10		\$ 39.10	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 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	\$ 7,902,907
Accounts	37,810
Intergovernmental	<u>295,175</u>
Total	<u>\$ 8,235,892</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, 2005

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance <u>06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/05</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 87,783	\$ -	\$ -	\$ 87,783
Construcion in progress	<u>-</u>	<u>76,656</u>	<u>-</u>	<u>76,656</u>
Total capital assets, not being depreciated	<u>87,783</u>	<u>76,656</u>	<u>-</u>	<u>164,439</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,283,617	88,377	-	1,371,994
Buildings and improvements	6,623,856	327,098	-	6,950,954
Furniture and equipment	816,066	104,582	(6,894)	913,754
Vehicles	1,653,058	5,748	(148,610)	1,510,196
Textbooks	<u>780,237</u>	<u>-</u>	<u>-</u>	<u>780,237</u>
Total capital assets, being depreciated	<u>11,156,834</u>	<u>525,805</u>	<u>(155,504)</u>	<u>11,527,135</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(918,020)	(113,279)	-	(1,031,299)
Buildings and improvements	(4,178,914)	(145,173)	-	(4,324,087)
Furniture and equipment	(617,284)	(41,446)	6,894	(651,836)
Vehicles	(1,313,467)	(66,039)	148,610	(1,230,896)
Textbooks	<u>(668,206)</u>	<u>(20,369)</u>	<u>-</u>	<u>(688,575)</u>
Total accumulated depreciation	<u>(7,695,891)</u>	<u>(386,306)</u>	<u>155,504</u>	<u>(7,926,693)</u>
Governmental activities capital assets, net	<u>\$ 3,548,726</u>	<u>\$ 216,155</u>	<u>\$ -</u>	<u>\$ 3,764,881</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 189,858
Special	9,236
Vocational	1,514
<u>Support Services:</u>	
Pupil	9,665
Instructional staff	7,073
Administration	15,187
Operations and maintenance	39,450
Pupil transportation	71,662
Extracurricular activities	30,992
Food service operations	<u>11,669</u>
Total depreciation expense	<u>\$ 386,306</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal years 2005 and 2003, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of a 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 assets consisting of equipment have been capitalized in the amount of \$146,042. 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 2005 totaled \$24,893 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, 2005:

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2006	35,019
2007	35,019
2008	26,398
2009	14,026
2010	<u>2,336</u>
Total minimum lease payments	112,798
Less amount representing interest	<u>(13,094)</u>
Total	<u>\$ 99,704</u>

NOTE 10 - LEASE-PURCHASE AGREEMENT

During fiscal years 2005, the District entered into a lease-purchase agreement for kitchen equipment. This lease-purchase agreement meets the criteria of a 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.

Equipment acquired through the lease-purchase agreement that meet the capitalization threshold totaled \$12,923, and has been included in the Districts capital assets. A liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$5,044 paid by the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - LEASE-PURCHASE AGREEMENT – (Continued)

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, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	24,225
2007	24,225
2008	24,225
2009	<u>18,170</u>
Total minimum lease payments	90,845
Less amount representing interest	<u>(7,673)</u>
Total	<u>\$ 83,172</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance Outstanding 06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/05</u>	<u>Amounts Due in One Year</u>
Governmental Activities:						
Asbestos removal loan		\$ 84,845	\$ -	\$ (13,054)	\$ 71,791	\$ 13,054
Energy conservation bonds	4.97%	886,910	-	(52,678)	834,232	55,328
Capital lease obligation		65,297	59,300	(24,893)	99,704	28,627
Lease-purchase agreement		-	88,216	(5,044)	83,172	20,775
Compensated absences		<u>1,128,339</u>	<u>91,123</u>	<u>(64,513)</u>	<u>1,154,949</u>	<u>99,704</u>
Total long-term obligations, governmental activities		<u>\$ 2,165,391</u>	<u>\$ 238,639</u>	<u>\$ (160,182)</u>	<u>\$ 2,243,848</u>	<u>\$ 217,488</u>

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 2005, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal on</u> <u>Loan/Bonds</u>	<u>Interest on</u> <u>Loan/Bonds</u>	<u>Total</u>
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	80,387	28,777	109,164
2011 - 2014	397,554	89,525	487,079
2015 - 2017	<u>137,283</u>	<u>6,879</u>	<u>144,162</u>
Total	<u>\$ 906,023</u>	<u>\$ 271,038</u>	<u>\$ 1,177,061</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, 2005 are a voted debt margin of \$29,400,862 and an unvoted debt margin of \$326,488.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - 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 2005, the District contracted with Phelan Insurance Agency of Versailles, Ohio, for liability, property, fleet insurance and school board errors and omissions. Coverages are as follows:

<u>Description</u>	<u>Amount</u>
<u>Selective Insurance Company</u>	
Building and Contents	
Replacement cost	\$44,477,578
Deductible	1,000
Liability	
Deductible	
General Liability	1,000
Employee Practices	2,500
Per occurrence combined single limit	1,000,000
Annual aggregate limit	2,000,000
Medical payments limit	15,000
Employee Benefits Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	2,000,000
Deductible	1,000
Umbrella	
Per Occurrence	3,000,000
Annual Aggregate	3,000,000
Deductible	10,000
Automotive Liability	
Liability	
Per occurrence combined single limit	1,000,000
Medical payments limit	5,000
Uninsured/underinsured motorists coverage	1,000,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	500
Collision deductible	500
School Board Errors and Omissions Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	1,000,000
Deductible	
General Liability	1,000
Employee Practices	2,500

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.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - RISK MANAGEMENT - (Continued)

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 \$293,164 reported in the internal service fund at June 30, 2005, 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>
2005	\$ 296,839	\$ 1,848,541	\$ (1,852,216)	\$ 293,164
2004	233,537	1,657,603	(1,594,301)	296,839

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan.

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 Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

NOTE 13 - DEFINED BENEFIT PENSION PLAN

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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - DEFINED BENEFIT PENSION PLAN - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$277,071, \$267,413 and \$270,141, respectively; 44.52% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$153,732 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

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 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

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

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 13 - DEFINED BENEFIT PENSION PLAN - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$964,710, \$951,233, and \$926,753, respectively; 85.16% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$143,156 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$3,485 made by the District and \$4,604 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - 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.

STRS retirees who participate in the DB or combined plans and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$68,908 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

After the allocation of basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll, a decrease of 1.48% from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) 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 \$105,914 during the 2005 fiscal year.

NOTE 15 - 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, 2005

NOTE 15 - 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	\$ (1,052,977)
Net adjustment for revenue accruals	225,527
Net adjustment for expenditure accruals	(57,520)
Net adjustment for other sources/uses	(33,418)
Adjustment for encumbrances	<u>341,918</u>
GAAP basis	<u>\$ (576,470)</u>

NOTE 16 - 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 17 - 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, 2005, 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, 2004	\$ (107,152)	\$ 19,073	\$ 69,324
Current year set-aside requirement	315,769	315,769	-
Qualifying disbursements	<u>(336,844)</u>	<u>(739,455)</u>	<u>-</u>
 Total	 <u>\$ (128,227)</u>	 <u>\$ (404,613)</u>	 <u>\$ 69,324</u>
 Cash balance carried forward to FY 2005	 <u>\$ (128,227)</u>	 <u>\$ -</u>	 <u>\$ 69,324</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbook/instructional materials reserve, this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to next fiscal year.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2005 follows:

Amounts restricted for budget reserve	<u>\$ 69,324</u>
Total restricted assets	<u>\$ 69,324</u>

NOTE 18 – SIGNIFICANT SUBSEQUENT EVENTS

The District will place a 7.9 mill operating levy on the November ballot to replace their current 7.9 mill operating levy that will expire on December 31, 2005.

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster						
Food Distribution Program	03-PU-05	10.550		\$69,312		\$69,312
National School Lunch Program	04-PU-05	10.555	\$279,354		\$279,354	
National School Breakfast Program	05-PU-05	10.553	71,346		71,346	
Special Milk Program for Children	02-PU-05	10.556	953		953	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>351,653</u>	<u>69,312</u>	<u>351,653</u>	<u>69,312</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States						
Title VI-B Flow Through	6B-SF-04	84.027	114,189		80,348	
	6B-SF-05		464,739		478,781	
Total VI-B Flow Through			<u>578,928</u>		<u>559,129</u>	
Special Education - Preschool Grant	PG-S1-04	84.173	2,040		3,906	
	PG-S1-05		29,270		29,378	
Total Special Education - Preschool Grant			<u>31,310</u>		<u>33,284</u>	
Total Special Education Cluster			610,238		592,413	
Grants to Local Educational Agencies (ESEA Title I)						
	C1-S1-04	84.010	10,467		46,892	
	C1-S1-04		14,117		22,561	
	C1-S1-05		235,682		236,674	
	C1-S1-05		147,930		151,572	
Total Title I			408,196		457,699	
Inovative Education Strategies						
	C2-S1-04	84.298	4,264		1,957	
	C2-S1-05		8,109		10,125	
Total Innovative Education Strategies			12,373		12,082	
Drug-Free Schools Grant						
	DR-S1-04	84.186	5,371		1,494	
	DR-S1-05		10,328		11,970	
			15,699		13,464	
Title II A - Improving Teacher Quality						
	TR-S1-04	84.367	1,797		16,690	
	TR-S1-05		124,851		125,216	
Total Title II A			126,648		141,906	
Title II D - Eduation Technology State Grants						
	TJ-S1-04	84.318	8,114		6,815	
	TJ-S1-05		8,819		10,637	
Total Title II D			16,933		17,452	
FIE Earmark Grant Award						
	R215K020216	84.215K	7,255		6,035	
Total US Department of Education			<u>1,197,342</u>		<u>1,241,051</u>	
Corporation for National and Community Service						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America School and Community Based Programs						
	SV-S2-03	94.004	(7)		2,505	
Total Corporation for National and Community Service			<u>(7)</u>		<u>2,505</u>	
Total Federal Awards Expenditures and Receipts			<u>\$1,548,988</u>	<u>\$69,312</u>	<u>\$1,595,209</u>	<u>\$69,312</u>

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2005**

A. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (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, 2005, the district had no significant food commodities in inventory.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Indian Creek Local School District, Jefferson County, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2006, wherein we noted that the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-2. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 28, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated February 28, 2006, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies and pass-through entities. It is not intended for 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

February 28, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAMS AND ON 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, (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 apply to its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal programs. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing 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 apply to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies and pass through entities. It is not intended for 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

February 28, 2006

**INDIAN CREEK LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY
JUNE 30, 2005**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505**

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# 84.027, 84.173
<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**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
APRIL 17, 2006**