



**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Indian Creek Local School District, Jefferson County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Indian Creek Local School District, Jefferson County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and its nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

December 28, 2001

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INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets:</b>				
Equity in pooled cash and intestments	\$1,289,754	\$485,270		\$310,077
Cash in segregated accounts				
Cash with fiscal agents				
Restricted cash and cash equivalents	69,324			
Receivables:				
Taxes	7,604,523			
Accounts	77,351	1,157		
Interfund receivable	53,495			
Due from other governments	36,324	305,525		
Prepaid items	8,329			
Inventory	59,337			
Inventory held for resale				
Fixed assets (Net, where applicable, of accumulated depreciation)				
Amount to be provided from general government resources				
<b>Total Assets</b>	<b><u>\$9,198,437</u></b>	<b><u>\$791,952</u></b>		<b><u>\$310,077</u></b>
<b>Liabilities:</b>				
Accounts payable	13,537	78,079		
Accrued wages and benefits	1,166,792	236,523		
Compensated absences payable	43,159	166		
Pension obligation payable	253,354	13,649		
Asbestos removal loan payable				
Claims payable				
Interfund payable		53,495		
Due to other governments	26,989	5,472		
Deferred revenue	5,364,490	175,836		
Due to students				
<b>Total Liabilities</b>	<b><u>6,868,321</u></b>	<b><u>563,220</u></b>		
<b>Fund Equity:</b>				
Investment in general fixed assets				
Retained earnings:				
Unreserved				
Fund balance:				
Reserved for encumbrances	897,042	120,052		30,026
Reserved for inventory	59,337			
Reserved for property taxes	2,240,033			
Reserved for prepaid items	8,329			
Reserved for principle endowment				
Reserved for budget stabilization	69,324			
Unreserved:				
Designated				
Undesignated	(943,949)	108,680		280,051
<b>Total Fund Equity</b>	<b><u>2,330,116</u></b>	<b><u>228,732</u></b>		<b><u>310,077</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$9,198,437</u></b>	<b><u>\$791,952</u></b>		<b><u>\$310,077</u></b>

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



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$51,391		\$84,127 40,047			\$2,220,619 40,047 268,155 69,324
	\$268,155				7,604,523
33,083	169,572	242			281,405 53,495 341,849 8,329 59,337
10,388 95,666			\$10,951,687		10,388 11,047,353
				\$1,491,963	1,491,963
<b>\$190,528</b>	<b>\$437,727</b>	<b>\$124,416</b>	<b>\$10,951,687</b>	<b>\$1,491,963</b>	<b>\$23,496,787</b>
1,875 23,173 12,480 14,273		4,711			98,202 1,426,488 1,322,996
	335,222			1,267,191 100,765 124,007	382,041 124,007 335,222 53,495 33,194
733 12,330					5,552,656
		62,008			62,008
<b>64,864</b>	<b>335,222</b>	<b>66,719</b>		<b>1,491,963</b>	<b>9,390,309</b>
			10,951,687		10,951,687
125,664	102,505				228,169
		3,570			1,050,690 59,337 2,240,033 8,329
		30,000			30,000 69,324
		11,839 12,288			11,839 (542,930)
<b>125,664</b>	<b>102,505</b>	<b>57,697</b>	<b>10,951,687</b>		<b>14,106,478</b>
<b>\$190,528</b>	<b>\$437,727</b>	<b>\$124,416</b>	<b>\$10,951,687</b>	<b>\$1,491,963</b>	<b>\$23,496,787</b>

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			Fiduciary	Total
	General	Special Revenue	Debt Service	Expendable Trust	(Memorandum Only)
<b>Revenues:</b>					
Taxes	\$7,997,686				\$7,997,686
Intergovernmental	5,565,326	\$2,310,409			7,993,556
Interest	139,548				139,548
Classroom materials and fees	21,837	18,114			39,951
Extracurricular activities	2,448	160,202		\$40	162,690
Miscellaneous	24,578	37,630		4,045	66,253
<b>Total Revenues</b>	<b>13,751,423</b>	<b>2,526,355</b>		<b>4,085</b>	<b>16,399,684</b>
<b>Expenditures:</b>					
Instruction:					
Regular	6,768,566	615,546		1,110	7,389,490
Special	1,120,850	520,673			1,641,523
Vocational	185,235	5,377			190,612
Adult/Continuing		500		7,000	7,500
Other	21,890				21,890
Support Services:					
Pupils	283,779	134,913			418,692
Instructional staff	561,103	515,972		167	1,134,300
Board of education	19,164				19,164
Administration	1,563,170	266,788			1,829,958
Fiscal	404,826				404,826
Operation and maintenance of plant	2,507,551	1,813			2,509,364
Pupil transportation	949,415	7,975			957,390
Central	121	13,055			13,176
Operation of non-instructional services		291,813			291,813
Extracurricular activities	184,432	130,406			314,838
Capital Outlay					123,930
Debt Service:					
Principal retirement			\$13,054		13,054
<b>Total Expenditures</b>	<b>14,570,102</b>	<b>2,504,831</b>	<b>13,054</b>	<b>8,277</b>	<b>17,281,520</b>
Excess of Revenues Over/(Under) Expenditures	(818,679)	21,524	(13,054)	(4,192)	(881,836)
<b>Other Financing Sources/(Uses):</b>					
Other financing sources	201,567				201,567
Refund of prior year expenditures	293,570				293,570
Refund of prior year revenues		(6,524)			(6,524)
Operating transfers - in		60,609	13,054	5,174	144,205
Operating transfers - out	(205,503)				(205,503)
<b>Total Other Financing Sources/(Uses)</b>	<b>289,634</b>	<b>54,085</b>	<b>13,054</b>	<b>5,174</b>	<b>427,315</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(529,045)	75,609		982	(454,521)
Fund Balance/(Deficit) - July 1	2,859,161	153,123		16,669	3,341,097
<b>Fund Balance/(Deficit) - June 30</b>	<b>\$2,330,116</b>	<b>\$228,732</b>		<b>\$17,651</b>	<b>\$2,886,576</b>

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

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INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>						
Taxes	\$7,604,523	\$7,604,523				
Earnings on investments	139,547	139,547				
Extracurricular activities	2,448	2,448		\$178,265	\$159,440	(\$18,825)
Classroom materials and fees	21,428	21,428		20,253	18,114	(2,139)
Intergovernmental	5,541,458	5,541,458		2,438,196	2,180,720	(257,476)
Miscellaneous	24,988	24,988		41,631	37,235	(4,396)
<b>Total Revenues</b>	<b>13,334,392</b>	<b>13,334,392</b>		<b>2,678,345</b>	<b>2,395,509</b>	<b>(282,836)</b>
<b>Expenditures:</b>						
Instruction						
Regular	6,794,674	6,776,215	\$18,459	654,867	635,716	19,151
Special	1,122,226	1,134,006	(11,780)	621,652	519,723	101,929
Vocational education	169,122	216,926	(47,804)	6,042	5,377	665
Adult/Continuing				2,000	2,000	
Support Services:						
Pupils	278,254	278,121	133	152,975	127,543	25,432
Instructional support	571,363	591,956	(20,593)	721,388	531,357	190,031
Board of education	19,323	19,375	(52)			
Administration	1,570,953	1,589,020	(18,067)	295,039	272,504	22,535
Fiscal	410,688	415,151	(4,463)	67	67	
Operation and maintenance of plant	2,545,145	2,957,141	(411,996)	2,716	1,812	904
Pupil transportation	946,585	1,104,389	(157,804)	18,474	8,972	9,502
Central	121	120	1	13,799	13,055	744
Operation of non-instructional services				355,046	393,038	(37,992)
Extracurricular activities	186,619	185,240	1,379	133,923	133,500	423
Capital outlay	8,999	171,890	(162,891)			
Debt Service:						
Principal payments						
<b>Total Expenditures</b>	<b>14,624,072</b>	<b>15,439,550</b>	<b>(815,478)</b>	<b>2,977,988</b>	<b>2,644,664</b>	<b>333,324</b>
Excess of Revenues Over/ (Under) Expenditures	(1,289,680)	(2,105,158)	(815,478)	(299,643)	(249,155)	50,488
<b>Other Financing Sources/(Uses):</b>						
Transfers in				24,297	24,297	
Transfers out	(162,719)	(162,719)				
Advances in	235,526	235,526		53,495	53,495	
Advances out	(131,585)	(131,585)		(99,396)	(99,396)	
Other sources	125,401	125,401				
Refund of prior year receipts				(6,524)	(6,524)	
Refund of prior year expenditures	293,570	293,570				
<b>Total Other Financing Sources/(Uses)</b>	<b>360,193</b>	<b>360,193</b>		<b>(28,128)</b>	<b>(28,128)</b>	
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(929,487)	(1,744,965)	(815,478)	(327,771)	(277,283)	50,488
Fund Balance/(Deficit) July 1	2,035,256	2,035,256		478,575	478,575	
Prior year encumbrances appropriated	771,783	771,783		89,540	89,540	
<b>Fund Balance/(Deficit) June 30</b>	<b>\$1,877,552</b>	<b>\$1,062,074</b>	<b>(\$815,478)</b>	<b>\$240,344</b>	<b>\$290,832</b>	<b>\$50,488</b>

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

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
						\$40	\$40	
			\$115,821	\$117,821	\$2,000	4,045	4,045	
			115,821	117,821	2,000	4,085	4,085	
			4,268	4,268		12,300	1,170	11,130
						11,845	11,000	845
			87,084	87,084		220	167	53
						200		200
			349,800	123,930	225,870			
13,054	13,054							
13,054	13,054		441,152	215,282	225,870	24,565	12,337	12,228
(13,054)	(13,054)		(325,331)	(97,461)	227,870	(20,480)	(8,252)	12,228
13,054	13,054		65,368	65,368				
13,054	13,054		65,368	65,368				
			(259,963)	(32,093)	227,870	(20,480)	(8,252)	12,228
			274,964	274,964		21,705	21,705	
			37,180	37,180		638	638	
			<b>\$52,181</b>	<b>\$280,051</b>	<b>\$227,870</b>	<b>\$1,863</b>	<b>\$14,091</b>	<b>\$12,228</b>

INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

<b>Totals - (Memorandum Only)</b>			
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$7,604,523	\$7,604,523	
Earnings on investments	139,547	139,547	
Extracurricular activities	180,753	161,928	(\$18,825)
Classroom materials and fees	41,681	39,542	(2,139)
Intergovernmental	8,095,475	7,839,999	(255,476)
Miscellaneous	<u>70,664</u>	<u>66,268</u>	<u>(4,396)</u>
Total Revenues	16,132,643	15,851,807	(280,836)
<b>Expenditures:</b>			
Instruction			
Regular	7,466,109	7,417,369	(48,740)
Special	1,743,878	1,653,729	(90,149)
Vocational education	175,164	222,303	47,139
Adult/Continuing	13,845	13,000	(845)
Support Services:			
Pupils	431,229	405,664	(25,565)
Instructional support	1,380,055	1,210,564	(169,491)
Board of education	19,323	19,375	52
Administration	1,865,992	1,861,524	(4,468)
Fiscal	410,755	415,218	4,463
Operation and maintenance of plant	2,547,861	2,958,953	411,092
Pupil transportation	965,059	1,113,361	148,302
Central	13,920	13,175	(745)
Operation of non-instructional services	355,246	393,038	37,792
Extracurricular activities	320,542	318,740	(1,802)
Capital outlay	358,799	295,820	(62,979)
Debt Service:			
Principal payments	<u>13,054</u>	<u>13,054</u>	
Total Expenditures	<u>18,080,831</u>	<u>18,324,887</u>	<u>244,056</u>
Excess of Revenues Over/ (Under) Expenditures	(1,948,188)	(2,473,080)	(524,892)
<b>Other Financing Sources/(Uses):</b>			
Transfers in	102,719	102,719	
Transfers out	(162,719)	(162,719)	
Advances in	289,021	289,021	
Advances out	(230,981)	(230,981)	
Other Sources	125,401	125,401	
Refund of prior year receipts	(6,524)	(6,524)	
Refund of prior year expenditures	<u>293,570</u>	<u>293,570</u>	
Total Other Financing Sources/(Uses)	<u>410,487</u>	<u>410,487</u>	
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(1,537,701)	(2,062,593)	(524,892)
Fund Balance/(Deficit) July 1	2,810,500	2,810,500	
Prior year encumbrances appropriated	<u>899,141</u>	<u>899,141</u>	
<b>Fund Balance/(Deficit) June 30</b>	<b><u>\$2,171,940</u></b>	<b><u>\$1,647,048</u></b>	<b><u>(\$524,892)</u></b>

INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
<b>Operating revenues:</b>				
Food services	\$247,269			\$247,269
Tuition and fees	16,810			16,810
Extracurricular activities	30,830			30,830
Charge for services		\$2,140,502		2,140,502
Interest			\$3,183	3,183
	<hr/>			<hr/>
Total Operating Revenues	294,909	2,140,502	3,183	2,438,594
<b>Operating expenses:</b>				
Salaries	181,045			181,045
Fringe benefits	69,019	117,151		186,170
Purchased services	288,582	2,049,160		2,337,742
Materials and supplies	132,065			132,065
Claims				
Depreciation	9,062			9,062
	<hr/>			<hr/>
Total Operating Expenses	679,773	2,166,311		2,846,084
Operating Income/(Loss)	(384,864)	(25,809)	3,183	(407,490)
<b>Nonoperating revenues/(expenses):</b>				
Federally donated commodities	40,891			40,891
Grants	278,764			278,764
Refund of prior year expenditures	32,865	(18,669)		14,196
Interest		22,704		22,704
Other nonoperating	(540)			(540)
	<hr/>			<hr/>
Total Nonoperating revenues/(expenses)	351,980	4,035		356,015
Net Income/(Loss) before operating transfers	(32,884)	(21,774)	3,183	(51,475)
Operating transfers in	60,000			60,000
Retained Earnings/(Deficit) - July 1 (Restated)	98,548	124,279	36,863	259,690
	<hr/>			<hr/>
<b>Retained Earnings/(Deficit) - June 30</b>	<b>\$125,664</b>	<b>\$102,505</b>	<b>\$40,046</b>	<b>\$268,215</b>

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

INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Non-expendable</u> <u>Trust</u>	<u>(Memorandum</u> <u>Only)</u>
<b>Cash flows from operating activities:</b>				
Net operating income/(loss)	(\$384,864)	(\$25,809)	\$3,184	(\$407,489)
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:				
Federally donated commodities	40,891			40,891
(Increase)/decrease in assets:				
Accounts receivable	(33,083)	(150,903)		(183,986)
Due from other governments	223			223
Inventory	63			63
Increase/(decrease) in liabilities:				
Accounts payable	1,629		(1,000)	629
Accrued wages and benefits	744			744
Compensated absences payable	1,899			1,899
Pension obligation payable	2,919			2,919
Due to other funds	(58,040)			(58,040)
Due to other governments	277			277
Deferred revenue	790			790
Claims payable		94,922		94,922
Net cash provided/(used) for operating activities	(426,552)	(81,790)	2,184	(506,158)
<b>Cash flows from noncapital financing activities:</b>				
Refund of prior year expenditure	32,865	(18,669)		14,196
Refund of prior year receipt	(540)			(540)
Grants	278,764			278,764
Advances in/(out)	60,000			60,000
Interest		22,704		22,704
Net cash provided/(used) for noncapital financing activities	371,089	4,035		375,124
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(92,788)			(92,788)
Net cash provided/(used) for capital and related financing activities	(92,788)			(92,788)
Net increase/(decrease) in cash and cash equivalents	(148,251)	(77,755)	2,184	(223,822)
Restatement of fixed assets	89,511			89,511
Prior period adjustment	53,938			53,938
Cash and cash equivalents, July 1, 2000	56,193	345,910	37,863	439,966
<b>Cash and cash equivalents, June 30, 2001</b>	<b><u>\$51,391</u></b>	<b><u>\$268,155</u></b>	<b><u>\$40,047</u></b>	<b><u>\$359,593</u></b>

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



**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**1. NATURE OF BASIC OPERATIONS AND DESCRIPTIONS OF THE ENTITY**

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

The District was established in 1966 through the consolidation of existing land areas and school districts. The District serves an area of approximately 75 square miles. It is located in Jefferson County, and includes all of the Village of Wintersville, the Village of Mingo Junction, the Village of Bloomingdale, Cross Creek Township and portions of the City of Steubenville, Island Creek, Salem, Wayne and Steubenville Townships. It is staffed by 123 non-certificated employees, 172 certificated full-time teaching personnel and 10 administrative employees who provide services to 2,291 students and other community members. The District currently operates 6 instructional buildings, one administrative building, and two garages.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Indian Creek Local School District, this includes general operations, food service, and student related activities of the District. The District does not have any component units.

The following activities are included within the reporting entity:

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Governmental Fund Types:**

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

**Revenue Exchange and Non-Exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis of accounting, 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 School District, available means expected to be received within sixty day of fiscal year end.

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

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

**Deferred Revenue:**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue.

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Expenditures:**

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

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Fund**

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

**Capital Projects Funds**

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

**2. Proprietary Fund Types:**

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Enterprise Funds**

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

**Internal Service Funds**

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

**3. Fiduciary Fund Types:**

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

**Expendable Trust Funds**

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

**Nonexpendable Trust Fund**

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

**Agency Funds**

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

**4. Account Groups:**

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

**General Fixed Assets Account Group**

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**General Long-term Obligations Account Group**

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

**B. Budgetary Process**

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

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

**C. Cash and Cash Equivalents**

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

During fiscal year 2001, investments were limited to STAR Ohio and repurchase agreements.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amount to \$139,548 and to the nonexpendable trust fund was \$3,183.

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Department of Education. During fiscal year 2001, the District had \$69,324 in the budget stabilization reserve.

**E. Receivables**

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

**F. Estimates**

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

**G. Inventory**

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**I. Fixed Assets and Depreciation**

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**J. Interfund Assets/Liabilities**

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

**K. Compensated Absences**

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

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

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

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**M. Interfund Transactions**

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

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

**N. Fund Balances Reserves**

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepaid items, contributions to the nonexpendable trust fund that must be kept intact, and HB412 reserves, such as textbooks and instructional materials, capital improvements, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**O. Total Columns on General Purpose Financial Statements**

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

**3. BUDGETARY PROCESS**

**A. Tax Budget**

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



**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**3. BUDGETARY PROCESS (Continued)**

**B. Estimated Resources**

The County Budget Commission determines if the budget substantiated a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official Certificate of Estimated Resources which state projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental and Similar Fiduciary Fund Types" do not include July 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

**C. Appropriations**

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

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

**D. Lapsing of Appropriations**

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**3. BUDGETARY PROCESS (Continued)**

**E. Encumbrances**

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

**F. Budgetary Basis of Accounting**

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

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

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**3. BUDGETARY PROCESS (Continued)**

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Fund</b>	<b>Expendable Trust Funds</b>
Budgetary Basis	\$ (1,744,965)	\$ (277,283)	\$ (32,093)	\$ (8,252)
Encumbrances	910,579	41,098	30,026	3,570
Revenue Accruals	257,671	113,664		5,174
Expenditure Accruals	<u>47,670</u>	<u>198,130</u>	<u>          </u>	<u>490</u>
GAAP Basis	<u>\$ (529,045)</u>	<u>\$ 75,609</u>	<u>\$ (2,067)</u>	<u>\$ 982</u>

**4. ACCOUNTABILITY**

**Restatement of Beginning Retained Earnings**

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

Retained earnings as previously reported	\$ (25)
Restatement of retained earnings	<u>98,573</u>
Restated retained earnings as of July 1, 2000	<u>\$ 98,548</u>

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of purchase;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time.

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

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

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

**Deposits:** At fiscal year end, the carrying amount of the District's deposits was \$184,237 and the bank balance was \$250,213. Of the bank balance, \$177,640 was covered by federal depository insurance and \$72,573 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**Funds Held by Fiscal Agent:** The District participates in the Ohio Mid-Eastern Regional Educational Service Agency School Employees Insurance Consortium for employee benefits. The bank balance at fiscal year end for the Employee Benefit Self-Insurance fund was \$268,155. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

**Investments**

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

	<b>Category 3</b>	<b>Carrying Value</b>	<b>Fair Value</b>
Repurchase Agreement	\$ 2,474,000	\$ 2,474,000	\$ 2,474,000
Money Market	5	5	5
Mutual Funds	40,042	40,042	40,042
STAROhio	<u>5</u>	<u>5</u>	<u>5</u>
Totals	<u>\$ 2,514,047</u>	<u>\$ 2,514,052</u>	<u>\$ 2,514,052</u>

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

	<b>Cash and Cash Equivalents</b>	<b>Investments</b>
GASB Statement No. 9	\$ 2,598,145	
Cash on Hand	(175)	
Investments:		
Repurchase Agreement	(2,474,000)	\$ 2,474,000
STAROhio	(5)	5
Money Market	(5)	5
Mutual Funds	<u>(40,042)</u>	<u>40,042</u>
GASB Statement No. 3	<u>\$ 83,918</u>	<u>\$ 2,514,052</u>

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal property, used in business, located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed, with certain exceptions, on tangible personal property at 88% of true value and on real property at 35% of true value.

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

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

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

The District receives property taxes from Jefferson County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$2,240,033 in the General Fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	<b>2001 First-Half Collections</b>		<b>2000 Second-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agriculture/Residential	\$192,045,100	63.29%	\$151,199,860	56.35%
Commercial/Industrial	41,431,110	13.46%	41,293,590	15.39%
Public Utility	566,630	.18%	556,040	.21%
Tangible Personal Property	<u>73,776,970</u>	<u>23.97%</u>	<u>75,287,334</u>	<u>28.05%</u>
Total Assessed Value	<u>\$307,819,810</u>	<u>100.00%</u>	<u>\$268,336,824</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$39.10</u>		<u>\$39.10</u>	

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**7. RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (rent and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds.

**8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the District contracted with Harcum Insurance Company for general liability insurance and for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Harcum Insurance Company are as follows:

<b>Description</b>	<b>Amount</b>
Building and Contents-replacement cost (\$1,000 deductible)	\$33,098,000
Inland Marine Coverage (\$250 deductible)	Tractor 21,000
	Musical Instruments 192,894
Boiler and Machinery (\$1,000 deductible)	Damage 8,559,100
	Business Income 100,000
Crime Insurance (\$250 deductible)	15,000
Automotive Liability (\$50/\$100 deductible)	1,000,000
Uninsured Motorists (\$50/\$100 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of the Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan, a public entity risk management insurance, and claims servicing pool, consisting of school districts throughout Ohio, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$335,222 reported in the internal service fund at June 30, 2001 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past fiscal year is as follows:

	<b>Balance Beginning of Year</b>	<b>Current Year Claims</b>	<b>Claims Payments</b>	<b>Balance at End of Year</b>
2001	\$ <u>240,300</u>	\$ <u>2,144,082</u>	\$ <u>(2,049,160)</u>	\$ <u>335,222</u>
2000	\$ <u>228,858</u>	\$ <u>1,672,947</u>	\$ <u>(1,661,505)</u>	\$ <u>240,300</u>

**9. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%; 10.5% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$330,840, \$311,232, and \$285,126, respectively; 50% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$165,420, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.



**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 4.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$926,163, \$985,848, and \$872,906, respectively; 81% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. \$216,621 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, no employees or Board members chose to participate in the Social Security System.

**10. POST-EMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio laws, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The board currently allocates employer contributions equal to 9.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$628,468 during the 2001 fiscal year. As of June 30, 2000 (the latest information available) eligible benefit recipients totaled 99,011. For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000.

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**10. POST-EMPLOYMENT BENEFITS (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 8.450% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, this amount equaled \$199,685 during the 2001 fiscal year.

The target level for the health care reserve is 150 percent of annual health care expenses. For the fiscal year ended June 30, 2000 (the most recent information available) net health care costs paid by SERS were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

**11. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Life Insurance**

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

**12. LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2000 were as follows:

	<b>Principal Outstanding 6/30/00</b>	<b>Additions</b>	<b>Deletions</b>	<b>Principal Outstanding 6/30/01</b>
Long-Term Notes:				
Asbestos Removal Notes	\$ 137,061		\$ (13,054)	\$ 124,007
Pension Obligation Payable	96,175	\$ 4,590		100,765
Compensated Absences	<u>1,276,684</u>	_____	<u>(9,493)</u>	<u>1,267,191</u>
Total general long-term obligations	<u>\$1,509,920</u>	<u>\$ 4,590</u>	<u>\$ (22,547)</u>	<u>\$1,491,963</u>

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**12. LONG-TERM OBLIGATIONS (Continued)**

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

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, 2001 are a voted debt margin of \$27,973,783 and an unvoted debt margin of \$310,820.

**13. FIXED ASSETS AND DEPRECIATION**

**A. General Fixed Assets Account Group**

The general fixed asset group has been restated as of July 1, 2000 due to a change in reporting practice. Land and Buildings/Improvements had been reported at insurable value; they are now being reported at historical value. Remaining fixed assets have been restated due to a reappraisal of the District's capital assets during fiscal year 2001.

The changes in general fixed assets during the year consisted of:

<b>Asset Category</b>	<b>Balance 7/01/00</b>	<b>Corrections</b>	<b>Balance 6/30/01</b>
Lands, buildings and improvements	\$22,374,334	\$(16,361,743)	\$ 6,012,591
Furniture and equipment	4,727,460	(2,648,120)	2,079,340
Vehicles	1,438,619	185,388	1,624,007
Text books	<u>1,984,548</u>	<u>(1,204,311)</u>	<u>780,237</u>
Total	<u>\$30,524,961</u>	<u>\$ (20,028,786)</u>	<u>\$10,496,175</u>

<b>Asset Category</b>	<b>Balance 7/01/00</b>	<b>Additions</b>	<b>Balance 6/30/01</b>
Lands, buildings and improvements	\$ 6,012,591	\$ 399,843	\$ 6,412,434
Furniture and equipment	2,079,340	55,669	2,135,009
Vehicles	1,624,007		1,624,007
Text books	<u>780,237</u>	<u>          </u>	<u>780,237</u>
Total	<u>\$10,496,175</u>	<u>\$ 455,512</u>	<u>\$10,951,687</u>

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**13. FIXED ASSETS AND DEPRECIATION (Continued)**

**B. Proprietary Fund Type Fixed Assets**

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

<b>Enterprise</b>	
Equipment	\$ 225,919
Less: Accumulated Depreciation	<u>(130,253)</u>
Net fixed assets	<u>\$ 95,666</u>

**14. INTERFUND ACTIVITY**

**A. Cash Advances Not Repaid**

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

<b>Fund Type/Fund</b>	<b>Receivables</b>	<b>Payables</b>
General Fund	\$ 53,495	
Special Revenue Funds:		
Title I		\$19,822
Title VI-B		2,132
Drug Free School		1,760
School to Work		3,161
Performance Incentive Grant		2,610
Title VI		6,329
Eisenhower Grant		1,263
Vocational Education		3,335
Harvard School Leadership Grant		1,580
Improvement of Education	<u>          </u>	<u>11,503</u>
Total Special Revenue	<u>          </u>	<u>53,495</u>
Total All Funds	<u>\$ 53,495</u>	<u>\$ 53,495</u>

**B. Reconciliation of Interfund Transfers**

<b>Fund Type</b>	<b>Transfers-In</b>	<b>Transfers-Out</b>
General		\$ (162,719)
Special Revenue	24,297	
Debt Service	13,054	
Capital Projects	65,368	
Enterprise	<u>60,000</u>	<u>          </u>
Total All Fund Types	<u>\$ 162,719</u>	<u>\$ (162,719)</u>

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**15. SEGMENT INFORMATION**

The District maintains enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the Indian Creek Local School District as of and for the fiscal year ended June 30, 2001.

	<b>Food Service</b>	<b>Uniform Supplies</b>	<b>Adult Education</b>	<b>Total Enterprise Funds</b>
Operating Revenues	\$ 247,269	\$ 30,830	\$ 16,810	\$ 294,909
Operating Expenses	626,059	26,575	18,077	670,711
Depreciation	9,062			9,062
Operating Income (Loss)	(387,852)	4,255	(1,267)	(384,864)
Federal Donated Commodities	40,891			40,891
Operating Grants	278,764			278,764
Refund of Prior Year Expenditures	32,865			32,865
Other Non-operating			(540)	(540)
Operating Transfers	60,000			60,000
Net Income (Loss)	24,668	4,255	(1,807)	27,116
Net Working Capital	(8,573)	14,986	23,585	29,998
Total Assets	151,783	15,160	23,585	190,528
Total Equity	87,093	14,986	23,585	125,664

**16. JOINTLY GOVERNED ORGANIZATIONS**

**A. Ohio Mid-Eastern Regional Education Services Agency**

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Jefferson County Joint Vocational School District**

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

**17. INSURANCE PURCHASING POOL**

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

**18. CONTINGENCIES**

**A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

**B. Litigation**

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

**19. SCHOOL FUNDING ISSUE**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**19. SCHOOL FUNDING ISSUE (Continued)**

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 1, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the court granted this motion for reconsideration. The Court may reexamine and redetermine any issue upon such reconsideration.

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

**20. SET-ASIDE REQUIREMENTS**

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

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**20. SET-ASIDE REQUIREMENTS (Continued)**

	<b>Textbooks</b>	<b>Capital Improvement</b>	<b>Budget Reserve</b>
Set-aside Balance as of 7/01/00	\$ (68,684)		\$ 325,000
Non Workers Compensation Portion			(255,676)
Current year set-aside requirement	349,340	\$ 349,340	
Qualifying expenditures	<u>(492,632)</u>	<u>(1,169,822)</u>	_____
Totals	<u>\$ (211,976)</u>	<u>\$ (820,482)</u>	<u>\$ 69,324</u>
Cash balance carried forward to Fiscal year 2002			<u>\$ 69,324</u>

The District had qualifying expenditures during the year that reduced the set-aside amount in the textbook and instructional materials below zero. The extra amount may be used to reduce the set-aside requirement of future years. However, the negative amount in the capital improvement set-aside may not be used to reduce the set-aside requirements of future years.

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

**21. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues." The implementation of GASB Statements 33 and 36 had no effect on fund balance at June 30, 2000.



INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001

	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster						
Food Distribution Program	03-PU-01	10.550		\$40,891		\$40,422
National School Lunch Program	04-PU-01	10.555	\$208,947		\$208,947	
National School Breakfast Program	05-PU-01	10.553	51,541		51,541	
Special Milk Program for Children	02-PU-01	10.556	1,447		1,447	
Total U.S. Department of Agriculture - Nutrition Cluster			261,935	40,891	261,935	40,422
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States Title VI-B Flow Through	6B-SF-98	84.027			34,864	
	6B-SF-99				9,371	
	6B-SF-00		41,478		63,182	
	6B-SF-01		115,378		110,625	
Total Special Education Grant to States Title VI-B			156,856		218,042	
Special Education - Preschool Grant	PG-S1-00	84.173			10,434	
	PG-S1-01		23,306		16,076	
Total Special Education - Preschool Grant			23,306		26,510	
Total Special Education Cluster			180,162		244,552	
Title VI R Classroom Reduction Grant	CR-S1-00	84.340	50,439		39,071	
	CR-S1-01		47,030		39,272	
Total Title VI R Classroom Reduction Grant			97,469		78,343	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99C	84.010			1,854	
	C1-S1-99				79	
	C1-S1-00		143,715		225,879	
	C1-S1-01		293,130		312,699	
			436,845		540,511	
Innovative Educational Program	C2-S1-99	84.298			44	
	C2-S1-99C				410	
	C2-S1-00				2,639	
	C2-S1-01		6,850		5,751	
Total Innovative Educational Programs			6,850		8,844	
Drug-Free Schools Grant	DR-S1-99C	84.186			4,996	
	DR-S1-00				5,947	
	DR-S1-01		6,246		6,006	
			6,246		16,949	
Title II - Dwight D. Eisenhower Program	MS-S1-00	84.281			3,042	
	MS-S1-01		11,364		10,961	
Total Title II			11,364		14,003	
Partnership 2000	G2-S1-99	84.276			48	
Performance Incentive Grant	G2-S1-00				20,519	
Performance Incentive Grant	G2-S1-01		11,369		7,000	
Total Goals 2000 and Local Education Systematic Improvement			11,369		27,567	
Employment Services Job Training Pilot	STW-00	17.249	111,054		32,575	
Learn and Serve America School and Community Based	SV-S2-99	94.004			143	
	SV-S1-00				3,823	
	SV-S3-01		15,000		12,145	
	SV-S2-01		3,000		2,639	
Total Learn and Serve America School and Community Based			18,000		18,750	
FIE Earmark Grant Award	R215K010151	84.215K			3,237	
Total Department of Education			879,359		985,331	
<b>Total Federal Assistant</b>			<b>\$1,141,294</b>	<b>\$40,891</b>	<b>\$1,247,266</b>	<b>\$40,422</b>

The notes to the schedule are an integral part of this schedule.

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2001**

**A. SIGNIFICANT ACCOUNTING POLICIES**

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

**B. FOOD DISTRIBUTION**

Nonmonetary 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, 2001, the District had no significant food commodities in inventory.



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

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

To the Board of Education:

We have audited the financial statements of Indian Creek Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 28, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Indian Creek Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting, that does not require inclusion in this report which we have reported to management of Indian Creek Local School District in a separate letter dated December 28, 2001.

Indian Creek Local School District  
Jefferson County  
Report Of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

December 28, 2001



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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Indian Creek Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Indian Creek Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Indian Creek Local School District's management. Our responsibility is to express an opinion on Indian Creek Local School District's compliance based on our audit.

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

As described in items 2001-11241-001 and 2001-11241-002 in the accompanying schedule of findings and questioned costs, Indian Creek Local School District did not comply with requirements regarding reporting and period of availability of funds that are applicable to the Title I program. Compliance with such requirements is necessary, in our opinion, for Indian Creek Local School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance noted in the preceding paragraph, Indian Creek Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

### **Internal Control Over Compliance**

The management of Indian Creek Local School District, Jefferson County, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Indian Creek Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing 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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

**Jim Petro**  
Auditor of State

December 28, 2001

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
(d)(1)(i)	Type of Financial Statement Opinion.	UNQUALIFIED
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level. (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level. (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion.	QUALIFIED
(d)(1)(vi)	Are there any reportable findings under § .510?	YES
(d)(1)(vii)	Major Programs (list): Title I Nutrition Cluster Food Distribution National School Breakfast National School Lunch Special Milk Program	CFDA #84.010  #10.550 #10.553 #10.555 #10.556
(d)(1)(viii)	Dollar Threshold: Type A/B Programs:	A>\$300,000 B-ALL REMAINING PROGRAMS
(d)(1)(ix)	Low Risk Auditee?	NO

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2001  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>NONE</b>	
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<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	<b>2001-11241-001</b>
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**Federal Expenditure Reports**

The Ohio Department of Education's Federal Fiscal Report Procedures Manual requires that actual expenditure amounts be presented in project cash requests and final expenditure reports. In addition, it requires that the Final Expenditure Report be submitted for each project immediately after all the obligations have been liquidated. The report is due no later than sixty days after the end of the project period. A Final Expenditure Report was not filed for the following program:

Award #047803C1-S1-00  
Ohio Department of Education  
CFDA # 84.010 Title I  
Award: \$399,203

The Final Expenditure Report for the Title I grant was due no later than November 30, 2000 and the report has not been filed as of the date of this report. The late submission of federal expenditure reports could jeopardize future federal funding from the Ohio Department of Education.

The Treasurer and the Federal Administrator should establish specific processes by defining responsibilities and utilizing a calendar to ensure that all required reports are completed and submitted by the required date to avoid suspension or loss of funds.

<b>Finding Number</b>	<b>2001-11241-002</b>
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**Period of Availability**

Code of Federal Regulations Sections 76.704 through 76.707 state that a Local Education Agency (LEA) must obligate grant funds during the twenty-seven (27) month period extending from July 1 through September 30 of the second following fiscal year. This maximum period includes a 15 month period of initial availability plus a 12 month period for carryover, as provided by the consolidated grant agreement between the Ohio Department of Education and the District.



**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2001  
(Continued)**

The District spent funds from the Title I, FY 00 grant outside of the period of availability. The original period of availability of the Title I funds for fiscal year 2000 was July 1, 1999 through September 30, 2000 and the District expended \$28,553.94 of these grant funds between November 20, 2000 and June 29, 2001. The Title I consolidated grant agreement also provides the District with the opportunity to request a carryover period. The District did not apply for the carryover period but continued to spend funds, which resulted in \$28,553.94 being spent outside the period of availability.

Because these funds were expended beyond the period of availability as provided by the grant agreement, \$28,553.94 of the Title I FY 00 grant are considered questioned costs. Grant funds should be monitored closely to ensure monies are spent within the period of availability.

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**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
00-11241-001	Ohio Revised Code § 5705.41 (B), temporary appropriations not passed.	Yes	
00-11241-002	Ohio Administrative Code § 117-2-13(b) appropriations were not posted accurately to District ledgers.	Yes	
00-11241-003	Amendments to appropriations and estimated resources were not accurately posted to District ledgers.	Yes	
00-11241-004	District budgetary reports did not reflect appropriations as approved by the Board of Education.	Yes	
00-11241-005	Federal Expenditure Reports and Cash Request Reports did not contain accurate amounts of expenditures.	No	Partially corrected. Cash Request Reports are properly completed. However, due to problems which began in the prior fiscal year, final project expenditure report was not completed.
00-11241-006	Title I and Goals 2000 monies were spent outside of the period of availability.	No	Not corrected. Carryover was not requested for the Title I program.
00-11241-007	Federal program activity was not always reported in proper fund and cost center.	Yes	.
00-11241-008	Federal grants were administered by different persons throughout the District which resulted in reports being late and sometimes inaccurate.	No	Partially corrected. Federal coordinator is now reviewing grant files to insure grant fund activity is accurately reported.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**INDIAN CREEK LOCAL SCHOOL DISTRICT**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 14, 2002**