



**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



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

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**STATE OF OHIO**



**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Indian Valley Local School District  
Tuscarawas County  
100 N. Walnut Street  
P.O. Box 171  
Gnadenhutten, Ohio 44629

To the Board of Education:

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its Proprietary Fund Types and 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 2, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large loop at the end of the name.

**Jim Petro**  
Auditor of State

December 2, 2002

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**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Combined Balance Sheet*

**All Fund Types and Account Groups**

June 30, 2002

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,583,724	\$ 139,448	\$ 329,826	\$ 52,847
Investments	0	0	0	0
Receivables:				
Taxes	3,577,615	0	587,328	0
Accounts	690	120	0	0
Interfund	34,500	0	0	0
Intergovernmental Receivable	4,618	47,499	276	3,436
Inventory	0	0	0	0
Fixed Assets (Net of Accumulated Depreciation, where applicable)	0	0	0	0
<b>Total Assets</b>	<b>5,201,147</b>	<b>187,067</b>	<b>917,430</b>	<b>56,283</b>
<b><u>Other Debits</u></b>				
Amount Available In Debt Service				
Fund for Retirement of General Long Term Obligations	0	0	0	0
Amount to be Provided from General				
Government Resources	0	0	0	0
<b>Total Other Debits</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Assets and Other Debits</b>	<b>\$ 5,201,147</b>	<b>\$ 187,067</b>	<b>\$ 917,430</b>	<b>\$ 56,283</b>
<b><u>Liabilities</u></b>				
Accounts Payable	\$ 26,699	\$ 6,524	\$ 0	\$ 39,235
Accrued Wages and Benefits	1,220,900	90,949	0	0
Compensated Absences Payable	25,441	0	0	0
Interfund Payable	0	3,500	0	0
Intergovernmental Payable	246,913	11,350	0	0
Deferred Revenue	3,184,507	21,059	523,334	0
Claims Payable	0	0	0	0
Due to Students	0	0	0	0
Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>4,704,460</b>	<b>133,382</b>	<b>523,334</b>	<b>39,235</b>
<b><u>Fund Equity and Other Credits</u></b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings (Deficit):				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	144,608	12,961	0	0
Reserved for Endowment	0	0	0	0
Reserved for Tax Revenue Unavailable for Appropriation	393,108	0	63,994	0
Unreserved:				
Undesignated (Deficit)	(41,029)	40,724	330,102	17,048
<b>Total Fund Equity and Other Credits</b>	<b>496,687</b>	<b>53,685</b>	<b>394,096</b>	<b>17,048</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 5,201,147</b>	<b>\$ 187,067</b>	<b>\$ 917,430</b>	<b>\$ 56,283</b>

See accompanying notes to the general purpose financial statements.



Proprietary Fund Type		Fiduciary Funds	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$ 2,690	\$ 634,978	\$ 49,575	\$ 0	\$ 0	\$ 2,793,088
0	0	10,074	0	0	10,074
0	0	0	0	0	4,164,943
0	11,051	0	0	0	11,861
0	0	0	0	0	34,500
31,070	0	0	0	0	86,899
14,582	0	0	0	0	14,582
142,093	0	0	17,116,725	0	17,258,818
190,435	646,029	59,649	17,116,725	0	24,374,765
0	0	0	0	394,096	394,096
0	0	0	0	7,097,135	7,097,135
0	0	0	0	7,491,231	7,491,231
\$ 190,435	\$ 646,029	\$ 59,649	\$ 17,116,725	\$ 7,491,231	\$ 31,865,996
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 89,458
52,368	0	0	0	0	1,364,217
14,361	0	0	0	690,602	730,404
31,000	0	0	0	0	34,500
29,221	0	0	0	77,987	365,471
9,635	0	0	0	0	3,738,535
0	84,814	0	0	0	84,814
0	0	49,397	0	0	32,397
0	0	0	0	17,642	17,642
0	0	0	0	6,705,000	6,705,000
136,585	84,814	49,397	0	7,491,231	13,162,438
0	0	0	17,116,725	0	17,116,725
111,953	0	0	0	0	111,953
(58,103)	561,215	0	0	0	503,112
0	0	0	0	0	157,569
0	0	10,000	0	0	10,000
0	0	0	0	0	457,102
0	0	252	0	0	347,097
53,850	561,215	10,252	17,116,725	0	18,703,558
\$ 190,435	\$ 646,029	\$ 59,649	\$ 17,116,725	\$ 7,491,231	\$ 31,865,996

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**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances*

**All Governmental Fund Types**

For the Year Ended June 30, 2002

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Revenues</b>					
Taxes	\$ 2,973,544	\$ 0	\$ 503,478	\$ 0	\$ 3,477,022
Intergovernmental	6,949,548	727,676	68,953	67,236	7,813,413
Investment Income	72,095	0	0	0	72,095
Tuition and Fees	991,296	0	0	0	991,296
Extracurricular Activities	0	138,889	0	0	138,889
Miscellaneous	22,829	16,116	0	0	38,945
<b>Total Revenues</b>	<b>11,009,312</b>	<b>882,681</b>	<b>572,431</b>	<b>67,236</b>	<b>12,531,660</b>
<b>Expenditures</b>					
Instruction:					
Regular	5,044,195	149,918	0	97,099	5,291,212
Special	761,224	408,546	0	0	1,169,770
Vocational	355,595	615	0	0	356,210
Other	732,044	0	0	0	732,044
Support Services:					
Pupils	435,149	19,600	0	0	454,749
Instructional Staff	450,634	58,438	0	0	509,072
Board of Education	25,215	0	0	0	25,215
Administration	1,002,264	43,594	0	0	1,045,858
Fiscal	272,219	0	11,014	0	283,233
Business	87,852	0	0	0	87,852
Operation and Maintenance					
of Plant	1,173,500	8,098	0	903	1,182,501
Pupil Transportation	704,080	362	0	0	704,442
Central	30,256	19,314	0	0	49,570
Extracurricular Activities	220,683	164,489	0	0	385,172
Capital Outlay	9,649	0	0	0	9,649
Debt Service:					
Principal Retirement	0	0	151,679	0	151,679
Interest and Fiscal Charges	0	0	418,836	0	418,836
<b>Total Expenditures</b>	<b>11,304,559</b>	<b>872,974</b>	<b>581,529</b>	<b>98,002</b>	<b>12,857,064</b>
Excess of Revenues Over (Under) Expenditures	(295,247)	9,707	(9,098)	(30,766)	(325,404)
<b>Other Financing (Uses)</b>					
Operating Transfers Out	(2,226)	0	0	0	(2,226)
<b>Total Other Financing (Uses)</b>	<b>(2,226)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,226)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(297,473)	9,707	(9,098)	(30,766)	(327,630)
Fund Balances at Beginning of Year	794,160	43,978	403,194	47,814	1,289,146
<b>Fund Balances at End of Year</b>	<b>\$ 496,687</b>	<b>\$ 53,685</b>	<b>\$ 394,096</b>	<b>\$ 17,048</b>	<b>\$ 961,516</b>

See accompanying notes to the general purpose financial statements.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)*

**All Governmental Fund Types**

For the Year Ended June 30, 2002

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 3,382,175	\$ 3,382,167	\$ (8)
Intergovernmental	6,940,000	6,944,930	4,930
Investment Income	72,000	72,095	95
Tuition and Fees	1,000,000	991,068	(8,932)
Extracurricular Activities	0	0	0
Miscellaneous	18,000	21,636	3,636
<b>Total Revenues</b>	<b>11,412,175</b>	<b>11,411,896</b>	<b>(279)</b>
<b>Expenditures</b>			
Current			
Instruction	6,839,455	6,756,783	82,672
Support Services			
Pupils	466,062	437,726	28,336
Instructional Staff	475,984	448,558	27,426
Board of Education	31,550	25,210	6,340
Administration	1,022,529	995,339	27,190
Fiscal	283,476	280,967	2,509
Business	91,000	90,330	670
Operation and Maintenance of Plant	1,176,795	1,123,451	53,344
Pupil Transportation	1,016,507	947,863	68,644
Central	30,500	30,256	244
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	228,775	225,569	3,206
Capital Outlay	31,486	9,649	21,837
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>11,694,119</b>	<b>11,371,701</b>	<b>322,418</b>
Excess of Revenues Over (Under) Expenditures	(281,944)	40,195	322,139
<b>Other Financing Sources (Uses)</b>			
Refund of Prior Year Expenditures	0	731	731
Advances In	61,500	61,700	200
Advances Out	(96,500)	(96,200)	300
Operating Transfers Out	(25,000)	(2,226)	22,774
<b>Total Other Financing Sources (Uses)</b>	<b>(60,000)</b>	<b>(35,995)</b>	<b>24,005</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(341,944)	4,200	346,144
Fund Balances at Beginning of Year	1,263,546	1,263,546	0
Prior Year Encumbrances Appropriated	165,632	165,632	0
<b>Fund Balances at End of Year</b>	<b>\$ 1,087,234</b>	<b>\$ 1,433,378</b>	<b>\$ 346,144</b>

See accompanying notes to the general purpose financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 559,214	\$ 559,283	\$ 69
735,808	738,990	3,182	68,700	68,677	(23)
0	0	0	0	0	0
0	0	0	0	0	0
145,300	138,769	(6,531)	0	0	0
9,300	16,116	6,816	0	0	0
<u>890,408</u>	<u>893,875</u>	<u>3,467</u>	<u>627,914</u>	<u>627,960</u>	<u>46</u>
638,026	587,247	50,779	0	0	0
19,600	19,600	0	0	0	0
67,000	56,383	10,617	0	0	0
0	0	0	0	0	0
48,451	42,747	5,704	0	0	0
0	0	0	11,090	11,014	76
0	0	0	0	0	0
8,098	8,098	0	0	0	0
359	359	0	0	0	0
19,314	19,314	0	0	0	0
0	0	0	0	0	0
178,266	165,722	12,544	0	0	0
0	0	0	0	0	0
0	0	0	151,689	151,679	10
0	0	0	418,836	418,836	0
<u>979,114</u>	<u>899,470</u>	<u>79,644</u>	<u>581,615</u>	<u>581,529</u>	<u>86</u>
(88,706)	(5,595)	83,111	46,299	46,431	132
0	0	0	0	0	0
46,800	46,800	0	0	0	0
(43,360)	(43,300)	60	0	0	0
0	0	0	0	0	0
<u>3,440</u>	<u>3,500</u>	<u>60</u>	<u>0</u>	<u>0</u>	<u>0</u>
(85,266)	(2,095)	83,171	46,299	46,431	132
125,027	125,027	0	283,395	283,395	0
2,863	2,863	0	0	0	0
<u>\$ 42,624</u>	<u>\$ 125,795</u>	<u>\$ 83,171</u>	<u>\$ 329,694</u>	<u>\$ 329,826</u>	<u>\$ 132</u>

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)*

**All Governmental Fund Types**

For the Year Ended June 30, 2002

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	63,800	63,800	0
Investment Income	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
<b>Total Revenues</b>	<b>63,800</b>	<b>63,800</b>	<b>0</b>
<b>Expenditures</b>			
Current			
Instruction	101,832	97,299	4,533
Support Services			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	1,083	903	180
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>102,915</b>	<b>98,202</b>	<b>4,713</b>
Excess of Revenues Over (Under) Expenditures	(39,115)	(34,402)	4,713
<b>Other Financing Sources (Uses)</b>			
Refund of Prior Year Expenditures	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(39,115)	(34,402)	4,713
Fund Balances at Beginning of Year	47,815	47,815	0
Prior Year Encumbrances Appropriated	0	0	0
<b>Fund Balances at End of Year</b>	<b>\$ 8,700</b>	<b>\$ 13,413</b>	<b>\$ 4,713</b>

See accompanying notes to the general purpose financial statements.

**Totals (Memorandum Only)**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$ 3,941,389	\$ 3,941,450	\$ 61
7,808,308	7,816,397	8,089
72,000	72,095	95
1,000,000	991,068	(8,932)
145,300	138,769	(6,531)
27,300	37,752	10,452
<u>12,994,297</u>	<u>12,997,531</u>	<u>3,234</u>
7,579,313	7,441,329	137,984
485,662	457,326	28,336
542,984	504,941	38,043
31,550	25,210	6,340
1,070,980	1,038,086	32,894
294,566	291,981	2,585
91,000	90,330	670
1,185,976	1,132,452	53,524
1,016,866	948,222	68,644
49,814	49,570	244
0	0	0
407,041	391,291	15,750
31,486	9,649	21,837
151,689	151,679	10
418,836	418,836	0
<u>13,357,763</u>	<u>12,950,902</u>	<u>406,861</u>
(363,466)	46,629	410,095
0	731	731
108,300	108,500	200
(139,860)	(139,500)	360
<u>(25,000)</u>	<u>(2,226)</u>	<u>22,774</u>
<u>(56,560)</u>	<u>(32,495)</u>	<u>24,065</u>
(420,026)	14,134	434,160
1,719,783	1,719,783	0
168,495	168,495	0
<u>\$ 1,468,252</u>	<u>\$ 1,902,412</u>	<u>\$ 434,160</u>

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues,  
Expenses, and Changes in Fund Equity*

**Proprietary Fund Types and Nonexpendable Trust Fund**

For the Year Ended June 30, 2002

	<u>Proprietary Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b><u>Operating Revenues</u></b>				
Sales	\$ 311,900	\$ 0	\$ 0	\$ 311,900
Charges for Services	3,754	1,431,046	0	1,434,800
Investment Income	0	0	603	603
<b>Total Operating Revenues</b>	<u>315,654</u>	<u>1,431,046</u>	<u>603</u>	<u>1,747,303</u>
<b><u>Operating Expenses</u></b>				
Salaries	222,595	0	0	222,595
Fringe Benefits	106,105	0	0	106,105
Purchased Services	2,755	91,952	0	94,707
Materials and Supplies	292,699	0	0	292,699
Depreciation	13,232	0	0	13,232
Claims Expense	0	991,543	0	991,543
Other Operating Expenses	1,076	0	688	1,764
<b>Total Operating Expenses</b>	<u>638,462</u>	<u>1,083,495</u>	<u>688</u>	<u>1,722,645</u>
Operating Income (Loss)	<u>(322,808)</u>	<u>347,551</u>	<u>(85)</u>	<u>24,658</u>
<b><u>Non-Operating Revenues</u></b>				
Operating Grants	250,691	0	0	250,691
Government Donated Commodities	46,354	0	0	46,354
Investment Income	118	0	0	118
<b>Total Non-Operating Revenues</b>	<u>297,163</u>	<u>0</u>	<u>0</u>	<u>297,163</u>
Income (Loss) Before Operating Transfers	<u>(25,645)</u>	<u>347,551</u>	<u>(85)</u>	<u>321,821</u>
Operating Transfers In	<u>2,226</u>	<u>0</u>	<u>0</u>	<u>2,226</u>
Net Income (Loss)	<u>(23,419)</u>	<u>347,551</u>	<u>(85)</u>	<u>324,047</u>
Depreciation on Fixed Assets Acquired By Contributed Capital	10,665	0	0	10,665
Retained Earnings/Fund Balance (Deficit) at Beginning of Year	<u>(45,349)</u>	<u>213,664</u>	<u>10,337</u>	<u>178,652</u>
Retained Earnings/Fund Balance (Deficit) at End of Year	<u>(58,103)</u>	<u>561,215</u>	<u>10,252</u>	<u>513,364</u>
Contributed Capital at Beginning of Year	122,618	0	0	122,618
Depreciation on Fixed Assets Acquired by Contributed Capital	<u>(10,665)</u>	<u>0</u>	<u>0</u>	<u>(10,665)</u>
Contributed Capital at End of Year	<u>111,953</u>	<u>0</u>	<u>0</u>	<u>111,953</u>
<b>Total Fund Equity at End of Year</b>	<u>\$ 53,850</u>	<u>\$ 561,215</u>	<u>\$ 10,252</u>	<u>\$ 625,317</u>

See accompanying notes to the general purpose financial statements.



INDIAN VALLEY LOCAL SCHOOL DISTRICT

Combined Statement of Cash Flows

Proprietary Fund Types and Nonexpendable Trust Fund

For the Year Ended June 30, 2002

	Proprietary Fund Types			Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Cash Flows From Operating Activities</b>				
Cash Received from Customers	\$ 315,654	\$ 1,431,046	\$ 0	\$ 1,746,700
Investment Income	0	0	603	603
Cash Paid for Goods and Services	(249,897)	(103,003)	(688)	(353,588)
Cash Paid to Employees	(324,944)	0	0	(324,944)
Cash Paid for Claims and Expenses	0	(1,006,729)	0	(1,006,729)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(259,187)</b>	<b>321,314</b>	<b>(85)</b>	<b>62,042</b>
<b>Cash Flows From Non-Capital Financing Activities</b>				
Grants	219,621	0	0	219,621
Advance Out	(18,400)	0	0	(18,400)
Operating Transfers In	2,226	0	0	2,226
Advance In	49,400	0	0	49,400
<b>Net Cash Provided by Non-Capital Activities</b>	<b>252,847</b>	<b>0</b>	<b>0</b>	<b>252,847</b>
<b>Cash Flows From Investing Activities</b>				
Investment Income	118	0	0	118
Sale of Investment	0	0	263	263
<b>Net Cash Provided by Investing Activities</b>	<b>118</b>	<b>0</b>	<b>263</b>	<b>381</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(6,222)</b>	<b>321,314</b>	<b>178</b>	<b>315,270</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>8,912</b>	<b>313,664</b>	<b>0</b>	<b>322,576</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,690</b>	<b>\$ 634,978</b>	<b>\$ 178</b>	<b>\$ 637,846</b>
<b>Reconciliation of Operating Loss to Net Cash Provided By (Used In) Operating Activities</b>				
Operating Income (Loss)	\$ (322,808)	\$ 347,551	\$ (85)	\$ 24,658
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) for Operating Activities:</b>				
Depreciation	13,232	0	0	13,232
Donated Commodities	46,354	0	0	46,354
(Increase) in Accounts Receivable	0	(11,051)	0	(11,051)
(Increase) in Inventory	(2,716)	0	0	(2,716)
Increase in Accrued Wages and Benefits	1,565	0	0	1,565
(Decrease) in Compensated Absences Payable	(1,644)	0	0	(1,644)
Increase in Intergovernmental Payable	3,835	0	0	3,835
Increase in Deferred Revenue	2,995	0	0	2,995
(Decrease) in Claims Payable	0	(15,186)	0	(15,186)
<b>Total Adjustments</b>	<b>63,621</b>	<b>(26,237)</b>	<b>0</b>	<b>37,384</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (259,187)</b>	<b>\$ 321,314</b>	<b>\$ (85)</b>	<b>\$ 62,042</b>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet</b>				
Trust and Agency			\$ 49,575	
Less: Agency Funds			(49,397)	
Nonexpendable Trust Fund			\$ 178	

See accompanying notes to the general purpose financial statements.

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INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Indian Valley Local School District (District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on October 1, 2001, was 1,787. The District employs 136 certificated and 85 non-certificated employees.

The reporting entity is required to be composed of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

The District is involved with Ohio Mid-Eastern Regional Educational Services Association (OME-RESA), Tuscarawas County Tax Incentive Review Council, and Buckeye Career Center, which are defined as jointly governed organizations, and the Gnadenhutten Public Library, which is defined as a related organization. Additional information concerning the jointly governed and related organizations is presented in Notes 13 and 16.

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

NOTE 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 VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Governmental Fund Types**

Governmental fund types are used to account for the District's general government activities. Governmental fund types and the expendable trust funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used the pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 8.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which are levied to finance fiscal year 2003 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 VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. 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 early in the following year. Compensated absences are reported as a fund liability when payment will require use of 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 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 or nonexpendable trust funds.

**Proprietary Fund Types**

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue. 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 fund types:

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 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 Fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other governmental units, on a cost-reimbursement basis.

**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:

*Nonexpendable Trust Fund* – The nonexpendable trust fund is accounted for in essentially the same manner as the proprietary fund types.

*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 that the District holds for others in an agency capacity.

**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.

*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.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 funds are required to be budgeted and appropriated except agency funds. For all funds, the primary level of budgetary control is at the fund level. Budgetary modifications, which change total fund balances, may only be made by resolution of the Board of Education.

C. Cash, Cash Equivalents, and Investments

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 cash equivalents" on the combined balance sheet.

During fiscal year 2002, investments were limited to Certificates of Deposit and STAROhio. 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 2002 amounted to \$72,095, which includes \$28,639 assigned from other District funds.

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 2002. 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, 2002.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Receivables

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

E. 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.

F. 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.

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 consist 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, purchased food, and school supplies held for resale and are expensed when used.

Inventories are not significant for governmental fund types and, therefore, are not reported.



INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation

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

Fixed assets which are 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 \$500.

I. 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.

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 may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires 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.

J. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer 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 termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of proprietary type funds is reflected as a liability in the respective funds. The current portion of unpaid compensated absences for sick leave related to governmental fund type operations is reflected in the respective funds. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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.

M. Fund Balance 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 balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, tax revenue, and endowment. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 2000, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings. There are no additions to contributed capital in the current year.

O. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several state and federal programs, categorized as follows:

Entitlements

*General Fund:*

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Allowance

Non-Reimbursable Grants

*Special Revenue Funds:*

Auxiliary Services  
Education Management Information Systems  
Disadvantaged Pupil Impact Act  
Data Communications – Network Connection  
Title I  
Title II  
Title VI  
Title VI-B  
Title VI-R

INDIAN VALLEY LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Non-Reimbursable Grants (Continued)*

*Special Revenue Funds (Continued):*

SchoolNet Professional Development Grant

Drug-Free Schools

Safe School Help Line

Ohio Reads Grant

Work Force Initiative

*Capital Projects Funds:*

School Net

Video Distance Learning

*Reimbursable Grants*

*Enterprise Funds:*

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 57% of the District's operating revenue during the 2002 fiscal year.

P. Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 3: BUDGETARY PROCESS

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit a proposed operating budget to the Board of Education. A budget of estimated revenue and expenditures is submitted to the Tuscarawas 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.

Estimated Resources

The County Budget Commission determines if the budget substantiates 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 states 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 Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types (Non-GAAP Budgetary Basis)" do not include July 1, 2001 unencumbered fund balances. However, those fund balances are available for appropriations.

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 level and may be amended during the year as new information becomes available provided that 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 - All Governmental Fund Types (Non-GAAP Budgetary Basis)" represent the final appropriation amounts including all amendments and modifications.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 3: BUDGETARY PROCESS (Continued)

Lapsing of Appropriations

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

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.

Budgetary Reporting

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 - All Governmental Fund Types (Non-GAAP Budgetary Basis)" 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 (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid or encumbered (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.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 3: BUDGETARY PROCESS (Continued)

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

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

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
Budgetary Basis	\$ 4,200	\$ (2,095)	\$ 46,431	\$ (34,402)
Encumbrances	150,346	13,654	0	39,435
Revenue accruals	(465,015)	(57,994)	(55,529)	3,436
Expenditure accruals	12,996	56,142	0	(39,235)
GAAP Basis	\$ (297,473)	\$ 9,707	\$ (9,098)	\$ (30,766)

NOTE 4: DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet the 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 or withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits 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 or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those 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.

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

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

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any 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; and
- 6) The State Treasury Asset Reserve of Ohio (STAROhio).
- 7) Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.



INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

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 District or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year-end, the carrying amount of the District's deposits was \$184,679 which includes petty cash and cash on hand in the amount of \$1,165, and the bank balance was \$289,947. Of the bank balance,

1. \$111,114 was covered by federal depository insurance, and
2. \$178,833 was collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Investments

At year end, the District's funds were invested entirely in the State Treasurer's Investment Pool with a balance of \$2,618,483. GASB Statement No. 3, "Deposits with Financial Institutions Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the District to categorize investments to give an indication of the level of custodial credit risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or 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 which are held by the counterparty, or by its trust department or agent but not in the District's name. The State Treasurer's Investment Pool does not require categorization under Governmental Accounting Standards Board Statement No. 3 since they are not evidenced by securities that exist in physical or book entry form.

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, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

	<u>Cash and Cash</u>	<u>Investments</u>
	<u>Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,793,088	\$ 10,074
Certificate of Deposit	10,074	(10,074)
STAR Ohio	<u>(2,618,483)</u>	<u>2,618,483</u>
GASB Statement No. 3	<u>\$ 184,679</u>	<u>\$ 2,618,483</u>

NOTE 5: RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (customer services and student fees), accrued interest 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 year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follow:

General Fund:	
Homestead Rollback	\$ 1,485
CAFS Reimbursement	3,133
Debt Service Fund:	
Homestead Rollback	276
Special Revenue:	
Title I	44,391
Title VI B	1,440
Drug Free Schools	1,668
Capital Projects:	
Workforce Initiative	3,436
Enterprise Fund:	
Food Service	<u>31,070</u>
	<u>\$ 86,899</u>

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 6: FIXED ASSETS AND DEPRECIATION

A. General Fixed Assets Account Group

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

	Balance July 1, 2001	Additions	Disposals	Balance June 30, 2002
Land	\$ 76,324	\$ 0	\$ 0	\$ 76,324
Improvements other than buildings	905,396	0	0	905,396
Buildings and improvements	11,352,786	0	0	11,352,786
Furniture and equipment	3,087,163	234,356	(21,760)	3,299,759
Vehicles	1,448,070	34,390	0	1,482,460
Total	\$ 16,869,739	\$ 268,746	\$ (21,760)	\$ 17,116,725

B. Proprietary Fund Type Fixed Assets

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

<u>Enterprise</u>	<u>June 30, 2002</u>
Equipment	\$ 321,804
Less: Accumulated Depreciation	179,711
Net Fixed Assets	\$ 142,093

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 7: LONG-TERM OBLIGATIONS

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

	Principal Outstanding July 1, 2001	Additions	Deductions	Principal Outstanding June 30, 2002
HB 264 Note 2.52% interest rate, due January 11, 2003	\$ 34,321	\$ 0	\$ (16,679)	\$ 17,642
General Obligation Bonds, 4.75%-7.00% interest rate, due December 1, 2019	6,840,000	0	(135,000)	6,705,000
Intergovernmental payable	68,531	9,456	0	77,987
Compensated absences	726,004	0	(35,402)	690,602
Total General Long-Term Obligations	\$ 7,668,856	\$ 9,456	\$ (187,081)	\$ 7,491,231

Outstanding general obligation bonds consist of school building construction issues. Such bonds are direct obligations of the District for which the full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the District.

HB-264 energy conservation notes are direct obligations of the District for which its full faith, credit and resources are pledged. Proceeds from the notes were used for energy conservation improvements to school buildings.

No new debt was issued in 2002.

Annual requirements to retire general obligation debt, including notes outstanding at June 30, 2002, are as follows:

		Principal	Interest	Total
Year Ending June 30,	2003	\$ 182,642	\$ 410,064	\$ 592,706
	2004	195,000	399,746	594,746
	2005	200,000	389,130	589,130
	2005	220,000	377,735	597,735
	2007	245,000	365,003	610,003
	Future Years	5,680,000	2,614,545	8,294,545
	Total	\$ 6,722,642	\$ 4,556,223	\$ 11,278,865

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 8: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Tuscarawas County Auditor is responsible for assessing and remitting these property taxes to the District.

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The County Auditor reappraises real property every six years with a triennial update, the last update for Tuscarawas County was done in 2001. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, real property taxes are billed semi-annually one year in arrears. The tax rate applied to real property collected in 2001 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$42.35 per \$1,000 of valuation. The effective rate applied after adjustment for inflationary increases in property values was \$29.35 per \$1,000 of assessed valuation for residential and agricultural real property, and \$34.19 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 2001 was \$42.35 per \$1,000 of valuation.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current 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 is recognized as revenue. The amount available to the District as an advance at June 30, 2002, was \$457,102.

NOTE 9: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

The District contributes to the School Employees' Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$219,576, \$204,696 and \$198,612, respectively. 46.61% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$117,228, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligation account group.

B. State Teachers Retirement System (STRS)

The District contributes to the State Teachers' Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9% of their annual covered salaries. The District was required to contribute 14%; 9.5% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$754,644, \$723,144 and \$683,424, respectively; 82.26% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$131,024, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, all members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 10: POSTEMPLOYMENT 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-certificated 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 obligation 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$244,524 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001 (the latest information available), the balance in the fund was \$3.256 billion. For the year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$151,394.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001 (the latest information possible), SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 11: NON-CASH TRANSACTIONS

The District receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$46,354.

NOTE 12: STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition</u>	<u>BWC Refund</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 2001	\$ (258,320)	\$ 0	\$ 49,371	\$ (208,949)
Current year set-aside requirement	221,518	221,518	0	443,036
Current year qualifying disbursements	(428,293)	(277,532)	0	(705,825)
Amount transferred to General Fund	<u>0</u>	<u>0</u>	<u>(49,371)</u>	<u>(49,371)</u>
 Total	 <u>\$ (465,095)</u>	 <u>\$ (56,014)</u>	 <u>\$ 0</u>	 <u>\$ (521,109)</u>
 Cash balance carried forward to FY 2003	 <u>\$ (465,095)</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	

Effective April 10, 2002, the Ohio legislature passed Am. Sub. Senate Bill 345, that addressed H.B. 412 set-aside requirements. The requirement for establishment of a budget reserve set-aside has been deleted from the law. A district may still establish a reserve, if it so chooses; however, the requirement is no longer mandatory. Monies in the budget reserve set-aside as of April 10, 2002 are classified in two categories: (1) Bureau of Workers' Compensation (BWC) refunds and (2) the balance of the reserve which does not represent BWC refunds. The statute includes specific purposes for which the monies representing BWC refunds can be used. The BWC Refund Reserve was transferred to the General Fund and used to purchase a school bus in the current year.

The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years.

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements for future years.



INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 13: RELATED ORGANIZATION

The Gnadenhutten Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as a taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Gnadenhutten Public Library, Clerk/Treasurer, Gnadenhutten, Ohio.

NOTE 14: SEGMENT INFORMATION

The District maintains enterprise funds to account for the operation 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 District as of and for the fiscal year ended June 30, 2002.

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 311,900	\$ 3,754	\$ 0	\$ 315,654
Operating expenses, less depreciation	619,129	6,101	0	625,230
Depreciation expense	13,232	0	0	13,232
Operating loss	(320,461)	(2,347)	0	(322,808)
Donated commodities	46,354	0	0	46,354
Operating grants	250,691	0	0	250,691
Transfers in	0	2,226	0	2,226
Interest income	118	0	0	118
Net loss	(23,298)	(121)	0	(23,419)
Net working capital	(74,045)	0	163	(73,882)
Total assets	190,272	0	163	190,435
Total equity	53,687	0	163	53,850

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 15: RISK MANAGEMENT

A. General Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$1,000 per incident on property and equipment. The District's comprehensive property and casualty policy aggregate limit is approximately \$0,710,789. The District's vehicle insurance policy limit is \$2,000,000 with a \$100 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the District carries a \$2,000,000 excess liability policy. The limits of this coverage are \$1,000,000 per occurrence and \$5,000,000 in aggregate. Claims did not exceed coverage in the past three years. There has not been a significant reduction in insurance coverage from the prior year.

B. Fidelity Bond

The Board President and Superintendent have a \$25,000 position bond. The Treasurer is covered under a surety bond in the amount of \$100,000. All other school employees who are responsible for handling funds are covered by a \$10,000 fidelity bond.

C. Workers' Compensation

The District pays the State Workers' Compensation System, a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

D. Employee Health Insurance

The District established a limited risk management program for its medical insurance program in 2002. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000. The liability for unpaid claims cost of \$84,814 is reported in the fund at June 30, 2002 in accordance with Governmental Accounting Standards Board Statement No. 10.

Changes in the fund's claims liability amount in 2002 and 2001 were:

	<u>Balance at Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance at End of Year</u>
2002	\$ <u>100,000</u>	\$ <u>991,543</u>	\$ <u>1,006,729</u>	\$ <u>84,814</u>
2001	\$ <u>90,000</u>	\$ <u>1,030,312</u>	\$ <u>1,020,312</u>	\$ <u>100,000</u>

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 16: JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Regional Education Association (OME-RESA)

OME-RESA is a jointly governed organization comprised of 52 school districts, created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Jefferson County Education Services Center, which serves as fiscal agent, located in Steubenville, Ohio. During the year ended June 30, 2002, the District paid approximately \$55,360 to OME-RESA for basic service charges.

B. Buckeye Career Center

The Career Center, a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no measurable equity interest exists.

C. Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the County Auditor's office and 8 members appointed by Boards of Education located within the County. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the Council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the TRTIRC is not dependent on the District's continued participation and no equity interest exists.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 17: CONTINGENCIES

A. Grants

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

B. Litigation

The District is not party to any claims or lawsuits that would have a material affect, if any, on the financial condition of the District.

NOTE 18: STATE SCHOOL FUNDING DECISION

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.

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

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. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Grantor Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
(Passed Through Ohio Department of Education)						
Title I Grants to Local Educational Agencies	C1-S1-2001 C1-S1-2001C C1-C1-2002	84.010	\$33,849 23,723 <u>266,560</u>		\$70,719 23,723 <u>229,754</u>	
Total Title I Grants to Local Educational Agencies			324,132		324,196	
Special Education Cluster:						
Special Education - Grants to States	6B-SF-2001 6B-SF-2002P	84.027	0 <u>164,460</u>		22,288 <u>134,451</u>	
Total Special Education Cluster			164,460		156,739	
Class Size Reduction	CR-S1-2002	84.340	57,161		47,303	
Innovative Education Program Strategies	C2-S1-2002	84.298	9,712		8,310	
Eisenhower Professional Development State Grants	MS-S1-2001 MS-S1-2002	84.281	0 <u>9,574</u>		1,129 <u>9,254</u>	
Total Eisenhower Professional Development State Grants			9,574		10,383	
Safe and Drug Free Schools and Communities State Grant	DR-S1-2001 DR-S1-2002	84.186	0 <u>5,702</u>		1,265 <u>4,202</u>	
Total Safe and Drug Free Schools and Communities State Grant			5,702		5,467	
Total U.S. Department of Education			<u>570,741</u>		<u>552,398</u>	
<b><u>U.S. DEPARTMENT OF LABOR</u></b>						
(Passed Through Ohio Workforce Initiative Association)						
Workforce Initiative	Youth-PY-01-1681	17.250	15,990		19,430	
<b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>						
(Passed Through Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program	07/01/98 - 06/30/99	93.779	173		0	
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
(Passed Through Ohio Department of Education)						
Child Nutrition Cluster:						
Food Distribution	N/A	10.550		\$49,350		\$46,354
National School Breakfast Program	N/A	10.553	21,926		21,926	
National School Lunch Program	N/A	10.555	<u>184,250</u>		<u>184,250</u>	
Total U.S. Department of Agriculture - Child Nutrition Cluster			206,176	49,350	206,176	46,354
Total			<u>\$793,080</u>	<u>\$49,350</u>	<u>\$778,004</u>	<u>\$46,354</u>

The notes to the Schedule of Receipts and Expenditures of Federal Awards are an integral part of this statement.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting except for CFDA No. 17.250 which is accounted for on an accrual basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Indian Valley Local School District  
Tuscarawas County  
100 N. Walnut Street  
P.O. Box 171  
Gnadenhutten, Ohio 44629

To the Board of Education:

We have audited the general purpose financial statements of Indian Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 2, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 2, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-11279-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over the financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 2, 2002.

This report is intended for the information and use of the audit committee, management, the 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 2, 2002





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

Indian Valley Local School District  
Tuscarawas County  
100 N. Walnut Street  
P.O. Box 171  
Gnadenhutten, Ohio 44629

To the Board of Education:

**Compliance**

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

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

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

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing 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.

However, we noted a certain matter involving the internal control over compliance that we have reported to management of the District in a separate letter dated December 2, 2002.

This report is intended for the information and use of the audit committee, management, the 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 2, 2002

**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I: CFDA #84.010 Child Nutrition Cluster: CFDA #10.550 - 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2002-11279-001**

**Reportable Condition**

**Service Organization - Health Insurance Processing Assurances**

The District has delegated employees' health insurance claims processing, which is a significant accounting function, to Hometown Health Network, a third-party administrator. The District has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that health insurance claims have not been completely and accurately processed in accordance with the health insurance contract.

We recommend the District implement procedures to assure the completeness and accuracy (including eligibility and allowability) of health insurance claims processed by its third-party administrator. Statement on Auditing Standards (SAS) No. 70 as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the District with an appropriate level of assurance that health insurance claims are being processed in conformance with the contract.

We recommend the District specify in their contract with the third-party administrator that an annual Tier II SAS 70 audit report be performed. The District should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

**TUSCARAWAS 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  
JANUARY 7, 2003**