



Mary Taylor, CPA  
Auditor of State





# Dave Yost • Auditor of State

January 18, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in cursive script that reads "Dave Yost".

DAVE YOST  
Auditor of State

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**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Creek Local School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Creek Local School District, Jefferson County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with managements' responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us this sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The federal awards schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

December 15, 2010



**Indian Creek Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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The management's discussion and analysis of Indian Creek Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key Financial Highlights for fiscal year 2010 are as follows:

- The School District had an increase in capital assets due to the completion of the Multi-purpose Facility and the Wintersville Elementary Masonry Repair project.
- The School District's enrollment stayed relatively stable from fiscal year 2009 to fiscal year 2010 with only a small decrease of 43 students.
- The School District had an increase in expenditures during the current fiscal year due to a few different variables. Classified and Administrative employees received no raise while Certified employees received a one percent raise effective January 2010. All eligible employees received an annual step increase. Interest and fiscal charges increased due to the School District beginning to make interest payments due on the School Facilities Bonds.

**Using this Annual Financial Report**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Indian Creek Local School District, the general fund and the classroom facilities capital projects fund are the more significant funds.

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2010?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Indian Creek Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service operations and extracurricular activities.

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

*Fund Financial Statements*

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

*Governmental Funds*

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

**Proprietary Fund** The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for medical, surgical and dental self-insurance. The proprietary fund uses the accrual basis of accounting.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**Indian Creek Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

**The School District as a Whole**

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for 2010 compared to 2009:

(Table 1)  
 Net Assets  
 Governmental Activities

	2010	2009	Change
<b>Assets</b>			
Current and Other Assets	\$28,762,109	\$26,287,360	\$2,474,749
Capital Assets	5,942,721	5,027,698	915,023
<i>Total Assets</i>	<u>34,704,830</u>	<u>31,315,058</u>	<u>3,389,772</u>
<b>Liabilities</b>			
Current Liabilities	10,900,882	10,568,199	(332,683)
Long-Term Liabilities			
Due within One Year	546,703	496,196	(50,507)
Due in More than One Year	13,005,054	13,527,808	522,754
<i>Total Liabilities</i>	<u>24,452,639</u>	<u>24,592,203</u>	<u>139,564</u>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	3,316,569	2,888,298	428,271
Restricted for:			
Capital Projects	5,079,441	1,337,838	3,741,603
Debt Service	299,086	469,670	(170,584)
Set Asides	0	69,324	(69,324)
Other Purposes	504,999	465,552	39,447
Unrestricted	1,052,096	1,492,173	(440,077)
<i>Total Net Assets</i>	<u>\$10,252,191</u>	<u>\$6,722,855</u>	<u>\$3,529,336</u>

The School District had an increase in total assets mainly due to an increase in cash and cash equivalents. During fiscal year 2010, the School District receipted into the classroom facilities capital projects fund the State's share of the OSFC project to build the new middle school causing this large increase.

The School District had a decrease in total liabilities due to the School District beginning to pay down outstanding debt obligations. During fiscal year 2010, the School District began making payments on the School Facilities Construction Bonds issued during fiscal year 2009. This decrease was offset by an increase in matured compensated absences from the prior year due to a large number of employees retiring at the end of the fiscal year.

In order to further understand what makes up the changes in net assets for the current year, the following table gives further details regarding the results of activities for 2010 and 2009.

**Indian Creek Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

(Table 2)  
Change in Net Assets  
Governmental Activities

	2010	2009	Change
<b>Revenues</b>			
<b><i>Program Revenues</i></b>			
Charges for Services and Sales	\$2,161,686	\$2,118,833	\$42,853
Operating Grants and Contributions	3,021,286	3,516,738	(495,452)
Capital Grants and Contributions	3,591,033	673,685	2,917,348
<b><i>Total Program Revenues</i></b>	<b>8,774,005</b>	<b>6,309,256</b>	<b>2,464,749</b>
<b><i>General Revenues</i></b>			
Property Taxes	8,242,868	8,525,458	(282,590)
Grants and Entitlements not Restricted	10,153,633	8,718,818	1,434,815
Investment Earnings	185,981	133,877	52,104
Miscellaneous	94,998	34,581	60,417
<b><i>Total General Revenues</i></b>	<b>18,677,480</b>	<b>17,412,734</b>	<b>1,264,746</b>
<b><i>Total Revenues</i></b>	<b>27,451,485</b>	<b>23,721,990</b>	<b>3,729,495</b>
<b>Program Expenses</b>			
Current:			
Instruction:			
Regular	10,865,708	10,090,205	(775,503)
Special	3,048,020	2,699,292	(348,728)
Vocational	313,332	288,256	(25,076)
Adult/Continuing	3,251	4,214	963
Student Intervention Services	280,406	363,390	82,984
Support Services:			
Pupils	891,373	872,324	(19,049)
Instructional Staff	1,021,441	939,684	(81,757)
Board of Education	14,565	18,306	3,741
Administration	1,738,167	1,625,272	(112,895)
Fiscal	436,698	426,778	(9,920)
Operation and Maintenance of Plant	1,934,415	2,123,305	188,890
Pupil Transportation	1,104,043	1,077,347	(26,696)
Central	90,874	92,031	1,157
Extracurricular Activities	392,410	423,070	30,660
Operation of Non-Instructional Services	250,128	253,480	3,352
Operation of Food Service	906,825	844,462	(62,363)
Interest and Fiscal Charges	630,493	247,155	(383,338)
<b><i>Total Program Expenses</i></b>	<b>23,922,149</b>	<b>22,388,571</b>	<b>(1,533,578)</b>
<b><i>Increase in Net Assets</i></b>	<b>3,529,336</b>	<b>1,333,419</b>	<b>2,195,917</b>
<b>Net Assets Beginning of Year</b>	<b>6,722,855</b>	<b>5,389,436</b>	<b>1,333,419</b>
<b><i>Net Assets End of Year</i></b>	<b>\$10,252,191</b>	<b>\$6,722,855</b>	<b>\$3,529,336</b>

**Indian Creek Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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***Governmental Activities***

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus School District's dependence upon property taxes is hampered by a lack of revenue growth so it must regularly return to the voters to maintain a constant level of service. Property taxes made up 30.03 percent of revenues for governmental activities for Indian Creek Local School District in fiscal year 2010 versus 35.94 percent in fiscal year 2009 and 36.02 percent in fiscal year 2008. Real estate taxes have decreased partially because of a new homestead exemption of \$25,000 and decreases in assessed property values. Overall the loss is made up through homestead reimbursements to the School District so this is more of a revenue reclassification.

Although the School District relies upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset operating costs.

All instructional and administrative expenses increased due to a one percent negotiated wage increase given to certified staff mid-year coupled with annual step increases of about one percent. The School District also experienced increases from rising healthcare costs. The School District continues to show vigilance in monitoring all facets of spending.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2010 compared to 2009.

**Indian Creek Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

(Table 3)  
 Total and Net Cost of Program Services  
 Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Instruction	\$14,510,717	\$7,864,141	\$13,445,357	\$9,163,599
Support Services:				
Pupils and Instructional Staff	1,912,814	1,216,032	1,812,008	1,291,998
Board of Education, Administration and Fiscal Operation and	2,189,430	2,117,865	2,070,356	1,950,341
Maintenance of Plant	1,934,415	1,918,815	2,123,305	2,087,027
Pupil Transportation	1,104,043	1,104,043	1,077,347	1,053,891
Central	90,874	72,156	92,031	67,353
Extracurricular Activities	392,410	185,674	423,070	209,903
Operation of Non-Instructional Services	250,128	41,262	253,480	33,978
Operation of Food Service	906,825	(2,337)	844,462	(25,930)
Interest and Fiscal Charges	630,493	630,493	247,155	247,155
<i>Total Expenses</i>	<u>\$23,922,149</u>	<u>\$15,148,144</u>	<u>\$22,388,571</u>	<u>\$16,079,315</u>

The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 30.03 percent and grants and entitlements account for 36.99 percent of the total revenues in fiscal year 2010. This amount is approximately the same as in 2009. All governmental activities general revenue support is 68.04 percent of total governmental revenues.

**The School District's Funds**

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$27,291,516 and expenditures of \$25,023,872. The general fund had a decrease in fund balance mainly due to an increase in property tax delinquencies and an increase in overall expenditures due to normal step increases. Other governmental funds had a decrease in fund balance due to increases in principal retirement. This increase is due to the School District making the first debt payment on the School Facilities Bonds.

**General Fund Budgeting Highlights**

Budgeting is prescribed by the Ohio Revised Code. Essentially, the budget is the School District's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Revised Code. During the course of fiscal year 2010, the School District amended its general fund budget numerous times to allow for insignificant amendments. Actual revenues received were slightly higher than the certification primarily due to the receipt of more miscellaneous revenue than expected. Final appropriations were \$304,024 less than original appropriations due mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect.

**Indian Creek Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

The School District uses a site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbook, instructional materials and equipment. HB 412 requires the School District to set aside three percent of certain general fund revenues for the purchase of textbooks and materials related to instruction which site-based budgets help to meet.

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 shows fiscal year 2010 balances compared to fiscal year 2009:

(Table 4)  
 Capital Assets at June 30  
 Net of Depreciation  
 Governmental Activities

	2010	2009	Change
Land	\$87,783	\$87,783	\$0
Construction in Progress	1,021,963	765,408	256,555
Land Improvements	234,566	279,471	(44,905)
Buildings and Improvements	3,777,482	2,973,285	804,197
Furniture and Fixtures	246,052	273,613	(27,561)
Vehicles	574,875	648,138	(73,263)
Total	\$5,942,721	\$5,027,698	\$915,023

For fiscal year 2010, capital assets increased \$915,023. This increase was due to current year additions being offset by an additional year of depreciation being taken. During the current fiscal year, construction of the Multi-purpose Facility and the Wintersville Elementary Masonry Repair project was completed and capitalized by the School District. Construction in Progress increased during the fiscal year due to additional cost associated with the construction of the Ohio School Facilities Commission New Middle School Project. The increase in Construction in Progress was offset by the reclassification of capitalized costs that were associated with the Multi-purpose Facility and the Wintersville Elementary Masonry Repair project. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional materials and supplies. For fiscal year 2010, this amounted to \$357,472 for each set aside. See Note 10 to the basic financial statements for additional information on the School District's capital assets and Note 20 for additional information regarding required set-asides.

**Indian Creek Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

**Debt**

Table 5 summarizes the long-term debt outstanding:

(Table 5)  
 Outstanding Long-Term Debt - Governmental Activities

	2010	2009	Change
School Facilities Bonds	\$11,541,424	\$11,816,754	(\$275,330)
Energy Conservation Bonds	528,315	595,648	(67,333)
<i>Total General Obligation Bonds</i>	12,069,739	12,412,402	(342,663)
Asbestos Abatement Loan	6,525	19,577	(13,052)
Capital Leases	190,523	255,433	(64,910)
<i>Totals</i>	<u>\$12,266,787</u>	<u>\$12,687,412</u>	<u>(\$420,625)</u>

The School Facilities general obligation bonds were issued for the School District portion of the Ohio School Facilities Commission project. These bonds will be fully repaid in calendar year 2036. The Energy Conservation bonds were issued for the purpose of upgrading buildings and reducing energy consumption and will be fully retired in calendar year 2016. The Asbestos Abatement loan was for the purpose of removing asbestos around the School District and will be fully retired in calendar year 2010.

The School District's overall legal debt margin decreased to \$18.0 million. This is the additional amount of debt the School District could issue. The debt margin decreased from 2009 due to a decrease in assessed property tax values. Additional information concerning debt issuances can be found in Note 19 to the basic financial statements.

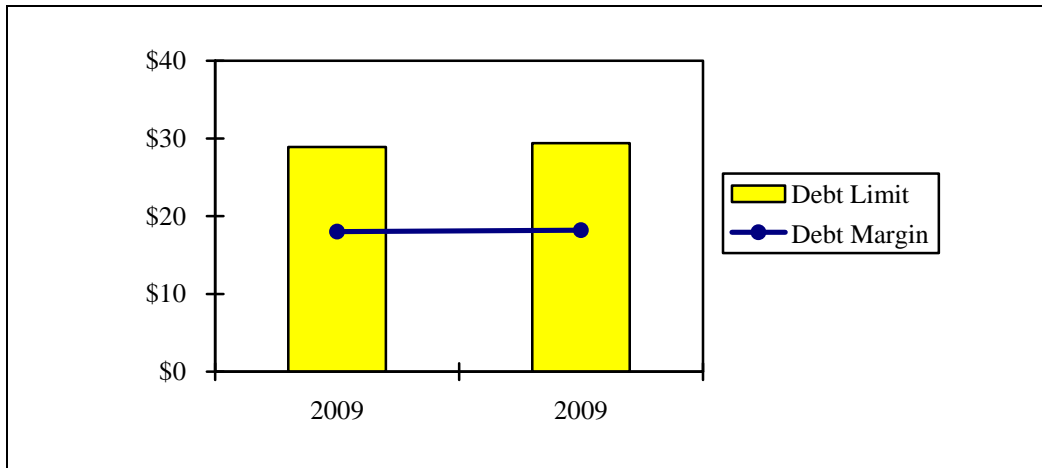
**Graph 1**  
 Legal Debt Margin  
 (in millions)

	2010	2009
Overall Debt Limit	\$28.9	\$29.4
Overall Debt Margin	18.0	18.2



**Indian Creek Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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**Challenges and Opportunities**

Indian Creek Local School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. Recent national events and their impact on the Indian Creek Local School District and the surrounding area are very much under review and analysis. Economic recession has had major impact on our industries. We have limited local industry, but we are a much diversified community with many residents working outside our School District in varying types of employment.

The School District is not without its share of challenges. The need for additional funds for operations is seen as the newest challenge for the School District the last couple fiscal years. Some of the challenges include the unpredictable future of State funding and the struggle to keep a competitive salary scale to retain quality personnel. Another example is seen in low interest rates being very good for issuing debt, but not attractive for maintaining investment revenues. And finally, actions of local and State governments continue to impact the School District. Like many school districts in the State of Ohio, the Indian Creek Local School District remains vigilant to financially meet the academic needs of all of the students as well as remain cost efficient in its operations.

As a result of the challenges mentioned, it is imperative the School District's management continue to carefully and prudently plan in order to meet the vision of the School District over the next several years. This vision is to provide all students with the opportunity to acquire the knowledge and skills to reach their potential within a secure and positive learning environment. In addition, the School District strives to assist students to become responsible citizens in an ever-changing society through effective programs and community involvement.

**Contacting the School District's Financial Management**

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

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**Indian Creek Local School District**

*Statement of Net Assets*

*June 30, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$16,290,470
Cash and Cash Equivalents With Fiscal Agents	2,210,735
Accrued Interest Receivable	19,930
Accounts Receivable	43,732
Intergovernmental Receivable	290,904
Materials and Supplies Inventory	93,698
Property Taxes Receivable	9,642,870
Deferred Charges	169,770
Nondepreciable Capital Assets	1,109,746
Depreciable Capital Assets, Net	<u>4,832,975</u>
<i>Total Assets</i>	<u>34,704,830</u>
<b>Liabilities</b>	
Accounts Payable	114,222
Accrued Wages and Benefits	1,950,212
Intergovernmental Payable	520,325
Matured Compensated Absences Payable	617,005
Accrued Interest Payable	48,199
Claims Payable	362,159
Deferred Revenue	6,409,934
Notes Payable	878,826
Long-Term Liabilities:	
Due Within One Year	546,703
Due in More Than One Year	<u>13,005,054</u>
<i>Total Liabilities</i>	<u>24,452,639</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	3,316,569
Restricted for:	
Capital Projects	5,079,441
Debt Service	299,086
Other Purposes	504,999
Unrestricted	<u>1,052,096</u>
<i>Total Net Assets</i>	<u><u>\$10,252,191</u></u>

See accompanying notes to the basic financial statements

**Indian Creek Local School Distict**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2010

	Program Revenues				Net Revenue/(Expense) and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions		Governmental Activities
			Capital Grants		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$10,865,708	\$1,334,126	\$113,068	\$3,575,533	(\$5,842,981)
Special	3,048,020	262,110	1,321,477	0	(1,464,433)
Vocational	313,332	40,262	0	0	(273,070)
Adult/Continuing	3,251	0	0	0	(3,251)
Student Intervention Services	280,406	0	0	0	(280,406)
Support Services:					
Pupils	891,373	296	259,258	0	(631,819)
Instructional Staff	1,021,441	0	437,228	0	(584,213)
Board of Education	14,565	0	0	0	(14,565)
Administration	1,738,167	0	48,616	0	(1,689,551)
Fiscal	436,698	0	22,949	0	(413,749)
Operation and Maintenance					
of Plant	1,934,415	100	0	15,500	(1,918,815)
Pupil Transportation	1,104,043	0	0	0	(1,104,043)
Central	90,874	0	18,718	0	(72,156)
Extracurricular Activities	392,410	198,415	8,321	0	(185,674)
Operation of Non-Instructional					
Services	250,128	0	208,866	0	(41,262)
Operation of Food Service	906,825	326,377	582,785	0	2,337
Interest and Fiscal Charges	630,493	0	0	0	(630,493)
<i>Totals</i>	<u>\$23,922,149</u>	<u>\$2,161,686</u>	<u>\$3,021,286</u>	<u>\$3,591,033</u>	<u>(15,148,144)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	7,057,031
Debt Service	792,056
Capital Outlay	243,838
Classroom Facilities Maintenance	149,943
Grants and Entitlements not Restricted to Specific Programs	10,153,633
Investment Earnings	185,981
Miscellaneous	94,998

*Total General Revenues* 18,677,480

Change in Net Assets 3,529,336

*Net Assets Beginning of Year* 6,722,855

*Net Assets End of Year* \$10,252,191

See accompanying notes to the basic financial statements

**Indian Creek Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2010*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$291,347	\$14,212,506	\$1,786,617	\$16,290,470
Accrued Interest Receivable	0	19,930	0	19,930
Accounts Receivable	43,732	0	0	43,732
Intergovernmental Receivable	6,438	0	284,466	290,904
Interfund Receivable	44,023	0	0	44,023
Materials and Supplies Inventory	68,085	0	25,613	93,698
Property Taxes Receivable	8,368,830	0	1,274,040	9,642,870
<i>Total Assets</i>	<u>\$8,822,455</u>	<u>\$14,232,436</u>	<u>\$3,370,736</u>	<u>\$26,425,627</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$55,372	\$444	\$58,406	\$114,222
Accrued Wages and Benefits	1,750,066	0	200,146	1,950,212
Intergovernmental Payable	469,672	0	50,653	520,325
Interfund Payable	0	0	44,023	44,023
Accrued Interest Payable	0	0	3,647	3,647
Deferred Revenue	7,406,998	0	1,178,096	8,585,094
Matured Compensated Absences Payable	589,133	0	27,872	617,005
Notes Payable	0	0	878,826	878,826
<i>Total Liabilities</i>	<u>10,271,241</u>	<u>444</u>	<u>2,441,669</u>	<u>12,713,354</u>
<b>Fund Balances</b>				
Nonspendable	68,085	0	25,613	93,698
Restricted	0	14,231,992	1,670,173	15,902,165
Assigned	362,270	0	0	362,270
Unassigned (Deficit)	(1,879,141)	0	(766,719)	(2,645,860)
<i>Total Fund Balances</i>	<u>(1,448,786)</u>	<u>14,231,992</u>	<u>929,067</u>	<u>13,712,273</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,822,455</u>	<u>\$14,232,436</u>	<u>\$3,370,736</u>	<u>\$26,425,627</u>

See accompanying notes to the basic financial statements

**Indian Creek Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2010*

<b>Total Governmental Funds Balances</b>	<b>\$13,712,273</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,942,721
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	2,107,409
Grants	<u>67,751</u>
Total	2,175,160
Bond issuance costs will be amortized over the life of the bonds on the statement of net assets.	169,770
The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	1,848,576
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(44,552)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(12,069,739)
Asbestos Removal Loan Payable	(6,525)
Compensated Absences	(1,284,970)
Capital Leases Payable	<u>(190,523)</u>
Total	<u>(13,551,757)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$10,252,191</u></u>

See accompanying notes to the basic financial statements

**Indian Creek Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$6,864,498	\$0	\$1,166,531	\$8,031,029
Intergovernmental	9,485,476	3,575,533	3,672,696	16,733,705
Interest	2,200	166,502	3,480	172,182
Charges for Services	6,415	0	326,377	332,792
Tuition and Fees	1,636,498	0	0	1,636,498
Extracurricular Activities	57,515	0	134,781	192,296
Rentals	100	0	0	100
Contributions and Donations	102,180	0	19,577	121,757
Miscellaneous	66,394	0	4,763	71,157
<i>Total Revenues</i>	<u>18,221,276</u>	<u>3,742,035</u>	<u>5,328,205</u>	<u>27,291,516</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,008,516	0	600,119	10,608,635
Special	2,052,152	0	1,002,680	3,054,832
Vocational	316,273	0	0	316,273
Adult/Continuing	2,751	0	500	3,251
Student Intervention Services	267,555	0	0	267,555
Support Services:				
Pupils	569,046	0	313,774	882,820
Instructional Staff	461,696	0	525,649	987,345
Board of Education	14,565	0	0	14,565
Administration	1,625,421	0	94,079	1,719,500
Fiscal	401,229	0	29,438	430,667
Operation and Maintenance of Plant	1,802,764	0	0	1,802,764
Pupil Transportation	846,737	0	121,523	968,260
Central	3,589	0	87,285	90,874
Extracurricular Activities	225,862	0	140,594	366,456
Operation of Non-Instructional Services	513	0	246,896	247,409
Operation of Food Service	0	0	894,275	894,275
Capital Outlay	1,000	739,452	582,360	1,322,812
Debt Service:				
Principal Retirement	77,962	0	352,333	430,295
Interest and Fiscal Charges	28,314	0	586,970	615,284
<i>Total Expenditures</i>	<u>18,705,945</u>	<u>739,452</u>	<u>5,578,475</u>	<u>25,023,872</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(484,669)</u>	<u>3,002,583</u>	<u>(250,270)</u>	<u>2,267,644</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	67,367	67,367
Transfers Out	(67,367)	0	0	(67,367)
<i>Total Other Financing Sources (Uses)</i>	<u>(67,367)</u>	<u>0</u>	<u>67,367</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(552,036)</u>	<u>3,002,583</u>	<u>(182,903)</u>	<u>2,267,644</u>
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 4)</i>	<u>(896,750)</u>	<u>11,229,409</u>	<u>1,111,970</u>	<u>11,444,629</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,448,786)</u>	<u>\$14,231,992</u>	<u>\$929,067</u>	<u>\$13,712,273</u>

See accompanying notes to the basic financial statements

**Indian Creek Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

**Net Change in Fund Balances -Total Governmental Funds** \$2,267,644

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Asset Additions	1,309,150	
Current Year Depreciation	(394,127)	
Total		915,023

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	211,839	
Grants	(90,026)	
Total		121,813

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 430,295

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued Interest	991	
Amortization of Bond Issuance Cost	(6,530)	
Amortization of Bond Premiums	15,126	
Amortization of Bond Discount	(7,215)	
Annual Accretion	(17,581)	
Total		(15,209)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (241,852)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 51,622

*Change in Net Assets of Governmental Activities* \$3,529,336

See accompanying notes to the basic financial statements



**Indian Creek Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$6,381,783	\$6,453,485	\$6,453,485	\$0
Intergovernmental	9,637,301	9,479,038	9,479,038	0
Interest	20,000	2,175	2,200	25
Charges for Services	6,484	6,415	6,415	0
Tuition and Fees	1,800,054	1,636,498	1,636,498	0
Extracurricular Activities	53,340	57,515	57,515	0
Rentals	100	100	100	0
Contributions and Donations	102,369	102,180	102,180	0
Miscellaneous	85,812	22,675	22,662	(13)
<i>Total Revenues</i>	<u>18,087,243</u>	<u>17,760,081</u>	<u>17,760,093</u>	<u>12</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,292,693	9,611,222	9,611,221	1
Special	1,982,578	1,895,187	1,895,187	0
Vocational	301,613	273,392	273,392	0
Adult/Continuing	3,000	2,500	2,500	0
Student Intervention Services	113,747	203,464	203,464	0
Support Services:				
Pupils	615,946	581,814	581,814	0
Instructional Staff	694,561	452,646	452,646	0
Board of Education	18,193	14,726	14,726	0
Administration	1,534,693	1,588,281	1,588,281	0
Fiscal	417,793	396,143	396,143	0
Operation and Maintenance of Plant	2,065,630	1,831,160	1,831,160	0
Pupil Transportation	1,013,132	901,478	901,478	0
Central	5,139	3,989	3,989	0
Extracurricular Activities	228,662	230,829	230,829	0
Operation of Non-Instructional Services	131	738	738	0
Capital Outlay	5,082	1,000	1,000	0
Debt Service:				
Principal	13,052	13,052	13,052	0
<i>Total Expenditures</i>	<u>18,305,645</u>	<u>18,001,621</u>	<u>18,001,620</u>	<u>1</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(218,402)</u>	<u>(241,540)</u>	<u>(241,527)</u>	<u>13</u>
<b>Other Financing Sources (Uses)</b>				
Revenue Anticipation Notes Issued	0	500,000	500,000	0
Advances In	47,724	47,724	47,724	0
Advances Out	(50,000)	0	0	0
Transfers Out	(82,351)	(572,443)	(572,443)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(84,627)</u>	<u>(24,719)</u>	<u>(24,719)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(303,029)	(266,259)	(266,246)	13
<i>Fund Balance Beginning of Year</i>	331,014	331,014	331,014	0
Prior Year Encumbrances Appropriated	137,010	137,010	137,010	0
<i>Fund Balance End of Year</i>	<u>\$164,995</u>	<u>\$201,765</u>	<u>\$201,778</u>	<u>\$13</u>

See accompanying notes to the basic financial statements

**Indian Creek Local School District**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2010*

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	<u>Insurance</u>
<b>Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	\$2,210,735
<b>Liabilities</b>	
Claims Payable	<u>362,159</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$1,848,576</u></u>

See accompanying notes to the basic financial statements

**Indian Creek Local School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2010*

	Insurance
<b>Operating Revenues</b>	
Charges for Services	\$2,889,884
Miscellaneous	23,841
<i>Total Operating Revenues</i>	2,913,725
<b>Operating Expenses</b>	
Purchased Services	547,171
Claims	2,622,721
<i>Total Operating Expenses</i>	3,169,892
<i>Operating Loss</i>	(256,167)
<b>Non-Operating Income</b>	
Interest	14,315
<i>Change in Net Assets</i>	(241,852)
<i>Net Assets Beginning of Year</i>	2,090,428
<i>Net Assets End of Year</i>	\$1,848,576

See accompanying notes to the basic financial statements

**Indian Creek Local School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2010

	Insurance
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$2,889,884
Cash Received from Other Sources	23,841
Cash Payments for Services	(547,171)
Cash Payments for Claims	(2,479,064)
<i>Net Cash Used for Operating Activities</i>	(112,510)
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	14,315
<i>Net Decrease in Cash and Cash Equivalents</i>	(98,195)
<i>Cash and Cash Equivalents Beginning of Year</i>	2,308,930
<i>Cash and Cash Equivalents End of Year</i>	\$2,210,735
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$256,167)
<i>Adjustments:</i>	
Increase in Claims Payable	143,657
<i>Net Cash Used for Operating Activities</i>	(\$112,510)

See accompanying notes to the basic financial statements

**Indian Creek Local School District**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2010*

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	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$37,967	\$64,016
<b>Liabilities</b>		
Due to Students	0	\$64,016
<b>Net Assets</b>		
Held in Trust for Scholarships	\$37,967	

See accompanying notes to the basic financial statements

**Indian Creek Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Scholarship
<b>Additions</b>	
Interest	\$1,477
Contributions and Donations	4,750
<i>Total Additions</i>	6,227
<b>Deductions</b>	
College Scholarships Awarded	7,500
<i>Change in Net Assets</i>	(1,273)
<i>Net Assets Beginning of Year</i>	39,240
<i>Net Assets End of Year</i>	\$37,967

See accompanying notes to the basic financial statements

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 1 - Description of the School District and Reporting Entity**

Indian Creek Local School District (the School District) is organized under article VI, Section 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms.

The School District was established in 1966 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 75 square miles. It is located in Jefferson County, and includes all of the Village of Wintersville, the Village of Mingo Junction, the Village of Bloomingdale, and Cross Creek Township and portions of the City of Steubenville, Island Creek, Salem, Wayne and Steubenville Townships. It is staffed by 119 non-certified personnel, 159 certified teaching personnel and 11 administrative employees to provide services to 2,339 students and other community members. The School District operates six instructional buildings, one administrative building and three bus garages.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, agencies and offices that are not legally separate from the School District. For the Indian Creek Local School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is associated with two jointly governed organizations, two insurance purchasing pools and one risk sharing pool. These organizations are the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Program, Ohio Mid-Eastern Regional Education Service Agency Self-Insurance Plan and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Note 21 and Note 22 of the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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internal service fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

***Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. The fiduciary fund is reported by type.

***Fund Accounting***

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

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



**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**Classroom Facilities Capital Projects Fund** The classroom facilities capital projects fund accounts for the proceeds of notes and bonds as well as grants restricted for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

**Proprietary Funds** Proprietary funds reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self insurance fund that accounts for medical, surgical, and dental claims for School District employees.

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

**Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e.; revenues) and decreases (i.e.; expenses) in total net assets.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e.,

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

The private purpose trust fund is accounted for on a flow of economic resources measurement focus.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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 year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. Prior to year end, the School District requested and received an amended certificate of estimated resources that closely reflects actual revenue for the fiscal year. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to fiscal year-end, the School District passed an amended appropriation measure which matched appropriations to expenditures plus encumbrances in the majority of categories.

***Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2010, investments were limited to U.S. treasury notes, federal home loan bank notes, federal farm credit bank notes and STAR Ohio. Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2010.

**Indian Creek Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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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 classroom facilities capital project fund during fiscal year 2010 amounted to \$166,502, of which \$16,283 was assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

The School District participated in the OME-RESA insurance consortium for self-insurance. These monies are reflected on statement of net assets as “cash and cash equivalents with fiscal agents.” The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium. The balances in these accounts are also presented as “cash and cash equivalents with fiscal agents.”

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated and purchased food held for resale, and materials and supplies held for consumption.

***Capital Assets***

The School District’s only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the capital asset to be capitalized and using an appropriate price-level index to deflate the cost of the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

Description	Governmental Activities Estimated Lives
Land Improvements	5 to 20 years
Buildings and Improvements	20 to 50 years
Furniture and Equipment	5 to 20 years
Vehicles	6 to 10 years

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*Notes to the Basic Financial Statements*  
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***Bond Issuance Costs***

Bond issuance costs for underwriting fees and bond insurance for the general obligation bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method.

As permitted by State Statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

***Bond Premiums and Discounts***

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On the fund financial statements, bond premiums are received in the year the bonds are issued. On the governmental-wide financial statements, bond discounts are presented as a decrease of the face amount of the general obligation bonds payable. On the fund financial statements, bond discounts are expended in the year the bonds are issued.

***Interfund Balances***

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

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees with at least five years of service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the general fund.

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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

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

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, classroom facilities maintenance and extracurricular activities.

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Internal Activity***

Transfers between governmental funds are eliminated on the Statement of Activities. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are reported as non-operating.

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***Estimates***

The preparation of 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 may differ from those estimates.

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 3 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Classroom Facilities	Nonmajor Governmental Funds	Total
<i><b>Nonspendable</b></i>				
Inventory	\$68,085	\$0	\$25,613	\$93,698
<i><b>Restricted for</b></i>				
Food Service Operations	0	0	181,879	181,879
Athletics	0	0	7,356	7,356
Community Involvement	0	0	19,520	19,520
Classroom Facilities Maintenance	0	0	266,661	266,661
Non-Public Schools	0	0	17,924	17,924
Teacher Development	0	0	2,163	2,163
Remedial Reading	0	0	3,139	3,139
Debt Service Payments	0	0	436,856	436,856
Capital Improvements	0	14,231,992	734,675	14,966,667
<i>Total Restricted</i>	<u>0</u>	<u>14,231,992</u>	<u>1,670,173</u>	<u>15,902,165</u>
<i><b>Assigned to</b></i>				
Fiscal Year 2011 Operations	124,628	0	0	124,628
Other Purposes	237,642	0	0	237,642
<i>Total Assigned</i>	<u>362,270</u>	<u>0</u>	<u>0</u>	<u>362,270</u>
<i>Unassigned (Deficit)</i>	<u>(1,879,141)</u>	<u>0</u>	<u>(766,719)</u>	<u>(2,645,860)</u>
<i>Total Fund Balances</i>	<u><u>(\$1,448,786)</u></u>	<u><u>\$14,231,992</u></u>	<u><u>\$929,067</u></u>	<u><u>\$13,712,273</u></u>

**Note 4 – Change in Accounting Principles and Restatement of Fund Balance**

***Change in Accounting Principles***

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Reporting for Intangible Assets”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District’s financial statements.



**Indian Creek Local School District**

*Notes to the Basic Financial Statements*

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GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

***Restatement of Prior Year's Fund Balance***

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance at				
June 30, 2009	(\$1,031,409)	\$11,229,409	\$1,246,629	\$11,444,629
Change in Fund Structure	<u>134,659</u>	<u>0</u>	<u>(134,659)</u>	<u>0</u>
Adjusted Fund Balance at				
June 30, 2009	<u>(\$896,750)</u>	<u>\$11,229,409</u>	<u>\$1,111,970</u>	<u>\$11,444,629</u>

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 5 – Accountability and Compliance**

*Accountability*

Fund balances at June 30, 2010, included the following individual fund deficits:

<b>General Fund</b>	<b>\$1,448,786</b>
 <i>Special Revenue Funds:</i>	
Public School Preschool	5,520
Title VI-B	61,424
Drug-Free Schools	107
Preschool	2,009
 <b>Permanent Improvement Capital Projects Fund</b>	 <b>697,659</b>

The general fund, special revenue funds and the capital projects fund have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

*Compliance*

The School District had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10:

	Negative Cash Balance
<i>Special Revenue Funds</i>	
Public School Preschool	\$53
Title VI-B	38,176
Title I	4,850
Drug Free Schools	825
Preschool	94
Reducing Class Size	25

In order to eliminate future negative cash, the School District will make cash advances during the year.

**Note 6 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

**Indian Creek Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

	Net Change in Fund Balance
GAAP Basis	(\$552,036)
Net Adjustment for Revenue Accruals	38,817
Advance In	47,724
Net Adjustment for Expenditure Accruals	332,841
Adjustment for Encumbrances	(133,592)
Budget Basis	<u>(\$266,246)</u>

**Note 7 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**Indian Creek Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At June 30, 2010, the School District's self-insurance internal service fund had a balance of \$2,210,735 with OME-RESA, a claims servicing pool (See Note 11). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB No. 40. The classification of cash and cash equivalents and investments for OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Steubenville, Ohio 43952.

**Deposits**

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$6,722,063 of the School District's bank balance of \$10,779,263 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
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**Investments**

As of June 30, 2010, the School District had the following investments:

	Fair Value	Maturity	Moody Rating	Percent of Total Investments
U.S. Treasury Notes	\$4,168,753	Less than two years	Aaa	53.26%
Federal Home Loan Bank Notes	2,610,872	Less than two years	Aaa	33.36%
Federal Farm Credit Bank Notes	1,007,650	Less than two years	Aaa	12.87%
STAR Ohio	40,008	Average 56.0 Days	N/A	N/A
Total Investments	<u>\$7,827,283</u>			

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District’s investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than three years.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Notes, Federal Farm Credit Bank Notes and U.S. Treasury Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Credit Risk** The Moody’s rating’s of the School District’s investments are listed in the table above. STAR Ohio carries a rating of AAA by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-

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annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Jefferson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010 was \$961,832 in the general fund, \$111,155 in the bond retirement debt service fund, \$21,016 in the classroom facilities maintenance special revenue fund and \$31,524 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2009 was \$550,819 in the general fund, \$66,549 in the bond retirement debt service fund, \$12,616 in the classroom facilities maintenance special revenue fund and \$18,925 in the permanent improvement capital projects fund.

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

**Indian Creek Local School District**  
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The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$314,692,400	92.26 %	\$307,907,100	95.77 %
Public Utility Personal	12,574,110	3.69	12,925,670	4.02
Tangible Personal Property	13,819,600	4.05	670,430	0.21
<b>Total</b>	<b><u>\$341,086,110</u></b>	<b><u>100.00 %</u></b>	<b><u>\$321,503,200</u></b>	<b><u>100.00 %</u></b>
 Tax rate per \$1,000 of assessed valuation	 \$42.65		 \$42.65	

**Note 9 - Receivables**

Receivables at June 30, 2010, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Title I Grant	\$146,416
Title VI-B Grant	75,603
Title II-A Grant	30,073
Auxiliary Services	15,270
Early Childhood Education	13,893
State Employees Retirement System	6,602
Drug Free Schools	1,204
Learn and Serve America	1,045
OMERESA	<u>798</u>
<b>Total</b>	<b><u>\$290,904</u></b>

**Indian Creek Local School District**  
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**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance 06/30/09	Additions	Deductions	Balance 06/30/10
<b>Governmental Activities</b>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$87,783	\$0	\$0	\$87,783
Construction in Progress	765,408	755,389	(498,834)	1,021,963
<i>Total Capital Assets not being Depreciated</i>	853,191	755,389	(498,834)	1,109,746
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,572,265	30,000	0	1,602,265
Buildings and Improvements	7,869,827	972,119	0	8,841,946
Furniture and Equipment	1,037,400	22,825	0	1,060,225
Vehicles	1,927,917	27,651	(53,936)	1,901,632
<i>Total Capital Assets being Depreciated</i>	12,407,409	1,052,595	(53,936)	13,406,068
Less Accumulated Depreciation:				
Land Improvements	(1,292,794)	(74,905)	0	(1,367,699)
Buildings and Improvements	(4,896,542)	(167,922)	0	(5,064,464)
Furniture and Equipment	(763,787)	(50,386)	0	(814,173)
Vehicles	(1,279,779)	(100,914)	53,936	(1,326,757)
<i>Total Accumulated Depreciation</i>	(8,232,902)	(394,127) *	53,936	(8,573,093)
<i>Total Assets being Depreciated, Net</i>	4,174,507	658,468	0	4,832,975
<i>Governmental Activities Capital Assets, Net</i>	\$5,027,698	\$1,413,857	(\$498,834)	\$5,942,721

\* Depreciation expense was charged to governmental functions as follow:

Instruction:	
Regular	\$132,743
Special	778
Support Services:	
Pupils	7,448
Administration	18,864
Operation and Maintenance of Plant	109,363
Pupil Transportation	95,456
Operation of Food Service	3,541
Extracurricular Activities	25,934
Total Depreciation Expense	\$394,127



**Indian Creek Local School District**  
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**Note 11 - Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for various types of insurance. Coverage is as follows:

Coverage	Amount
Property (\$250 Deductible)	\$54,003,315
Earth movement limit (\$50,000 Deductible)	2,000,000
Flood limit (\$50,000 Deductible)	2,000,000
Equipment Breakdown (\$250 Deductible)	25,000,000
Crime Coverage (\$250 Deductible)	100,000
General Liability	4,000,000
Employee benefits liability	4,000,000
Employee stop gap liability	2,000,000
General annual aggregate	6,000,000
Fire legal liability	500,000
Medical payments - occurrence	5,000
Aggregate limit	25,000
Educator's Legal Liability (\$1,000 Deductible)	4,000,000
Automobile Liability	
Bodily injury & property damage - per occurrence	4,000,000
Medical payments - occurrence	5,000
Aggregate limit	25,000
Uninsured/underinsured motorist	1,000,000
Automobile physical damage (\$500 Deductible)	Actual Cash Value
Garage keepers physical damage (\$500 Deductible)	100,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

***Worker's Compensation***

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 22). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
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***Employee Insurance Benefits***

The School District offers medical, surgical, and dental insurance to employees through a self-insurance internal service fund. The School District's monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$362,159 reported in the internal service funds at June 30, 2010, is estimated by and based on the requirements of the Governmental Accounting Standards Board Statement No. 30 which required that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the funds' claims liability amounts for 2009 and 2010 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2009	\$429,148	\$1,948,985	(\$2,159,631)	\$218,502
2010	218,502	2,622,721	(2,479,064)	362,159

**Note 12 – Interfund Transfers and Balances**

***Interfund Transfers***

The transfer from the general fund for \$67,367 to the educational management information systems special revenue fund was made to move unrestricted balances to support programs and projects accounted for in other funds.

***Interfund Balances***

Interfund balances at June 30, 2010, consist of an interfund receivable/payable between the general fund and the nonmajor governmental funds in the amount of \$44,023. The interfund receivables and payables were the result of deficit cash balances and due to the timing of the receipt of grant monies at year end. These loans are expected to be repaid in one year.

**Note 13 - Defined Benefit Pension Plans**

***School Employee Retirement System***

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
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annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$295,845, \$211,524 and \$202,270 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

***State Teachers Retirement System***

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,007,575, \$1,015,508, and \$985,840 respectively; 83.79 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$21,315 made by the School District and \$15,225 made by the plan members.

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, one members of the Board of Education have elected Social Security. The social security liability will equal 6.2 percent of wages.

**Note 14 - Postemployment Benefits**

***School Employee Retirement System***

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 1.22 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800. During fiscal year 2010, the School District paid \$34,831 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$45,480, \$140,177 and \$132,900 respectively; 100 percent has been contributed for fiscal year 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008 were \$17,593, \$18,211, and \$14,574, respectively; 100 percent has been contributed for fiscal year 2010, 2009 and 2008.

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
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***State Teachers Retirement System***

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$77,506, \$78,116, and \$75,834 respectively; 83.79 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Note 15 - Other Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Any employee receiving retirement severance pay is entitled to a dollar amount equivalent to thirty-five percent of all accumulated sick leave credited to that employee up to 40 days for certified and 40 days for classified employees. Classified employees can receive payment for up to an additional 22 days for every day over an accumulated 200 days.

***Life Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage for administrators is \$100,000, certified teachers is \$50,000 and classified employees \$10,000 to \$50,000 depending on hours contracted per week. Life insurance is covered through MetLife Insurance.

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 16 – Construction and Other Significant Commitments**

At June 30, 2010, the School District’s significant contractual commitments consisted of:

Company	Contract Amount	Amount Paid	Remaining on Contract
MKC Associates, Incorporated	\$924,055	\$634,821	\$289,234
Bowen Foreman	824,429	246,843	577,586
Civil and Engineering Consultants, Incorporated	117,544	29,936	87,608
The Brewer-Garratt Company	44,429	11,996	32,433
AA Blueprint Company	38,961	8,115	30,846
RSV, Incorporated	38,640	26,220	12,420
Lawhorn & Associates	7,660	0	7,660
<b>Total</b>	<b>\$1,995,718</b>	<b>\$957,931</b>	<b>\$1,037,787</b>

**Note 17 - Capital Leases**

During fiscal year 2010, the School District entered into a capital lease for three school buses. The School District also has existing leases for various copiers and office equipment. The lease obligation meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards Number 13, "Accounting for Leases," and has been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book value as of June 30, 2010 follows:

Asset:	<u>Amounts</u>
Furniture and Equipment	\$86,438
Vehicles	246,138
Less: Accumulated depreciation	<u>(59,812)</u>
Current Book Value	<u>\$272,764</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010.

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2011	\$73,679
2012	73,680
2013	<u>60,013</u>
Total Minimum Lease Payments	207,372
Less: Amount Representing Interest	<u>(16,849)</u>
Present Value of Net Minimum Lease Payments	<u>\$190,523</u>

**Indian Creek Local School District**  
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**Note 18 – Notes Payable**

The School District’s note activity, including amounts outstanding and interest rates is as follows:

	<u>Principal Outstanding 6/30/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/2010</u>
Permanent Improvement Fund 2009 4.98 %				
Tax Anticipation Notes General Fund 2010 2.15%	\$965,000	\$0	\$86,174	\$878,826
Current Revenue Anticipation Notes	<u>0</u>	<u>500,000</u>	<u>500,000</u>	<u>0</u>
Total Notes	<u><u>\$965,000</u></u>	<u><u>\$500,000</u></u>	<u><u>\$586,174</u></u>	<u><u>\$878,826</u></u>

On March 20, 2009, the School District issued \$965,000 in permanent improvement levy tax anticipation notes for the purpose of building the Multi-Purpose Facility and for the Wintersville Elementary Masonry repair project. The coupon interest rate is 4.98 percent and the notes mature on December 1, 2018. The tax anticipation notes will be paid from the permanent improvement capital projects fund with property tax revenues. Principal and interest payments to retire the tax anticipation notes are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$88,320	\$41,567	\$129,887
2012	90,519	37,114	127,633
2013	92,773	32,550	125,323
2014	95,083	27,872	122,955
2015	97,451	23,078	120,529
2016-2019	<u>414,680</u>	<u>41,938</u>	<u>456,618</u>
Total	<u><u>\$878,826</u></u>	<u><u>\$204,119</u></u>	<u><u>\$1,082,945</u></u>

On January 11, 2010, the School District issued \$500,000 in current revenue anticipation notes for the current operations of the School District. The interest rate is 2.15 percent and the note matured on June 30, 2010. The current revenue anticipation note was paid from the general fund with property tax revenues.

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 19 - Long-Term Obligations**

Original issue amounts and interest rates of the School District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2009 School Facilities Construction Bonds:			
Capital Interest Serial Bonds	2.50% to 3.50%	\$2,285,000	2019
Capital Appreciation Bonds	33.63%	44,999	2017
Current Issue Term Bonds	4.37% to 5.12%	9,270,000	2036
Energy Conservation Bonds - 2002	4.97%	984,816	2016
Asbestos Removal Loan - 1993	0.00%	234,965	2010

The changes in the School District's long-term obligations during the year consist of the following:

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds:</b>					
School Facilities Bonds					
Serial Bonds	\$2,285,000	\$0	\$285,000	\$2,000,000	\$210,000
Capital Appreciation Bonds	44,999	0	0	44,999	0
Accretion	3,141	17,581	0	20,722	0
Term Bonds	9,270,000	0	0	9,270,000	0
Premium on Bonds	408,414	0	15,126	393,288	0
Discount on Bonds	(194,800)	0	(7,215)	(187,585)	0
<i>Total School Facilities Bonds</i>	11,816,754	17,581	292,911	11,541,424	210,000
Energy Conservation Bonds	595,648	0	67,333	528,315	70,721
<i>Total General Obligation Bonds</i>	12,412,402	17,581	360,244	12,069,739	280,721
<b>Other Long Term Obligations</b>					
Asbestos Removal Loan	19,577	0	13,052	6,525	6,525
Capital Leases	255,433	0	64,910	190,523	64,901
Compensated Absences	1,336,592	80,180	131,802	1,284,970	194,556
<i>Total General Long-Term Obligations</i>	<u>\$14,024,004</u>	<u>\$97,761</u>	<u>\$570,008</u>	<u>\$13,551,757</u>	<u>\$546,703</u>

Capital lease obligations will be paid from the general fund. Compensated absences will be paid from the general fund and the food service, auxiliary services, public school preschool, title VI-B, title I, drug free schools, preschool and improving teacher quality special revenue funds.

On May 30, 1993, the School District obtained a loan in the amount of \$234,965 for the purpose of removing asbestos. The loan was issued with a zero percentage interest rate for an eighteen year period with a final maturity of November 30, 2010. The loan will be retired from the general fund.



**Indian Creek Local School District**

*Notes to the Basic Financial Statements*

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On May 20, 2002, the School District issued bonds in the amount of \$984,816 for the purpose of upgrading buildings and reducing energy consumption. The bonds were issued at a 4.97 percent interest rate for fifteen years. The bonds will be retired from the bond retirement debt service fund.

On March 17, 2009, the School District issued \$11,599,999 in school facilities construction bonds, which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$2,285,000, \$9,270,000 and \$44,999, respectively. The bonds were issued at both a premium of \$408,414 and a discount of \$194,800. The school facilities construction bonds were issued for the purpose of building new schools within the Indian Creek Local Schools system. The bonds were issued for a twenty-eight year period with final maturity at December 1, 2036. The bonds will be retired from the bond retirement debt service fund.

The serial, capital appreciation and current issue term bonds remained outstanding at June 30, 2010. The capital appreciation bonds were originally sold at a discount of \$525,001, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2016 and 2017.

The maturity amount of outstanding capital appreciation bonds at June 30, 2010 is \$570,000. The accretion recorded for 2010 was \$17,581, for a total outstanding bond liability of \$65,721 at June 30, 2010.

The term bonds maturing on December 1, 2024, 2029, 2034, 2036 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue			
	\$1,835,000	\$2,485,000	\$3,330,000	\$1,620,000
2020	\$325,000	\$0	\$0	\$0
2021	340,000	0	0	0
2022	375,000	0	0	0
2023	390,000	0	0	0
2025	0	445,000	0	0
2026	0	465,000	0	0
2027	0	490,000	0	0
2028	0	530,000	0	0
2030	0	0	585,000	0
2031	0	0	630,000	0
2032	0	0	665,000	0
2033	0	0	695,000	0
2035	0	0	0	790,000
Total	\$1,430,000	\$1,930,000	\$2,575,000	\$790,000
Stated Maturity	12/1/2024	12/1/2029	12/1/2034	12/1/2036

The remaining principal amount of the term bonds (\$405,000, \$555,000, \$755,000, and \$830,000) will mature at the stated maturity.

**Indian Creek Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

The School District's overall legal debt margin was \$17,996,806 with an unvoted debt margin of \$320,833 at June 30, 2010. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010, are as follows:

Fiscal Year	General Obligation Bonds					
	Serial		Capital Appreciation		Term	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$210,000	\$57,894	\$0	\$0	\$0	\$447,844
2012	215,000	52,581	0	0	0	447,844
2013	220,000	46,594	0	0	0	447,844
2014	245,000	39,619	0	0	0	447,844
2015	250,000	32,194	0	0	0	447,844
2016-2020	860,000	87,177	44,999	525,001	0	2,239,220
2021-2025	0	0	0	0	1,835,000	2,047,703
2026-2030	0	0	0	0	2,485,000	1,556,256
2031-2035	0	0	0	0	3,330,000	851,625
2036-2037	0	0	0	0	1,620,000	84,050
<b>Total</b>	<b>\$2,000,000</b>	<b>\$316,059</b>	<b>\$44,999</b>	<b>\$525,001</b>	<b>\$9,270,000</b>	<b>\$9,018,074</b>

Fiscal Year	Asbestos Loan	Energy Conservation Bond	
	Principal	Principal	Interest
2011	\$6,525	\$70,721	\$25,389
2012	0	74,280	21,831
2013	0	78,018	18,093
2014	0	81,943	14,168
2015	0	86,066	10,044
2016-2019	0	137,287	6,879
<b>Total</b>	<b>\$6,525</b>	<b>\$528,315</b>	<b>\$96,404</b>

**Note 20 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization.

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

The following cash basis information describes the change in the fiscal year end set-aside amounts for textbooks, capital acquisitions, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks Instructional Materials Reserve	Capital Improvement Reserve	Budget Reserve
Set-aside Reserve Balance as of June 30, 2009	(\$599,603)	\$0	\$69,324
Current Year Set-aside Requirement	357,472	357,472	0
Offsets During the Fiscal Year:			
Permanent Improvement Levy Proceeds	0	(208,589)	0
Ohio School Facilities Commission principal and interest	0	(797,638)	0
Reduction Authorized by Legislative Revisions	0	0	(69,324)
Qualifying Disbursements	<u>(304,288)</u>	<u>(545,694)</u>	<u>0</u>
Totals	<u>(\$546,419)</u>	<u>(\$1,194,449)</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$546,419)</u>	<u>\$0</u>	<u>\$0</u>

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

**Note 21 - Jointly Governed Organizations**

**Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)** The Ohio Mid-Eastern Regional Educational Service Agency was created as a regional council of governments pursuant to State Statues. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muckingum, Monroe, Noble and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2010, the total amount paid to OME-RESA from the School District was \$181,830 for cooperative gas purchasing services and \$76,189 for financial accounting services, educational management information, and internet access. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

**Indian Creek Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***Jefferson County Joint Vocational School*** The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2010, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

**Note 22 – Public Entity Pools**

***A. Insurance Purchasing Pool***

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

***The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan*** The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of seventy-five members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administration fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

**Indian Creek Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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***B. Shared Risk Pool***

***Schools of Ohio Risk Sharing Authority*** The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing pool with over 65 members. SORSA is a 100 percent member-owned, non-profit insurance risk pool owned and governed by the school district members. SORSA is governed by a Board of Directors comprised of representatives of school districts that participate in the program.

SORSA has agreements with several separate organizations whereby each provides certain administrative, executive, accounting, marketing, underwriting, claim settlement, legal counsel and other services to SORSA and its members. Pursuant to participation agreements with SORSA, each member school district agrees to pay all funding rates associated with the coverage elected. This coverage includes comprehensive general liability, property insurance and automobile liability insurance. To obtain financial information write to the Schools of Ohio Risk Sharing Authority, Executive Director, at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

**Note 23 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

***B. Litigation***

The School District is not a party to any legal proceedings.

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**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY  
FEDERAL AWARDS EXPENDITURE SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
Non-Cash Assistance (Food Distribution):		10.555	\$32,307	\$32,307
Cash Assistance:				
National School Breakfast Program	05-PU-10	10.553	114,832	114,832
National School Lunch Program	04-PU-10	10.555	435,998	435,998
Cash Assistance Subtotal			550,830	550,830
ARRA Cafeteria Equipment Assistance Grant		10.579	11,582	11,582
Total U.S Department of Agriculture - Nutrition Cluster (Cash and Non-cash)			594,719	594,719
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<b>Special Education Cluster:</b>				
Special Education Grants to States (IDEA Part B)	6B-SF-09 6B-SF-10	84.027	114,040	94,095
ARRA		84.391	460,344	470,108
Total Special Education Grants to States			381,567	409,979
			955,951	974,182
Special Education - Preschool Grants	PG-S1-10	84.173	23,608	23,608
ARRA		84.392	10,527	10,621
Total Special Education - Preschool Grants			34,135	34,229
Total Special Education Cluster			990,086	1,008,411
Title II A - Improving Teacher Quality	TRS1-2009 TRS1-2010	84.367	20,010	24,064
Total Title II A - Improving Teacher Quality			117,095	117,119
			137,105	141,183
Title IID Education Technology State Grants	TJ-SI-2009 TJ-SI-2010	84.318	351	351
Total Title IID Education Technology State Grants			5,381	5,381
			5,732	5,732
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-09 C1-S1-10	84.010	104,198	104,239
ARRA		84.389	465,964	469,943
Total Grants to Local Educational Agencies (ESEA Title I)			193,912	194,782
			764,074	768,964
Safe and Drug-Free Schools Grant to States	DR-S1-09 DR-S1-10	84.186	2,349	1,112
Total Safe and Drug-Free Schools Grants			7,687	8,511
			10,036	9,623
ARRA Budget Stabilization		84.394	532,956	532,956
Total U.S. Department of Education			\$2,439,989	\$2,466,869
<b><u>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</u></b>				
<i>Passed through the Ohio Department of Education</i>				
21st Century Grant Community Learning Centers 599 Learn & Serve America -School and Community Based Services	SV-SI-09 SV-SI-10	94.004	488	0
			1,955	2,555
Total Corporation for National & Community Service			2,443	2,555
<b>Total Federal Awards</b>			<b>\$3,037,151</b>	<b>\$3,064,143</b>

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

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE  
JUNE 30, 2010**

**A. SIGNIFICANT ACCOUNTING POLICIES**

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

**B. CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U. S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District expends federal monies first.

**C. FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities. It is assumed federal monies are expended first. At June 30, 2010, the District had no significant food commodities in inventory.





# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Indian Creek Local School District, Jefferson County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

#### **Compliance and Other Matters**

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

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Indian Creek Local School District  
Jefferson County  
Independent Accountants' report on Internal Control  
Over Financial Reporting and on Compliance and Other  
Matters Required by *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 15, 2010.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

December 15, 2010



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### **Compliance**

We have audited the compliance of Indian Creek Local School District (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 could directly and materially affect each of Indian Creek Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Indian Creek Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

#### **Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 15, 2010.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities and others within the District. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 15, 2010

**INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1 84.010, 84.389 Special Education Cluster 84.027,84.391, 84.173 & 84.392 ARRA Budget Stabilization Grant 84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

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

None

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INDIAN CREEK LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Finding for overpayment of severance.	Yes	

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**Mary Taylor, CPA**  
Auditor of State

**INDIAN CREEK LOCAL SCHOOL DISTRICT**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 18, 2011**